

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

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 Number)

500 Park Avenue
New York, N.Y.
(Address of principal executive offices)

10022
(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 Act) Yes No

The aggregate market value of common stock held by non-affiliates of the Registrant on June 29, 2018 based on the closing price on that date of \$20.44 on the NASDAQ Global Select Market was approximately \$812.6 million. For the purposes of calculating this amount only, all directors and executive officers of the Registrant have been treated as affiliates. There were 42,260,826 shares of the Registrant's common stock outstanding as of February 15, 2019.

SOLAR CAPITAL LTD.
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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PART I

Item 1. Business

Solar Capital Ltd. (“Solar”, “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 FASB Accounting Standards Codification (“ASC”) Topic 946. In addition, for tax purposes, we have 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”).

In February 2010, we completed our initial public offering and a concurrent private offering of shares to our senior management team.

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, unitranche loans, leases and to a lesser extent, mezzanine loans and equity securities. We define “middle market” to refer to companies with annual revenues typically between \$50 million and \$1 billion. Our investments in stretch-senior loans represent loans where the amount of senior debt of the portfolio company is larger than a traditional senior secured loan but is less than a unitranche loan. From time to time, we may also invest directly in the debt and equity of public companies that are thinly traded and such investments will not be limited to any minimum or maximum market capitalization. In addition, we may invest in foreign markets, including emerging markets. 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.

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. The securities that we invest in are typically rated below investment grade. Securities rated below investment grade are often referred to as “leveraged loans,” “high yield” or “junk” securities, and may be considered “high risk” compared to debt instruments that are rated investment grade. In addition, some of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. Our investment activities are managed by Solar Capital Partners, LLC (“Solar Capital Partners” or 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 (“Solar Capital Management”) provides the administrative services necessary for us to operate.

As of December 31, 2018, our investment portfolio totaled \$1.5 billion and our net asset value was \$919.2 million. Our portfolio was comprised of debt and equity investments in 117 portfolio companies.

During the fiscal year ended December 31, 2018, we invested approximately \$586 million in over 65 portfolio companies. Investments sold or prepaid during the fiscal year ended December 31, 2018 totaled approximately \$624 million.

Solar Capital Partners

Solar Capital Partners, our investment adviser, is controlled and led by Michael S. Gross, our Chairman and Chief Executive Officer, and Bruce Spohler, our Chief Operating Officer. They are supported by a team of

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dedicated investment professionals. Solar Capital Partners' investment team has extensive experience in leveraged lending and private equity, as well as significant contacts with financial sponsors.

In addition, at December 31, 2018, Solar Capital Partners serves as investment adviser to private funds and managed accounts as well as to Solar Senior Capital Ltd. (or "Solar Senior"), another publicly traded BDC that invests in the senior debt securities of leveraged middle-market companies similar to those we target for investment. Through December 31, 2018, the investment team led by Messrs. Gross and Spohler has invested approximately \$8 billion in more than 360 different portfolio companies approximately 200 different financial sponsors. Since Solar Capital's inception, these investment professionals have used their relationships in the middle-market financial sponsor and financial intermediary community to generate deal flow. As of February 15, 2019, Mr. Gross and Mr. Spohler beneficially owned, either directly or indirectly, approximately 5.7% of our outstanding common stock.

Solar Capital Management

Pursuant to an administration agreement (the "Administration Agreement"), Solar Capital Management furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Under the Administration Agreement, Solar Capital Management also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain and preparing reports to our stockholders. In addition, Solar Capital Management assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Solar Capital Management also provides managerial assistance, if any, on our behalf to those portfolio companies that request such assistance.

Investments

Solar Capital seeks to create a diverse portfolio that includes senior secured loans, stretch-senior secured loans, unitranche loans and to a lesser extent mezzanine loans and equity securities by investing approximately \$5 million to \$100 million of capital, on average, in the securities of leveraged companies, including middle-market companies. We expect that this investment size will vary with the size of our capital base and/or for strategic initiatives. Structurally, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. As such, other creditors may rank senior to us in the event of insolvency. However, mezzanine loans rank senior to common and preferred equity in a borrowers' capital structure. Mezzanine loans may have both elements of debt and equity instruments, offering fixed returns in the form of interest payments associated with senior debt, while providing lenders an opportunity to participate in the capital appreciation of a borrower, if any, through an equity interest. This equity interest may take the form of warrants. Due to its higher risk profile and often less restrictive covenants as compared to senior loans, mezzanine loans generally earn a higher return than senior secured loans. The warrants associated with mezzanine loans, if any, are typically detachable, which allows lenders to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the borrower. Mezzanine loans also may include a "put" feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed formula. We believe that in an appropriate market environment mezzanine loans can offer an attractive investment opportunity based upon their historic returns and resilience during economic downturns.

In addition to senior secured loans, stretch-senior loans, unitranche loans and mezzanine loans, we may invest a portion of our portfolio in opportunistic investments, which are not our primary focus, but are intended to enhance our returns to our investors. These investments may include direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States. The securities that we invest in are typically rated below investment grade. Securities rated below

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investment grade are often referred to as “leveraged loans,” “high yield” or “junk” securities, and may be considered “high risk” compared to debt instruments that are rated investment grade. In addition, some of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity. We may invest up to 30% of our total assets in such opportunistic investments, including loans issued by non-U.S. issuers, subject to compliance with our regulatory obligations as a BDC under the 1940 Act.

We have and will continue to borrow funds to make investments. As a result, we will be exposed to the risks of leverage, which may be considered a speculative investment technique. The use of leverage magnifies the potential for loss on amounts invested and therefore increases the risks associated with investing in our securities. In addition, the costs associated with our borrowings, including any increase in management fees payable to our investment adviser, Solar Capital Partners, will be borne by our common stockholders.

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

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

We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. It may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

Our principal focus is to provide senior secured loans, stretch-senior loans and unitranche loans to leveraged companies in a variety of industries. We generally seek to target companies that generate positive cash flows and/or have substantial assets that secure our loans. We generally seek to invest in companies from the broad variety of industries in which our investment adviser has direct expertise.

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The following is a representative list of the industries in which we may invest:

- Aerospace & Defense
- Air Freight & Logistics
- Airlines
- Asset Management
- Automobiles
- Building Products
- Chemicals
- Commercial Services & Supplies
- Communications Equipment
- Construction & Engineering
- Consumer Finance
- Containers & Packaging
- Distributors
- Diversified Consumer Services
- Diversified Financial Services
- Diversified Real Estate Activities
- Diversified Telecommunications Services
- Education Services
- Energy Equipment & Services
- Food Products
- Footwear
- Health Care Equipment & Supplies
- Health Care Facilities
- Health Care Providers & Services
- Health Care Technology
- Hotels, Restaurants & Leisure
- Industrial Conglomerates
- Insurance
- Internet Services & Infrastructure
- IT Services
- Leisure Equipment & Products
- Life Sciences Tools & Services
- Machinery
- Media
- Multiline Retail
- Multi-Sector Holdings
- Oil, Gas & Consumer Fuels
- Paper & Forest Products
- Personal Products
- Pharmaceuticals
- Professional Services
- Research & Consulting Services
- Road & Rail
- Software
- Specialty Retail
- Textiles, Apparel & Luxury Goods
- Thrifts & Mortgage Finance
- Trading Companies & Distributors
- Utilities
- Wireless Telecommunications Services

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

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds. We may also participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Solar Capital Partners, or an investment adviser controlling, controlled by or under common control with Solar Capital Partners and is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to the conditions of the exemptive order obtained from the Securities and Exchange Commission (“SEC”) on June 13, 2017, which supersedes the exemptive order we originally obtained on July 28, 2014. Pursuant to the exemptive order, we are permitted to co-invest with our affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

At December 31, 2018, our portfolio consisted of 117 portfolio companies and was invested 33.1% in cash flow senior secured loans, 27.8% in asset-based senior secured loans / Crystal Financial LLC (“Crystal”), 21.6% in equipment senior secured financings / NEF Holdings, LLC (“NEF”), and 17.5% in life science senior secured loans, in each case, measured at fair value. We expect that our portfolio will continue to include primarily senior secured, stretch-senior, unitranche loans, leases and to a lesser extent, mezzanine loans as well as equity-related securities. In addition, we also expect to invest a portion of our portfolio in opportunistic investments, which are not our primary focus, but are intended to enhance our risk-adjusted returns to stockholders. These investments may include, but are not limited to, securities of public companies and debt and equity securities of companies located outside of the United States.

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While our primary investment objective is to maximize current income and capital appreciation through investments in U.S. senior and subordinated loans, other debt securities and equity, we may also invest a portion of the portfolio in opportunistic investments, including foreign securities.

Listed below are our top ten portfolio companies and industries based on their fair value and represented as a percentage of total assets as of December 31, 2018 and December 31, 2017:

TOP TEN PORTFOLIO COMPANIES AND INDUSTRIES AS OF DECEMBER 31, 2018

<u>Portfolio Company</u>	<u>% of Total Assets</u>
Crystal Financial LLC*	17.4%
NEF Holdings, LLC*	8.6%
Falmouth Group Holdings Corp. (AMPAC)	2.4%
KORE Wireless Group, Inc.	2.2%
Varilease Finance, Inc.	2.0%
Equipment Operating Leases LLC*	2.0%
PhyMed Management LLC	1.9%
American Teleconferencing Services, Ltd. (PGI)	1.8%
Pet Holdings ULC & Pet Supermarket, Inc.	1.7%
PSKW, LLC & PDR, LLC	1.7%

* Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 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.

<u>Industry</u>	<u>% of Total Assets</u>
Diversified Financial Services	18.5%
Multi-Sector Holdings	14.2%
Health Care Providers & Services	10.0%
Pharmaceuticals	9.0%
Health Care Equipment & Supplies	4.8%
Road & Rail	2.7%
Chemicals	2.4%
Media	2.3%
Wireless Telecommunication Services	2.3%
Communications Equipment	2.2%

TOP TEN PORTFOLIO COMPANIES AND INDUSTRIES AS OF DECEMBER 31, 2017

<u>Portfolio Company</u>	<u>% of Total Assets</u>
Crystal Financial LLC	18.5%
NEF Holdings, LLC	8.9%
Senior Secured Unitranche Loan Program LLC	5.4%
On Location Events, LLC & PrimeSport Holdings Inc.	3.6%
KORE Wireless Group, Inc.	3.3%
Senior Secured Unitranche Loan Program II LLC	3.2%
DISA Holdings Acquisition Subsidiary Corp.	3.1%
Varilease Finance, Inc.	2.9%
PhyMed Management LLC	1.9%
Aegis Toxicology Sciences Corporation	1.8%

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<u>Industry</u>	<u>% of Total Assets</u>
Diversified Financial Services	18.5%
Multi-Sector Holdings	11.8%
Asset Management	9.4%
Health Care Providers & Services	7.1%
Health Care Equipment & Supplies	5.5%
Pharmaceuticals	4.9%
Media	4.5%
Wireless Telecommunication Services	3.3%
Professional Services	3.1%
Communications Equipment	2.9%

Investment Selection Process

Solar Capital Partners is committed to and utilizes a value-oriented investment philosophy with a focus on the preservation of capital and a commitment to managing downside exposure.

Portfolio Company Characteristics

We have identified several criteria that we believe are important in identifying and investing in prospective portfolio companies. These criteria provide general guidelines for our investment decisions; however, not all of these criteria will be met by each prospective portfolio company in which we choose to invest.

Stable Earnings and Strong Free Cash Flow. We seek to invest in companies who have demonstrated stable earnings through economic cycles. We target companies that can de-lever through consistent generation of cash flows rather than relying solely on growth to service and repay our loans.

Value Orientation. Our investment philosophy places a premium on fundamental analysis from an investor's perspective and has a distinct value orientation. We focus on companies in which we can invest at relatively low multiples of operating cash flow and that are profitable at the time of investment on an operating cash flow basis.

Value of Assets. The prospective value of the assets, if any, that collateralizes the loans in which we invest, is an important factor in our credit analysis. Our analysis emphasizes both tangible assets, such as accounts receivable, inventory, equipment and real estate, and intangible assets, such as intellectual property, customer lists, networks and databases. In some of our transactions the company's fundings may be derived from a borrowing base determined by the value of the company's assets.

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

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

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

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

In addition, we also seek to invest in companies whose business models and expected future cash flows or cash positions offer attractive exit possibilities. These companies include candidates for strategic acquisition by other industry participants and companies that may repay our investments through an initial public offering of common stock or another capital market transaction. We underwrite our investments on a held-to-maturity basis, but expensive capital is often repaid prior to stated maturity.

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

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

Solar Capital's investment team works in concert with sponsors to proactively manage investment opportunities by acting as a partner throughout the investment process. We actively focus on the middle-market financial sponsor community, with a particular focus on the upper-end of the middle-market (sponsors with equity funds of \$800 million to \$3 billion). We favor such sponsors because they typically:

- buy larger companies with strong business franchises;
- invest significant amounts of equity in their portfolio companies;
- value flexibility and creativity in structuring their transactions;
- possess longer track records over multiple investment funds;
- have a deeper management bench;
- have better ability to withstand downturns; and
- possess the ability to support portfolio companies with additional capital.

We divide our coverage of these sponsors among our more senior investment professionals, who are responsible for day-to-day interaction with financial sponsors. Our coverage approach aims to act proactively, consider all investments in the capital structure, provide quick feedback, deliver on commitments, and are constructive throughout the life cycle of an investment.

Due Diligence

Our "private equity" approach to credit investing typically incorporates extensive in-depth due diligence often alongside the private equity sponsor. In conducting due diligence, we will use publicly available information as well as information from relationships with former and current management teams, consultants, competitors and investment bankers. We believe that our due diligence methodology allows us to screen a high volume of potential investment opportunities on a consistent and thorough basis.

Our due diligence typically includes:

- review of historical and prospective financial information;

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- review and valuation of assets;
- research relating to the company's management, industry, markets, products and services and competitors;
- on-site visits;
- discussions with management, employees, customers or vendors of the potential portfolio company;
- review of senior loan documents; and
- background investigations.

We also expect to evaluate the private equity sponsor making the investment. Further, due to Solar Capital Partners' considerable repeat business with sponsors, we have direct experience with the management teams of many sponsors. A private equity sponsor is typically the controlling stockholder upon completion of an investment and as such is considered critical to the success of the investment. The equity sponsor is evaluated along several key criteria, including:

- investment track record;
- industry experience;
- capacity and willingness to provide additional financial support to the company through additional capital contributions, if necessary; and
- reference checks.

Throughout the due diligence process, a deal team is in constant dialogue with the management team of the company in which we are considering to invest to ensure that any concerns are addressed as early as possible through the process and that unsuitable investments are filtered out before considerable time has been invested.

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

The Investment Committee

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

Investment Structure

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

We invest in portfolio companies primarily in the form of senior secured loans, stretch-senior loans, unitranche loans and to a lesser extent mezzanine investments. With respect to our senior secured loans, we seek to obtain security interests in the assets of our portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first or second priority liens on the assets of a portfolio company.

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

Typically, our senior secured, stretch-senior, unitranche and mezzanine loans have final maturities of five to ten years. However, we expect that our portfolio companies often may repay these loans early, generally within three to four years from the date of initial investment. In some cases and when available, we seek to structure these loans with prepayment premiums to capture foregone interest.

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

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

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

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

Ongoing Relationships with Portfolio Companies

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

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

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

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

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

We use an investment rating scale of 1 to 4. The following is a description of the conditions associated with each investment rating:

Investment Rating	Summary Description
1	Involves the least amount of risk in our portfolio, the portfolio company is performing above expectations, and the trends and risk factors are generally favorable (including a potential exit)
2	Risk that is similar to the risk at the time of origination, the portfolio company is performing as expected, and the risk factors are neutral to favorable; all new investments are initially assessed a grade of 2
3	The portfolio company is performing below expectations, may be out of compliance with debt covenants, and requires procedures for closer monitoring
4	The investment is performing well below expectations and is not anticipated to be repaid in full

Solar Capital Partners monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. As of December 31, 2018 and December 31, 2017, the weighted average investment rating on the fair market value of our portfolio was a 2. In connection with our valuation process, Solar Capital Partners reviews these investment ratings on a quarterly basis.

Valuation Procedures

We conduct the valuation of our assets, pursuant to which our net asset value shall be determined, at all times consistent with U.S. generally accepted accounting principles (“GAAP”) and the 1940 Act and generally value our assets on a quarterly basis, or more frequently if required. 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 Solar Capital Partners, 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

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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 Solar Capital Partners responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with senior management of Solar Capital Partners;
- (3) independent valuation firms engaged by our Board conduct independent appraisals and review Solar Capital Partners' preliminary valuations and make their own independent assessment for all material assets;
- (4) the audit committee of the Board reviews the preliminary valuation of Solar Capital Partners 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 Solar Capital Partners, 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 fiscal year ended December 31, 2018, there has been no change to the Company's valuation 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.

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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.

Competition

Our primary competitors provide financing to middle-market companies and include other business development companies, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity funds. Additionally, alternative investment vehicles, such as hedge funds, frequently invest in middle-market companies. As a result, competition for investment opportunities at middle-market companies can be intense. While many middle-market companies were previously able to raise senior debt financing through traditional large financial institutions, we believe this approach to financing will become more difficult as implementation of U.S. and international financial reforms limits the capacity of large financial institutions to hold non-investment grade leveraged loans on their balance sheets. We believe that many of these financial institutions have de-emphasized their service and product offerings to middle-market companies in particular.

Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. We use the industry information available to Messrs. Gross and Spohler and the other investment professionals of Solar Capital Partners to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we believe that the relationships of Messrs. Gross and Spohler and the other investment professionals of our investment adviser enable us to learn about, and compete effectively for, financing opportunities with attractive leveraged companies in the industries in which we seek to invest.

Staffing

We do not currently have any employees. Mr. Gross, our Chairman and Chief Executive Officer, and Mr. Spohler, our Chief Operating Officer and board member, are managing members and senior investment professionals of, and have financial and controlling interests in, Solar Capital Partners. In addition, Mr. Peteka, our Chief Financial Officer, Treasurer and Corporate Secretary serves as the Chief Financial Officer for Solar Capital Partners. Guy Talarico, our Chief Compliance Officer, is the Chief Executive Officer of Alaric Compliance Services, LLC, and performs his functions as our Chief Compliance Officer under the terms of an agreement between Solar Capital Management and Alaric Compliance Services, LLC. Solar Capital Management has retained Mr. Talarico and Alaric Compliance Services, LLC pursuant to its obligations under our Administration Agreement.

Our day-to-day investment operations are managed by Solar Capital Partners. Based upon its needs, Solar Capital Partners may hire additional investment professionals. In addition, we will reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, and the allocable portion of the cost of the company's chief compliance officer and chief financial officer and their respective staffs.

Sarbanes-Oxley Act of 2002

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

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

The Sarbanes-Oxley Act of 2002 requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act of 2002 and will take actions necessary to ensure that we are in compliance therewith.

Business Development Company Regulations

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

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

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

As a BDC, we had been required to meet an asset coverage ratio, reflecting the value of our total assets to our total senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200%. However, our stockholders have approved a resolution permitting us to be subject to a 150% asset coverage ratio effective as of October 12, 2018. We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our directors who are not interested persons and, in some cases, prior approval by the SEC.

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The Small Business Credit Availability Act (“SBCA”) instructs the SEC to issue rules or amendments to rules allowing BDCs to use the same securities offering and proxy rules that are available to operating companies, including, among other things, allowing BDCs to incorporate by reference in registration statements filed with the SEC and allow certain BDCs to file shelf registration statements that are automatically effective and take advantage of other benefits available to Well-Known Seasoned Issuers; however, as of the date of this filing, we do not know when the rules relating to this legislation will become effective.

We are generally not able to issue and sell our common stock at a price below net asset value per share without annual stockholder approval. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. At our Annual Meeting of Stockholders on October 11, 2018, our stockholders approved a proposal authorizing us to sell up to 25% of our common stock at a price below our then-current asset value per share, subject to the approval by our board of directors for the offering. This authorization expires on the earlier of October 11, 2019 and the date of our 2019 Annual Meeting of Stockholders. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a BDC, we were substantially limited in our ability to co-invest in privately negotiated transactions with affiliated funds until we obtained an exemptive order from the SEC on July 28, 2014 (the “Prior Exemptive Order”). The Prior Exemptive Order permitted us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser was Solar Capital Partners, in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to the conditions to the Prior Exemptive Order. On June 13, 2017, the Company, Solar Senior Capital Ltd., and Solar Capital Partners, et al., received an exemptive order that supersedes the Prior Exemptive Order (the “New Exemptive Order”) and extends the relief granted in the Prior Exemptive Order such that it no longer applies to certain affiliates only if their respective investment adviser is Solar Capital Partners, but also applies to certain affiliates whose investment adviser is an investment adviser that controls, is controlled by or is under common control with Solar Capital Partners and is registered as an investment adviser under the Advisers Act. The terms and conditions of the New Exemptive Order are otherwise substantially similar to the Prior Exemptive Order. If we are unable to rely on the New Exemptive 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 our investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, we and our common 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 our investment adviser.

We will be periodically examined by the SEC for compliance with the federal securities laws, including the 1940 Act.

Qualifying Assets

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

- (1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible

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portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

- (a) is organized under the laws of, and has its principal place of business in, the United States;
 - (b) is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
 - (c) satisfies any of the following:
 - i.) does not have any class of securities that is traded on a national securities exchange;
 - ii.) has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million;
 - iii.) is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
 - iv.) is a small and solvent company having total assets of not more than \$4.0 million and capital and surplus of not less than \$2.0 million.
- (2) Securities of any eligible portfolio company which we control, which, as defined by the 1940 Act, is presumed to exist where a BDC beneficially owns more than 25% of the outstanding voting securities of the portfolio company.
 - (3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.
 - (4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.
 - (5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.
 - (6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.
 - (7) Office furniture and equipment, interests in real estate and leasehold improvements and facilities maintained to conduct the business operations of the BDC, deferred organization and operating expenses, and other noninvestment assets necessary and appropriate to its operations as a BDC, including notes of indebtedness of directors, officers, employees, and general partners held by a BDC as payment for securities of such company issued in connection with an executive compensation plan described in Section 57(j) of the 1940 Act.

Under Section 55(b) of the 1940 Act, the value of a BDC's assets shall be determined as of the date of the most recent financial statements filed by such company with the SEC pursuant to Section 13 of the 1934 Act, and shall be determined no less frequently than annually.

Significant Managerial Assistance to Portfolio Companies

As a BDC, we offer, and must provide upon request, significant managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of

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portfolio companies and providing other organizational and financial guidance. We may also receive fees for these services. Solar Capital Management provides such managerial assistance, if any, on our behalf to portfolio companies that request this assistance.

Temporary Investments

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

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 150% immediately after each such issuance. In addition, while certain senior securities remain outstanding, we may be required to make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. We may borrow money, which would magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Code of Ethics

We and Solar Capital Partners have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Advisers Act, respectively, that establishes procedures for personal investments and restricts certain transactions by our personnel. Our codes of ethics generally do not permit investments by our employees in securities that may be purchased or held by us. Each code of ethics is available on the EDGAR Database on the SEC’s Internet site at <http://www.sec.gov>. You may also obtain copies of the codes of ethics, after paying a duplicating fee, by electronic request at the following Email address: publicinfo@sec.gov.

Compliance Policies and Procedures

We and our investment adviser have adopted and implemented written policies and procedures reasonably designed to detect and prevent violation of the federal securities laws. We are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation and to designate a chief compliance officer to be responsible for their administration. Guy Talarico currently serves as our Chief Compliance Officer.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to our investment adviser. A summary of the Proxy Voting Policies and Procedures of our adviser are set forth below. The guidelines are reviewed periodically by the adviser and our non-interested directors, and, accordingly, are subject to change.

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As an investment adviser registered under the Advisers Act, Solar Capital Partners has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, it recognizes that it must vote securities held by its clients in a timely manner free of conflicts of interest. These policies and procedures for voting proxies for investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Our investment adviser votes proxies relating to our portfolio securities in the best interest of our stockholders. Solar Capital Partners reviews on a case-by-case basis each proposal submitted for a proxy vote to determine its impact on our investments. Although it generally votes against proposals that may have a negative impact on our investments, it may vote for such a proposal if there exists compelling long-term reasons to do so. The proxy voting decisions of our investment adviser are made by the senior investment professionals who are responsible for monitoring each of our investments. To ensure that our vote is not the product of a conflict of interest, it requires that: (i) anyone involved in the decision making process disclose to a managing member of Solar Capital Partners any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

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

Privacy Principles

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

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

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

Taxation as a Regulated Investment Company

As a BDC, we elected to be treated, and intend to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To continue to qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to qualify for RIC tax treatment we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which generally is our ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses (the "Annual Distribution Requirement"). If we qualify as a RIC and satisfy the Annual Distribution Requirement, then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) we distribute (or are deemed to distribute) to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed not distributed) to our stockholders.

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We will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, and on which we paid no U.S. federal income tax, in preceding years (the “Excise Tax Avoidance Requirement”).

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

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

The Regulated Investment Company Modernization Act of 2010, which was generally effective for 2011 and subsequent tax years, provides some relief from RIC disqualification due to failures of the income and asset diversification requirements, although there may be additional taxes due in such cases.

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

Because we may use debt financing, we will be subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources or are otherwise limited in our ability to make distributions, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things: (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions; (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income; (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited); (iv) cause us to recognize income or gain without a corresponding receipt of cash; (v) adversely affect

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the time as to when a purchase or sale of securities is deemed to occur; (vi) adversely alter the characterization of certain complex financial transactions; and (vii) produce income that will not be qualifying income for purposes of the 90% gross income test described above. We will monitor our transactions and may make certain tax elections in order to mitigate the potential adverse effect of these provisions.

Gain or loss realized by us from the sale or exchange of warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. The treatment of such gain or loss as long-term or short-term will depend on how long we held a particular warrant. Upon the exercise of a warrant acquired by us, our tax basis in the stock purchased under the warrant will equal the sum of the amount paid for the warrant plus the strike price paid on the exercise of the warrant.

Failure to Qualify as a Regulated Investment Company

If we were unable to qualify for treatment as a RIC, we would be subject to U.S. federal income tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Such distributions would be taxable to our stockholders as dividends and, provided certain holding period and other requirements were met, could qualify for treatment as “qualified dividend income” in the hands of non-corporate stockholders (and thus eligible for the current 20% maximum rate) to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder’s tax basis, and any remaining distributions would be treated as a capital gain. To requalify as a RIC in a subsequent taxable year, we would be required to satisfy the RIC qualification requirements for that year and dispose of any earnings and profits from any year in which we failed to qualify as a RIC. Subject to a limited exception applicable to RICs that qualified as such under Subchapter M of the Code for at least one year prior to disqualification and that requalify as a RIC no later than the second year following the non-qualifying year, we could be subject to tax on any unrealized net built-in gains in the assets held by us during the period in which we failed to qualify as a RIC that are recognized within the subsequent 5 years, unless we made a special election to pay corporate-level U.S. federal income tax on such built-in gain at the time of our requalification as a RIC.

Investment Advisory Fees

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

The base management fee is calculated at an annual rate of 1.75% of our gross assets. Effective January 1, 2018, the annual rate for the base management fee changed from 2.00% to 1.75%. Effective August 2, 2018, the annual rate is 1.00% on gross assets that exceed 200% of the Company’s total net assets as of the immediately preceding quarter end. For services rendered under the Investment Advisory and Management Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters. 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.

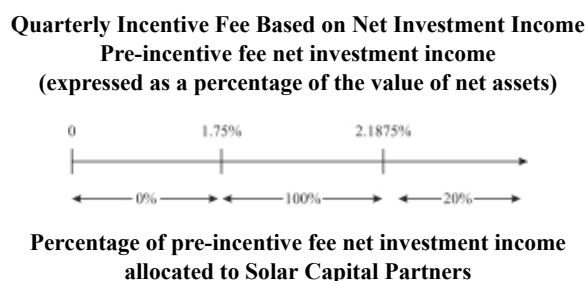
The performance-based incentive fee has two parts, as follows: one is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies)

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accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement to Solar Capital Management, and any interest expense and dividend paid on any issued and outstanding preferred stock, but excluding the performance-based incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay in kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 1.75% per quarter (7.00% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 1.75% base management fee. We pay Solar Capital Partners an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no performance-based incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle of 1.75%;
- 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 2.1875% in any calendar quarter (8.75% annualized). We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle but is less than 2.1875%) as the “catch-up.” The “catch-up” is meant to provide our investment adviser with 20% of our pre-incentive fee net investment income as if a hurdle did not apply if this net investment income exceeds 2.1875% in any calendar quarter; and
- 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to Solar Capital Partners (once the hurdle is reached and the catch-up is achieved, 20% of all pre-incentive fee investment income thereafter is allocated to Solar Capital Partners).

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



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

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement, as of the termination date), and equals 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees with respect to each of the investments in our portfolio.

Examples of Quarterly Incentive Fee Calculation

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

Alternative 1:

Assumptions

Investment income (including interest, dividends, fees, etc.) = 1.25%

Hurdle rate (1) = 1.75%

Management fee (2) = 0.4375%

Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%

Pre-incentive fee net investment income

$$(\text{investment income} - (\text{management fee} + \text{other expenses})) = 0.6125\%$$

Pre-incentive net investment income does not exceed hurdle rate, therefore there is no incentive fee.

Alternative 2:

Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.70%

Hurdle rate (1) = 1.75%

Management fee (2) = 0.4375%

Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%

Pre-incentive fee net investment income

$$(\text{investment income} - (\text{management fee} + \text{other expenses})) = 2.0625\%$$

Incentive fee = 100% × pre-incentive fee net investment income, subject to the “catch-up” (4)

$$= 100\% \times (2.0625\% - 1.75\%)$$

$$= 0.3125\%$$

Alternative 3:

Assumptions

Investment income (including interest, dividends, fees, etc.) = 3.00%

Hurdle rate (1) = 1.75%

Management fee (2) = 0.4375%

Other expenses (legal, accounting, custodian, transfer agent, etc.) (3) = 0.20%

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Pre-incentive fee net investment income

$$(\text{investment income} - (\text{management fee} + \text{other expenses})) = 2.3625\%$$

Incentive fee = 20% × pre-incentive fee net investment income, subject to “catch-up” (4)

$$\text{Incentive fee} = 100\% \times \text{“catch-up”} + (20\% \times (\text{pre-incentive fee net investment income} - 2.1875\%))$$

$$\text{Catch-up} = 2.1875\% - 1.75\%$$

$$= 0.4375\%$$

$$\text{Incentive fee} = (100\% \times 0.4375\%) + (20\% \times (2.3625\% - 2.1875\%))$$

$$= 0.4375\% + (20\% \times 0.175\%)$$

$$= 0.4375\% + 0.035\%$$

$$= 0.4725\%$$

(*) The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.

(1) Represents 7% annualized hurdle rate.

(2) Represents 1.75% annualized management fee.

(3) Excludes organizational and offering expenses.

(4) The “catch-up” provision is intended to provide our investment adviser with an incentive fee of 20% on all of our pre-incentive fee net investment income as if a hurdle rate did not apply when our net investment income exceeds 2.1875% in any calendar quarter.

Example 2: Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions

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

The capital gains portion of the incentive fee would be:

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

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

- Year 4: Capital gains incentive fee of \$200,000

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

Alternative 2:

Assumptions

- Year 1: \$20 million investment made in Company A (“Investment A”), \$30 million investment made in Company B (“Investment B”) and \$25 million investment made in Company C (“Investment C”)
- Year 2: Investment A sold for \$50 million, FMV of Investment B determined to be \$25 million and FMV of Investment C determined to be \$25 million
- Year 3: FMV of Investment B determined to be \$27 million and Investment C sold for \$30 million
- Year 4: FMV of Investment B determined to be \$24 million
- Year 5: Investment B sold for \$20 million

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

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

20% multiplied by \$25 million (\$30 million realized capital gains on Investment A less unrealized capital depreciation on Investment B)

- Year 3: \$1.4 million capital gains incentive fee(1)

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

- Year 4: None
- Year 5: None

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

- (1) As illustrated in Year 3 of Alternative 2 above, if Solar Capital were to be wound up on a date other than December 31 of any year, Solar Capital may have paid aggregate capital gain incentive fees that are more than the amount of such fees that would be payable if Solar Capital had been wound up on December 31 of such year.

Payment of Our Expenses

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

- the cost of 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;

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- 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 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 and the allocable portion of the cost of our chief compliance officer and our chief financial officer and their respective staffs.

Available Information

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is (<http://www.sec.gov>).

Our internet address is www.solarcapltd.com. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference into this annual report on Form 10-K, and you should not consider information contained on our website to be part of this annual report on Form 10-K.

Item 1A. Risk Factors

Before you invest in our securities, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this annual report on Form 10-K, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline or the value of our preferred stock, debt securities, subscription rights or warrants may decline, and you may lose all or part of your investment.

Risks Related to Our Investments

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we target in leveraged companies. We compete with other BDCs, public and private funds, commercial and investment banks,

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commercial financing companies and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we have, which could allow them to consider a wider variety of investments and establish more relationships and offer better pricing and a more flexible structure than we are able to do. Furthermore, many of our potential competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. If we are unable to source attractive investments, we may hold a greater percentage of our assets in cash and cash equivalents than anticipated, which could impact potential returns on our portfolio. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

Participants in our industry compete on several factors, including price, flexibility in transaction structure, customer service, reputation, market knowledge and speed in decision-making. We do not seek to compete primarily based on the interest rates we will offer, and we believe that some of our competitors may make loans with interest rates that will be comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss.

Our investments are very risky and highly speculative.

We invest primarily in senior secured term loans, stretch-senior loans unitranche loans, mezzanine loans and preferred securities, and select equity investments issued by leveraged companies.

Senior Secured Loans. When we make a senior secured term loan investment, including stretch-senior and unitranche loan investments, in a portfolio company, we generally take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which we expect to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital, and, in some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

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

Equity Investments. When we invest in senior secured loans, stretch-senior loans, unitranche loans, mezzanine loans or preferred securities, we may acquire common equity securities as well. In certain other unique circumstances we may also make equity investments in businesses that make senior loans and/or leases, such as our investments in Crystal Financial LLC and NEF Holdings LLC. In addition, we may invest directly in the equity securities of portfolio companies without limitation as to market capitalization. For instance, we may invest in thinly traded companies, the prices of which may be subject to erratic market movement. Our goal is ultimately to exit such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may

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not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

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

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

The lack of liquidity in our investments may make it difficult for us to dispose of our investments at a favorable price, which may adversely affect our ability to meet our investment objectives.

We generally make investments in private companies. We invest and expect to continue investing in companies whose securities have no established trading market and whose securities are and will be subject to legal and other restrictions on resale or whose securities are and will be less liquid than are publicly-traded securities. Investments purchased by us that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the investments, market events, economic conditions or investor perceptions. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. However, to maintain our qualification as a BDC and as a RIC, we may have to dispose of investments if we do not satisfy one or more of the applicable criteria under the respective regulatory frameworks. Domestic and foreign markets are complex and interrelated, so that events in one sector of the world markets or economy, or in one geographical region, can reverberate and have materially negative consequences for other markets, economic or regional sectors in a manner that may not be foreseen and which may negatively impact the liquidity of our investments and materially harm our business. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

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

Our portfolio may be concentrated in a limited number of portfolio companies and industries. For example, as of December 31, 2018, our investments in Crystal Financial LLC and NEF Holdings LLC comprised 17.4%

and 8.6%, respectively, of our total assets and our investments in diversified financial services and multi-sector holdings industries comprised 18.5% and 14.2%, respectively, of our total assets. Beyond the asset diversification requirements associated with our qualification as a RIC under Subchapter M of the Code, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, our investments may be concentrated in relatively few industries or portfolio companies. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

Our investments in securities rated below investment grade are speculative in nature and are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates.

The securities that we invest in are typically rated below investment grade. Securities rated below investment grade are often referred to as “leveraged loans,” “high yield” or “junk” securities, and may be considered “high risk” compared to debt instruments that are rated investment grade. High yield securities are regarded as having predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, high yield securities generally offer a higher current yield than that available from higher grade issues, but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities. In addition, many of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity.

Price declines and illiquidity in the corporate debt markets have adversely affected, and may continue to adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation. Any unrealized depreciation that we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution and could adversely affect our ability to service our outstanding borrowings.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our board of directors. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Any unrealized depreciation in our loan portfolio could be an indication of a portfolio company’s inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods and could materially adversely affect our ability to service our outstanding borrowings. Depending on market conditions, we could incur substantial losses in future periods, which could further reduce our net asset value and have a material adverse impact on our business, financial condition and results of operations.

Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.

The current worldwide financial market situation, as well as various social and political tensions in the United States and around the world, may contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause economic uncertainties or deterioration in the United States and worldwide. The U.S. and global capital markets experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several

consecutive calendar quarters during the same period. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt, which created concerns about the ability of certain nations to continue to service their sovereign debt obligations. Risks resulting from such debt crisis, including any austerity measures taken in exchange for bailout of certain nations, and any future debt crisis in Europe or any similar crisis elsewhere could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in certain countries and the financial condition of financial institutions generally. In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union (“Brexit”) and, subsequently, on March 29, 2017, the U.K. government began the formal process of leaving the European Union, which is set to occur on March 29, 2019. Brexit created political and economic uncertainty and instability in the global markets (including currency and credit markets), and especially in the United Kingdom and the European Union, and this uncertainty and instability may last indefinitely. Because the U.K. Parliament rejected Prime Minister Theresa May’s proposed Brexit deal with the European Union in January 2019, there is increased uncertainty on the timing of Brexit. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal and monetary policies of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets.

The Republican Party currently controls the executive branch and the senate portion of the legislative branch of government, which increases the likelihood that legislation may be adopted that could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Wall Street Reform and Consumer Protection Act and the authority of the Federal Reserve and the Financial Stability Oversight Council. For example, in March 2018, the U.S. Senate passed a bill that eased financial regulations and reduced oversight for certain entities. The United States may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the United States. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the United States. Such actions could have a significant adverse effect on our business, financial condition and results of operations. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act, which increased from \$50 billion to \$250 billion the asset threshold for designation of “systemically important financial institutions” or “SIFIs” subject to enhanced prudential standards set by the Federal Reserve Board, staggering application of this change based on the size and risk of the covered bank holding company. On May 30, 2018, the Federal Reserve Board voted to consider changes to the Volcker Rule that would loosen compliance requirements for all banks. The effect of this change and any further rules or regulations are and could be complex and far-reaching, and the change and any future laws or regulations or changes thereto could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations.

Volatility or a prolonged disruption in the credit markets could materially damage our business.

We are required to record our assets at fair value, as determined in good faith by our board of directors, in accordance with our valuation policy. As a result, volatility in the capital markets may have a material adverse effect on our valuations and our net asset value, even if we hold investments to maturity. Volatility or dislocation in the capital markets may depress our stock price below our net asset value per share and create a challenging environment in which to raise equity and debt capital. These conditions could continue for a prolonged period of time or worsen in the future. While these conditions persist, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. Equity capital may be

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difficult to raise because, subject to some limited exceptions which apply to us, as a BDC we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. At our 2018 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 11, 2018 and expiring on the earlier of the one-year anniversary of the date of the 2018 Annual Stockholders Meeting and the date of our 2019 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. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 150% immediately after each time we incur indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Additionally, our ability to incur indebtedness is limited by the asset coverage ratio for a BDC, as defined under the 1940 Act. Declining portfolio values negatively impact our ability to borrow additional funds because our net asset value is reduced for purposes of the asset coverage ratio. If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratio stipulated by the 1940 Act, which could, in turn, cause us to lose our status as a BDC and materially impair our business operations. A lengthy disruption in the credit markets could also materially decrease demand for our investments.

The significant disruption in the capital markets experienced in the past has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. The debt capital that may be available to us in the future may be at a higher cost and have less favorable terms and conditions than those currently in effect. If our financing costs increase and we have no increase in interest income, then our net investment income will decrease. A prolonged inability to raise capital may require us to reduce the volume of investments we originate and could have a material adverse impact on our business, financial condition and results of operations. This may also increase the probability that other structural risks negatively impact us. These situations may arise due to circumstances that we may be unable to control, such as a lengthy disruption in the credit markets, a severe decline in the value of the U.S. dollar, a sharp economic downturn or recession or an operational problem that affects third parties or us, and could materially damage our business, financial condition and results of operations.

If we cannot obtain additional capital because of either regulatory or market price constraints, we could be forced to curtail or cease our new lending and investment activities, our net asset value could decrease and our level of distributions and liquidity could be affected adversely.

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

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

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 derivatives 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 have 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 BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of 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. For example, On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities. The future of LIBOR at this time is uncertain. 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.

Economic recessions or downturns could impair the ability of our portfolio companies to repay loans and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during these periods as we are required to record the values of our investments. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments at fair value. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and result in our receipt of a reduced level of interest income from our portfolio companies and/or losses or charge offs related to our investments, and, in turn, may adversely affect distributable income and have a material adverse effect on our results of operations.

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

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These portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities and greater number of qualified and experienced managerial and technical personnel. They may need additional financing that they are unable to secure and that we are unable or unwilling to provide, or they may be subject to adverse developments unrelated to the technologies they acquire.

We may suffer a loss if a portfolio company defaults on a loan and the underlying collateral is not sufficient.

In the event of a default by a portfolio company on a secured loan, we will only have recourse to the assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. In addition, we sometimes make loans that are unsecured, which are subject to the risk that other lenders may be directly secured by the assets of the portfolio company. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying assets. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the portfolio company prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets.

In the event of bankruptcy of a portfolio company, we may not have full recourse to its assets in order to satisfy our loan, or our loan may be subject to equitable subordination. In addition, certain of our loans are subordinate to other debt of the portfolio company. If a portfolio company defaults on our loan or on debt senior to our loan, or in the event of a portfolio company bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of inter-creditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through “standstill” periods) and control decisions made in bankruptcy proceedings relating to the portfolio company. Bankruptcy and portfolio company litigation can significantly increase collection losses and the time needed for us to acquire the underlying collateral in the event of a default, during which time the collateral may decline in value, causing us to suffer further losses.

If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a portfolio company may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a portfolio company’s ability to refinance our loan because the underlying collateral cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer a loss which may adversely impact our financial performance.

The business, financial condition and results of operations of our portfolio companies could be adversely affected by worldwide economic conditions, as well as political and economic conditions in the countries in which they conduct business.

The business and operating results of our portfolio companies may be impacted by worldwide economic conditions. Although the U.S. economy has in recent years shown signs of recovery from the 2008–2009 global recession, the strength and duration of any economic recovery will be impacted by worldwide economic growth. For instance, concerns of economic slowdown in China and other emerging markets and signs of deteriorating sovereign debt conditions in Europe could lead to disruption and instability in the global financial markets. The significant debt in the United States and European countries is expected to hinder growth in those countries for the foreseeable future. In the future, the U.S. government may not be able to meet its debt payments unless the federal debt ceiling is raised. If legislation increasing the debt ceiling is not enacted, as needed, and the debt ceiling is reached, the U.S. federal government may stop or delay making payments on its obligations. Any default by the U.S. government on its obligations or any prolonged U.S. government shutdown could negatively impact the U.S. economy and our portfolio companies. Multiple factors relating to the international operations of some of our portfolio companies and to particular countries in which they operate could negatively impact their business, financial condition and results of operations.

Some of the products of our portfolio companies are developed, manufactured, assembled, tested or marketed outside the United States. Any conflict or uncertainty in these countries, including due to natural disasters, public health concerns, political unrest or safety concerns, could harm their business, financial condition and results of operations. In addition, if the government of any country in which their products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm their businesses.

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

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in order to: (i) increase or maintain in whole or in part our ownership percentage; (ii) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (iii) attempt to preserve or enhance the value of our investment. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. We will have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, either because we prefer other opportunities or because we are subject to BDC requirements that would prevent such follow-on investments or the desire to maintain our RIC tax treatment.

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

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

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be prepaid prior to maturity. When this occurs, we may reduce our borrowings outstanding or reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments, if any, will typically have substantially lower yields than the debt investment being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt investment that was prepaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

We structure the debt investments in our portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company's business and its financial condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of our receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay distributions, could adversely affect our results of operation and financial condition and cause the loss of all or part of your investment.

Our loans could be subject to equitable subordination by a court which would increase our risk of loss with respect to such loans.

Courts may apply the doctrine of equitable subordination to subordinate the claim or lien of a lender against a borrower to claims or liens of other creditors of the borrower, when the lender or its affiliates is found to have engaged in unfair, inequitable or fraudulent conduct. The courts have also applied the doctrine of equitable subordination when a lender or its affiliates is found to have exerted inappropriate control over a client, including control resulting from the ownership of equity interests in a client. We have made direct equity investments or received warrants in connection with loans. Payments on one or more of our loans, particularly a loan to a client in which we may also hold an equity interest, may be subject to claims of equitable subordination. If we were deemed to have the ability to control or otherwise exercise influence over the business and affairs of one or more of our portfolio companies resulting in economic hardship to other creditors of that company, this control or influence may constitute grounds for equitable subordination and a court may treat one or more of our loans as if it were unsecured or common equity in the portfolio company. In that case, if the portfolio company were to liquidate, we would be entitled to repayment of our loan on a pro-rata basis with other unsecured debt or, if the effect of subordination was to place us at the level of common equity, then on an equal basis with other holders of the portfolio company's common equity only after all of its obligations relating to its debt and preferred securities had been satisfied.

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

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

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

We invest primarily in senior secured loans, stretch-senior loans, unitranche loans, mezzanine loans, preferred securities, and equity securities issued by our portfolio companies. Our portfolio companies typically have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of

interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. Any such limitations on the ability of our portfolio companies to make principal or interest payments to us, if at all, may reduce our net asset value and have a negative material adverse impact to our business, financial condition and results of operation.

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

Our investment strategy contemplates potential investments in debt securities of foreign companies, including emerging market companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. These risks may be more pronounced for portfolio companies located or operating primarily in emerging markets, whose economies, markets and legal systems may be less developed.

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

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

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

The success of our hedging transactions will depend on our ability to correctly predict movements in currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may

not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations. To the extent we engage in hedging transactions, we also face the risk that counterparties to the derivative instruments we hold may default, which may expose us to unexpected losses from positions where we believed that our risk had been appropriately hedged.

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

Our investment adviser manages other funds, including other BDCs, and may manage other entities in the future. The track record and achievements of these other entities are not necessarily indicative of future results that will be achieved by our investment adviser because these other entities may have investment objectives and strategies that differ from ours. Additionally, although in the past our senior investment professionals held senior positions at a number of investment firms, their track record and achievements are not necessarily indicative of future results that will be achieved by our investment adviser. In their roles at such other firms, our senior investment professionals were part of investment teams, and they were not solely responsible for generating investment ideas. In addition, such investment teams arrived at investment decisions by consensus.

Risks Relating to an Investment in Our Securities

Our shares may trade at a substantial discount from net asset value and may continue to do so over the long term.

Shares of BDCs may trade at a market price that is less than the net asset value that is attributable to those shares. The possibility that our shares of common stock will trade at a substantial discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. We cannot predict whether shares of our common stock will trade above, at or below our net asset value in the future. If our common stock trades below its net asset value, we will generally not be able to issue additional shares or sell our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. At our 2018 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 11, 2018 and expiring on the earlier of the one-year anniversary of the date of the 2018 Annual Stockholders Meeting and the date of our 2019 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.

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

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

- price and volume fluctuations in the overall stock market from time to time;

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- investor demand for our shares;
- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- exclusion of our common stock from certain market indices, such as the Russell 2000 Financial Services Index, which could reduce the ability of certain investment funds to own our common stock and put short-term selling pressure on our common stock;
- changes in regulatory policies or tax guidelines with respect to RICs or BDCs;
- failure to qualify as a RIC, or the loss of RIC tax treatment;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- changes, or perceived changes, in the value of our portfolio investments;
- departures of Solar Capital Partners' key personnel;
- operating performance of companies comparable to us;
- changes in the prevailing interest rates;
- loss of a major funding source; or
- general economic conditions and trends and other external factors.

Our business and operation could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently. While we are currently not subject to any securities litigation or shareholder activism, due to the potential volatility of our stock price and for a variety of other reasons, we may in the future become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management's and our board of directors' attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and shareholder activism.

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

We intend to make distributions on a quarterly basis to our stockholders 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 or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. To the extent we make distributions to stockholders which include a return of capital, that portion of the distribution essentially constitutes a return of the stockholders' investment. Although such return of capital may not be taxable, such distributions may increase an investor's tax liability for capital gains upon the future sale of our common stock.

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As a RIC, if we do not distribute a certain percentage of our income annually, we may suffer adverse tax consequences, including possibly losing the U.S. federal income tax benefits allowable to RICs. We cannot assure you that you will receive distributions at a particular level or at all.

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 Treasury regulations, 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% 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.

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

The shares of our common stock beneficially owned by each of Messrs. Gross and Spohler immediately prior to completion of our initial public offering, including any shares that are attributable to such shares issued pursuant to our dividend reinvestment plan, are no longer subject to lock-up restrictions that each of Messrs. Gross and Spohler agreed to in connection with our initial public offering, and are generally available for resale without restriction, subject to the provisions of Rule 144 promulgated under the Securities Act. In addition, on November 30, 2010, Messrs. Gross and Spohler jointly acquired 115,000 shares of our common stock in a private placement transaction conducted in accordance with Regulation D under the Securities Act. Such shares have been registered with the SEC and are generally available for resale. Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Delays in the government budget process or a government shutdown may adversely affect our operations and may prevent us from conducting a securities offering.

Each year, the U.S. Congress must pass all spending bills in the federal budget. If any such spending bill is not timely passed, a government shutdown will close many federally run operations, which may include those of the SEC, and halt work for federal employees unless they are considered essential or such work is separately funded by industry. If a government shutdown were to occur, and the SEC were to remain closed for a prolonged period of time, we may not be able to conduct a securities offering. Our ability to raise additional capital through the sale of securities could be materially affected by any prolonged government shutdown.

We may be unable to invest the net proceeds raised from any offerings on acceptable terms or allocate net proceeds from any offering of our securities in ways with which you may not agree.

We cannot assure you that we will be able to find enough appropriate investments that meet our investment criteria or that any investment we complete using the proceeds from any securities offering will produce a sufficient return. Until we identify new investment opportunities, we intend to either invest the net proceeds of future offerings in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less or use the net proceeds from such offerings to reduce then-outstanding obligations.

We have significant flexibility in investing the net proceeds of any offering of our securities and may use the net proceeds from an offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering.

The net asset value per share of our common stock may be diluted if we issue or sell shares of our common stock at prices below the then current net asset value per share of our common stock or securities to subscribe for or convertible into shares of our common stock.

At our 2018 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 11, 2018 and expiring on the earlier of the one-year anniversary of the date of the 2018 Annual Stockholders Meeting and the date of our 2019 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.

In addition, at our 2011 Annual Stockholders Meeting, our stockholders authorized us to sell or otherwise issue warrants or securities to subscribe for or convertible into shares of our common stock subject to certain limitations (including, without limitation, that the number of shares issuable does not exceed 25% of our then outstanding common stock and that the exercise or conversion price thereof is not, at the date of issuance, less than the market value per share of our common stock). Such authorization has no expiration.

We may also use newly issued shares to implement our dividend reinvestment plan, whether our shares are trading at a premium or at a discount to our then current net asset value per share. Any decision to issue or sell shares of our common stock below our then current net asset value per share or securities to subscribe for or convertible into shares of our common stock would be subject to the determination by our board of directors that such issuance or sale is in our and our stockholders' best interests.

If we were to issue or sell shares of our common stock below our then current net asset value per share, such issuances or sales would result in an immediate dilution to the net asset value per share of our common stock. This dilution would occur as a result of the issuance or sale of shares at a price below the then current net asset value per share of our common stock and a proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest in us than the increase in our assets resulting from such issuance or sale. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

In addition, if we issue warrants or securities to subscribe for or convertible into shares of our common stock, subject to certain limitations, the exercise or conversion price per share could be less than net asset value per share at the time of exercise or conversion (including through the operation of anti-dilution protections). Because we would incur expenses in connection with any issuance of such securities, such issuance could result

in a dilution of the net asset value per share at the time of exercise or conversion. This dilution would include reduction in net asset value per share as a result of the proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest than the increase in our assets resulting from such issuance.

Further, if our current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value per share, their voting power will be diluted. For example, if we sell an additional 10% of our common stock at a 5% discount from net asset value, a stockholder who does not participate in that offering for its proportionate interest will suffer net asset value dilution of up to 0.5% or \$5 per \$1,000 of net asset value.

Similarly, all distributions declared in cash payable to stockholders that are participants in our dividend reinvestment plan are generally automatically reinvested in shares of our common stock. As a result, stockholders that do not participate in the dividend reinvestment plan may experience dilution over time. Stockholders who do not elect to receive distributions in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the distribution payable to a stockholder.

If we issue preferred stock, the net asset value and market value of our common stock may become more volatile.

We cannot assure you that the issuance of preferred stock would result in a higher yield or return to the holders of the common stock. The issuance of preferred stock would likely cause the net asset value and market value of the common stock to become more volatile. If the distribution rate on the preferred stock were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the distribution rate on the preferred stock were to exceed the net rate of return on our portfolio, the leverage would result in a lower rate of return to the holders of common stock than if we had not issued preferred stock. Any decline in the net asset value of our investments would be borne entirely by the holders of common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of common stock than if we were not leveraged through the issuance of preferred stock. This greater net asset value decrease would also tend to cause a greater decline in the market price for the common stock. We might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing our ratings on the preferred stock or, in an extreme case, our current investment income might not be sufficient to meet the distribution requirements on the preferred stock. In order to counteract such an event, we might need to liquidate investments in order to fund a redemption of some or all of the preferred stock. In addition, we would pay (and the holders of common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including higher advisory fees if our total return exceeds the distribution rate on the preferred stock. Holders of preferred stock may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

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

Under Maryland General Corporation Law and our charter, our board of directors is authorized to classify and reclassify any authorized but unissued shares of stock into one or more classes of stock, including preferred stock. Prior to issuance of shares of each class or series, the board of directors is required by Maryland law and our charter to set the preferences, conversion or other rights, voting powers, restrictions, limitations as to other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have

the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. The cost of any such reclassification would be borne by our existing common stockholders. The issuance of shares of preferred stock convertible into shares of common stock might also reduce the net income and net asset value per share of our common stock upon conversion, provided, that we will only be permitted to issue such convertible preferred stock to the extent we comply with the requirements of Section 61 of the 1940 Act, including obtaining common stockholder approval. These effects, among others, could have an adverse effect on your investment in our common stock.

Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a BDC. In addition, the 1940 Act provides that holders of preferred stock are entitled to vote separately from holders of common stock to elect two preferred stock directors. In the event distributions become two full years in arrears, holders of any preferred stock would have the right to elect a majority of the directors until such arrearage is completely eliminated. Preferred stockholders also have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies or the terms of our credit facilities, might impair our ability to maintain our qualification for tax treatment as a RIC for U.S. federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

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

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

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

We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for loss and the risks of investing in us in a similar way as our borrowings.

Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the distributions on any preferred stock we issue must be cumulative. Payment of such distributions and repayment of the liquidation preference of such preferred stock must take preference over any distributions or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

Risks Relating to Our Business and Structure

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

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

The senior investment professionals of Solar Capital Partners are and may in the future become affiliated with entities engaged in business activities similar to those intended to be conducted by us, and may have conflicts of interest in allocating their time. We expect that Messrs. Gross and Spohler will dedicate a significant portion of their time to the activities of Solar Capital; however, they may be engaged in other business activities which could divert their time and attention in the future. Specifically each of Messrs. Gross and Spohler serve as Chief Executive Officer and Chief Operating Officer, respectively, of Solar Senior Capital Ltd. and SCP Private Credit Income BDC LLC.

Our business model depends to a significant extent upon strong referral relationships with financial sponsors, and the inability of the senior investment professionals of our investment adviser to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We expect that the principals of our investment adviser will maintain and develop their relationships with financial sponsors, and we will rely to a significant extent upon these relationships to provide us with potential investment opportunities. If the senior investment professionals of our investment adviser fail to maintain their existing relationships or develop new relationships with other sponsors or sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the senior investment professionals of our investment adviser have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us. If our investment adviser is unable to source investment opportunities, we may hold a greater percentage of our assets in cash and cash equivalents than anticipated, which could impact potential returns on our portfolio.

A disruption in the capital markets and the credit markets could negatively affect our business.

As a BDC, we must maintain our ability to raise additional capital for investment purposes. Without sufficient access to the capital markets or credit markets, we may be forced to curtail our business operations or we may not be able to pursue new business opportunities. Disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and could adversely impact our results of operations and financial condition.

If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratios imposed upon us by the 1940 Act and our existing credit facilities. Any such failure could result in an event of default and all of our debt being declared immediately due and payable and would affect our ability to issue senior securities, including borrowings, and pay distributions, which could materially impair our business operations. Our liquidity could be impaired further by an inability to access the capital markets or to draw on our credit facilities. For example, we cannot be certain that we will be able to renew our existing credit facilities as

they mature or to consummate new borrowing facilities to provide capital for normal operations, including new originations. Reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers. This market turmoil and tightening of credit have led to increased market volatility and widespread reduction of business activity generally.

If we are unable to renew or replace our existing credit facilities and consummate new facilities on commercially reasonable terms, our liquidity will be reduced significantly. If we consummate new facilities but are then unable to repay amounts outstanding under such facilities and are declared in default or are unable to renew or refinance these facilities, we would not be able 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 to 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.

Our financial condition and results of operations will depend on Solar Capital Partners' ability to manage our future growth effectively by identifying, investing in and monitoring companies that meet our investment criteria.

Our ability to achieve our investment objective and to grow depends on Solar Capital Partners' ability to identify, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of Solar Capital Partners' structuring of the investment process, its ability to provide competent, attentive and efficient services to us and its ability to access financing for us on acceptable terms. The investment team of Solar Capital Partners has substantial responsibilities under the Investment Advisory and Management Agreement, and they may also be called upon to provide managerial assistance to our portfolio companies as the principals of our administrator. In addition, the members of Solar Capital Partners' investment team have similar responsibilities with respect to the management of other investment portfolios, including Solar Senior Capital Ltd.'s investment portfolio and SCP Private Credit Income BDC LLC's investment portfolio. Such demands on their time may distract them or slow our rate of investment. In order to grow, we and Solar Capital Partners will need to retain, train, supervise and manage new investment professionals. However, we can offer no assurance that any such investment professionals will contribute effectively to the work of the investment adviser. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

We may need to raise additional capital to grow because we must distribute most of our income.

We may need additional capital to fund growth in our investments. We expect to issue equity securities and expect to borrow from financial institutions in the future. A reduction in the availability of new capital could limit our ability to grow. We must distribute at least 90% of our investment company taxable income to our stockholders to maintain our tax treatment as a RIC. As a result, any such cash earnings may not be available to fund investment originations. We expect to borrow from financial institutions and issue additional debt and equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, it could limit our ability to grow, which may have an adverse effect on the value of our securities. In addition, as a BDC, our ability to borrow or issue additional preferred stock may be restricted if our total assets are less than 150% of our total borrowings and preferred stock.

Any failure on our part to maintain our status as a BDC would reduce our operating flexibility and we may be limited in our investment choices as a BDC.

The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70% of their total assets in specified types of securities, primarily in private companies or thinly-

traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, upon approval of a majority of our stockholders, we may elect to withdraw our status as a BDC. If we decide to withdraw our election, or if we otherwise fail to qualify, or maintain our qualification, as a BDC, we may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with such regulations would significantly decrease our operating flexibility, and could have a material adverse effect on our business, financial condition and results of operations.

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

In order to satisfy the tax requirements applicable to a RIC, to avoid payment of excise taxes and to minimize or avoid payment of income taxes, we intend to distribute to our stockholders substantially all of our ordinary income and realized net capital gains except for certain realized net long-term capital gains, which we may retain, pay applicable income taxes with respect thereto and elect to treat as deemed distributions to our stockholders. We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we had been 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 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. However, our stockholders have approved a resolution permitting us to be subject to a 150% asset coverage ratio effective as of October 12, 2018. 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. In addition, because our management fee is calculated as a percentage of our gross assets, which includes any borrowings for investment purposes, the management fee expenses will increase if we incur additional indebtedness.

As of December 31, 2018, we had \$146.4 million outstanding under our credit facility (the “Credit Facility”), composed of \$96.4 million of revolving credit and \$50 million outstanding of term loans, \$53.8 million outstanding under our SSLP credit facility (the “SSLP Facility”) and \$30 million outstanding under our NEFPASS SPV credit facility (the “NEFPASS Facility”). We also had \$75 million outstanding of the 2023 Unsecured Notes, \$150 million outstanding of the 2022 Unsecured Notes, and \$21 million outstanding of the 2022 Tranche C Notes. If we issue preferred stock, the preferred stock would rank “senior” to common stock in our capital structure, preferred stockholders would generally vote together with common stockholders but would have separate voting rights on certain matters and might have other rights, preferences, or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest.

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

securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution. This dilution would occur as a result of a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our net asset value per share and the price and timing of such issuances are not currently known, we cannot predict the actual dilutive effect of any such issuance. We cannot determine the resulting reduction in our net asset value per share of any such issuance. We also cannot predict whether shares of our common stock will trade above, at or below our net asset value.

At our 2018 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 11, 2018 and expiring on the earlier of the one-year anniversary of the date of the 2018 Annual Stockholders Meeting and the date of our 2019 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.

Our credit ratings may not reflect all risks of an investment in our debt securities.

Our credit ratings are an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the publicly issued debt securities.

Our stockholders may experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.

All distributions declared in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. In the event we issue new shares in connection with our dividend reinvestment plan, our stockholders that do not elect to receive distributions in shares of common stock may experience dilution in their ownership percentage over time as a result of such issuance.

We have and will continue to borrow money, which would magnify the potential for loss on amounts invested and may increase the risk of investing in us.

We borrow money as part of our business plan. Borrowings, also known as leverage magnify the potential for loss on amounts invested and, therefore, increase the risks associated with investing in our securities. As of December 31, 2018, we had \$146.4 million outstanding on the Credit Facility, composed of \$96.4 million of revolving credit and \$50.0 million of term loans, \$53.8 million outstanding under the SSLP Facility and \$30 million outstanding under the NEFPASS Facility. We also had \$75 million outstanding of the 2023 Unsecured Notes, \$150 million outstanding of the 2022 Unsecured Notes and \$21 million outstanding of the 2022 Tranche C Notes. We may borrow from and issue senior debt securities to banks, insurance companies and other lenders in the future. Lenders of these senior securities, including the Credit Facility, the SSLP Facility, the 2022 Unsecured Notes, the 2023 Unsecured Notes, and the 2022 Tranche C Notes, will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such lenders to seek recovery against our assets in the event of a default. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could also negatively affect our ability to make distribution payments on our common stock.

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Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the management fee payable to our investment adviser, Solar Capital Partners, will be payable based on our gross assets, including those assets acquired through the use of leverage, Solar Capital Partners will have a financial incentive to incur leverage which may not be consistent with our stockholders' interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to Solar Capital Partners.

As a BDC, we had generally been required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. However, our stockholders have approved a resolution permitting us to be subject to a 150% asset coverage ratio effective as of October 12, 2018. Even though we are subject to a 150% asset coverage ratio effective as of October 12, 2018, contractual leverage limitations under our existing credit facilities or future borrowings may limit our ability to incur additional indebtedness. On November 21, 2018, we entered into Amendment No. 3 to the Credit Facility which, among other things, reduced the asset coverage covenant in the Credit Facility from 200% to 150% and made certain related changes to the borrowing base calculations. Some of our wholly and substantially owned portfolio companies, including Crystal Financial LLC and NEF Holdings LLC, may incur significantly more leverage than we can but we do not consolidate Crystal Financial LLC and NEF Holdings LLC and their leverage is non-recourse to us. Additionally, the Credit Facility requires us to comply with certain financial and other restrictive covenants including maintaining an asset coverage ratio of not less than 150% at any time. Failure to maintain compliance with these covenants could result in an event of default and all of our debt being declared immediately due and payable. If this ratio declines below 150%, we may not be able to incur additional debt and could be required by law to sell a portion of our investments to repay some debt when it is disadvantageous to do so, which could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

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

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on our portfolio, net of interest expense. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

	Assumed total return (net of interest expense)				
	(10)%	(5)%	0%	5%	10%
Corresponding return to stockholder(1)	(20.6)%	(11.4)%	(2.2)%	6.9%	16.1%

(1) Assumes \$1.68 billion in total assets and \$476.2 million in total debt outstanding, which reflects our total assets and total debt outstanding as of December 31, 2018, and a cost of funds of 4.33%. Excludes non-leverage related expenses.

In order for us to cover our annual interest payments on our outstanding indebtedness at December 31, 2018, we must achieve annual returns on our December 31, 2018 total assets of at least 1.2%.

It is likely that the terms of any current or future long-term or revolving credit or warehouse facility we may enter into in the future could constrain our ability to grow our business.

Our current lenders have, and any future lender or lenders may have, fixed dollar claims on our assets that are senior to the claims of our stockholders and, thus, will have a preference over our stockholders with respect

to our assets in the collateral pool. Our current credit facilities and borrowings also subject us to various financial and operating covenants, including, but not limited to, maintaining certain financial ratios and minimum tangible net worth amounts. Future credit facilities and borrowings will likely subject us to similar or additional covenants. In addition, we may grant a security interest in our assets in connection with any such credit facilities and borrowings.

Our credit facilities generally contain customary default provisions such as a minimum net worth amount, a profitability test, and a restriction on changing our business and loan quality standards. In addition, our credit facilities require or are expected to require the repayment of all outstanding debt on the maturity which may disrupt our business and potentially the business of our portfolio companies that are financed through our credit facilities. An event of default under our credit facilities would likely result, among other things, in termination of the availability of further funds under our credit facilities and accelerated maturity dates for all amounts outstanding under our credit facilities, which would likely disrupt our business and, potentially, the business of the portfolio companies whose loans we finance through our credit facilities. This could reduce our revenues and, by delaying any cash payment allowed to us under our credit facilities until the lender has been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and maintain RIC tax treatment.

The terms of future available financing may place limits on our financial and operation flexibility. If we are unable to obtain sufficient capital in the future, we may be forced to reduce or discontinue our operations, not be able to make new investments, or otherwise respond to changing business conditions or competitive pressures.

Recent legislation allows us to incur additional leverage, which could increase the risk of investing in the Company.

The 1940 Act had generally been prohibiting us from incurring indebtedness unless immediately after such borrowing we had an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our total assets). However, on March 23, 2018, the Small Business Credit Availability Act (the “SBCA”) was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement from 200% to 150% (i.e. the amount of debt may not exceed 66.7% of the value of our total assets), if certain requirements are met. On August 2, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCA and recommended the submission of a proposal for stockholders to approve the application of the 150% minimum asset coverage ratio to the Company at our annual meeting of stockholders, which was held on October 11, 2018. The stockholder proposal was approved by the required votes of the Company’s stockholders at such annual meeting of stockholders, and thus the Company became subject to the 150% minimum asset coverage ratio on October 12, 2018. Changing the asset coverage ratio permits the Company to double its leverage, which results in increased leverage risk and increased expenses.

As a result of the SBCA, and of us obtaining the necessary stockholder approval, we are able to increase our leverage up to an amount that reduces our asset coverage ratio from 200% to 150%. Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged our business. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

Our quarterly and annual operating results are subject to fluctuation as a result of the nature of our business, and if we fail to achieve our investment objective, the net asset value of our common stock may decline.

We could experience fluctuations in our quarterly and annual operating results due to a number of factors, some of which are beyond our control, including, but not limited to, the interest rate payable on the debt securities that we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, changes in our portfolio composition, the degree to which we encounter competition in our markets, market volatility in our publicly traded securities and the securities of our portfolio companies, and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods. In addition, any of these factors could negatively impact our ability to achieve our investment objectives, which may cause our net asset value of our common stock to decline.

Our investments may be in portfolio companies that may have limited operating histories and financial resources.

We expect that our portfolio will continue to consist of investments that may have relatively limited operating histories. These companies may be particularly vulnerable to U.S. and foreign economic downturns such as the U.S. recession that began in mid-2007 and the European financial crisis, may have more limited access to capital and higher funding costs, may have a weaker financial position and may need more capital to expand or compete. These businesses also may experience substantial variations in operating results. They may face intense competition, including from companies with greater financial, technical and marketing resources. Furthermore, some of these companies do business in regulated industries and could be affected by changes in government regulation. Accordingly, these factors could impair their cash flow or result in other events, such as bankruptcy, which could limit their ability to repay their obligations to us, and may adversely affect the return on, or the recovery of, our investment in these companies. We cannot assure you that any of our investments in our portfolio companies will be successful. Our portfolio companies compete with larger, more established companies with greater access to, and resources for, further development in these new technologies. Therefore, we may lose our entire investment in any or all of our portfolio companies.

There will be uncertainty as to the value of our portfolio investments, which may impact our net asset value.

A large percentage of our portfolio investments are in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities, the Credit Facility, the SSLP Facility and the 2022 Unsecured Notes on a quarterly basis in accordance with our valuation policy, which is at all times consistent with U.S. generally accepted accounting principles (“GAAP”). Our board of directors utilizes the services of third-party valuation firms to aid it in determining the fair value of material assets. The board of directors discusses valuations and determines the fair value in good faith based on the input of our investment adviser and, when utilized, the respective third-party valuation firms. The factors that may be considered in fair value pricing our investments include the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings, the markets in which the portfolio company does business, comparisons to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

Our equity ownership in a portfolio company may represent a control investment. Our ability to exit an investment in a timely manner because we are in a control position or have access to inside information in the portfolio company could result in a realized loss on the investment.

If we obtain a control investment in a portfolio company our ability to divest ourselves from a debt or equity investment could be restricted due to illiquidity in a private stock, limited trading volume on a public company's stock, inside information on a company's performance, insider blackout periods, or other factors that could prohibit us from disposing of the investment as we would if it were not a control investment. Additionally, we may choose not to take certain actions to protect a debt investment in a control investment portfolio company. As a result, we could experience a decrease in the value of our portfolio company holdings and potentially incur a realized loss on the investment.

There are significant potential conflicts of interest, including Solar Capital Partners' management of other investment funds such as Solar Senior Capital Ltd. and SCP Private Credit Income BDC LLC, which could impact our investment returns, and an investment in Solar Capital is not an investment in Solar Senior Capital Ltd. or SCP Private Credit Income BDC LLC.

Our executive officers and directors, as well as the current and future partners of our investment adviser, Solar Capital Partners, may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do. For example, Solar Capital Partners presently serves as the investment adviser to Solar Senior Capital Ltd., a publicly-traded BDC that focuses on investing primarily in senior secured loans, including first lien, unitranche and second lien debt instruments, and SCP Private Credit Income BDC LLC, a private 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, Chief Executive Officer and President, Bruce Spohler, our Chief Operating Officer and board member, and Richard L. Peteka, our Chief Financial Officer, serve in similar capacities for Solar Senior Capital Ltd and SCP Private Credit Income BDC LLC. Accordingly, they may have obligations to investors in those entities, the fulfillment of which obligations might not be in the best interests of us or our stockholders. In addition, we note that any affiliated investment vehicle formed in the future and managed by our investment adviser or its affiliates may, notwithstanding different stated investment objectives, have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. As a result, Solar Capital Partners may face conflicts in allocating investment opportunities between us and such other entities. Although Solar Capital Partners will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that, in the future, we may not be given the opportunity to participate in investments made by investment funds managed by our investment adviser or an investment manager affiliated with our investment adviser. In any such case, when Solar Capital Partners identifies an investment, it will be forced to choose which investment fund should make the investment.

As a BDC, we were substantially limited in our ability to co-invest in privately negotiated transactions with affiliated funds until we obtained an exemptive order from the SEC on July 28, 2014 (the "Prior Exemptive Order"). The Prior Exemptive Order permitted us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Solar Capital Partners, in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to the conditions to the Prior Exemptive Order. On June 13, 2017, the Company, Solar Senior Capital Ltd., and Solar Capital Partners received an exemptive order (the "Exemptive Order") that would supersede the Prior Exemptive Order and extends the relief granted in the Prior Exemptive Order such that it no longer applies to certain affiliates only if their respective investment adviser is Solar Capital Partners, but also applies to certain affiliates whose investment adviser is an investment adviser that controls, is controlled by or is under common control with Solar Capital Partners and is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. The terms and conditions of the Exemptive Order are otherwise substantially similar to the Prior Exemptive Order. If we are unable to rely on the Exemptive 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

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more than one entity's investment strategy, on an alternating basis. Although our investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, we and our common 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 our investment adviser.

Solar Capital Partners 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, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners' allocation procedures. Related party transactions may occur among Solar Capital Ltd., Crystal Financial LLC, Equipment Operating Leases 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 or NEF Holdings LLC.

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

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

Our ability to enter into transactions involving derivatives and financial commitment transactions may be limited.

The SEC has proposed a new rule under the 1940 Act that would govern the use of derivatives (defined to include any swap, security-based swap, futures contract, forward contract, option or any similar instrument) as well as financial commitment transactions (defined to include reverse repurchase agreements, short sale borrowings and any firm or standby commitment agreement or similar agreement) by BDCs. Under the proposed rule, a BDC would be required to comply with one of two alternative portfolio limitations and manage the risks associated with derivatives transactions and financial commitment transactions by segregating certain assets. Furthermore, a BDC that engages in more than a limited amount of derivatives transactions or that uses complex derivatives would be required to establish a formalized derivatives risk management program. If the SEC adopts this rule in the form proposed, our ability to enter into transactions involving such instruments may be hindered, which could have an adverse effect on our business, financial condition and results of operations.

We may be obligated to pay our investment adviser incentive compensation even if we incur a loss.

Our investment adviser will be entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our pre-incentive fee net investment income for that quarter (before deducting incentive compensation) above a performance threshold for that quarter. Accordingly, since the performance

threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay Solar Capital Partners incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

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

The incentive fee payable by us to Solar Capital Partners may create an incentive for Solar Capital Partners to pursue investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The incentive fee payable to our investment adviser is calculated based on a percentage of our return on invested capital. This may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would impair the value of our common stock. In addition, our investment adviser receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, our investment adviser may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

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

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

We may become subject to corporate-level U.S. federal income tax if we are unable to qualify and maintain our qualification for tax treatment as a regulated investment company under Subchapter M of the Code.

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

- The Annual Distribution Requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Because we may use debt financing, we are

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subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax.

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

If we fail to qualify for RIC tax treatment for any reason and become subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure could have a material adverse effect on us, the net asset value of our common stock and the total return, if any, obtainable from your investment in our common stock. Any net operating losses that we incur in periods during which we qualify as a RIC will not offset net capital gains (i.e., net realized long-term capital gains in excess of net realized short-term capital losses) that we are otherwise required to distribute, and we cannot pass such net operating losses through to our stockholders. In addition, net operating losses that we carry over to a taxable year in which we qualify as a RIC normally cannot offset ordinary income or capital gains.

We may have difficulty satisfying the Annual Distribution Requirement in order to qualify and maintain RIC tax treatment if we recognize income before or without receiving cash representing such income.

In accordance with GAAP and tax requirements, we include in income certain amounts that we have not yet received in cash, such as contractual PIK interest, which represents contractual interest added to a loan balance and due at the end of such loan's term. In addition to the cash yields received on our loans, in some instances, certain loans may also include any of the following: end-of-term payments, exit fees, balloon payment fees or prepayment fees. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such PIK interest was accrued, which is often in advance of receiving cash payment, and are separately identified on our statements of cash flows. We also may be required to include in income certain other amounts prior to receiving the related cash.

Any warrants that we receive in connection with our debt investments will generally be valued as part of the negotiation process with the particular portfolio company. As a result, a portion of the aggregate purchase price for the debt investments and warrants will be allocated to the warrants that we receive. This will generally result in "original issue discount" for U.S. federal income tax purposes, which we must recognize as ordinary income, increasing the amount that we are required to distribute to qualify for the U.S. federal income tax benefits applicable to RICs. Because these warrants generally will not produce distributable cash for us at the same time as we are required to make distributions in respect of the related original issue discount, we would need to obtain cash from other sources or to pay a portion of our distributions using shares of newly issued common stock, consistent with Internal Revenue Service requirements, to satisfy the Annual Distribution and Excise Tax Avoidance requirements.

Other features of the debt instruments that we hold may also cause such instruments to generate an original issue discount, resulting in a distribution requirement in excess of current cash interest received. Since in certain cases we may recognize income before or without receiving cash representing such income, we may have

difficulty meeting the RIC tax requirement to distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Under such circumstances, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are unable to obtain cash from other sources and are otherwise unable to satisfy such distribution requirements, we may fail to qualify for the U.S. federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level U.S. federal income tax on all our income.

The higher yields and interest rates on PIK securities 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 our investment adviser based on non-cash accruals that ultimately may not be realized, but our investment adviser will be under no obligation to reimburse the Company for these fees.

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

The Maryland General Corporation Law and our charter and bylaws contain provisions that may discourage, delay or make more difficult a change in control of Solar Capital or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Maryland Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board of directors, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board of directors does not approve a business combination, the Maryland Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act (the "Control Share Act") acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Act, the Control Share Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such a transaction. However, we will amend our bylaws to be subject to the Control Share Act only if our board of directors determines that it would be in our best interests and if the SEC staff does not object to our determination that our being subject to the Control Share Act does not conflict with the 1940 Act. The SEC staff has issued informal guidance setting forth its position that certain provisions of the Control Share Act would, if implemented, violate Section 18(i) of the 1940 Act.

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

The foregoing provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. However, these provisions may deprive a stockholder of the opportunity to sell such stockholder's shares at a premium to a potential acquirer. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the

negotiation of such proposals may improve their terms. Our board of directors has considered both the positive and negative effects of the foregoing provisions and determined that they are in the best interest of our stockholders.

The failure in cyber security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning could impair our ability to conduct business effectively.

The occurrence of a disaster, such as a cyber-attack against us or against a third-party that has access to our data or networks, a natural catastrophe, an industrial accident, failure of our disaster recovery systems, or consequential employee error, could have an adverse effect on our ability to communicate or conduct business, negatively impacting our operations and financial condition. This adverse effect can become particularly acute if those events affect our electronic data processing, transmission, storage, and retrieval systems, or impact the availability, integrity, or confidentiality of our data.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems, networks, and data, like those of other companies, could be subject to cyber-attacks and unauthorized access, use, alteration, or destruction, such as from physical and electronic break-ins or unauthorized tampering. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to stockholders (and their beneficial owners) and material nonpublic information. The systems we have implemented to manage risks relating to these types of events could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in our and our Adviser's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to stockholders, material nonpublic information and other sensitive information in our possession.

A disaster or a disruption in the infrastructure that supports our business, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Third parties with which we do business may also be sources of cybersecurity or other technological risk. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as client, counterparty, employee, and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure, destruction, or other cybersecurity incident that affects our data, resulting in increased costs and other consequences as described above.

We can be highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay distributions.

Our business is highly dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay distributions to our stockholders.

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

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

Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect our business and financial results.

We are subject to changing rules and regulations of federal and state government as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the NASDAQ Stock Market, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. Our efforts to comply with these existing requirements, or any revised or amended requirements, have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

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

Changes in the laws or regulations, or the interpretations of the laws and regulations, which govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures, and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, then we may have to incur significant expenses in order to comply or we may have to restrict

our operations. In addition, if we do not comply with applicable laws, regulations and decisions, then we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business results of operations or financial condition.

Uncertainty about presidential administration initiatives could negatively impact our business, financial condition and results of operations.

The current administration has called for significant changes to U.S. trade, healthcare, immigration, foreign and government regulatory policy. In this regard, there is significant uncertainty with respect to legislation, regulation and government policy at the federal level, as well as the state and local levels. Recent events have created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes and fiscal and monetary policy. To the extent the U.S. Congress or the current administration implements changes to U.S. policy, those changes may impact, among other things, the U.S. and global economy, international trade and relations, unemployment, immigration, corporate taxes, healthcare, the U.S. regulatory environment, inflation and other areas. Although we cannot predict the impact, if any, of these changes to our business, they could adversely affect our business, financial condition, operating results and cash flows. Until we know what policy changes are made and how those changes impact our business and the business of our competitors over the long term, we will not know if, overall, we will benefit from them or be negatively affected by them.

We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.

Legislative or other actions relating to taxes could have a negative effect on us. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. In December 2017, the U.S. House of Representatives and U.S. Senate passed tax reform legislation, which the President signed into law. Such legislation has made many changes to the Code, including significant changes to the taxation of business entities, the deductibility of interest expense, and the tax treatment of capital investment. We cannot predict with certainty how any changes in the tax laws might affect us, our stockholders, or our portfolio investments. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our stockholders of such qualification, or could have other adverse consequences. Stockholders are urged to consult with their tax advisor regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our securities.

Changes to United States tariff and import/export regulations may have a negative effect on our portfolio companies and, in turn, harm us.

There has been ongoing discussion and commentary regarding potential significant changes to United States trade policies, treaties and tariffs. The current administration, along with Congress, has created significant uncertainty about the future relationship between the United States and other countries with respect to the trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and restrict our portfolio companies' access to suppliers or customers and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us.

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

Our investment adviser has the right, under the Investment Advisory and Management Agreement, to resign at any time upon 60 days' written notice, whether we have found a replacement or not. If our investment adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our investment adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

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Item 1B. Unresolved Staff Comments

None

Item 2. Properties

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

Item 3. Legal Proceedings

We and our consolidated subsidiaries are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us or our consolidated subsidiaries. From time to time, we and our consolidated subsidiaries may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

Our common stock is traded on the NASDAQ Global Select Market under the symbol "SLRC". Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. Since our initial public offering on February 9, 2010, our shares of common stock have traded at both a discount and a premium to the net assets attributable to those shares. As of February 15, 2019, we had 19 stockholders of record.

DISTRIBUTIONS

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 facilities 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 U.S. generally accepted accounting principles 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.

We cannot assure stockholders that they will receive any distributions at a particular level.

All distributions declared in cash payable to stockholders that are participants in our dividend reinvestment plan are generally automatically reinvested in shares of our common stock. As a result, stockholders that do not

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participate in the dividend reinvestment plan may experience dilution over time. Stockholders who do not elect to receive distributions in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the distribution payable to a stockholder.

Recent Sales of Unregistered Securities

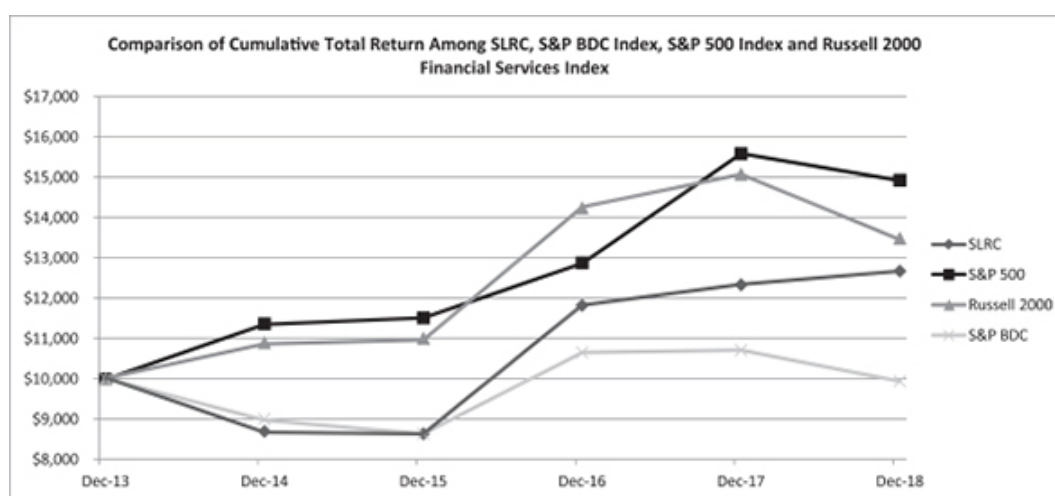
None.

Issuer Purchases of Equity Securities

None.

STOCK PERFORMANCE GRAPH

This graph compares the cumulative total return on our common stock with that of the Standard & Poor's BDC Index, Standard & Poor's 500 Stock Index and the Russell 2000 Financial Services Index, for the period from December 31, 2013 through December 31, 2018. The graph assumes that a person invested \$10,000 in each of the following: our common stock (SLRC), the S&P BDC Index, the S&P 500 Index, and the Russell 2000 Financial Services Index. The graph measures total stockholder return, which takes into account both changes in stock price and dividends. It assumes that dividends paid are invested in additional shares of the same class of equity securities at the frequency with which dividends are paid of such securities during the applicable fiscal year.



The graph and other information furnished under this Part II Item 5 of this Form 10-K shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the 1934 Act. The stock price performance included in the above graph is not necessarily indicative of future stock price performance.

Item 6. Selected Financial Data

The selected financial and other data below should be read in conjunction with our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial

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statements and notes thereto. Financial information is presented for the fiscal years ended December 31, 2018, 2017, 2016, 2015 and 2014. Financial information for the periods ending December 31, 2018, 2017, 2016, 2015 and 2014 has been derived from our consolidated financial statements that were audited by KPMG LLP (“KPMG”), an independent registered public accounting firm.

(\$ in thousands, except per share data)	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Income statement data:					
Total investment income	\$ 153,526	\$ 143,338	\$ 151,839	\$ 115,560	\$ 121,937
Net expenses	\$ 78,637	\$ 74,975	\$ 80,738	\$ 51,204	\$ 55,230
Net investment income	\$ 74,889	\$ 68,363	\$ 71,101	\$ 64,356	\$ 66,707
Net realized gain (loss)	\$ 2,078	\$ (12,015)	\$ 776	\$ (4,874)	\$ (36,840)
Net change in unrealized gain (loss)	\$ (10,093)	\$ 14,082	\$ 34,938	\$ (45,402)	\$ 18,585
Net increase in net assets resulting from operations	\$ 66,874	\$ 70,430	\$ 106,815	\$ 14,080	\$ 48,452
Per share data:					
Net investment income(1)	\$ 1.77	\$ 1.62	\$ 1.68	\$ 1.52	\$ 1.56
Net realized and unrealized gain (loss)(1)	\$ (0.19)	\$ 0.05	\$ 0.84	\$ (1.18)	\$ (0.43)
Dividends and distributions declared	\$ 1.64	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60
Balance sheet data:					
Total investment portfolio	\$1,456,080	\$1,461,170	\$1,304,778	\$1,312,591	\$1,020,738
Cash and cash equivalents	\$ 207,216	\$ 150,789	\$ 312,046	\$ 277,570	\$ 635,340
Total assets	\$1,683,429	\$1,641,565	\$1,650,547	\$1,620,300	\$1,686,334
Debt	\$ 476,185	\$ 541,600	\$ 390,200	\$ 432,900	\$ 225,000
Net assets	\$ 919,171	\$ 921,605	\$ 918,507	\$ 882,698	\$ 936,568
Per share data:					
Net asset value per share	\$ 21.75	\$ 21.81	\$ 21.74	\$ 20.79	\$ 22.05
Other data (unaudited):					
Total return(2)	2.8%	4.5%	37.5%	(0.3%)	(13.6%)
Number of portfolio companies at period end	117	93	63	54	43

(1) The per-share calculations are based on weighted average shares of 42,260,826, 42,257,692, 42,258,143, 42,465,158 and 42,888,232 for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, respectively.

(2) Total return is based on the change in market price per share during the year and takes into account dividends, if any, reinvested in accordance with the dividend reinvestment plan. Total return does not include a sales load.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section should be read in conjunction with the Selected Financial and Other Data and our 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;
- our business prospects and the prospects of our portfolio companies;

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- 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;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

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 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 and Chief Executive Officer, and Bruce Spohler, our 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 (the “Concurrent Private Placement”).

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, unitranche loans, leases and to a lesser extent, mezzanine 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

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\$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 December 31, 2018, the Investment Adviser has directly invested approximately \$8 billion in more than 360 different portfolio companies since 2006. Over the same period, the Investment Adviser completed transactions with approximately 200 different financial sponsors.

Recent Developments

On February 21, 2019, our Board declared a quarterly distribution of \$0.41 per share payable on April 3, 2019 to holders of record as of March 21, 2019.

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;

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- 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 year ended December 31, 2018, we invested approximately \$586 million across over 65 portfolio companies. This compares to investing approximately \$472 million in 60 portfolio companies for the year ended December 31, 2017. Investments sold, prepaid or repaid during the year ended December 31, 2018 totaled approximately \$624 million versus approximately \$333 million for the year ended December 31, 2017.

At December 31, 2018, our portfolio consisted of 117 portfolio companies and was invested 33.1% in cash flow senior secured loans, 27.8% in asset-based senior secured loans / Crystal, 21.6% in equipment senior secured financings / NEF, and 17.5% in life science senior secured loans, in each case, measured at fair value, versus 93 portfolio companies invested 42.4% in cash flow senior secured loans, 28.0% in asset-based senior secured loans / Crystal, 15.0% in equipment senior secure financings / NEF, and 14.6% in life science senior secured loans, in each case, measured at fair value, at December 31, 2017.

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At December 31, 2018, 74.6% or \$1.08 billion of our income producing investment portfolio* is floating rate and 25.4% or \$366.1 million is fixed rate, measured at fair value. At December 31, 2017, 82.0% or \$1.18 billion of our income producing investment portfolio* is floating rate and 18.0% or \$259.8 million is fixed rate, measured at fair value. As of December 31, 2018 and 2017, we had zero issuers on non-accrual status.

Since inception through December 31, 2018, Solar Capital and its predecessor companies have invested approximately \$5.8 billion in more than 250 portfolio companies. Over the same period, Solar Capital has completed transactions with more than 150 different financial sponsors.

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 December 31, 2018, Crystal Financial LLC had 31 funded commitments to 26 different issuers with a total par value of approximately \$418.7 million on total assets of \$486.4 million. As of December 31, 2017, Crystal Financial LLC had 27 funded commitments to 23 different issuers with a total par value of approximately \$300.9 million on total assets of \$448.5 million. As of December 31, 2018 and December 31, 2017, the largest loan outstanding totaled \$37.5 million and \$36.0 million, respectively. For the same periods, the average exposure per issuer was \$16.1 million and \$13.1 million, respectively. Crystal Financial LLC’s credit facility, which is non-recourse to Solar Capital, had approximately \$206.0 million and \$176.5 million of borrowings outstanding at December 31, 2018 and December 31, 2017, respectively. For the years ended December 31, 2018, 2017 and 2016, Crystal Financial LLC had net income of \$33.0 million, \$20.4 million and \$34.1 million, respectively, on gross income of \$58.8 million, \$52.7 million and \$69.4 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. Crystal Financial LLC’s consolidated financial statements for the fiscal years ended December 31, 2018 and December 31, 2017 are attached as an exhibit to this annual report on Form 10-K.

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. The

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

maturity date of the facility is July 31, 2021. At July 31, 2017, NEF also had two securitizations outstanding, with an issued note balance of \$94.6 million.

As of December 31, 2018, NEF had 207 funded equipment-backed leases and loans to 82 different customers with a total net investment in leases and loans of approximately \$237.2 million on total assets of \$293.2 million. As of December 31, 2017, NEF had 223 funded equipment-backed leases and loans to 90 different customers with a total net investment in leases and loans of approximately \$223.0 million on total assets of \$289.5 million. As of December 31, 2018 and December 31, 2017, the largest position outstanding totaled \$28.5 million and \$16.0 million, respectively. For the same periods, the average exposure per customer was \$2.9 million and \$2.5 million, respectively. NEF's credit facility, which is non-recourse to Solar Capital, had approximately \$119.3 million and \$71.0 million of borrowings outstanding at December 31, 2018 and December 31, 2017, respectively. During 2018, NEF exercised its option to redeem the remaining securitization notes. The securitization notes balance on December 31, 2017 was \$71.7 million. For the year ended December 31, 2018 and for the period July 31, 2017 through December 31, 2017, NEF had net income of \$3.4 million and \$4.7 million, respectively, on gross income of \$30.1 million and \$15.6 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. NEF's consolidated financial statements for the fiscal years ended December 31, 2018 and December 31, 2017 are attached as an exhibit to this annual report on Form 10-K.

Solar Life Science Program LLC

On February 22, 2017, the Company, through its commitment to Senior Secured Unitranche Loan Program III ("SSLP III"), and Solar Senior Capital Ltd. formed Solar Life Science Program ("LSJV") with an affiliate of Deerfield Management. SSLP III committed approximately \$50.0 million to LSJV. On March 10, 2017, SSLP III was dissolved. On August 16, 2018, the LSJV was dissolved, without commencing operations.

Senior Secured Unitranche Loan Program LLC

On September 2, 2014, the Company entered into a limited liability company agreement with an affiliate (the "Investor") of a fund managed by Pacific Investment Management Company LLC ("PIMCO") to co-invest in middle market senior secured unitranche loans sourced by the same origination platform used by the Company. Initial funding commitments to the unitranche strategy totaled \$600 million, consisting of direct equity investments and co-investment commitments as described below. The joint venture vehicle known as the Senior Secured Unitranche Loan Program LLC ("SSLP") was structured as an unconsolidated Delaware limited liability company. The Company and the Investor initially made equity commitments to the SSLP of \$300.0 million and \$43.25 million, respectively. All portfolio decisions and generally all other decisions in respect of the SSLP had to be approved by an investment committee of the SSLP consisting of representatives of the Company and PIMCO (with approval from a representative of each required).

On October 15, 2015, the Company entered into an amended and restated limited liability company agreement for its SSLP to add Voya Investment Management LLC ("Voya"), part of Voya Financial, Inc. (NYSE: VOYA), as a partner in SSLP in place of the investor that was previously the Company's partner in SSLP, though this investor could still co-invest up to \$300 million of equity in unitranche loans alongside SSLP. This joint venture was expected to invest primarily in senior secured loans, including unitranche loans, primarily to middle market companies predominantly owned by private equity sponsors or entrepreneurs, consistent with the Company's core origination and underwriting mandate. In addition to the Company's prior equity commitment of \$300.0 million to SSLP, Voya had made an initial equity commitment of \$25.0 million to SSLP, with the ability to upsize.

On November 2, 2015, the Company assigned \$125.0 million of its \$300.0 million commitment to SSLP to Senior Secured Unitranche Loan Program II LLC ("SSLP II"), a Delaware limited liability company.

On November 25, 2015, SSLP commenced operations. On June 30, 2016, SSLP as transferor and SSLP 2016-1, LLC, a newly formed wholly-owned subsidiary of SSLP, as borrower entered into a \$200 million senior secured revolving credit facility (the “SSLP Facility”) with Wells Fargo Bank, NA acting as administrative agent. The Company acts as servicer under the SSLP Facility. The SSLP Facility is scheduled to mature on June 30, 2021. The SSLP Facility generally bears interest at a rate of LIBOR plus 2.50%. SSLP and SSLP 2016-1, 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 SSLP Facility also includes usual and customary events of default for credit facilities of this nature. On September 18, 2018, the Company acquired Voya’s share of the equity in SSLP to hold 100% of the equity in SSLP. As such, the Company consolidated SSLP as of this date. For financial reporting purposes, assets consolidated were recorded at fair value and the cost basis of the assets consolidated were carried forward to align with the ongoing reporting of the Company’s realized and unrealized gains and losses. Also due to the consolidation, the then \$0.35 million in unrealized depreciation on the Company’s equity investment in SSLP was reflected as unrealized depreciation in our consolidated assets and liabilities as well as an adjustment to net increase in net assets resulting from operations on the Company’s consolidated statement of cash flows. The effect of consolidation did not affect the Company’s net assets at September 30, 2018. On December 19, 2018, SSLP and the Company merged, with the Company the surviving entity. Also on December 19, 2018, SSLP 2016-1 LLC merged with SSLP II 2016-1 LLC, with SSLP 2016-1 LLC the surviving entity. SSLP 2016-1 LLC is now a wholly-owned subsidiary of the Company and borrowings under the SSLP Facility are consolidated.

Senior Secured Unitranche Loan Program II LLC

On November 2, 2015, the Company assigned \$125.0 million of its \$300.0 million commitment to SSLP to SSLP II, a Delaware limited liability company. On August 5, 2016, the Company entered into an amended and restated limited liability company agreement with WFI Loanco, LLC (“WFI”) and SSLP II commenced operations. SSLP II invested primarily in senior secured loans, including unitranche loans, primarily to middle market companies predominantly owned by private equity sponsors or entrepreneurs, consistent with the Company’s core origination and underwriting mandate. Also, on August 5, 2016, the Company assigned approximately \$50.0 million of its \$125.0 million commitment to SSLP II to SSLP III, a newly formed Delaware limited liability company. SSLP III, which had not commenced operations, was wholly owned by Solar Capital Ltd. but could have brought in unaffiliated investors at a later date. The Company and WFI’s equity commitments to SSLP II then totaled \$75.0 million and \$18.0 million, respectively.

On November 15, 2016, SSLP II as transferor and SSLP II 2016-1, LLC, a newly formed wholly-owned subsidiary of SSLP II, as borrower entered into a \$100 million senior secured revolving credit facility (the “SSLP II Facility”) with Wells Fargo Bank, NA acting as administrative agent. Solar Capital Ltd. was servicer under the SSLP II Facility. The SSLP II Facility was scheduled to mature on November 15, 2021. The SSLP II Facility generally bore interest at a rate of LIBOR plus 2.50%. SSLP II and SSLP II 2016-1, LLC, as applicable, had made certain customary representations and warranties, and were required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The SSLP II Facility also included usual and customary events of default for credit facilities of this nature. On September 14, 2018, the Company acquired WFI’s share of the equity in SSLP II to hold 100% of the equity in SSLP II. As such, the Company consolidated SSLP II as of this date. For financial reporting purposes, assets consolidated were recorded at fair value and the cost basis of the assets consolidated were carried forward to align with the ongoing reporting of the Company’s realized and unrealized gains and losses. Also due to the consolidation, the then \$0.09 million in unrealized depreciation on the Company’s equity investment in SSLP II was reflected as unrealized depreciation in our consolidated assets and liabilities as well as an adjustment to net increase in net assets resulting from operations on the Company’s consolidated statement of cash flows. The effect of consolidation did not affect the Company’s net assets at September 30, 2018. On December 19, 2018, SSLP II and Solar Capital Ltd. merged, with Solar Capital Ltd. the surviving entity. Additionally, on December 19, 2018, the SSLP II Facility was terminated after merging into the SSLP Facility.

Stock Repurchase Programs

On July 31, 2013, the Board authorized a program for the purpose of repurchasing up to \$100 million of the Company's common stock. Under the repurchase program, the Company could have, but was not obligated to, repurchase its outstanding common stock in the open market from time to time provided that the Company complied with the prohibitions under its Insider Trading Policies and Procedures and the guidelines specified in Rules 10b-18 and 10b-5 under the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. On December 5, 2013, the Board extended the repurchase program to be in place until the earlier of July 31, 2014 or until \$100 million of the Company's outstanding shares of common stock had been repurchased. On July 31, 2014, the Company's stock repurchase program expired. During the fiscal year ended December 31, 2014, the Company repurchased 1,779,033 shares at an average price of approximately \$21.97 per share, inclusive of commissions. The total dollar amount of shares repurchased in that period was \$39.1 million. During the year ended December 31, 2013, the Company repurchased 796,418 shares at an average price of approximately \$21.98 per share, inclusive of commissions, for a total dollar amount of \$17.5 million.

On October 7, 2015, the Board authorized a new share repurchase program to purchase common stock in the open market in an amount up to \$30 million. Under the repurchase program, the Company may, but is not obligated to, repurchase its outstanding common stock in the open market from time to time provided that the Company complies with the prohibitions under its Insider Trading Policies and Procedures and the guidelines specified in Rules 10b-18 and 10b-5 under the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. During the year ended December 31, 2016, the Company repurchased 216,237 shares at an average price of \$15.76 per share, inclusive of commissions. The total dollar amount of shares repurchased during the year ended December 31, 2016 was \$3.4 million. On October 7, 2016, the Company's stock repurchase program expired.

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

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accrued 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 fiscal year ended December 31, 2018, 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 Credit Facility, 2022 Unsecured Notes and SSLP Facility

The Company has made irrevocable elections to apply the fair value option of accounting to the Credit Facility, the 2022 Unsecured Notes and effectively, through the merger, the SSLP Facility, in accordance with ASC 825-10. We believe accounting for the Credit Facility, 2022 Unsecured Notes and the SSLP Facility 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 interest method or straight-line, as applicable. 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 fiscal years ended December 31, 2018, 2017 and 2016, capitalized PIK income totaled \$0.9 million, \$0.2 million and \$0.0 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 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 this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. 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 is evaluating the impact of ASU 2018-13 on its consolidated financial statements and disclosures.

In August 2018, the US Securities and Exchange Commission adopted final rules to eliminate redundant, duplicative, overlapping, outdated or superseded disclosure requirements in light of other disclosure requirements, GAAP or changes in the information environment. These rules amend certain provisions of Regulation S-X and Regulation S-K, certain rules promulgated under the Securities Act of 1933 and the Securities Exchange Act of 1934 and certain related forms. These changes became effective on November 5, 2018.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows, which amends FASB ASC 230. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. For public business entities, the amendments were effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has adopted ASU 2016-18 and determined that the adoption has not had a material impact on its consolidated financial statements and disclosures.

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In March 2017, the FASB issued ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities, which will amend FASB ASC 310-20. The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium, generally requiring the premium to be amortized to the earliest call date. For public business entities, the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact of ASU 2017-08 on its consolidated financial statements and disclosures.

In May 2014, the FASB issued ASC 606, Revenue From Contracts With Customers, originally effective for public business entities with annual reporting periods beginning after December 15, 2016. On August 12, 2015, the FASB issued an ASU, Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASC 606 for one year. ASC 606 provides accounting guidance related to revenue from contracts with customers. For public business entities, ASC 606 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company has adopted ASC 606 and determined that the adoption has not had a material impact on its consolidated financial statements and disclosures.

RESULTS OF OPERATIONS

Results comparisons are for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016.

Investment Income

For the fiscal years ended December 31, 2018, 2017 and 2016, gross investment income totaled \$153.5 million, \$143.3 million and \$151.8 million, respectively. The increase in gross investment income from 2017 to 2018 was primarily due to growth of the average income producing investment portfolio. The decrease in gross investment income from 2016 to 2017 was primarily due to an increase in the volume of prepayments and other exits, which reduced the average size of the income-producing portfolio.

Expenses

Expenses totaled \$78.6 million, \$75.0 million and \$80.7 million, respectively, for the fiscal years ended December 31, 2018, 2017 and 2016, of which \$44.5 million, \$44.5 million and \$45.9 million, respectively, were base management fees and performance-based incentive fees and \$24.7 million, \$21.7 million and \$24.6 million, respectively, were interest and other credit facility expenses (inclusive of \$0.6 million of costs in 2017 related to the issuance of the 2022 Unsecured Notes and \$3.1 million of costs in 2016 related to an amendment of the Credit Facility and the issuance of the 2022 Unsecured Notes). Administrative services and other general and administrative expenses totaled \$9.4 million, \$8.8 million and \$10.3 million, respectively, for the fiscal years ended December 31, 2018, 2017 and 2016. 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 increase in expenses from 2017 to 2018 was primarily due to higher interest expense resulting from generally higher LIBOR and an increase in average borrowings to support a larger average income producing investment portfolio. The decrease in expenses from 2016 to 2017 is primarily due to fewer one-time credit facility costs associated with amendments and new debt issuances, as well as lower general and administrative expenses.

Net Investment Income

The Company's net investment income totaled \$74.9 million, \$68.4 million and \$71.1 million, or \$1.77, \$1.62 and \$1.68, per average share, respectively, for the fiscal years ended December 31, 2018, 2017 and 2016.

Net Realized Gain (Loss)

The Company had investment sales and prepayments totaling approximately \$624 million, \$333 million and \$488 million, respectively, for the fiscal years ended December 31, 2018, 2017 and 2016. Net realized gains (losses) over the same periods were \$2.1 million, (\$12.0) million and \$0.8 million, respectively. Net realized gains for fiscal year 2018 were related to the sale of select assets and the redemption of warrants. Net realized losses for fiscal year 2017 were primarily due to the exit of our investment in Direct Buy Inc., along with losses incurred related to the extinguishment of debt. Modest net realized gains for fiscal year 2016 were related to the sale of select assets.

Net Change in Unrealized Gain (Loss)

For the fiscal years ended December 31, 2018, 2017 and 2016, net change in unrealized gain (loss) on the Company's assets and liabilities totaled (\$10.1) million, \$14.1 million and \$34.9 million, respectively. Net unrealized loss for the fiscal year ended December 31, 2018 is primarily due to unrealized depreciation in the value of our investments in Crystal Financial LLC, Rug Doctor, LLC and IHS Intermediate, Inc. among others, partially offset by unrealized appreciation in the value of our investments in SOAGG LLC and Phymed Management LLC, among others. Net unrealized gain for the fiscal year ended December 31, 2017 was primarily related to the reversal of unrealized depreciation on our investment in Direct Buy Inc. due to its exit from our portfolio, as well as appreciation in the value of our investments in Bishop Lifting Products, Inc., Breathe Technologies, Inc. and Aegis Toxicology Corporation, among others. Partially offsetting the net change in unrealized gain was depreciation on our investments in Rug Doctor, LLC and Crystal Financial LLC, among others. Net unrealized gain for the fiscal year ended December 31, 2016 was primarily related to appreciation in the value of our investments in Crystal Financial LLC, WireCo Worldgroup Inc., Global Tel*Link Corporation, Asurion LLC and DISA Holdings Acquisition Subsidiary Corp., among others. Partially offsetting the net appreciation was depreciation in the value of our investments in Breathe Technologies, Inc., Senior Secured Unitranche Loan Program LLC and Rug Doctor, LLC, among others.

Net Increase in Net Assets From Operations

For the fiscal years ended December 31, 2018, 2017 and 2016, the Company had a net increase in net assets resulting from operations of \$66.9 million, \$70.4 million and \$106.8 million, respectively. For the fiscal years ended December 31, 2018, 2017 and 2016, earnings per average share were \$1.58, \$1.67 and \$2.53, 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 SSLP Facility and the 2023 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 December 31, 2018, we had a total of \$549.8 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 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.

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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 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.

The primary uses of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or 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 \$200 million in cash equivalents as of December 31, 2018.

Debt

Unsecured Notes

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.

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Revolving & Term Loan Facilities

On September 30, 2016, the Company entered into a second Credit Facility amendment. Post amendment, the Credit Facility was composed of \$505 million of revolving credit and \$50 million of term loans. 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 September 2021 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. The Company also pays issuers of funded term loans quarterly in arrears a commitment fee at the rate of 0.25% per annum on the average daily outstanding balance. On February 23, 2017, the Company prepaid its two non-extending lenders and terminated their commitments, reducing total outstanding revolving credit commitments by \$110 million to \$395 million. On April 30, 2018, the revolving credit commitments under the Company's Credit Facility were expanded by \$50 million from \$395 million to \$445 million and on July 13, 2018, revolving credit commitments were further expanded by \$35 million to \$480 million. On November 21, 2018, we entered into Amendment No. 3 to the Credit Facility which, among other things, reduced the asset coverage covenant in the Credit Facility from 200% to 150% and made certain related changes to the borrowing base calculations. At December 31, 2018, outstanding USD equivalent borrowings under the Credit Facility totaled \$146.4 million, composed of \$96.4 million of revolving credit and \$50.0 million of term loans.

On June 30, 2016, SSLP as transferor and SSLP 2016-1, LLC, a newly formed wholly-owned subsidiary of SSLP, as borrower entered into the SSLP Facility with Wells Fargo Bank, NA acting as administrative agent. Solar Capital Ltd. acts as servicer under the SSLP Facility. The SSLP Facility is scheduled to mature on June 30, 2021. The SSLP Facility generally bears interest at a rate of LIBOR plus 2.50%. SSLP and SSLP 2016-1, 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 SSLP Facility also includes usual and customary events of default for credit facilities of this nature. There were \$53.8 million of borrowings outstanding as of December 31, 2018.

On November 15, 2016, SSLP II as transferor and SSLP II 2016-1, LLC, a newly formed wholly-owned subsidiary of SSLP II, as borrower entered into a \$100 million senior secured revolving credit facility (the "SSLP II Facility") with Wells Fargo Bank, NA acting as administrative agent. Solar Capital Ltd. acts as servicer under the SSLP II Facility. The SSLP II Facility is scheduled to mature on November 15, 2021. The SSLP II Facility generally bears interest at a rate of LIBOR plus 2.50%. SSLP II and SSLP II 2016-1, 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 SSLP II Facility also includes usual and customary events of default for credit facilities of this nature. On December 19, 2018, the SSLP II Facility was merged into the SSLP Facility.

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

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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 \$30.0 million of borrowings outstanding as of December 31, 2018.

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 December 31, 2018, 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 December 31, 2018:

Payments Due by Period (in millions)

	<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More Than 5 Years</u>
Revolving credit facilities(1)	\$ 180.2	\$ —	\$ 150.2	\$ 30.0	\$ —
Unsecured senior notes	246.0	—	—	246.0	—
Term Loans	50.0	—	50.0	—	—

(1) As of December 31, 2018, we had a total of \$549.8 million of unused borrowing capacity under our revolving credit facilities, subject to borrowing base limits.

Information about our senior securities is shown in the following table (in thousands) as of 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.

<u>Class and Year</u>	<u>Total Amount Outstanding(1)</u>	<u>Asset Coverage Per Unit(2)</u>	<u>Involuntary Liquidating Preference Per Unit(3)</u>	<u>Average Market Value Per Unit(4)</u>
Revolving Credit Facility				
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
Fiscal 2009	88,114	8,920	—	N/A
2022 Unsecured Notes				
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 2018	21,000	129	—	N/A
Fiscal 2017	21,000	105	—	N/A

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<u>Class and Year</u>	<u>Total Amount Outstanding(1)</u>	<u>Asset Coverage Per Unit(2)</u>	<u>Involuntary Liquidating Preference Per Unit(3)</u>	<u>Average Market Value Per Unit(4)</u>
2023 Unsecured Notes				
Fiscal 2018	75,000	461	—	N/A
Fiscal 2017	75,000	374	—	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 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 2018	30,000	185	—	N/A
SSLP Facility				
Fiscal 2018	53,785	331	—	N/A
Total Senior Securities				
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
Fiscal 2009	88,114	8,920	—	N/A

(1) Total amount of each class of senior securities outstanding 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

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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 December 31, 2018, asset coverage was 293.0%.

- (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 2018, 2017, 2016, 2015, 2014, 2013 and 2012 periods was N/A, N/A, \$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.

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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 December 31, 2018 and December 31, 2017, respectively:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<i>(in millions)</i>		
Crystal Financial LLC*	\$ 44.3	\$ 44.3
Rubius Therapeutics, Inc.**	26.8	—
BioElectron Technology Corporation**	17.5	—
BAM Capital, LLC	15.0	—
Tetraphase Pharmaceuticals, Inc.**	13.8	—
Phynet Dermatology LLC	12.4	—
Cardiva Medical, Inc.**	9.0	—
Corindus Vascular Robotics, Inc.**	6.2	—
PQ Bypass, Inc.**	4.8	—
Kingsbridge Holdings, LLC	4.1	—
Breathe Technologies, Inc.**	4.0	—
Genmark Diagnostics, Inc	3.0	—
Delphinus Medical Technologies, Inc.**	1.9	3.7
RS Energy Group U.S., Inc	1.7	—
Datto, Inc	1.7	1.7
Atria Wealth Solutions, Inc	1.5	—
Solara Medical Supplies, Inc	1.2	—
iCIMS, Inc	0.8	—
MRI Software LLC	—	2.3
Radiology Partners, Inc	—	0.9
Alera Group Intermediate Holdings, Inc	—	3.9
Accentcare, Inc	—	3.4
CardioFocus, Inc	—	1.0
WJV658, LLC	—	0.8
Total Commitments	\$ 169.7	\$ 62.0

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

** Commitments are subject to the portfolio company achieving certain milestones. As of December 31, 2018, these milestones have not yet been achieved, and as such the portfolio company would not have been able to draw on any of the stated commitment at that time.

As of December 31, 2018 and December 31, 2017, 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.

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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:

<u>Date Declared</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
Fiscal 2019			
February 21, 2019	March 21, 2019	April 3, 2019	\$ 0.41
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			<u>\$ 1.64</u>
Fiscal 2017			
November 2, 2017	December 21, 2017	January 4, 2018	\$ 0.40
August 1, 2017	September 21, 2017	October 3, 2017	0.40
May 2, 2017	June 22, 2017	July 5, 2017	0.40
February 22, 2017	March 23, 2017	April 4, 2017	0.40
Total 2017			<u>\$ 1.60</u>

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.

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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 and Chief Executive Officer and Mr. Spohler, our 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 Corporate 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. In addition, Michael S. Gross, our Chairman and Chief Executive Officer, Bruce Spohler, our Chief Operating Officer, and Richard L. Peteka, our Chief Financial Officer, serve in similar capacities for Solar Senior Capital Ltd. 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.

Related party transactions may occur among Solar Capital Ltd., Crystal Financial LLC, Equipment Operating Leases 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 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 7A. Quantitative and Qualitative Disclosure About Market Risk

We are subject to financial market risks, including changes in interest rates. During the fiscal year ended December 31, 2018, 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

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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 December 31, 2018 and no new defaults by portfolio companies, a hypothetical one-quarter of one percent decrease in LIBOR on our comprehensive floating rate assets and liabilities would reduce our net investment income by three cents per average share over the next twelve months. Assuming no changes to our balance sheet as of December 31, 2018 and no new defaults by portfolio companies, a hypothetical one percent increase in LIBOR on our comprehensive floating rate assets and liabilities would increase our net investment income by approximately fourteen 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 December 31, 2018, we have no interest rate hedging instruments outstanding on our balance sheet.

Increase (Decrease) in LIBOR	(0.25%)	1.00%
Increase (Decrease) in Net Investment Income Per Share Per Year	(\$0.03)	\$0.14

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.

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Item 8. Financial Statements and Supplementary Data

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2018. Internal control over financial reporting is a process designed 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. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018 based upon criteria in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of December 31, 2018 based on the criteria on *Internal Control – Integrated Framework (2013)* issued by COSO.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

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

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedule of investments, of Solar Capital Ltd. (and consolidated subsidiaries) (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 and 2017, by correspondence with the custodian, portfolio companies or agents. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the auditor of one or more Solar Capital Partners, LLC (the Investment Advisor) investment companies since 2007.

New York, New York
February 21, 2019

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

	December 31, 2018	December 31, 2017
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: \$948,478 and \$835,041, respectively)	\$ 944,597	\$ 834,410
Companies more than 25% owned (cost: \$500,792 and \$609,226, respectively)	511,483	626,760
Cash	7,570	5,963
Cash equivalents (cost: \$199,646 and \$144,826, respectively)	199,646	144,826
Dividends receivable	9,065	15,013
Interest receivable	7,619	7,336
Receivable for investments sold	2,073	6,160
Other receivable	593	58
Prepaid expenses and other assets	783	1,039
Total assets	\$1,683,429	\$1,641,565
Liabilities		
Revolving credit facility (see notes 6 and 7)	\$ 96,400	\$ 245,600
Unsecured senior notes due 2022 (see notes 6 and 7)	150,000	150,000
Unsecured tranche c senior notes due 2022 (\$21,000 and \$21,000 face amounts, respectively, reported net of unamortized debt issuance costs of \$123 and \$316, respectively. See note 7)	20,877	20,684
Unsecured senior notes due 2023 (\$75,000 and \$75,000 face amounts, respectively, reported net of unamortized debt issuance costs of \$1,457 and \$1,813, respectively. See note 7)	73,543	73,187
Term loans (see notes 6 and 7)	50,000	50,000
SSLP 2016-1, LLC revolving credit facility (the "SSLP Facility") (see notes 6 and 7)	53,785	—
NEFPASS SPV LLC credit facility (\$30,000 and \$0 face amounts, respectively, reported net of unamortized debt issuance costs of \$1,067 and \$0, respectively. See note 7)	28,933	—
Payable for investments and cash equivalents purchased	251,391	145,118
Distributions payable	17,542	16,904
Management fee payable (see note 3)	6,504	7,373
Performance-based incentive fee payable (see note 3)	4,613	4,660
Interest payable (see note 7)	4,714	2,485
Administrative services expense payable (see note 3)	2,716	2,756
Other liabilities and accrued expenses	3,240	1,193
Total liabilities	\$ 764,258	\$ 719,960
Commitments and contingencies (see notes 13, 14, 15 and 16)		
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 (see note 2f)	992,438	991,340
Accumulated distributable net loss (see note 2f)	(73,690)	(70,158)
Total net assets	\$ 919,171	\$ 921,605
Net Asset Value Per Share	\$ 21.75	\$ 21.81

See notes to consolidated financial statements.

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

	Year ended December 31,		
	2018	2017	2016
INVESTMENT INCOME:			
Interest:			
Companies less than 5% owned	\$ 98,172	\$ 88,014	\$ 108,386
Companies more than 25% owned	2,827	1,222	1,835
Dividends:			
Companies less than 5% owned	28	26	11
Companies more than 25% owned	50,953	52,496	40,649
Other income:			
Companies less than 5% owned	1,367	1,334	828
Companies more than 25% owned	179	246	130
Total investment income	<u>153,526</u>	<u>143,338</u>	<u>151,839</u>
EXPENSES:			
Management fees (see note 3)	25,789	27,409	28,115
Performance-based incentive fees (see note 3)	18,722	17,055	17,775
Interest and other credit facility expenses (see note 7)	24,728	21,666	24,571
Administrative services expense (see note 3)	5,247	5,215	5,990
Other general and administrative expenses	4,151	3,630	4,287
Total expenses	<u>78,637</u>	<u>74,975</u>	<u>80,738</u>
Net investment income	<u>\$ 74,889</u>	<u>\$ 68,363</u>	<u>\$ 71,101</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:			
Net realized gain (loss) on investments and cash equivalents:			
Companies less than 5% owned	\$ 1,857	\$ 310	\$ 609
Companies 5% to 25% owned	246	(8,104)	197
Companies more than 25% owned	(25)	(6)	(30)
Net realized gain (loss) on investments and cash equivalents	<u>2,078</u>	<u>(7,800)</u>	<u>776</u>
Net realized loss on extinguishment of debt:	—	(2,782)	—
Net realized gain (loss) on foreign currencies:	—	(1,433)	—
Net realized gain (loss)	<u>2,078</u>	<u>(12,015)</u>	<u>776</u>
Net change in unrealized gain (loss) on investments and cash equivalents:			
Companies less than 5% owned	(2,805)	10,541	28,093
Companies 5% to 25% owned	—	7,734	(456)
Companies more than 25% owned	(7,288)	(4,193)	7,301
Net change in unrealized gain (loss)	<u>(10,093)</u>	<u>14,082</u>	<u>34,938</u>
Net realized and unrealized gain (loss) on investments, cash equivalents and foreign currencies	<u>(8,015)</u>	<u>2,067</u>	<u>35,714</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 66,874</u>	<u>\$ 70,430</u>	<u>\$ 106,815</u>
EARNINGS PER SHARE (see note 5)	<u>\$ 1.58</u>	<u>\$ 1.67</u>	<u>\$ 2.53</u>

See notes to consolidated financial statements.

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

	Year ended December 31,		
	2018	2017	2016
Increase in net assets resulting from operations:			
Net investment income	\$ 74,889	\$ 68,363	\$ 71,101
Net realized gain (loss)	2,078	(12,015)	776
Net change in unrealized gain (loss)	(10,093)	14,082	34,938
Net increase in net assets resulting from operations	<u>66,874</u>	<u>70,430</u>	<u>106,815</u>
Distributions to stockholders (see note 8a):			
From net investment income	<u>(69,308)</u>	<u>(67,612)</u>	<u>(67,598)</u>
Capital transactions (see note 18):			
Reinvestment of distributions	—	280	—
Repurchases of common stock	—	—	(3,408)
Net increase (decrease) in net assets resulting from capital transactions	<u>—</u>	<u>280</u>	<u>(3,408)</u>
Total increase (decrease) in net assets	(2,434)	3,098	35,809
Net assets at beginning of year	921,605	918,507	882,698
Net assets at end of year	<u>\$919,171</u>	<u>\$921,605</u>	<u>\$ 918,507</u>
Capital share activity:			
Common stock issued from reinvestment of distributions	—	12,301	—
Common stock repurchased	—	—	(216,237)
Net increase (decrease) from capital share activity	<u>—</u>	<u>12,301</u>	<u>(216,237)</u>

See notes to consolidated financial statements.

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

	Year ended December 31,		
	2018	2017	2016
Cash Flows from Operating Activities:			
Net increase in net assets resulting from operations	\$ 66,874	\$ 70,430	\$ 106,815
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
Net realized (gain) loss on investments and cash equivalents	(2,078)	7,800	(776)
Net realized loss on extinguishment of debt	—	2,782	—
Net realized loss on foreign currencies	—	1,433	—
Net change in unrealized (gain) loss on investments and cash equivalents	10,093	(14,082)	(34,938)
(Increase) decrease in operating assets:			
Purchase of investments	(776,809)	(480,734)	(438,030)
Proceeds from disposition of investments	774,045	326,486	480,975
Capitalization of payment-in-kind interest	(946)	(250)	—
Collections of payment-in-kind interest	785	173	582
Receivable for investments sold	4,087	7,442	(2,228)
Interest receivable	(283)	743	(1,671)
Dividends receivable	5,948	(4,061)	(2,465)
Other receivable	(535)	(4)	(50)
Prepaid expenses and other assets	256	(3)	(166)
Increase (decrease) in operating liabilities:			
Payable for investments and cash equivalents purchased	106,273	(164,776)	34,911
Management fee payable	(869)	503	347
Performance-based incentive fee payable	(47)	248	3,004
Administrative services expense payable	(40)	(533)	965
Interest payable	2,229	260	560
Other liabilities and accrued expenses	2,047	56	324
Net Cash Provided by (Used in) Operating Activities	<u>191,030</u>	<u>(246,087)</u>	<u>148,159</u>
Cash Flows from Financing Activities:			
Cash distributions paid	(68,670)	(67,327)	(67,685)
Proceeds from issuance of unsecured debt	—	193,836	50,000
Deferred financing costs	607	139	110
Consolidation of SSLP Facility and SSLP II Facility	61,066	—	—
Repurchase of common stock	—	—	(3,408)
Proceeds from secured borrowings	558,374	761,400	678,500
Repayments of secured borrowings	(685,980)	(706,000)	(771,200)
Repayments of unsecured borrowings	—	(97,218)	—
Net Cash Provided by (Used in) Financing Activities	<u>(134,603)</u>	<u>84,830</u>	<u>(113,683)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,427	(161,257)	34,476
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	150,789	312,046	277,570
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 207,216</u>	<u>\$ 150,789</u>	<u>\$ 312,046</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 22,499	\$ 21,406	\$ 24,011

Non-cash financing activities consist of the reinvestment of distributions of \$0, \$280 and \$0, for the fiscal years ended December 31, 2018, 2017 and 2016, respectively as well as \$43,498 of investments transferred from the Company to Senior Secured Unitranche Loan Program II LLC during the fiscal year ended December 31, 2016 (see note 15).

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2018
(in thousands, except share/unit amounts)

Description	Industry	Spread Above Index(9)	LIBOR Floor	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Senior Secured Loans — 89.1%									
Bank Debt/Senior Secured Loans									
Aegis Toxicology Sciences Corporation(10)	Health Care Providers & Services	L+550	1.00%	8.10%	5/7/2018	5/9/2025	\$ 17,215	\$ 16,935	\$ 17,215
Alteon Health, LLC(10)(16)	Health Care Providers & Services	L+650	1.00%	9.02%	9/14/2018	9/1/2022	15,271	15,159	14,507
American Teleconferencing Services, Ltd. (PGI) (10)(16)	Communications Equipment	L+650	1.00%	9.09%	5/5/2016	12/8/2021	30,965	30,001	30,578
Amerilife Group, LLC(10)	Insurance	L+875	1.00%	11.27%	7/9/2015	1/10/2023	15,000	14,811	14,963
Associated Pathologists, LLC(10)(16)	Health Care Providers & Services	L+500	1.00%	7.38%	9/14/2018	8/1/2021	3,718	3,699	3,718
Atria Wealth Solutions, Inc.(10)(16)	Diversified Financial Services	L+600	1.00%	8.61%	9/14/2018	11/30/2022	3,358	3,326	3,324
AviatorCap SII, LLC(3)(10)	Aerospace & Defense	L+700	—	9.80%	12/27/2018	10/30/2020	2,975	2,975	2,975
BAM Capital, LLC(10)	Diversified Financial Services	L+800	—	11.52%	12/26/2018	1/23/2023	15,500	15,268	15,268
Bishop Lifting Products, Inc.(7)(10)	Trading Companies & Distributors	L+800	1.00%	10.52%	3/24/2014	3/27/2022	24,985	24,873	24,235
Datto, Inc.(10)	IT Services	L+800	1.00%	10.46%	12/6/2017	12/7/2022	25,000	24,587	25,000
Falmouth Group Holdings Corp. (AMPAC)(10) (16)	Chemicals	L+675	1.00%	9.27%	12/7/2015	12/14/2021	40,887	40,658	40,887
Global Holdings LLC & Payment Concepts LLC(10)(16)	Consumer Finance	L+750	1.00%	10.24%	9/14/2018	5/5/2022	7,066	6,964	7,066
Greystone Select Holdings LLC & Greystone & Co., Inc.(10)	Thrifts & Mortgage Finance	L+800	1.00%	10.51%	3/29/2017	4/17/2024	19,900	19,739	19,850
iCIMS, Inc.(10)	Software	L+650	1.00%	8.94%	9/7/2018	9/12/2024	12,670	12,426	12,480
IHS Intermediate, Inc.(10)	Health Care Providers & Services	L+825	1.00%	10.74%	6/19/2015	7/20/2022	25,000	24,705	24,000
Kingsbridge Holdings, LLC(10)	Multi-Sector Holdings	L+700	1.00%	9.82%	12/21/2018	12/21/2024	28,973	28,540	28,538
KORE Wireless Group, Inc.(10)	Wireless Telecommunication Services	L+550	1.00%	8.29%	12/21/2018	12/21/2024	37,222	36,478	36,850
Logix Holding Company, LLC(10)(16)	Communications Equipment	L+575	1.00%	8.27%	9/14/2018	12/22/2024	7,178	7,115	7,178
On Location Events, LLC & PrimeSport Holdings Inc.(10)(16)	Media	L+550	1.00%	7.90%	12/7/2017	9/29/2021	24,506	24,284	24,322
Pet Holdings ULC & Pet Supermarket, Inc.(5) (10)(16)	Specialty Retail	L+550	1.00%	7.90%	9/14/2018	7/5/2022	29,344	29,054	29,197
PhyMed Management LLC(10)	Health Care Providers & Services	L+875	1.00%	11.46%	12/18/2015	5/18/2021	32,321	31,662	32,160
PhyNet Dermatology LLC(10)	Health Care Providers & Services	L+550	1.00%	8.02%	9/5/2018	8/16/2024	9,644	9,551	9,547
PPT Management Holdings, LLC(10)	Health Care Providers & Services	L+750 PIK	1.00%	9.85%	9/14/2018	12/16/2022	19,969	19,841	16,973
PSKW, LLC & PDR, LLC(10)(16)	Health Care Providers & Services	L+425	1.00%	7.05%	9/14/2018	11/25/2021	2,024	2,016	2,024
PSKW, LLC & PDR, LLC(10)(16)	Health Care Providers & Services	L+825	1.00%	11.05%	10/24/2017	11/25/2021	26,647	26,348	26,647
RS Energy Group U.S., Inc.(10)	Software	L+475	1.00%	7.55%	10/26/2018	10/6/2023	15,249	14,951	14,944
Rug Doctor LLC(3)(10)	Diversified Consumer Services	L+975	1.50%	12.33%	12/23/2013	10/31/2019	9,111	9,050	9,111
Solara Medical Supplies, Inc.(10)(16)	Health Care Providers & Services	L+600	1.00%	8.52%	5/31/2018	5/31/2023	3,418	3,371	3,418
Southern Auto Finance Company(5)(10)	Consumer Finance	—	—	11.15%	10/19/2011	12/4/2019	25,000	24,920	25,000
The Octave Music Group, Inc. (fka TouchTunes) (10)	Media	L+825	1.00%	10.63%	5/28/2015	5/27/2022	14,000	13,880	13,930
Varilease Finance, Inc.(10)	Multi-Sector Holdings	L+825	1.00%	10.65%	8/22/2014	8/24/2020	33,000	32,793	33,000
Total Bank Debt/Senior Secured Loans								\$569,980	\$568,905

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Description	Industry	Spread Above Index(9)	LIBOR Floor	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Life Science Senior Secured Loans									
Alimera Sciences, Inc.(10)	Pharmaceuticals	L+765	—	10.03%	1/5/2018	7/1/2022	\$ 25,000	\$ 25,044	\$ 25,125
Ardelyx, Inc.(5)(10)	Pharmaceuticals	L+745	—	9.83%	5/10/2018	11/1/2022	24,500	24,400	24,377
aTyr Pharma, Inc.(10)	Pharmaceuticals	P+410	—	9.35%	11/18/2016	11/18/2020	7,667	7,985	7,782
Axcella Health Inc.(10)	Pharmaceuticals	L+850	—	10.84%	1/9/2018	7/1/2022	26,000	26,247	26,000
BioElectron Technology Corporation(10)	Pharmaceuticals	L+750	—	9.88%	8/9/2018	8/10/2022	10,500	10,458	10,447
Breathe Technologies, Inc.(10)	Health Care Equipment & Supplies	L+850	—	10.84%	1/5/2018	1/5/2022	22,000	22,298	22,000
Cardiva Medical, Inc.(10)	Health Care Equipment & Supplies	L+795	0.63%	10.33%	9/24/2018	9/1/2022	12,000	12,067	12,030
Corindus Vascular Robotics, Inc.(5)(10)	Health Care Equipment & Supplies	L+725	—	9.60%	3/9/2018	3/1/2022	6,783	6,787	6,817
Delphinus Medical Technologies, Inc.(10)	Health Care Equipment & Supplies	L+850	—	10.88%	8/18/2017	9/1/2021	5,625	5,594	5,513
GenMark Diagnostics, Inc.(5)(10)	Health Care Providers & Services	—	—	6.90%	11/8/2018	1/1/2021	17,473	17,531	17,531
OmniGuide Holdings, Inc.(10)(15)	Health Care Equipment & Supplies	L+805	—	10.43%	7/30/2018	7/29/2023	10,500	10,504	10,474
PQ Bypass, Inc.(10)	Health Care Equipment & Supplies	L+795	1.00%	10.42%	12/20/2018	12/20/2022	5,200	5,119	5,117
Restoration Robotics, Inc.(10)	Health Care Equipment & Supplies	L+795	—	10.33%	5/10/2018	5/1/2022	9,000	8,887	8,977
Rubius Therapeutics, Inc.(5)(10)	Pharmaceuticals	L+550	—	7.97%	12/21/2018	12/21/2023	13,430	13,400	13,397
scPharmaceuticals, Inc.(10)	Pharmaceuticals	L+845	—	10.83%	5/23/2017	5/1/2021	5,000	5,019	5,025
Scynexis, Inc.(10)	Pharmaceuticals	L+849	—	10.87%	9/30/2016	9/30/2020	15,000	15,379	15,300
SentreHeart, Inc.(10)	Health Care Equipment & Supplies	L+885	—	11.19%	11/15/2016	11/15/2020	10,000	10,193	10,150
Sunesis Pharmaceuticals, Inc.(10)	Pharmaceuticals	L+854	—	10.92%	3/31/2016	4/1/2020	3,750	3,833	3,769
Tetraphase Pharmaceuticals, Inc.(10)	Pharmaceuticals	L+725	—	9.63%	10/30/2018	5/2/2023	20,600	20,169	20,125
Total Life Science Senior Secured Loans								\$250,914	\$249,956
Total Senior Secured Loans								\$820,894	\$818,861

Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Equipment Financing — 34.2%							
Althoff Crane Service, Inc.(10)(17)	Commercial Services & Supplies	10.55%	7/31/2017	6/8/2022	\$ 1,362	\$ 1,362	\$ 1,357
B&W Resources, Inc.(10)(12)	Oil, Gas & Consumable Fuels	21.57%	8/17/2018	3/27/2020	297	291	305
BB578, LLC(10)(12)	Media	10.00%	7/31/2017	11/1/2021	669	669	667
Beverly Hills Limo and Corporate Coach, Inc.(10)(17)	Road & Rail	10.57%	3/19/2018	9/9/2019	366	379	363
Blackhawk Mining, LLC(10)(17)	Oil, Gas & Consumable Fuels	10.99-11.17%	2/16/2018	3/1/2022-11/1/2022	6,270	5,890	6,270
Brightwater R&B Acquisition, LLC(10)(17)	Machinery	12.24%	8/17/2018	4/20/2019	76	76	76
C&H Paving, Inc.(10)(12)	Construction & Engineering	9.94%	12/26/2018	1/1/2024	3,393	3,444	3,393
Capital City Jet Center, Inc.(10)(12)	Airlines	10.00%	4/4/2018	10/4/2023	2,174	2,174	2,184
Central Freight Lines, Inc.(10)(12)	Road & Rail	7.16%	7/31/2017	1/14/2024	1,710	1,710	1,710
Cfactor Leasing Corp. & CZM USA, Corp. (10)(17)	Machinery	12.00-14.11%	7/31/2017	5/27/2020-8/3/2022	3,162	3,143	3,173

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Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Champion Air, LLC(10)(12)	Airlines	10.00%	3/19/2018	1/1/2023	3,200	3,181	3,200
Delicate Productions, Inc.(10)(12)	Commercial Services & Supplies	13.30%	5/3/2018	5/15/2022	2,023	2,010	2,023
Easton Sales and Rentals, LLC(10)(12)	Commercial Services & Supplies	10.00%	9/18/2018	10/1/2021	2,034	1,981	2,034
Equipment Operating Leases, LLC(3)(10)(14)	Multi-Sector Holdings	7.53-8.37%	4/27/2018	8/1/22-4/27/2025	32,882	32,882	32,882
Falcon Transport Company(10)(12)	Road & Rail	10.96%	10/24/2018	7/1/2024	12,443	12,271	12,443
Family First Freight, LLC(10)(12)	Road & Rail	9.29-11.52%	7/31/2017	7/2/2019-1/22/2022	881	879	870
Garda CL Technical Services, Inc.(10)(17)	Commercial Services & Supplies	8.31-8.77%	3/22/2018	7/13/2023-10/5/2023	2,847	2,847	2,847
Georgia Jet, Inc.(10)(12)	Airlines	8.00%	12/4/2017	12/4/2021	2,373	2,373	2,373
Globecom Systems Inc.(10)(17)	Wireless Telecommunication Services	13.18%	5/10/2018	7/1/2021	1,610	1,610	1,610
GMT Corporation(10)(12)	Machinery	12.46%	10/23/2018	10/23/2023	7,582	7,506	7,582
Great Plains Gas Compression Holdings, LLC(10)(12)	Oil, Gas & Consumable Fuels	9.37-9.93%	3/19/2018	8/1/2019-9/7/19	8,775	8,754	8,792
HalJoe Coaches USA, LLC(10)(17)	Road & Rail	8.15-9.90%	7/31/2017	7/1/2022-11/17/2022	5,180	5,180	5,137
Hawkeye Contracting Company, LLC(10)(12)(13)	Oil, Gas & Consumable Fuels	10.00%	11/15/2017	11/15/2020	3,648	3,648	3,620
HTI Logistics Corporation(10)(12)	Commercial Services & Supplies	9.80%	11/15/2018	12/1/2023	274	274	274
Interstate NDT, Inc.(10)(17)	Road & Rail	11.32-13.94%	6/11/2018	7/1/2023-10/1/2023	2,429	2,429	2,429
JP Motorsports, Inc.(10)(17)	Road & Rail	13.96%	8/17/2018	1/25/2022	397	394	405
Knight Transfer Services, Inc. & Dumpstr Xpress, Inc.(10)(17)	Commercial Services & Supplies	12.05-12.76%	7/31/2017	4/11/2020-4/30/2020	518	518	519
Kool Pak, LLC(10)(17)	Road & Rail	8.58%	2/5/2018	3/1/2024	729	729	722
Lineal Industries, Inc.(10)(12)	Construction & Engineering	8.00%	12/21/2018	12/21/2021	107	107	107
Marcal Manufacturing, LLC dba Soundview Paper Company, LLC(10)(17)	Paper & Forest Products	12.91-12.98%	7/31/2017	7/30/2022-10/25/2022	1,365	1,365	1,386
Meridian Consulting I Corp, Inc.(10)(12)	Hotels, Restaurants & Leisure	10.72%	7/31/2017	12/4/2021	2,145	2,145	2,156
Mountain Air Helicopters, Inc.(10)(12)	Commercial Services & Supplies	10.00%	7/31/2017	4/30/2022	1,668	1,668	1,651
Mulholland Energy Services Equipment Leasing, LLC(10)(17)	Commercial Services & Supplies	8.89%	8/17/2018	10/30/2019	809	807	804
OKK Equipment, LLC(10)(12)	Commercial Services & Supplies	10.15%	7/31/2017	8/27/2023	612	612	601
Reston Limousine & Travel Service, Inc.(10)(17)	Road & Rail	11.82%	9/13/2017	10/1/2021	1,454	1,471	1,460
Roscco Crane & Rigging, Inc.(10)(17)	Commercial Services & Supplies	11.13-11.53%	8/25/2017	4/1/2021-9/1/2022	797	797	798
RVR Air Charter, LLC & RVR Aviation, LLC(10)(12)	Airlines	12.00%	7/31/2017	8/1/2020-1/1/2022	2,692	2,692	2,727

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Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Santek Environmental, LLC(10)(17)	Commercial Services & Supplies	10.00%	7/31/2017	3/1/2021	98	98	99
Santek Environmental of Alabama, LLC(10)(17)	Commercial Services & Supplies	8.95-10.00%	7/31/2017	12/18/2020-11/29/2021	179	179	176
Sidelines Tree Service LLC(10)(17)	Diversified Consumer Services	10.31-10.52%	7/31/2017	8/1/2022-10/1/2022	431	432	427
South Texas Oilfield Solutions, LLC(10)(17)	Energy Equipment & Services	12.52-13.76%	3/29/2018	9/1/2022-7/1/2023	3,413	3,413	3,413
Southern Nevada Oral & Maxillofacial Surgery, LLC(10)(12)	Health Care Providers & Services	12.00%	7/31/2017	3/1/2024	1,404	1,404	1,425
Southwest Traders, Inc.(10)(17)	Road & Rail	9.13%	11/21/2017	11/1/2020	139	139	138
ST Coaches, LLC(10)(17)	Road & Rail	8.21-8.59%	7/31/2017	10/1/2022-10/1/2023	4,396	4,396	4,396
Star Coaches Inc.(10)(17)	Road & Rail	8.42%	3/9/2018	4/1/2025	3,785	3,785	3,785
Sturgeon Services International Inc.(10)(12)	Energy Equipment & Services	17.88%	7/31/2017	2/28/2022	1,763	1,763	1,789
Sun-Tech Leasing of Texas, L.P.(10)(17)	Road & Rail	8.68-8.83%	7/31/2017	6/25/2020-7/25/2021	424	424	416
Superior Transportation, Inc.(10)(17)	Road & Rail	9.77-10.26%	7/31/2017	4/23/2022-12/1/2023	4,500	4,499	4,460
The Smedley Company & Smedley Services, Inc. (10)(12)	Commercial Services & Supplies	9.92-14.68%	7/31/2017	10/29/2023-2/10/2024	6,273	6,315	6,361
Tornado Bus Company(10)(17)	Road & Rail	10.78%	7/31/2017	9/1/2021	2,151	2,151	2,141
Trinity Equipment Rentals, Inc.(10)(12)	Commercial Services & Supplies	11.02%	9/13/2018	10/1/2022	935	935	935
Trolleys, Inc.(10)(17)	Road & Rail	9.81%	7/18/2018	8/1/2022	3,039	3,039	3,039
Up Trucking Services, LLC(10)(17)	Road & Rail	11.91%	3/23/2018	4/1/2022	2,226	2,261	2,263
Waste Services of Alabama, LLC(10)(17)	Commercial Services & Supplies	10.24%	8/17/2018	11/27/2020	1,692	1,696	1,687
Waste Services of Tennessee, LLC(10)(17)	Commercial Services & Supplies	8.95-10.15%	7/31/2017	2/7/2021-11/29/2021	742	742	727
Waste Services of Texas, LLC(10)(17)	Commercial Services & Supplies	8.95%	7/31/2017	12/6/2021	147	147	145
WJV658, LLC (10)(12)	Airlines	8.50%	7/31/2017	7/1/2022	7,884	7,884	7,879
W.P.M., Inc., WPM-Southern, LLC, WPM Construction Services, Inc.(10)(12).	Construction & Engineering	7.50%	7/31/2017	10/1/2022	2,601	2,601	2,575
NEF Holdings, LLC Equity Interests(3)(10)(11)	Multi-Sector Holdings		7/31/2017		200	145,000	145,000
Total Equipment Financing						\$313,571	\$314,226
Preferred Equity – 1.7%							
SOAGG LLC(3)(5)(6)(10)	Aerospace & Defense	8.00%	12/14/2010	6/30/2020	2,493	\$ 2,493	\$ 9,113
SOINT, LLC(3)(5)(6)(10)	Aerospace & Defense	15.00%	6/8/2012	6/30/2020	58,361	5,836	6,414
Total Preferred Equity						\$ 8,329	\$ 15,527
Common Equity/Equity Interests/Warrants — 33.4%							
Ark Real Estate Partners LP(2)(3)(10)*	Diversified Real Estate Activities		3/12/2007		—	\$ 527	\$ 39
Ark Real Estate Partners II LP(2)(3)(10)*	Diversified Real Estate Activities		10/23/2012		—	12	1
aTyr Pharma, Inc. Warrants(10)*	Pharmaceuticals		11/18/2016		88,792	106	—

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Description	Industry	Acquisition Date	Shares/ Units	Cost	Fair Value
B Riley Financial Inc.(5)	Research & Consulting Services	3/16/2007	38,015	2,684	540
CardioFocus, Inc. Warrants(10)*	Health Care Equipment & Supplies	3/31/2017	440,816	51	69
CAS Medical Systems, Inc. Warrants(10)*	Health Care Equipment & Supplies	6/30/2016	48,491	38	28
Conventus Orthopaedics, Inc. Warrants(10)*	Health Care Equipment & Supplies	6/15/2016	157,500	65	68
Corindus Vascular Robotics, Inc. Warrants(5)(10)*	Health Care Equipment & Supplies	3/9/2018	79,855	40	22
Crystal Financial LLC(3)(5)(10)	Diversified Financial Services	12/28/2012	280,303	280,737	293,000
Delphinus Medical Technologies, Inc. Warrants(10)*	Health Care Equipment & Supplies	8/18/2017	380,904	74	99
Essence Group Holdings Corporation (Lumeris) Warrants(10)*	Health Care Technology	3/22/2017	208,000	63	358
PQ Bypass, Inc. Warrants(10)*	Health Care Equipment & Supplies	12/20/2018	156,000	70	75
RD Holdco Inc. (Rug Doctor)(3)(10)*	Diversified Consumer Services	12/23/2013	231,177	15,683	7,732
RD Holdco Inc. (Rug Doctor) Class B(3)(10)*	Diversified Consumer Services	12/23/2013	522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants(3)(10)*	Diversified Consumer Services	12/23/2013	30,370	381	—
Restoration Robotics, Inc. Warrants(10)*	Health Care Equipment & Supplies	5/10/2018	72,776	111	3
Scynexis, Inc. Warrants(10)*	Pharmaceuticals	9/30/2016	122,435	105	—
SentreHeart, Inc. Warrants(10)*	Health Care Equipment & Supplies	11/15/2016	261,825	126	127
Sunesis Pharmaceuticals, Inc. Warrants(10)*	Pharmaceuticals	3/31/2016	104,001	118	—
Tetraphase Pharmaceuticals, Inc. Warrants(10)*	Pharmaceuticals	10/30/2018	284,530	269	89
Total Common Equity/Equity Interests/Warrants				\$ 306,476	\$ 307,466
Total Investments (8) — 158.4%				\$1,449,270	\$1,456,080

Description	Industry	Acquisition			Maturity Date	Par Amount	Cost	Fair Value
		Date	Date	Amount				
Cash Equivalents — 21.7%								
U.S. Treasury Bill	Government	12/31/2018	1/29/2019	\$200,000		\$ 199,646	\$ 199,646	
Total Investments & Cash Equivalents — 180.1%						\$1,648,916	\$1,655,726	
Liabilities in Excess of Other Assets — (80.1%)							(736,555)	
Net Assets — 100.0%							\$ 919,171	

- (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, 2018.
- (2) Ark Real Estate Partners is held through SLRC ADI Corp., a wholly-owned taxable subsidiary.

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(3) 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, 2018 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2017	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend /Other Income	Fair Value at December 31, 2018
Ark Real Estate Partners LP	\$ 263	\$ —	\$ —	\$376†	\$ (224)	\$ —	\$ 39
Ark Real Estate Partners II LP	6	—	—	—	(5)	—	1
AviatorCap SII, LLC I	10	—	10	—	—	—	—
AviatorCap SII, LLC	—	2,975	—	—	—	4	2,975
Crystal Financial LLC	303,200	—	—	—	(10,200)	30,220	293,000
Equipment Operating Leases, LLC	—	34,511	1,629	—	—	1,677	32,882
NEF Holdings, LLC	145,500	—	—	—	(500)	8,332	145,000
RD Holdco Inc. (Rug Doctor, common equity)...	10,102	—	—	—	(2,369)	—	7,732
RD Holdco Inc. (Rug Doctor, class B)	5,216	—	—	—	—	—	5,216
RD Holdco Inc. (Rug Doctor, warrants)	35	—	—	—	(35)	—	—
Rug Doctor LLC	9,111	—	—	—	(32)	1,164	9,111
SSLP(18)	88,736	25,322	115,038	(354)	626	6,289	—
SSLP II(18)	51,744	21,781	72,858	(47)	(758)	4,628	—
SOAGG LLC	4,537	—	1,654	—	6,230	663	9,113
SOINT, LLC (preferred equity)	8,300	—	1,865	—	(21)	982	6,414
	<u>\$ 626,760</u>	<u>\$ 84,589</u>	<u>\$ 193,054</u>	<u>\$ (25)</u>	<u>\$ (7,288)</u>	<u>\$ 53,959</u>	<u>\$ 511,483</u>

(4) Denotes investments in which we are an "Affiliated Person" but not exercising a controlling influence, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 5% but less than 25% of the outstanding voting securities of the investment. Transactions during the year ended December 31, 2018 in these affiliated investments are as follows:

Name of Issuer	Fair Value at December 31, 2017	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend Income	Fair Value at December 31, 2018
DSW Group Holdings LLC	\$ —	\$ —	\$ —	\$ 246†	\$ —	\$ —	\$ —

- (5) 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, 2018, on a fair value basis, non-qualifying assets in the portfolio represented 23.3% of the total assets of the Company.
- (6) Solar Capital Ltd.'s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.
- (7) Bishop Lifting Products, Inc., SEI Holding I Corporation, Singer Equities, Inc. & Hampton Rubber Company are co-borrowers.
- (8) Aggregate net unrealized appreciation for U.S. federal income tax purposes is \$853; aggregate gross unrealized appreciation and depreciation for federal tax purposes is \$21,655 and \$20,802, respectively, based on a tax cost of \$1,455,227. All of the Company's investments are pledged as collateral against the borrowings outstanding on the revolving 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.
- (9) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (10) Level 3 investment valued using significant unobservable inputs.
- (11) NEF Holdings, LLC is held through NEFCORP LLC, a wholly-owned consolidated taxable subsidiary and NEFPASS LLC, a wholly-owned consolidated subsidiary.
- (12) Indicates an investment that is wholly held by Solar Capital Ltd. through NEFPASS LLC.
- (13) Hawkeye Contracting Company, LLC, Eagle Creek Mining, LLC & Falcon Ridge Leasing, LLC are co-borrowers.
- (14) Equipment Operating Leases, LLC is a subsidiary of NEF Holdings, LLC.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2018
(in thousands)

- (15) OmniGuide Holdings, Inc., Domain Surgical, Inc. and OmniGuide, Inc. are co-borrowers.
(16) Indicates an investment that is wholly or partially held by the Company through its wholly-owned consolidated financing subsidiary SSLP 2016-1, LLC (the "SSLP SPV"). Such investments are pledged as collateral under the SSLP 2016-1, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of the Company.
(17) 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.
(18) On September 14, 2018 and September 18, 2018, the Company acquired 100% of the equity of SSLP II and SSLP, respectively, and as such consolidated these investments as of this date. On December 19, 2018, SSLP and SSLP II were merged into the Company.
* Non-income producing security.
† Represents estimated change in receivable balance.

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2018
Diversified Financial Services (Crystal Financial LLC)	21.4%
Multi-Sector Holdings (includes NEF Holdings, LLC and Equipment Operating Leases, LLC)	16.4%
Health Care Providers & Services	11.6%
Pharmaceuticals	10.4%
Health Care Equipment & Supplies	5.6%
Road & Rail	3.2%
Chemicals	2.8%
Media	2.7%
Wireless Telecommunication Services	2.6%
Communications Equipment	2.6%
Consumer Finance	2.2%
Specialty Retail	2.0%
Software	1.9%
IT Services	1.7%
Trading Companies & Distributors	1.7%
Diversified Consumer Services	1.6%
Commercial Services & Supplies	1.5%
Thrifts & Mortgage Finance	1.4%
Oil, Gas & Consumable Fuels	1.3%
Aerospace & Defense	1.3%
Airlines	1.3%
Insurance	1.0%
Machinery	0.7%
Energy Equipment & Services	0.4%
Construction & Engineering	0.4%
Hotels, Restaurants & Leisure	0.2%
Paper & Forest Products	0.1%
Research & Consulting Services	0.0%
Health Care Technology	0.0%
Diversified Real Estate Activities	0.0%
Total Investments	100.0%

See notes to consolidated financial statements.

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

Description	Industry	Spread Above Index(9)	LIBOR Floor	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Senior Secured Loans — 83.5%									
Bank Debt/Senior Secured Loans									
AccentCare, Inc.(11)	Health Care Providers & Services	L+525	1.00%	6.94%	12/29/2017	3/3/2022	\$ 2,580	\$ 2,567	\$ 2,567
AccentCare, Inc.(11)	Health Care Providers & Services	L+950	1.00%	11.01%	9/3/2015	9/3/2022	10,000	9,869	9,900
Aegis Toxicology Sciences Corporation(11)	Health Care Providers & Services	L+850	1.00%	10.17%	2/20/2014	8/24/2021	31,000	30,606	30,070
American Teleconferencing Services, Ltd. (PGI) (11)	Communications Equipment	L+650	1.00%	7.90%	5/5/2016	12/8/2021	21,627	21,127	21,303
Amerilife Group, LLC(11)	Insurance	L+875	1.00%	10.25%	7/9/2015	1/10/2023	15,000	14,775	14,887
Argo Turboserve Corporation & Argo Tech, LLC ††(11)	Air Freight & Logistics	L+1425(10)	—	15.73%	5/2/2014	5/2/2018	6,660	6,235	6,660
AviatorCap SII, LLC I(3)(11)	Aerospace & Defense	—	—	12.00%	5/31/2011	1/31/2019	10	10	10
Bishop Lifting Products, Inc.(7)(11)	Trading Companies & Distributors	L+800	1.00%	9.57%	3/24/2014	3/27/2022	25,000	24,857	23,500
Datto, Inc.(11)	IT Services	L+800	1.00%	9.41%	12/6/2017	12/7/2022	25,000	24,505	24,500
DISA Holdings Acquisition Subsidiary Corp.(11)	Professional Services	L+850	1.00%	9.84%	12/9/2014	6/9/2021	51,476	51,008	51,476
Falmouth Group Holdings Corp. (AMPAC)(11)	Chemicals	L+675	1.00%	8.44%	12/7/2015	12/14/2021	9,298	9,265	9,298
Global Tel*Link Corporation	Communications Equipment	L+400	1.25%	5.69%	11/6/2015	5/23/2020	7,194	6,205	7,230
Global Tel*Link Corporation	Communications Equipment	L+825	1.25%	9.94%	5/21/2013	11/23/2020	18,500	18,317	18,540
Greystone Select Holdings LLC & Greystone & Co., Inc.(11)	Thrifts & Mortgage Finance	L+800	1.00%	9.40%	3/29/2017	4/17/2024	20,000	19,815	20,000
IHS Intermediate, Inc.(11)	Health Care Providers & Services	L+825	1.00%	9.62%	6/19/2015	7/20/2022	25,000	24,639	24,562
K2 Pure Solutions NoCal, L.P.(11)	Chemicals	L+900	1.00%	10.57%	8/19/2013	2/19/2021	7,475	7,398	7,400
KORE Wireless Group, Inc.(11)	Wireless Telecommunication Services	L+825	1.00%	9.94%	9/12/2014	3/12/2021	55,500	54,866	54,945
MRI Software LLC(11)	Software	L+625	1.00%	7.83%	6/7/2017	6/30/2023	16,352	16,197	16,271
On Location Events, LLC & PrimeSport Holdings Inc.(11)									
PhyMed Management LLC(11)	Health Care Providers & Services	L+875	1.00%	10.21%	12/18/2015	5/18/2021	32,321	31,430	31,271
PSKW, LLC & PDR, LLC(11)	Health Care Providers & Services	L+826	1.00%	9.95%	10/24/2017	11/25/2021	3,461	3,394	3,392
Radiology Partners, Inc.(11)	Health Care Providers & Services	L+575	1.00%	7.44%	11/28/2017	12/4/2023	9,122	9,032	9,031
Rug Doctor LLC(3)(11)	Diversified Consumer Services	L+975	1.50%	11.42%	12/23/2013	12/31/2018	9,111	9,019	9,111
Salient Partners, L.P.(11)	Asset Management	L+850	1.00%	9.85%	6/10/2015	6/9/2021	13,980	13,803	13,980
Southern Auto Finance Company(5)(11)	Consumer Finance	—	—	11.15%	10/19/2011	12/4/2018	25,000	24,905	25,000
The Octave Music Group, Inc. (fka TouchTunes) (11)	Media	L+825	1.00%	9.62%	5/28/2015	5/27/2022	14,000	13,852	14,000
Varilease Finance, Inc.(11)	Multi-Sector Holdings	L+825	1.00%	9.58%	8/22/2014	8/24/2020	48,000	47,548	48,000
Total Bank Debt/Senior Secured Loans							\$554,504	\$556,154	\$556,154
Life Science Senior Secured Loans									
Achaogen, Inc.(5)(11)	Pharmaceuticals	L+699	1.00%	8.34%	8/5/2015	8/5/2019	\$ 20,833	\$ 21,783	\$ 22,500
aTyr Pharma, Inc.(11)	Pharmaceuticals	P+410	—	8.35%	11/18/2016	11/18/2020	10,000	9,986	10,100
Axcella Health Inc.(11)	Pharmaceuticals	L+880	—	10.15%	8/7/2015	8/31/2019	20,000	20,600	20,900
Breathe Technologies, Inc.(11)	Health Care Equipment & Supplies	L+830	—	9.65%	11/5/2015	11/5/2019	15,000	16,774	16,800
CardioDx, Inc.(11)	Health Care Providers & Services	P+670	—	11.20%	6/18/2015	4/1/2019	4,000	4,507	4,480
CardioFocus, Inc.(11)	Health Care Equipment & Supplies	L+750	—	8.88%	3/31/2017	7/1/2020	5,300	5,307	5,300
Cardiva Medical, Inc.(11)	Health Care Equipment & Supplies	L+865	0.63%	10.00%	2/2/2017	2/2/2021	9,000	9,125	9,045
CAS Medical Systems, Inc.(11)	Health Care Equipment & Supplies	L+875	—	10.10%	6/30/2016	7/1/2020	6,000	6,083	6,045
Cianna Medical, Inc.(11)	Health Care Equipment & Supplies	L+900	—	10.35%	9/28/2016	9/28/2020	7,500	7,613	7,556
Claret Medical, Inc.(11)	Health Care Equipment & Supplies	P+450	—	9.00%	11/22/2017	10/1/2020	5,000	4,947	4,933
Clinical Ink, Inc.(11)	Health Care Technology	L+850	0.70%	9.86%	3/8/2016	3/8/2020	5,056	5,153	5,056
Delphinus Medical Technologies, Inc.(11)	Health Care Equipment & Supplies	L+850	—	9.88%	8/18/2017	9/1/2021	3,750	3,664	3,722

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Description	Industry	Spread Above Index(9)	LIBOR Floor	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Lumeris Solutions Company, LLC(11)	Health Care Technology	L+860	0.25%	9.98%	3/22/2017	2/1/2020	16,000	16,147	16,160
Mitralign, Inc.(11)	Health Care Equipment & Supplies	—	—	9.48%	4/22/2016	12/1/2018	833	843	829
Nabsys 2.0 LLC(11)	Life Sciences Tools & Services	—	—	8.90%	4/22/2016	10/13/2018	2,302	2,695	2,532
PQ Bypass, Inc.(11)	Health Care Equipment & Supplies	L+885	1.00%	10.20%	4/21/2016	4/21/2020	5,000	5,012	4,975
Rapid Micro Biosystems, Inc.(11)	Life Sciences Tools & Services	L+880	—	10.16%	6/30/2015	6/30/2019	15,360	16,126	15,322
scPharmaceuticals, Inc.(11)	Pharmaceuticals	L+845	—	9.83%	5/23/2017	5/1/2021	5,000	4,952	5,000
Scynexis, Inc. (11)	Pharmaceuticals	L+849	—	9.87%	9/30/2016	9/30/2020	15,000	15,049	14,850
SentreHeart, Inc.(11)	Health Care Equipment & Supplies	L+885	—	10.20%	11/15/2016	11/15/2020	10,000	9,958	10,000
Sunesis Pharmaceuticals, Inc.(11)	Pharmaceuticals	L+854	—	9.92%	3/31/2016	4/1/2020	3,750	3,765	3,769
Trevi Therapeutics, Inc.(11)	Pharmaceuticals	L+775	—	9.11%	12/29/2014	6/29/2018	2,406	2,786	2,623
Vapotherm, Inc.(11)	Health Care Equipment & Supplies	L+899	—	10.34%	11/16/2016	5/16/2021	20,000	20,040	20,450
Total Life Science Senior Secured Loans								\$212,915	\$212,947
Total Senior Secured Loans								\$767,419	\$769,101

Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Equipment Financing — 23.7%							
Althoff Crane Service, Inc.(11)(13)	Commercial Services & Supplies	10.55%	7/31/2017	6/8/2022	\$ 1,526	\$ 1,526	\$ 1,526
BB578, LLC(11)(13)	Media	10.00%	7/31/2017	11/1/2021	801	801	821
Beverly Hills Limo and Corporate Coach, Inc.(11)(13)	Road & Rail	10.67%	7/31/2017	2/28/2018	38	38	37
Blue Star Materials II, LLC(11)(13)	Construction Materials	39.06%	7/31/2017	5/1/2018	102	102	102
Carl R. Bieber, Inc.(11)(13)	Hotels, Restaurants & Leisure	9.92%	7/31/2017	1/13/2024	1,363	1,363	1,347
Central Freight Lines, Inc.(11)(13)	Road & Rail	7.16%	7/31/2017	1/14/2024	1,979	1,979	1,940
Cfactor Leasing Corp. & CZM USA, Corp. (11)(13)	Machinery	12.00-12.05%	7/31/2017	5/31/2019-1/15/2021	2,090	2,090	2,135
Family First Freight, LLC(11)(13)	Road & Rail	10.11%	7/31/2017	1/22/2022	505	505	513
Georgia Jet, Inc.(11)(13)	Airlines	8.00%	12/4/2017	12/4/2021	2,918	2,918	2,918
Haljoe Coaches USA, LLC(11)(13)	Road & Rail	8.12-9.90%	7/31/2017	7/1/2022-11/17/2022	6,172	6,172	6,172
Hawkeye Contracting Company, LLC(11)(13)(14)	Oil, Gas & Consumable Fuels	10.00%	11/15/2017	11/15/2020	5,292	5,292	5,292
Knight Transfer Services, Inc. & Dumpstr Xpress, Inc.(11)(13)	Commercial Services & Supplies	12.05-12.76%	7/31/2017	4/11/2020-4/30/2020	852	852	854
Logicorp Enterprises, LLC(11)(13)	Road & Rail	12.18%	7/31/2017	2/3/2021	4,016	4,016	4,096
Marcal Manufacturing, LLC dba Soundview Paper Company, LLC(11)(13)	Paper & Forest Products	12.91-12.98%	7/31/2017	7/30/2022-10/25/2022	1,637	1,637	1,637
Meridian Consulting I Corp, Inc.(11)(13)	Hotels, Restaurants & Leisure	10.72%	7/31/2017	12/4/2021	3,784	3,784	3,873
Mountain Air Helicopters, Inc.(11)(13)	Commercial Services & Supplies	10.00%	7/31/2017	4/30/2022	1,882	1,882	1,882

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
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Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
OKK Equipment, LLC(11)(13)	Commercial Services & Supplies	10.15%	7/31/2017	8/27/2023	709	709	696
Reston Limousine & Travel Service, Inc.(11)(13)	Road & Rail	11.81%	9/13/2017	10/1/2021	1,868	1,895	1,868
Rosco Crane & Rigging, Inc.(11)(13)	Commercial Services & Supplies	11.53%	8/25/2017	9/1/2022	711	711	711
Royal Coach Lines, Inc.(11)(13)	Road & Rail	10.03%	7/31/2017	8/28/2018	364	364	361
RVR Air Charter, LLC & RVR Aviation, LLC(11)(13)	Airlines	12.00%	7/31/2017	1/1/2022	1,550	1,550	1,581
Santek Environmental, LLC(11)(13)	Commercial Services & Supplies	10.00%	7/31/2017	3/1/2021	154	154	153
Santek Environmental of Alabama, LLC(11)(13)	Commercial Services & Supplies	8.95-10.00%	7/31/2017	12/18/2020-11/29/2021	252	252	250
Sidelines Tree Service LLC(11)(13)	Diversified Consumer Services	10.31%-10.52%	7/31/2017	8/1/2022-10/1/2022	523	525	523
Southern Nevada Oral & Maxillofacial Surgery, LLC(11)(13)	Health Care Providers & Services	12.00%	7/31/2017	3/1/2024	1,521	1,521	1,544
Southwest Traders, Inc.(11)(13)	Road & Rail	9.13%	11/21/2017	11/1/2020	202	202	202
ST Coaches, LLC(11)(13)	Road & Rail	8.23-8.72%	7/31/2017	10/1/2022-11/18/2022	3,703	3,703	3,703
Sturgeon Services International Inc.(11)(13)	Energy Equipment & Services	17.21%	7/31/2017	2/28/2022	2,212	2,212	2,225
Sun-Tech Leasing of Texas, L.P.(11)(13)	Road & Rail	8.68-10.60%	7/31/2017	5/4/2019-7/25/2021	1,253	1,253	1,252
Superior Transportation, Inc.(11)(13)	Road & Rail	9.77-10.26%	7/31/2017	4/23/2022-11/25/2022	3,451	3,451	3,423
The Smedley Company & Smedley Services, Inc.(11)(13)	Commercial Services & Supplies	11.63%	7/31/2017	2/10/2024	3,119	3,119	3,181
Tornado Bus Company(11)(13)	Road & Rail	10.78%	7/31/2017	9/1/2021	2,727	2,727	2,749
Waste Services of Tennessee, LLC(11)(13)	Commercial Services & Supplies	8.95-10.15%	7/31/2017	2/7/2021-11/29/2021	983	983	968
Waste Services of Texas, LLC(11)(13)	Commercial Services & Supplies	8.95%	7/31/2017	12/6/2021	190	190	185
WJV658, LLC(11)(13)	Airlines	8.50%	7/31/2017	7/1/2022	8,452	8,452	8,452
W.P.M., Inc., WPM-Southern, LLC, WPM Construction Services, Inc.(11)(13)	Construction & Engineering	7.50%	7/31/2017	10/1/2022	4,004	4,004	3,911
NEF Holdings, LLC Equity Interests(3)(11)(12)	Multi-Sector Holdings		7/31/2017		200	145,000	145,500
Total Equipment Financing						\$217,934	\$218,583
Preferred Equity – 1.4%							
SOAGG LLC(3)(5)(6)	Aerospace & Defense	8.00%	12/14/2010	6/30/2020	4,147	\$ 4,147	\$ 4,537
SOINT, LLC(3)(5)(6)	Aerospace & Defense	15.00%	6/8/2012	6/30/2020	77,014	7,701	8,300
Total Preferred Equity						\$ 11,848	\$ 12,837
Common Equity/Equity Interests/Warrants — 50.0%							
Ark Real Estate Partners LP(2)(3)(11)*	Diversified Real Estate Activities		3/12/2007		—	\$ 527	\$ 263
Ark Real Estate Partners II LP(2)(3)(11)*	Diversified Real Estate Activities		10/23/2012		—	12	6
aTyr Pharma, Inc. Warrants(11)*	Pharmaceuticals		11/18/2016		88,792	106	73
B Riley Financial Inc.(5)	Research & Consulting Services		3/16/2007		38,015	2,684	688
CardioDx, Inc. Warrants(11)*	Health Care Providers & Services		6/18/2015		3,986	129	—
CardioFocus, Inc. Warrants(11)*	Health Care Equipment & Supplies		3/31/2017		440,816	51	43
CAS Medical Systems, Inc. Warrants(11)*	Health Care Equipment & Supplies		6/30/2016		48,491	38	—

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Description	Industry	Acquisition Date	Shares/ Units	Cost	Fair Value
Clanna Medical, Inc. Warrants(11)*	Health Care Equipment & Supplies	9/28/2016	112,158	47	39
Claret Medical, Inc. Warrants(11)*	Health Care Equipment & Supplies	11/22/2017	367,737	42	42
Conventus Orthopaedics, Inc. Warrants(11)*	Health Care Equipment & Supplies	6/15/2016	157,500	65	43
Crystal Financial LLC(3)(5)(11)	Diversified Financial Services	12/28/2012	280,303	280,737	303,200
Delphinus Medical Technologies, Inc. Warrants(11)*	Health Care Equipment & Supplies	8/18/2017	380,904	74	66
Essence Group Holdings Corporation (Lumeris) Warrants(11)*	Health Care Technology	3/22/2017	208,000	63	155
PQ Bypass, Inc. Warrants(11)*	Health Care Equipment & Supplies	4/21/2016	176,471	70	38
RD Holdco Inc. (Rug Doctor)(3)(11)*	Diversified Consumer Services	12/23/2013	231,177	15,683	10,102
RD Holdco Inc. (Rug Doctor) Class B(3)(11)*	Diversified Consumer Services	12/23/2013	522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants(3)(11)*	Diversified Consumer Services	12/23/2013	30,370	381	35
Scynexis, Inc. Warrants(11)*	Pharmaceuticals	9/30/2016	122,435	105	3
Senior Secured Unitranche Loan Program LLC(3)(5)(11)	Asset Management	11/25/2015	—	89,716	88,736
Senior Secured Unitranche Loan Program II LLC(3)(5)(11)	Asset Management	8/5/2016	—	51,076	51,744
SentreHeart, Inc. Warrants(11)*	Health Care Equipment & Supplies	11/15/2016	261,825	126	79
Sunesis Pharmaceuticals, Inc. Warrants(11)*	Pharmaceuticals	3/31/2016	104,001	118	78
Total Common Equity/Equity Interests/Warrants				\$ 447,066	\$ 460,649
Total Investments (8) — 158.6%				\$1,444,267	\$1,461,170
		Maturity Date	Par Amount		
Cash Equivalents — 15.7%					
U.S. Treasury Bill	Government	12/28/2017	2/8/2018	\$ 144,826	\$ 144,826
Total Investments & Cash Equivalents — 174.3%				\$1,589,093	\$1,605,996
Liabilities in Excess of Other Assets — (74.3%)					(684,391)
Net Assets — 100.0%					\$ 921,605

- (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 in effect as of December 31, 2017.
- (2) Ark Real Estate Partners is held through SLRC ADI Corp., a wholly-owned taxable subsidiary.

See notes to consolidated financial statements.

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(in thousands, except share/unit amounts)

(3) 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, 2017 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2016	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend /Other Income	Fair Value at December 31, 2017
Ark Real Estate Partners LP	\$ 336	\$ —	\$ —	\$(6)†	\$ (73)	\$ —	\$ 263
Ark Real Estate Partners II LP	8	—	—	—	(2)	—	6
AviatorCap SII, LLC I	497	—	487	—	—	31	10
Crystal Financial LLC	305,000	—	—	—	(1,800)	31,600	303,200
NEF Holdings, LLC	—	145,000	—	—	500	5,898	145,500
RD Holdco Inc. (Rug Doctor, common equity)	13,574	—	—	—	(3,472)	—	10,102
RD Holdco Inc. (Rug Doctor, class B)	5,216	—	—	—	—	—	5,216
RD Holdco Inc. (Rug Doctor, warrants)..	168	—	—	—	(133)	—	35
Rug Doctor LLC	9,111	—	—	—	(92)	1,149	9,111
SSLP	100,653	525	12,687	—	245	8,393	88,736
SSLP II	47,363	8,872	4,758	—	267	5,180	51,744
SOAGG LLC	5,806	—	1,476	—	207	394	4,537
SOINT, LLC	2,386	—	2,386	—	(6)	60	—
SOINT, LLC (preferred equity)	9,100	—	966	—	166	1,259	8,300
	<u>\$ 499,218</u>	<u>\$ 154,397</u>	<u>\$ 22,760</u>	<u>\$ (6)</u>	<u>\$ (4,193)</u>	<u>\$ 53,964</u>	<u>\$ 626,760</u>

(4) Denotes investments in which we are an "Affiliated Person" but not exercising a controlling influence, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 5% but less than 25% of the outstanding voting securities of the investment. Transactions during the year ended December 31, 2017 in these affiliated investments are as follows:

Name of Issuer	Fair Value at December 31, 2016	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend Income	Fair Value at December 31, 2017
Direct Buy Inc. (common equity)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Direct Buy Inc. (senior secured loan)	777	333	11,439	(8,387)	7,734	—	—
DSW Group Holdings LLC	—	—	—	283†	—	—	—
	<u>\$ 777</u>	<u>\$ 333</u>	<u>\$ 11,439</u>	<u>\$(8,104)</u>	<u>\$ 7,734</u>	<u>\$ —</u>	<u>\$ —</u>

- (5) 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, 2017, on a fair value basis, non-qualifying assets in the portfolio represented 30.5% of the total assets of the Company.
- (6) Solar Capital Ltd.'s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.
- (7) Bishop Lifting Products, Inc., SEI Holding I Corporation, Singer Equities, Inc. & Hampton Rubber Company are co-borrowers.
- (8) Aggregate net unrealized appreciation for U.S. federal income tax purposes is \$10,234; aggregate gross unrealized appreciation and depreciation for federal tax purposes is \$27,742 and \$17,508, respectively, based on a tax cost of \$1,450,936. All of the Company's investments are pledged as collateral against the borrowings outstanding on the revolving credit facility.
- (9) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (10) Spread is 12.25% Cash / 2.00% PIK.
- (11) Investment valued using significant unobservable inputs.
- (12) NEF Holdings, LLC is held through NEFCORP LLC, a wholly-owned consolidated taxable subsidiary and NEFPASS LLC, a wholly-owned consolidated subsidiary.
- (13) Indicates an investment that is wholly held by Solar Capital Ltd. through NEFPASS LLC.
- (14) Hawkeye Contracting Company, LLC, Eagle Creek Mining, LLC & Falcon Ridge Leasing, LLC are co-borrowers.
- * Non-income producing security.

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2017
(in thousands)

† Represents estimated change in receivable balance.
†† Investment contains a payment-in-kind ("PIK") feature.

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2017
Diversified Financial Services (Crystal Financial LLC)	20.7%
Multi-Sector Holdings (includes NEF Holdings, LLC)	13.2%
Asset Management (includes SSLP and SSLP II)	10.6%
Health Care Providers & Services	8.0%
Health Care Equipment & Supplies	6.2%
Pharmaceuticals	5.5%
Media	5.1%
Wireless Telecommunication Services	3.8%
Professional Services	3.5%
Communications Equipment	3.2%
Road & Rail	1.8%
Consumer Finance	1.7%
Diversified Consumer Services	1.7%
IT Services	1.7%
Trading Companies & Distributors	1.6%
Health Care Technology	1.5%
Thriffs & Mortgage Finance	1.4%
Life Sciences Tools & Services	1.2%
Chemicals	1.1%
Software	1.1%
Insurance	1.0%
Airlines	0.9%
Aerospace & Defense	0.9%
Commercial Services & Supplies	0.7%
Air Freight & Logistics	0.5%
Oil, Gas & Consumable Fuels	0.4%
Hotels, Restaurants & Leisure	0.4%
Construction & Engineering	0.3%
Energy Equipment & Services	0.1%
Machinery	0.1%
Paper & Forest Products	0.1%
Research & Consulting Services	0.0%
Diversified Real Estate Activities	0.0%
Construction Materials	0.0%
Total Investments	100.0%

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 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, 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 invests primarily in leveraged middle market companies in the form of senior secured loans, stretch-senior loans, unitranche loans, leases and to a lesser extent, mezzanine 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.

The preparation of consolidated financial statements in conformity with GAAP and pursuant to the requirements for reporting on Form 10-K and Regulation S-X, as appropriate, also 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.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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.

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

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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 fiscal year ended December 31, 2018, 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.

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 or on a straight-line basis, as applicable. 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.

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- (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. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP; accordingly at December 31, 2018, \$1,098 was reclassified on our balance sheet between accumulated distributable net loss and paid-in capital in excess of par. Total earnings and net asset value are not affected.
- (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 irrevocable elections to apply the fair value option of accounting to the senior secured credit facility (the "Credit Facility"), the unsecured senior notes due 2022 (the "2022 Unsecured Notes"), and the SSLP Facility (see note 6 and 7), in accordance with ASC 825-10.
- (k) In accordance with ASC 835-30, the Company records origination and other expenses related to certain debt issuances as a direct deduction from the carrying amount of the debt liability. These 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.
- (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, in accordance with ASC 946-20-25. Certain subsequent costs are expensed per the AICPA Audit & Accounting Guide for Investment Companies.
- (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

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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 this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. 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 is evaluating the impact of ASU 2018-13 on its consolidated financial statements and disclosures.

In August 2018, the US Securities and Exchange Commission adopted final rules to eliminate redundant, duplicative, overlapping, outdated or superseded disclosure requirements in light of other disclosure requirements, GAAP or changes in the information environment. These rules amend certain provisions of Regulation S-X and Regulation S-K, certain rules promulgated under the Securities Act of 1933 and the Securities Exchange Act of 1934 and certain related forms. These changes became effective on November 5, 2018.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows, which amends FASB ASC 230. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. For public business entities, the amendments were effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company has adopted ASU 2016-18 and determined that the adoption has not had a material impact on its consolidated financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities, which will amend FASB ASC 310-20. The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium, generally requiring the premium to be amortized to the earliest call date. For public business entities, the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15,

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2018. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact of ASU 2017-08 on its consolidated financial statements and disclosures.

In May 2014, the FASB issued ASC 606, Revenue From Contracts With Customers, originally effective for public business entities with annual reporting periods beginning after December 15, 2016. On August 12, 2015, the FASB issued an ASU, Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASC 606 for one year. ASC 606 provides accounting guidance related to revenue from contracts with customers. For public business entities, ASC 606 was effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company has adopted ASC 606 and determined that the adoption has not had a material impact on its consolidated financial statements and disclosures.

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%. Prior to January 1, 2018, the annual rate was 2.00%. Effective August 2, 2018, the annual rate is 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.

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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 fiscal years ended December 31, 2018, 2017 and 2016.

For the fiscal years ended December 31, 2018, 2017 and 2016, the Company recognized \$25,789, \$27,409 and \$28,115, respectively, in base management fees and \$18,722, \$17,055 and \$17,775, 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 fiscal years ended December 31, 2018, 2017 and 2016, the Company recognized expenses under the Administration Agreement of \$5,247, \$5,215 and \$5,990, respectively. No managerial assistance fees were accrued or collected for the fiscal years ended December 31, 2018, 2017 and 2016.

Note 4. Net Asset Value Per Share

At December 31, 2018, the Company's total net assets and net asset value per share were \$919,171 and \$21.75, respectively. This compares to total net assets and net asset value per share at December 31, 2017 of \$921,605 and \$21.81, respectively.

Note 5. Earnings Per Share

The following table sets forth the computation of basic and diluted net increase in net assets per share resulting from operations, pursuant to ASC 260-10, for the years ended December 31, 2018, 2017 and 2016:

	<u>Year ended</u> <u>December 31, 2018</u>	<u>Year ended</u> <u>December 31, 2017</u>	<u>Year ended</u> <u>December 31, 2016</u>
<u>Earnings per share (basic & diluted)</u>			
Numerator - net increase in net assets resulting from operations:	\$ 66,874	\$ 70,430	\$ 106,815
Denominator - weighted average shares:	42,260,826	42,257,692	42,258,143
Earnings per share:	\$ 1.58	\$ 1.67	\$ 2.53

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

SOLAR CAPITAL LTD.
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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 are reported as transfers in/out of the appropriate category as of the end of the quarter in which the reclassifications occur.

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The following tables present the balances of assets and liabilities measured at fair value on a recurring basis, as of December 31, 2018 and 2017:

Fair Value Measurements
As of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Senior Secured Loans	\$ —	\$ —	\$ 818,861	\$ 818,861
Equipment Financing	—	—	314,226	314,226
Preferred Equity	—	—	15,527	15,527
Common Equity/Equity Interests/Warrants	540	—	306,926	307,466
Total Investments	<u>\$ 540</u>	<u>\$ —</u>	<u>\$ 1,455,540</u>	<u>\$ 1,456,080</u>
Liabilities:				
Credit Facility, 2022 Unsecured Notes and SSLP Facility	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 350,185</u>	<u>\$ 350,185</u>

Fair Value Measurements
As of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Measured at Net Asset Value*</u>	<u>Total</u>
Assets:					
Senior Secured Loans	\$ —	\$ 25,770	\$ 743,331	\$ —	\$ 769,101
Equipment Financing	—	—	218,583	—	218,583
Preferred Equity	—	—	12,837	—	12,837
Common Equity/Equity Interests/Warrants	688	—	319,481	140,480	460,649
Total Investments	<u>\$ 688</u>	<u>\$ 25,770</u>	<u>\$ 1,294,232</u>	<u>\$ 140,480</u>	<u>\$ 1,461,170</u>
Liabilities:					
Credit Facility and 2022 Unsecured Notes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 445,600</u>	<u>\$ —</u>	<u>\$ 445,600</u>

* In accordance with ASC 820-10, certain investments that are measured using the net asset value per share (or its equivalent) as a practical expedient for fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Assets and Liabilities. The two portfolio investments in this category are SSLP and SSLP II. See Note 14 & 15, respectively, for more information on these investments, including their investment strategies and the Company's unfunded equity commitments to SSLP and SSLP II. Neither of these investments are redeemable by the Company absent an election by the members of the entities to liquidate all investments and distribute the proceeds to the members.

The following tables provide a summary of the changes in fair value of Level 3 assets and liabilities for the year ended December 31, 2018 and the year ended December 31, 2017 as well as the portion of gains or losses

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included in income attributable to unrealized gains or losses related to those assets and liabilities still held at December 31, 2018 and December 31, 2017:

Fair Value Measurements Using Level 3 Inputs

	Senior Secured Loans	Equipment Financing	Preferred Equity	Common Equity/ Equity Interests/ Warrants	Total
Fair value, December 31, 2017	\$ 743,331	\$ 218,583	\$ 12,837	\$ 319,481	\$ 1,294,232
Total gains or losses included in earnings:					
Net realized gain (loss)	470	17	—	367	854
Net change in unrealized gain (loss)	(1,263)	5	6,209	(12,756)	(7,805)
Purchase of investment securities	413,106	132,879	—	548	546,533
Proceeds from dispositions of investment securities	(563,251)	(37,258)	(3,519)	(714)	(604,742)
Transfers in/out of Level 3	226,468	—	—	—	226,468
Fair value, December 31, 2018	<u>\$ 818,861</u>	<u>\$ 314,226</u>	<u>\$ 15,527</u>	<u>\$ 306,926</u>	<u>\$ 1,455,540</u>
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)	<u>\$ 657</u>	<u>\$ 68</u>	<u>\$ 6,209</u>	<u>\$ (12,925)</u>	<u>\$ (5,991)</u>

During the year ended December 31, 2018, the Company's investments in SSLP and SSLP II were consolidated, and as such the Level 3 assets held by SSLP and SSLP II are reflected as transfers into Level 3.

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, 2018:

<u>Credit Facility, 2022 Unsecured Notes, SSLP Facility and SSLP II Facility</u>	<u>For the year ended December 31, 2018</u>
Beginning fair value	\$ 445,600
Net realized (gain) loss	—
Net change in unrealized (gain) loss	—
Borrowings	529,499
Repayments	(685,980)
Transfers in/out of Level 3	61,066
Ending fair value	<u>\$ 350,185</u>

The Company made irrevocable elections to apply the fair value option of accounting to the Credit Facility, the 2022 Unsecured Notes, the SSLP Facility and the SSLP II Facility, in accordance with ASC 825-10. On December 31, 2018, there were borrowings of \$146,400, \$150,000, \$53,785 and \$0, respectively, on the Credit

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Facility, the 2022 Unsecured Notes, the SSLP Facility and the SSLP II Facility. As a result of the consolidation of SSLP and SSLP II, the SSLP Facility and the SSLP II Facility are shown as transfers into Level 3.

Fair Value Measurements Using Level 3 Inputs

	Senior Secured Loans	Equipment Financing	Subordinated Debt/ Corporate Notes	Preferred Equity	Common Equity/ Equity Interests/ Warrants
Fair value, December 31, 2016	\$ 759,510	\$ —	\$ 28,059	\$ 14,906	\$ 324,842
Total gains or losses included in earnings:					
Net realized gain (loss)	(9,547)	—	—	—	—
Net change in unrealized gain (loss)	18,455	649	(122)	372	(5,661)
Purchase of investment securities	246,367	224,468	36	—	300
Proceeds from dispositions of investment securities	(271,454)	(6,534)	(27,973)	(2,441)	—
Transfers in/out of Level 3	—	—	—	—	—
Fair value, December 31, 2017	<u>\$ 743,331</u>	<u>\$ 218,583</u>	<u>\$ —</u>	<u>\$ 12,837</u>	<u>\$ 319,481</u>
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)	<u>\$ 9,046</u>	<u>\$ 649</u>	<u>\$ —</u>	<u>\$ 372</u>	<u>\$ (5,661)</u>

During the year ended December 31, 2017, there were no transfers in and out of Levels 1 and 2.

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, 2017:

<u>Credit Facility, Senior Secured Notes and 2022 Unsecured Notes</u>	<u>For the year ended December 31, 2017</u>
Beginning fair value	\$ 290,200
Net realized (gain) loss	—
Net change in unrealized (gain) loss	—
Borrowings	861,400
Repayments	(706,000)
Transfers in/out of Level 3	—
Ending fair value	<u>\$ 445,600</u>

The Company has made an irrevocable election to apply the fair value option of accounting to the Credit Facility and the 2022 Unsecured Notes, in accordance with ASC 825-10. On December 31, 2017, there were borrowings of \$295,600 and \$150,000, respectively, on the Credit Facility and the 2022 Unsecured Notes. The

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Company used an independent third-party valuation firm to assist in measuring the fair value of the Credit Facility and the 2022 Unsecured Notes.

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 December 31, 2018 is summarized in the table below:

	Asset or Liability	Fair Value at December 31, 2018	Principal Valuation Technique/Methodology	Unobservable Input	Range (Weighted Average)
Senior Secured Loans	Asset	\$ 818,861	Income Approach	Market Yield	7.1% – 13.6% (10.7%)
Equipment Financing	Asset	\$ 169,226	Income Approach	Market Yield	7.2% – 19.8% (10.1%)
		\$ 145,000	Market Approach	Return on Equity	9.1% – 9.1% (9.1%)
Preferred Equity	Asset	\$ 15,527	Income Approach	Market Yield	8.0% – 13.0% (10.1%)
Common Equity/Equity Interests/Warrants	Asset	\$ 13,926	Market Approach	EBITDA Multiple	6.0x – 7.0x (6.3x)
		\$ 293,000	Market Approach	Return on Equity	7.9% – 17.5% (17.4%)
Credit Facility and SSLP Facility	Liability	\$ 200,185	Income Approach	Market Yield	L+1.4% – L+4.8% (L+2.1%)
2022 Unsecured Notes	Liability	\$ 150,000	Income Approach	Market Yield	4.5% – 4.9% (4.5%)

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Quantitative information about the Company's Level 3 asset and liability fair value measurements as of December 31, 2017 is summarized in the table below:

	Asset or Liability	Fair Value at December 31, 2017	Principal Valuation Technique/Methodology	Unobservable Input	Range (Weighted Average)
Senior Secured Loans	Asset	\$ 743,331	Yield Analysis	Market Yield	7.6% – 22.8% (11.2%)
Equipment Financing	Asset	\$ 73,083	Yield Analysis	Market Yield	7.6% – 39.1% (10.0%)
		\$ 145,500	Enterprise Value	Return on Equity	11.8% – 11.8% (11.8%)
Preferred Equity	Asset	\$ 12,837	Yield Analysis	Market Yield	6.2% – 13.4% (10.9%)
Common Equity/Equity Interests/Warrants	Asset	\$ 16,281	Enterprise Value	EBITDA Multiple	5.5x – 6.5x (6.3x)
		\$ 303,200	Enterprise Value	Return on Equity	7.3% – 14.0% (14.0%)
Credit Facility	Liability	\$ 295,600	Yield Analysis	Market Yield	L+1.4% – L+4.8% (L+2.0%)
2022 Unsecured Notes	Liability	\$ 150,000	Yield Analysis	Market Yield	4.5% – 4.9% (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.

Note 7. Debt

Unsecured Notes

On December 28, 2017, the Company closed a private offering of \$21,000 of unsecured tranche c notes due 2022 (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 unsecured senior notes due 2023 (the "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 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 additional 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 September 30, 2016, the Company entered into a second Credit Facility amendment. Post amendment, the Credit Facility was composed of \$505,000 of revolving credit and \$50,000 of term loans. 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

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rate plus 1.00%-1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in September 2021 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. The Company also pays issuers of funded term loans quarterly in arrears a commitment fee at the rate of 0.25% per annum on the average daily outstanding balance. On February 23, 2017, the Company prepaid its two non-extending lenders and terminated their commitments, reducing total outstanding revolving credit commitments by \$110,000 to \$395,000. On April 30, 2018, the revolving credit commitments under the Company's Credit Facility were expanded by \$50,000 from \$395,000 to \$445,000 and on July 13, 2018, revolving credit commitments were further expanded by \$35,000 to \$480,000. On November 21, 2018, we entered into Amendment No. 3 to the Credit Facility which, among other things, reduced the asset coverage covenant in the Credit Facility from 200% to 150% and made certain related changes to the borrowing base calculations. At December 31, 2018, outstanding USD equivalent borrowings under the Credit Facility totaled \$146,400, composed of \$96,400 of revolving credit and \$50,000 of term loans.

On June 30, 2016, SSLP as transferor and SSLP 2016-1, LLC, a newly formed wholly-owned subsidiary of SSLP, as borrower entered into the \$200,000 SSLP Facility with Wells Fargo Bank, NA acting as administrative agent. Solar Capital Ltd. acts as servicer under the SSLP Facility. On December 19, 2018, the SSLP Facility was amended and Solar Capital Ltd. now serves as transferor in addition to its role as servicer. The SSLP Facility is scheduled to mature on June 30, 2021. The SSLP Facility generally bears interest at a rate of LIBOR plus 2.50%. The Company and SSLP 2016-1, 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 SSLP Facility also includes usual and customary events of default for credit facilities of this nature. There were \$53,785 of borrowings outstanding as of December 31, 2018.

On November 15, 2016, SSLP II as transferor and SSLP II 2016-1, LLC, a newly formed wholly-owned subsidiary of SSLP II, as borrower entered into a \$100,000 senior secured revolving credit facility (the "SSLP II Facility") with Wells Fargo Bank, NA acting as administrative agent. Solar Capital Ltd. acted as servicer under the SSLP II Facility. The SSLP II Facility was scheduled to mature on November 15, 2021. The SSLP II Facility generally bore interest at a rate of LIBOR plus 2.50%. SSLP II and SSLP II 2016-1, LLC, as applicable, had 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 SSLP II Facility included usual and customary events of default for credit facilities of this nature. On December 19, 2018, SSLP II 2016-1, LLC was merged into SSLP 2016-1, LLC and the SSLP II Facility was terminated.

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 \$30,000 of borrowings outstanding as of December 31, 2018.

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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 irrevocable elections to apply the fair value option of accounting to the Credit Facility, the 2022 Unsecured Notes and the SSLP Facility, in accordance with ASC 825-10. We believe accounting for these facilities 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 facilities are reported in the Consolidated Statement of Operations.

The average annualized interest cost for all borrowings for the year ended December 31, 2018 and the year ended December 31, 2017 was 4.33% and 4.73%, 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 SSLP Facility and the 2023 Unsecured Notes (collectively the “Credit Facilities”), if any. During the year ended December 31, 2017, the Company expensed \$591 in conjunction with the February 2017 issue of 2022 Unsecured Notes. The maximum amounts borrowed on the Credit Facilities during the year ended December 31, 2018 and the year ended December 31, 2017 were \$592,600 and \$606,600, respectively.

Note 8(a). Income Tax Information and Distributions to Stockholders

The tax character of distributions for the fiscal years ended December 31, 2018, 2017 and 2016 were as follows:

	2018		2017		2016	
Ordinary income	\$69,308	100.0%	\$67,612	100.0%	\$67,598	100.0%
Capital gains	—	0.0%	—	0.0%	—	0.0%
Return of capital	—	0.0%	—	0.0%	—	0.0%
Total distributions	<u>\$69,308</u>	<u>100.0%</u>	<u>\$67,612</u>	<u>100.0%</u>	<u>\$67,598</u>	<u>100.0%</u>

As of December 31, 2018, 2017 and 2016 the total accumulated earnings (loss) on a tax basis were as follows (1):

	2018	2017	2016
Undistributed ordinary income	\$ 13,259	\$ 8,750	\$ 7,329
Undistributed long-term net capital gains	—	—	—
Total undistributed net earnings	13,259	8,750	7,329
Post-October capital losses	—	—	—
Capital loss carryforward	(37,319)	(41,814)	(31,311)
Other book/tax temporary differences	(1,098)	2,800	2,915
Net unrealized appreciation (depreciation)	853	10,234	(7,928)
Total tax accumulated earnings (loss)	<u>\$(24,305)</u>	<u>\$(20,030)</u>	<u>\$(28,995)</u>

(1) Tax information for the fiscal years ended December 31, 2018, 2017 and 2016 are/were estimates and are not final until the Company files its tax returns, typically in October each year.

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The Company recognizes in its consolidated financial statements the tax effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. To the best of our knowledge, we did not have any uncertain tax positions that met the recognition or measurement criteria of ASC 740-10-25 nor did we have any unrecognized tax benefits as of the periods presented herein. Although we file federal and state tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2015 remain subject to examination by the Internal Revenue Service and the state department of revenue. The capital loss carryforwards shown above do not expire.

Note 8(b). Other Tax Information (unaudited)

For the fiscal years ended December 31, 2018, 2017 and 2016, none of the distributions paid during the year were eligible for qualified dividend income treatment or the dividends received deduction for corporate stockholders. For the fiscal years ended December 31, 2018, 2017, and 2016, 89.69%, 89.25% and 95.23%, respectively, of each of the distributions paid during the year represent interest-related dividends. For the fiscal years ended December 31, 2018, 2017 and 2016, none of the distributions represent short-term capital gains dividends.

Note 9. Financial Highlights and Senior Securities Table

The following is a schedule of financial highlights for the respective years:

	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Per Share Data: (a)					
Net asset value, beginning of year	\$ 21.81	\$ 21.74	\$ 20.79	\$ 22.05	\$ 22.50
Net investment income	1.77	1.62	1.68	1.52	1.56
Net realized and unrealized gain (loss)	(0.19)	0.05	0.84	(1.18)	(0.43)
Net increase in net assets resulting from operations	1.58	1.67	2.52	0.34	1.13
Distributions to stockholders (see note 8a):					
From net investment income	(1.64)	(1.60)	(1.60)	(1.60)	(1.55)
From other sources	—	—	—	—	(0.05)(c)
Anti-dilution	—	—	0.03	—	0.02
Net asset value, end of year	<u>\$ 21.75</u>	<u>\$ 21.81</u>	<u>\$ 21.74</u>	<u>\$ 20.79</u>	<u>\$ 22.05</u>
Per share market value, end of year	\$ 19.19	\$ 20.21	\$ 20.82	\$ 16.43	\$ 18.01
Total Return(b)	2.77%	4.47%	37.49%	(0.29)%	(13.58)%
Net assets, end of year	\$ 919,171	\$ 921,605	\$ 918,507	\$ 882,698	\$ 936,568
Shares outstanding, end of year	42,260,826	42,260,826	42,248,525	42,464,762	42,465,162
Ratios to average net assets:					
Net investment income	8.10%	7.43%	7.91%	6.94%	6.93%
Operating expenses	5.83%	5.80%	6.25%	3.84%*	4.24%
Interest and other credit facility expenses**	2.67%	2.35%	2.73%	1.68%	1.50%
Total expenses	<u>8.50%</u>	<u>8.15%</u>	<u>8.98%</u>	<u>5.52%*</u>	<u>5.74%</u>
Average debt outstanding	\$ 508,445	\$ 414,264	\$ 495,795	\$ 262,341	\$ 225,000
Portfolio turnover ratio	39.3%	24.9%	31.0%	13.0%	53.7%

(a) Calculated using the average shares outstanding method.

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- (b) Total return is based on the change in market price per share during the year and takes into account distributions, if any, reinvested in accordance with the dividend reinvestment plan. Total return does not include a sales load.
- (c) Represents tax return of capital.
- * The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is shown net of a voluntary incentive fee waiver (see note 3). For the year ended December 31, 2015, the ratios of operating expenses to average net assets and total expenses to average net assets would be 4.02% and 5.70%, respectively, without the voluntary incentive fee waiver.
- ** Ratios shown without the non-recurring costs associated with the amendments and establishment of the Credit Facility and 2022 Unsecured Notes would be 2.67%, 2.29%, 2.39%, 1.68% and 1.50%, respectively for the years shown.

Information about our senior securities is shown in the following table as of 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.

<u>Class and Year</u>	<u>Total Amount Outstanding(1)</u>	<u>Asset Coverage Per Unit(2)</u>	<u>Involuntary Liquidating Preference Per Unit(3)</u>	<u>Average Market Value Per Unit(4)</u>
Revolving Credit Facility				
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
Fiscal 2009	88,114	8,920	—	N/A
2022 Unsecured Notes				
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 2018	21,000	129	—	N/A
Fiscal 2017	21,000	105	—	N/A
2023 Unsecured Notes				
Fiscal 2018	75,000	461	—	N/A
Fiscal 2017	75,000	374	—	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

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<u>Class and Year</u>	<u>Total Amount Outstanding(1)</u>	<u>Asset Coverage Per Unit(2)</u>	<u>Involuntary Liquidating Preference Per Unit(3)</u>	<u>Average Market Value Per Unit(4)</u>
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 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 2018	30,000	185	—	N/A
SSLP Facility				
Fiscal 2018	53,785	331	—	N/A
Total Senior Securities				
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
Fiscal 2009	88,114	8,920	—	N/A

- (1) Total amount of each class of senior securities outstanding 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 December 31, 2018, asset coverage was 293.0%.
- (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

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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 2018, 2017, 2016, 2015, 2014, 2013 and 2012 periods was N/A, N/A, \$100,175, \$98,196, \$94,301, \$93,392, and \$92,302, respectively.

Note 10. 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 December 31, 2018 Crystal Financial LLC had 31 funded commitments to 26 different issuers with a total par value of approximately \$418,680 on total assets of \$486,420. As of December 31, 2017 Crystal Financial LLC had 27 funded commitments to 23 different issuers with a total par value of approximately \$300,876 on total assets of \$448,465. As of December 31, 2018 and December 31, 2017, the largest loan outstanding totaled \$37,500 and \$35,954, respectively. For the same periods, the average exposure per issuer was \$16,103 and \$13,082, respectively. Crystal Financial LLC’s credit facility, which is non-recourse to Solar Capital, had approximately \$205,990 and \$176,454 of borrowings outstanding at December 31, 2018 and December 31, 2017, respectively. For the years ended December 31, 2018, 2017 and 2016, Crystal Financial LLC had net income of \$33,026, \$20,391 and \$34,099, respectively, on gross income of \$58,758, \$52,746 and \$69,442, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. Crystal Financial LLC’s consolidated financial statements for the fiscal years ended December 31, 2018 and December 31, 2017 are attached as an exhibit to this annual report on Form 10-K.

Note 11. Stock Repurchase Programs

On July 31, 2013, the Board authorized a program for the purpose of repurchasing up to \$100,000 of the Company’s common stock. Under the repurchase program, the Company could have, but was not obligated to, repurchase its outstanding common stock in the open market from time to time provided that the Company complied with the prohibitions under its Insider Trading Policies and Procedures and the guidelines specified in Rules 10b-18 and 10b-5 under the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. On December 5, 2013, the Board extended the repurchase program to be in place until the earlier of July 31, 2014 or until \$100,000 of the Company’s outstanding shares of common stock had been repurchased. On July 31, 2014, the Company’s stock repurchase program expired. During the fiscal year ended December 31, 2014, the Company repurchased 1,779,033 shares at an average price of approximately \$21.97 per share, inclusive of commissions. The total dollar amount of shares repurchased in that period was \$39,078. During the year ended December 31, 2013, the Company repurchased 796,418 shares at an average price of approximately \$21.98 per share, inclusive of commissions, for a total dollar amount of \$17,508.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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On October 7, 2015, the Board authorized a new share repurchase program to purchase common stock in the open market in an amount up to \$30,000. Under the repurchase program, the Company may, but is not obligated to, repurchase its outstanding common stock in the open market from time to time provided that the Company complies with the prohibitions under its Insider Trading Policies and Procedures and the guidelines specified in Rules 10b-18 and 10b-5 under the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. On October 7, 2016, the Company's stock repurchase program expired. During the year ended December 31, 2016, the Company repurchased 216,237 shares at an average price of \$15.76 per share, inclusive of commissions. The total dollar amount of shares repurchased in that period was \$3,408. During the year ended December 31, 2015, the Company repurchased 400 shares at an average price of \$15.98 per share, inclusive of commissions, for a total dollar amount of \$6.

Note 12. Selected Quarterly Financial Data (unaudited)

<u>Quarter Ended</u>	<u>Investment Income</u>		<u>Net Investment Income</u>		<u>Net Realized And Unrealized Gain (Loss) on Assets</u>		<u>Net Increase (Decrease) In Net Assets From Operations</u>	
	<u>Total</u>	<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>	<u>Total</u>	<u>Per Share</u>
December 31, 2018	\$ 38,236	0.90	\$ 18,451	0.44	\$ (9,545)	(0.23)	\$ 8,906	0.21
September 30, 2018	37,142	0.88	18,416	0.44	(286)	(0.01)	18,130	0.43
June 30, 2018	39,188	0.93	19,165	0.45	625	0.02	19,790	0.47
March 31, 2018	38,960	0.92	18,857	0.45	1,191	0.02	20,048	0.47
December 31, 2017	\$ 38,911	0.92	\$ 18,640	0.44	\$ (1,314)	(0.03)	\$ 17,326	0.41
September 30, 2017	36,147	0.86	17,315	0.41	(152)	(0.00)	17,163	0.41
June 30, 2017	33,888	0.80	16,079	0.38	2,704	0.06	18,783	0.44
March 31, 2017	34,392	0.81	16,330	0.39	828	0.02	17,158	0.41

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Note 13. 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 December 31, 2018 and December 31, 2017 is \$169,667 and \$62,044, respectively, comprised of the following:

	December 31, 2018	December 31, 2017
Crystal Financial LLC*	\$ 44,263	\$ 44,263
Rubius Therapeutics, Inc.**	26,861	—
BioElectron Technology Corporation**	17,500	—
BAM Capital, LLC	15,000	—
Tetraphase Pharmaceuticals, Inc.**	13,800	—
Phynet Dermatology LLC	12,385	—
Cardiva Medical, Inc.**	9,000	—
Corindus Vascular Robotics, Inc.**	6,217	—
PQ Bypass, Inc.**	4,800	—
Kingsbridge Holdings, LLC	4,139	—
Breathe Technologies, Inc.**	4,000	—
GenMark Diagnostics, Inc.	3,010	—
Delphinus Medical Technologies, Inc.**	1,875	3,750
RS Energy Group U.S., Inc.	1,685	—
Datto, Inc.	1,683	1,683
Atria Wealth Solutions, Inc.	1,473	—
Solara Medical Supplies, Inc.	1,184	—
iCIMS, Inc.	792	—
MRI Software LLC	—	2,361
Radiology Partners, Inc.	—	878
Alera Group Intermediate Holdings, Inc.	—	3,885
Accentcare, Inc.	—	3,397
CardioFocus, Inc.	—	1,000
WJV658, LLC	—	827
Total Commitments	\$ 169,667	\$ 62,044

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

** Commitments are subject to the portfolio company achieving certain milestones. As of December 31, 2018, these milestones have not yet been achieved, and as such the portfolio company would not have been able to draw on any of the stated commitment at that time.

As of December 31, 2018 and December 31, 2017, the Company had sufficient cash available and/or liquid securities available to fund its commitments.

Note 14. Senior Secured Unitranche Loan Program LLC

On September 2, 2014, the Company entered into a limited liability company agreement with an affiliate (the “Investor”) of a fund managed by Pacific Investment Management Company LLC (“PIMCO”) to co-invest

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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in middle market senior secured unitranche loans sourced by the same origination platform used by the Company. Initial funding commitments to the unitranche strategy totaled \$600 million, consisting of direct equity investments and co-investment commitments as described below. The joint venture vehicle known as the SSLP was structured as an unconsolidated Delaware limited liability company. The Company and the Investor initially made equity commitments to the SSLP of \$300,000 and \$43,250, respectively. All portfolio decisions and generally all other decisions in respect of the SSLP had to be approved by an investment committee of the SSLP consisting of representatives of the Company and PIMCO (with approval from a representative of each required).

On October 15, 2015, the Company entered into an amended and restated limited liability company agreement for its SSLP to add Voya Investment Management LLC (“Voya”), part of Voya Financial, Inc. (NYSE: VOYA), as a partner in SSLP in place of the investor that was previously the Company’s partner in SSLP, though this investor could still co-invest up to \$300,000 of equity in unitranche loans alongside SSLP. This joint venture was expected to invest primarily in senior secured loans, including unitranche loans, primarily to middle market companies predominantly owned by private equity sponsors or entrepreneurs, consistent with the Company’s core origination and underwriting mandate. In addition to the Company’s prior equity commitment of \$300,000 to SSLP, Voya had made an initial equity commitment of \$25,000 to SSLP, with the ability to upsize.

On November 2, 2015, the Company assigned \$125,000 of its \$300,000 commitment to SSLP to SSLP II, a Delaware limited liability company.

On November 25, 2015, SSLP commenced operations. On June 30, 2016, SSLP as transferor and SSLP 2016-1, LLC, a newly formed wholly-owned subsidiary of SSLP, as borrower entered into the SSLP Facility with Wells Fargo Bank, NA acting as administrative agent. The Company acts as servicer under the SSLP Facility. The SSLP Facility is scheduled to mature on June 30, 2021. The SSLP Facility generally bears interest at a rate of LIBOR plus 2.50%. SSLP and SSLP 2016-1, 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 SSLP Facility also includes usual and customary events of default for credit facilities of this nature. On September 18, 2018, the Company acquired Voya’s share of the equity in SSLP to hold 100% of the equity in SSLP. As such, the Company consolidated SSLP as of this date. For financial reporting purposes, assets consolidated were recorded at fair value and the cost basis of the assets consolidated were carried forward to align with the ongoing reporting of the Company’s realized and unrealized gains and losses. Also due to the consolidation, the then \$354 in unrealized depreciation on the Company’s equity investment in SSLP was reflected as unrealized depreciation in our consolidated assets and liabilities as well as an adjustment to net increase in net assets resulting from operations on the Company’s consolidated statement of cash flows. The effect of consolidation did not affect the Company’s net assets at September 30, 2018. On December 19, 2018, SSLP and the Company merged, with the Company the surviving entity. Also on December 19, 2018, SSLP 2016-1 LLC merged with SSLP II 2016-1 LLC, with SSLP 2016-1 LLC the surviving entity. SSLP 2016-1 LLC is now a wholly-owned subsidiary of the Company and the borrowings under the SSLP Facility are consolidated.

Note 15. Senior Secured Unitranche Loan Program II LLC

On November 2, 2015, the Company assigned \$125,000 of its \$300,000 commitment to SSLP to SSLP II, a Delaware limited liability company. On August 5, 2016, the Company entered into an amended and restated limited liability company agreement with WFI Loanco, LLC (“WFI”) and SSLP II commenced operations. SSLP II invested primarily in senior secured loans, including unitranche loans, primarily to middle market companies

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predominantly owned by private equity sponsors or entrepreneurs, consistent with the Company's core origination and underwriting mandate. Also, on August 5, 2016, the Company assigned approximately \$50,000 of its \$125,000 commitment to SSLP II to SSLP III, a newly formed Delaware limited liability company. SSLP III, which had not commenced operations, was wholly owned by Solar Capital Ltd. but could have brought in unaffiliated investors at a later date. The Company and WFI's equity commitments to SSLP II then totaled \$75,000 and \$18,000, respectively.

On November 15, 2016, SSLP II as transferor and SSLP II 2016-1, LLC, a newly formed wholly-owned subsidiary of SSLP II, as borrower entered into a \$100,000 senior secured revolving credit facility (the "SSLP II Facility") with Wells Fargo Bank, NA acting as administrative agent. Solar Capital Ltd. was servicer under the SSLP II Facility. The SSLP II Facility was scheduled to mature on November 15, 2021. The SSLP II Facility generally bore interest at a rate of LIBOR plus 2.50%. SSLP II and SSLP II 2016-1, LLC, as applicable, had made certain customary representations and warranties, and were required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The SSLP II Facility also included usual and customary events of default for credit facilities of this nature. On September 14, 2018, the Company acquired WFI's share of the equity in SSLP II to hold 100% of the equity in SSLP II. As such, the Company consolidated SSLP II as of this date. For financial reporting purposes, assets consolidated were recorded at fair value and the cost basis of the assets consolidated were carried forward to align with the ongoing reporting of the Company's realized and unrealized gains and losses. Also due to the consolidation, the then \$91 in unrealized depreciation on the Company's equity investment in SSLP II was reflected as unrealized depreciation in our consolidated assets and liabilities as well as an adjustment to net increase in net assets resulting from operations on the Company's consolidated statement of cash flows. The effect of consolidation did not affect the Company's net assets at September 30, 2018. On December 19, 2018, SSLP II and Solar Capital Ltd. merged, with Solar Capital Ltd. the surviving entity. Additionally, on December 19, 2018, the SSLP II Facility was terminated after merging with the SSLP Facility.

Note 16. Solar Life Science Program LLC

On February 22, 2017, the Company, through its commitment to SSLP III, and Solar Senior Capital Ltd. formed LSJV with an affiliate of Deerfield Management. SSLP III committed approximately \$49,977 to LSJV. On March 10, 2017, SSLP III was dissolved. On August 16, 2018, the LSJV was dissolved, without commencing operations.

Note 17. 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. The maturity date of the facility is July 31, 2021. At July 31, 2017, NEF also had two securitizations outstanding, with an issued note balance of \$94,587.

As of December 31, 2018, NEF had 207 funded equipment-backed leases and loans to 82 different customers with a total net investment in leases and loans of approximately \$237,221 on total assets of \$293,185.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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As of December 31, 2017, NEF had 223 funded equipment-backed leases and loans to 90 different customers with a total net investment in leases and loans of approximately \$222,972 on total assets of \$289,483. As of December 31, 2018 and December 31, 2017, the largest position outstanding totaled \$28,474 and \$15,959, respectively. For the same periods, the average exposure per customer was \$2,893 and \$2,477, respectively. NEF's credit facility, which is non-recourse to Solar Capital, had approximately \$119,316 and \$71,010 of borrowings outstanding at December 31, 2018 and December 31, 2017, respectively. During 2018, NEF exercised its option to redeem the remaining securitization notes. The securitization notes balance on December 31, 2017 was \$71,656. For the year ended December 31, 2018, NEF had net income of \$3,426 on gross income of \$30,068. Since the acquisition on July 31, 2017 and through December 31, 2017, NEF had net income of \$4,703 on gross income of \$15,568. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. NEF's consolidated financial statements for the fiscal years ended December 31, 2018 and December 31, 2017 are attached as an exhibit to this annual report on Form 10-K.

Note 18. Capital Share Transactions

As of December 31, 2018 and December 31, 2017, 200,000,000 shares of \$0.01 par value capital stock were authorized.

Transactions in capital stock were as follows:

	Shares		Amount	
	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Shares issued in reinvestment of distributions	—	12,301	\$ —	\$ 280
Net increase (decrease)	—	12,301	\$ —	\$ 280

Note 19. 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 February 21, 2019, our Board declared a quarterly distribution of \$0.41 per share payable on April 3, 2019 to holders of record as of March 21, 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2018 (the end of the period covered by this report), we, including our Chief Executive Officer 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 Chief Executive Officer 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) Management's Report on Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting, which appears in Item 8 of this Form 10-K, is incorporated by reference herein.

(c) Attestation Report of the Independent Registered Public Accounting Firm

Our independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting, which is set forth above under the heading "Report of Independent Registered Public Accounting Firm" in Item 8.

(d) 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 fourth fiscal quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance****Information about Directors**

Certain information with respect to each of the current directors is set forth below, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person holds, the year in which each person became a director of the Company, and a discussion of their particular experience, qualifications, attributes or skills that lead us to conclude that such individual should serve as a director of the Company, in light of the Company's business and structure. There were no legal proceedings of the type described in Item 401(f) of Regulation S-K in the past 10 years against any of the directors or officers of the Company and none are currently pending. There is no arrangement or understanding between any of the Company's directors or officers pursuant to which they were selected as directors or officers and the Company or any other person or entity.

Mr. Gross is an "interested person" of Solar Capital as defined in the Investment Company Act of 1940 (the "1940 Act") due to his position as the Chief Executive Officer and President of the Company and a managing member of Solar Capital Partners, LLC ("Solar Capital Partners") the Company's investment adviser. Mr. Spohler is an "interested person" of the Company as defined in the 1940 Act due to his position as the Chief Operating Officer of the Company and a managing member of Solar Capital Partners, the Company's investment adviser. Each of Mr. Wachter, Mr. Hochberg and Mr. Potter is not an "interested person" of the Company as defined in the 1940 Act.

<u>Name, Address and Age(1)</u>	<u>Position(s) Held with Company</u>	<u>Terms of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Director or Nominee for Director During Past 5 Years(2)</u>
Independent Director David S. Wachter, 55	Director	Class I Director since 2007; Term expires 2019.	Founding Partner, Managing Director and President of W Capital Partners, a private equity fund manager, since 2001.	Director of Solar Senior Capital Ltd. since 2011, SCP Private Credit Income BDC LLC since 2018 and of several private companies.

Mr. Wachter's extensive knowledge of private equity and investment banking provides the board of directors with the valuable insight of an experienced financial manager.

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<u>Name, Address and Age(1)</u>	<u>Position(s) Held with Company</u>	<u>Terms of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Director or Nominee for Director During Past 5 Years (2)</u>
Interested Director Bruce Spohler, 58	Director	Class II Director since 2009; Term expires 2020.	Chief Operating Officer of Solar Capital Ltd. since 2007, Solar Senior Capital Ltd. since 2010 and SCP Private Credit Income BDC LLC since 2018; previously, Managing Director and a former Co-Head of U.S. Leveraged Finance for CIBC World Markets.	Director of Solar Senior Capital Ltd. since 2010 and SCP Private Credit Income BDC LLC since 2018.

Mr. Spohler's depth of experience in managerial positions in investment management, leveraged finance and financial services, as well as his intimate knowledge of Solar Capital's business and operations, gives the board of directors valuable industry-specific knowledge and expertise on these and other matters.

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<u>Name, Address and Age(1)</u> Independent Director	<u>Position(s) Held with Company</u>	<u>Terms of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Director or Nominee for Director During Past 5 Years(2)</u>
Steven Hochberg, 57	Director	Class II Director since 2007; Term expires 2020.	Partner at Deerfield Management, a healthcare investment firm, since 2013. Co-founder and manager of Ascent Biomedical Ventures, a venture capital firm focused on early stage investment and development of biomedical companies, since 2004.	Partner at Deerfield Management, a healthcare investment firm, since 2013. Co-founder and manager of Ascent Biomedical Ventures, a venture capital firm focused on early stage investment and development of biomedical companies, since 2004. Director of Solar Senior Capital Ltd. since 2011 and SCP Private Credit Income BDC LLC since 2018. Since 2011, Mr. Hochberg had been the Chairman of the Board of Continuum Health Partners until its merger with Mount Sinai in 2013, where he is the Senior Vice Chairman of the Mount Sinai Health System, a non-profit healthcare integrated delivery system in New York City. Director of DFB Healthcare Acquisitions Corp., a newly organized special purchase acquisition company. Director of the Cardiovascular Research Foundation, an organization focused on advancing new technologies and education in the field of cardiovascular medicine.

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Mr. Hochberg's varied experience in investing in medical technology companies provides the board of directors with particular knowledge of this field, and his role as chairman of other companies' board of directors brings the perspective of a knowledgeable corporate leader.

<u>Name, Address and Age(1)</u> Interested Director	<u>Position(s) Held with Company</u>	<u>Terms of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Director or Nominee for Director During Past 5 Years(2)</u>
Michael S. Gross, 57	Chairman of the Board of Directors, Chief Executive Officer and President.	Class III Director since 2007; Term expires 2021.	Chairman of the Board of Directors, Chief Executive Officer and President of Solar Capital Ltd. since 2007, Solar Senior Capital Ltd. since 2010 and SCP Private Credit Income BDC since 2018; President and Chief Executive Officer of Apollo Investment Corporation from 2004 to 2006.	Chairman of the Board of Directors, Chief Executive Officer and President of Solar Senior Capital Ltd. since 2010 and SCP Private Credit Income BDC LLC since 2018; Chairman of the Board of Directors of Global Ship Lease Inc.; Director of Saks, Inc. (1992-2013) and Jarden Corporation (2007-2016); Chairman of the Board of Mt. Sinai Children's Center Foundation; Director of New York Road Runners; Member of the Kellogg Global Advisory Board; and Member of the Ross School Advisory Board at the University of Michigan.

Mr. Gross' intimate knowledge of the business and operations of Solar Capital Partners, extensive familiarity with the financial industry and the investment management process in particular, and experience as a director of other public and private companies not only gives the board of directors valuable insight but also positions him well to continue to serve as the Chairman of our board of directors.

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<u>Name, Address and Age(1)</u> Independent Director	<u>Position(s) Held with Company</u>	<u>Terms of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Director or Nominee for Director During Past 5 Years(2)</u>
Leonard A. Potter, 57	Director	Class III Director since 2009; Term expires 2021.	President and Chief Investment Officer of Wildcat Capital Management, LLC since 2011; Chief Executive Officer of Infinity Q Capital Management, LLC since 2014; Chief Investment Officer of Salt Creek Hospitality from 2009 to 2011; Managing Director of Soros Private Equity at Soros Fund Management LLC from 2002 to 2009.	Director of Solar Senior Capital Ltd. since 2011, SCP Private Credit Income BDC LLC since 2018, Hilton Grand Vacations Inc. since 2017, GSV Capital Corp. since 2011, Crumbs Bake Shop, Inc. from 2009 to 2014, and several private companies.

Mr. Potter's experience practicing as a corporate lawyer provides valuable insight to the board of directors on regulatory and risk management issues. In addition, his tenure in private equity and other investments and service as a director of both public and private companies provide industry-specific knowledge and expertise to the board of directors.

- (1) The business address of the director nominees and other directors is c/o Solar Capital Ltd., 500 Park Avenue, New York, New York 10022.
- (2) All of the Company's directors also serve as directors of Solar Senior Capital Ltd. and SCP Private Credit Income BDC LLC, which are investment companies that have each elected to be regulated as a business development company ("BDC") and for which Solar Capital Partners serves as investment adviser. Mr. Potter also serves as a director of GSV Capital Corp., which is a closed-end management investment company that has elected to be regulated as a BDC.

Information about Executive Officers Who Are Not Directors

The following information, as of December 31, 2018, pertains to our executive officers who are not directors of the Company.

<u>Name, Address, and Age(1)</u>	<u>Position(s) Held with Company</u>	<u>Principal Occupation(s) During Past 5 Years</u>
Richard L. Peteka, 57	Chief Financial Officer, Treasurer and Secretary	Chief Financial Officer, Treasurer and Secretary of the Company and of Solar Senior Capital Ltd. since May 2012 and of SCP Private Credit Income BDC LLC since June 2018. Mr. Peteka joined the Company from Apollo Investment Corporation, a publicly-traded business development company, where he served from 2004 to 2012 as the Chief Financial Officer and Treasurer.

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<u>Name, Address, and Age(1)</u>	<u>Position(s) Held with Company</u>	<u>Principal Occupation(s) During Past 5 Years</u>
Guy Talarico, 63	Chief Compliance Officer	Chief Compliance Officer of Solar Capital Ltd. since 2009, Solar Senior Capital Ltd. since 2011, Solar Capital Partners, LLC since February 2016 and SCP Private Credit Income BDC LLC since June 2018 – all affiliated entities; and Chief Executive Officer of Alaric Compliance Services, LLC (successor to EOS Compliance Services LLC) since December 2005. In conjunction with this primary occupation, Mr. Talarico has served and continues to serve as Chief Compliance Officer for other business development companies, funds, and/or investment advisers who are not affiliated with the Solar Capital entities.

(1) The business address of the executive officers is c/o Solar Capital Ltd., 500 Park Avenue, New York, New York 10022.

Audit Committee

The Audit Committee operates pursuant to a charter approved by our board of directors, a copy of which is available on our website at <http://www.solarcapltd.com>. The charter sets forth the responsibilities of the Audit Committee. The Audit Committee's responsibilities include selecting the independent registered public accounting firm for the Company, reviewing with such independent registered public accounting firm the planning, scope and results of their audit of the Company's financial statements, pre-approving the fees for services performed, reviewing with the independent registered public accounting firm the adequacy of internal control systems, reviewing the Company's annual financial statements and periodic filings and receiving the Company's audit reports and financial statements. The Audit Committee also establishes guidelines and makes recommendations to our board of directors regarding the valuation of our investments. The Audit Committee is responsible for aiding our board of directors in determining the fair value of debt and equity securities that are not publicly traded or for which current market values are not readily available. The board of directors and Audit Committee utilize the services of nationally recognized third-party valuation firms to help determine the fair value of these securities. The Audit Committee is currently composed of Messrs. Hochberg, Wachter and Potter, all of whom are considered independent under the rules of the NASDAQ Stock Market and are not "interested persons" of the Company as that term is defined in Section 2(a)(19) of the 1940 Act. Mr. Hochberg serves as Chairman of the Audit Committee. Our board of directors has determined that Mr. Hochberg is an "audit committee financial expert" as that term is defined under Item 407 of Regulation S-K, as promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Mr. Hochberg meets the current independence and experience requirements of Rule 10A-3 of the Exchange Act.

Communication with the Board of Directors

Stockholders with questions about the Company are encouraged to contact the Company's investor relations department. However, if stockholders believe that their questions have not been addressed, they may communicate with the Company's board of directors by sending their communications to Solar Capital Ltd., c/o

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Richard L. Peteka, Corporate Secretary, 500 Park Avenue, New York, New York 10022. All stockholder communications received in this manner will be delivered to one or more members of the board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, the Company's directors and executive officers, and any persons holding more than 10% of its common stock, are required to report their beneficial ownership and any changes therein to the SEC and the Company. Specific due dates for those reports have been established, and the Company is required to report herein any failure to file such reports by those due dates. Based solely on a review of copies of such reports and written representations delivered to the Company by such persons, the Company believes that there were no violations of Section 16(a) by such persons during the fiscal year ended December 31, 2018.

Code of Ethics

The Company has adopted a code of ethics that applies to, among others, its senior officers, including its Chief Executive Officer and its Chief Financial Officer, as well as every officer, director and employee of the Company. The Company's code of ethics can be accessed via its website at <http://www.solarcapltd.com>. The Company intends to disclose amendments to or waivers from a required provision of the code of ethics on Form 8-K.

Nomination of Directors

There have been no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors implemented since the filing of our Proxy Statement for our 2018 Annual Meeting of Stockholders.

Item 11. Executive Compensation

Compensation of Executive Officers

None of our officers receives direct compensation from the Company. As a result, we do not engage any compensation consultants. Mr. Gross, our Chief Executive Officer and President, and Mr. Spohler, our Chief Operating Officer, through their ownership interest in Solar Capital Partners, our investment adviser, are entitled to a portion of any profits earned by Solar Capital Partners, which includes any fees payable by us to Solar Capital Partners under the terms of the Advisory Agreement, less expenses incurred by Solar Capital Partners in performing its services under the Advisory Agreement. Messrs. Gross and Spohler do not receive any additional compensation from Solar Capital Partners in connection with the management of our portfolio.

Mr. Peteka, our Chief Financial Officer, Treasurer and Secretary and, through Alaric Compliance Services, LLC, Guy Talarico, our Chief Compliance Officer, are paid by Solar Capital Management, our administrator, subject to reimbursement by us of an allocable portion of such compensation for services rendered by such persons to the Company. To the extent that Solar Capital Management outsources any of its functions, we will pay the fees associated with such functions on a direct basis without profit to Solar Capital Management.

Compensation of Directors

The following table sets forth compensation of the Company's directors, for the year ended December 31, 2018.

<u>Name</u>	<u>Fees Earned or Paid in Cash(1)</u>	<u>Stock Awards(2)</u>	<u>All Other Compensation</u>	<u>Total</u>
Interested Directors				
Michael S. Gross	—	—	—	—
Bruce Spohler	—	—	—	—
Independent Directors				
Steven Hochberg	\$ 130,500	—	—	\$ 130,500
David S. Wachter	\$ 125,500	—	—	\$ 125,500
Leonard A. Potter	\$ 124,500	—	—	\$ 124,500

- (1) For a discussion of the independent directors' compensation, see below.
- (2) We do not maintain a stock or option plan, non-equity incentive plan or pension plan for our directors. However, our independent directors have the option to receive all or a portion of the directors' fees to which they would otherwise be entitled in the form of shares of our common stock issued at a price per share equal to the greater of our then current net asset value per share or the market price at the time of payment. No shares were issued to any of our independent directors in lieu of cash during 2018.

Our independent directors' annual fee is \$100,000. The independent directors also receive \$2,500 (\$1,500 if participating telephonically) plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and \$1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with each committee meeting attended. In addition, the Chairman of the Audit Committee receives an annual fee of \$7,500, the Chairman of the Nominating and Corporate Governance Committee receives an annual fee of \$2,500 and the Chairman of the Compensation Committee receives an annual fee of \$2,500. Further, we purchase directors' and officers' liability insurance on behalf of our directors and officers. In addition, no compensation was paid to directors who are interested persons of the Company as defined in the 1940 Act.

Compensation Committee

The Compensation Committee operates pursuant to a charter approved by our board of directors, a copy of which is available on our website at <http://www.solarcapltd.com>. The charter sets forth the responsibilities of the Compensation Committee. The Compensation Committee is responsible for reviewing and recommending for approval to our board of directors the Advisory Agreement and the Administration Agreement. In addition, although we do not directly compensate our executive officers currently, to the extent that we do so in the future, the Compensation Committee would also be responsible for reviewing and evaluating their compensation and making recommendations to the board of directors regarding their compensation. Lastly, the Compensation Committee would produce a report on our executive compensation practices and policies for inclusion in our proxy statement if required by applicable proxy rules and regulations and, if applicable, make recommendations to the board of directors with matters related to compensation generally. The Compensation Committee has the authority to engage compensation consultants and to delegate their duties and responsibilities to a member or to a subcommittee of the Compensation Committee. The members of the Compensation Committee are Messrs. Hochberg, Wachter and Potter, all of whom are considered independent under the rules of the NASDAQ Stock Market and are not "interested persons" of the Company as that term is defined in Section 2(a)(19) of the 1940 Act. Mr. Potter serves as Chairman of the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2018 none of the Company's executive officers served on the board of directors (or a compensation committee thereof or other board committee performing equivalent functions) of any entities that

had one or more executive officers serve on the Compensation Committee of the Company or on the Board of Directors of the Company.

Compensation Committee Report

Currently, none of our executive officers are compensated by the Company, and as such the Company is not required to produce a report on executive officer compensation for inclusion in our annual report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of February 15, 2019, the beneficial ownership of each current director, the nominees for directors, the Company’s executive officers, each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and the executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (“SEC”) and includes voting or investment power with respect to the securities. Ownership information for those persons who beneficially own 5% or more of our shares of common stock is based upon reports filed by such persons with the SEC and other information obtained from such persons, if available.

Unless otherwise indicated, the Company believes that each beneficial owner set forth in the table has sole voting and investment power and has the same address as the Company. Our address is 500 Park Avenue, New York, New York 10022.

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares Owned Beneficially(1)</u>	<u>Percentage of Class(2)</u>
Interested Directors		
Michael S. Gross(3)(4)	2,425,878	5.7%
Bruce Spohler(3)	2,214,484	5.2%
Independent Directors		
Steven Hochberg	25,000	*
Leonard A. Potter	10,000	*
David S. Wachter	25,895	*
Executive Officers		
Richard L. Peteka	11,000	*
Guy Talarico	—	—
All executive officers and directors as a group (7 persons)	2,511,773	5.9%
Wellington Management Group LLP(5)	5,860,416	13.9%
Thornburg Investment Management Inc.(6)	4,613,589	10.9%

* Represents less than one percent.

- (1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Assumes no other purchases or sales of our common stock since the most recently available SEC filings. This assumption has been made under the rules and regulations of the SEC and does not reflect any knowledge that we have with respect to the present intent of the beneficial owners of our common stock listed in this table.
- (2) Based on a total of 42,260,826 shares of the Company’s common stock issued and outstanding as of February 15, 2019.
- (3) Includes 1,285,013 shares held by Solar Capital Investors, LLC and 715,000 shares held by Solar Capital Investors II, LLC, a portion of both of which may be deemed to be indirectly beneficially owned by Michael S. Gross, by Bruce Spohler and a grantor retained annuity trust (“GRAT”) setup by and for Mr. Gross by virtue of their collective ownership interest therein. Also includes 200,471 shares held by

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Solar Capital Partners Employee Stock Plan LLC, which is controlled by Solar Capital Partners, LLC. Mr. Gross and Mr. Spohler may be deemed to beneficially own a portion of the shares held by Solar Capital Partners Employee Stock Plan LLC by virtue of their collective ownership interest in Solar Capital Partners, LLC. Each of Mr. Gross and Mr. Spohler disclaim beneficial ownership of any shares of our common stock directly held by Solar Capital Partners Employee Stock Plan LLC, Solar Capital Investors, LLC or Solar Capital Investors II, LLC, except to the extent of their respective pecuniary interest therein.

- (4) *Includes 39,500 shares directly held by Michael S. Gross' profit sharing plan (the "Profit Sharing Plan"). Mr. Gross may be deemed to directly beneficially own these shares as the sole participant in the Profit Sharing Plan. Also includes 20,000 shares directly held by the GRAT setup by and for Michael S. Gross, which Mr. Gross may be deemed to directly beneficially own as the sole trustee of the GRAT.*
- (5) *Based upon information contained in the Schedule 13G/A filed February 12, 2019 by Wellington Management Group LLP. Such securities are held by certain investment vehicles controlled and/or managed by Wellington Management Company, LLP or its affiliates. The address for Wellington Management Company, LLP is 280 Congress Street, Boston, MA 02210.*
- (6) *Based upon information contained in the Schedule 13G/A filed February 12, 2019 by Thornburg Investment Management Inc. Such securities are held by certain investment vehicles controlled and/or managed by Thornburg Investment Management Inc. or its affiliates. The address for Thornburg Investment Management Inc. is 2300 North Ridgetop Road, Santa Fe, New Mexico 87506.*

Set forth below is the dollar range of equity securities beneficially owned by each of our directors as of February 15, 2019. We are not part of a "family of investment companies," as that term is defined in the 1940 Act.

<u>Name of Director</u>	<u>Dollar Range of Equity Securities Beneficially Owned(1)(2)</u>
Interested Directors	
Michael S. Gross	Over \$100,000
Bruce Spohler	Over \$100,000
Independent Directors	
Steven Hochberg	Over \$100,000
Leonard A. Potter	Over \$100,000
David S. Wachter	Over \$100,000

(1) *The dollar ranges are: None, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, or Over \$100,000.*

(2) *The dollar range of equity securities beneficially owned in us is based on the closing price for our common stock of \$20.80 on February 15, 2019 on the NASDAQ Global Select Market. Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.*

Item 13. Certain Relationships and Related Transactions, and Director Independence

We have entered into the Advisory Agreement with Solar Capital Partners. Mr. Gross, our Chairman, Chief Executive Officer and President, and Mr. Spohler, our Chief Operating Officer and board member, are managing members and senior investment professionals of, and have financial and controlling interests in, Solar Capital Partners. In addition, Mr. Peteka, our Chief Financial Officer, Treasurer and Secretary, serves as the Chief Financial Officer for Solar Capital Partners.

Solar Capital Partners and its affiliates 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, Solar Capital Partners presently serves as investment adviser to private funds and managed accounts as well as to Solar Senior Capital Ltd., a publicly traded BDC, which focuses on investing primarily in senior secured loans, including first lien and second lien debt instruments. In addition, Michael S. Gross, our Chairman and Chief Executive Officer, Bruce Spohler, our

Chief Operating Officer, and Richard L. Peteka, our Chief Financial Officer, serve in similar capacities for Solar Senior Capital Ltd.

Solar Capital Partners 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, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners' allocation procedures.

Related party transactions may occur among Solar Capital Ltd., Crystal Financial LLC, Equipment Operating Leases 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 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.

Regulatory restrictions limit our ability to invest in any portfolio company in which any affiliate currently has an investment. The Company obtained an exemptive order from the SEC on July 28, 2014 (the "Prior Exemptive Order"). The Prior Exemptive Order permitted us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Solar Capital Partners, in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to the conditions to the Prior Exemptive Order. On June 13, 2017, the Company, Solar Senior Capital Ltd., and Solar Capital Partners received an exemptive order that supersedes the Prior Exemptive Order (the "New Exemptive Order") and extends the relief granted in the Prior Exemptive Order such that it no longer applies to certain affiliates only if their respective investment adviser is Solar Capital Partners, but also applies to certain affiliates whose investment adviser is an investment adviser that controls, is controlled by or is under common control with Solar Capital Partners and is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. The terms and conditions of the New Exemptive Order are otherwise substantially similar to the Prior Exemptive Order. We believe that it will be advantageous for us to co-invest with funds managed by Solar Capital Partners where such investment is consistent with the investment objectives, investment positions, investment policies, investment strategy, investment restrictions, regulatory requirements and other pertinent factors applicable to us.

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

Board Consideration of the Investment Advisory and Management Agreement

Our board of directors determined at a meeting held on November 5, 2018, to approve the Advisory Agreement between the Company and Solar Capital Partners. In its consideration of the approval of the Advisory Agreement, the board of directors focused on information it had received relating to, among other things:

- the nature, extent and quality of advisory and other services provided by Solar Capital Partners, including information about the investment performance of the Company relative to its stated objectives and in comparison to the performance of the Company's peer group and relevant market indices, and concluded that such advisory and other services are satisfactory and the Company's investment performance is reasonable;

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- the experience and qualifications of the personnel providing such advisory and other services, including information about the backgrounds of the investment personnel, the allocation of responsibilities among such personnel and the process by which investment decisions are made, and concluded that the investment personnel of Solar Capital Partners have extensive experience and are well qualified to provide advisory and other services to the Company;
- the current fee structure, the existence of any fee waivers, and the Company's anticipated expense ratios in relation to those of other investment companies having comparable investment policies and limitations, and concluded that the current fee structure is reasonable;
- the advisory fees charged by Solar Capital Partners to the Company, to Solar Senior Capital Ltd. and to SCP Private Credit Income BDC LLC, and comparative data regarding the advisory fees charged by other investment advisers to business development companies with similar investment objectives, and concluded that the advisory fees charged by Solar Capital Partners to the Company are reasonable;
- the direct and indirect costs, including for personnel and office facilities, that are incurred by Solar Capital Partners and its affiliates in performing services for the Company and the basis of determining and allocating these costs, and concluded that the direct and indirect costs, including the allocation of such costs, are reasonable;
- possible economies of scale arising from the Company's size and/or anticipated growth, and the extent to which such economies of scale are reflected in the advisory fees charged by Solar Capital Partners to the Company, and concluded that some economies of scale may be possible in the future;
- other possible benefits to Solar Capital Partners and its affiliates arising from their relationships with the Company, and concluded that all such other benefits were not material to Solar Capital Partners and its affiliates; and
- possible alternative fee structures or bases for determining fees, and concluded that the Company's current fee structure and bases for determining fees are satisfactory.

Based on the information reviewed and the discussions detailed above, the board of directors, including a majority of the directors who are not "interested persons" as defined in the 1940 Act, concluded that the fees payable to Solar Capital Partners pursuant to the Advisory Agreement were reasonable, and comparable to the fees paid by other management investment companies with similar investment objectives, in relation to the services to be provided. The board of directors did not assign relative weights to the above factors or the other factors considered by it. Individual members of the board of directors may have given different weights to different factors.

Director Independence

In accordance with rules of the NASDAQ Stock Market, our board of directors annually determines each director's independence. We do not consider a director independent unless the board of directors has determined that he has no material relationship with us. We monitor the relationships of our directors and officers through a questionnaire each director completes no less frequently than annually and updates periodically as information provided in the most recent questionnaire changes.

Our governance guidelines require any director who has previously been determined to be independent to inform the Chairman of the board of directors, the Chairman of the Nominating and Corporate Governance Committee and our Corporate Secretary of any change in circumstance that may cause his status as an independent director to change. The board of directors limits membership on the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee to independent directors.

In order to evaluate the materiality of any such relationship, the board of directors uses the definition of director independence set forth in the rules promulgated by the NASDAQ Stock Market. Rule 5605(a)(2)

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provides that a director of a BDC, shall be considered to be independent if he or she is not an “interested person” of the Company, as defined in Section 2(a)(19) of the 1940 Act.

The board of directors has determined that each of the directors is independent and has no relationship with us, except as a director and stockholder, with the exception of Michael S. Gross, as a result of his positions as the Chief Executive Officer and President of the Company and a managing member of Solar Capital Partners, and Bruce Spohler, as a result of his position as Chief Operating Officer of the Company and a managing member of Solar Capital Partners.

Indemnification Agreements

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

Item 14. Principal Accounting Fees and Services

KPMG LLP has advised us that neither the firm nor any present member or associate of it has any material financial interest, direct or indirect, in the Company or its affiliates.

Table below in thousands

	Fiscal Year Ended December 31, 2018	Fiscal Year Ended December 31, 2017
Audit Fees	\$ 581.9	\$ 612.5
Audit-Related Fees	122.0	84.5
Tax Fees	181.9	154.9
All Other Fees	—	—
Total Fees:	\$ 885.8	\$ 851.9

Audit Fees: Audit fees consist of fees billed for professional services rendered for the audit of our year-end financial statements and quarterly reviews and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings.

Audit-Related Fees: Audit-related services consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.” These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

Tax Services Fees: Tax services fees consist of fees billed for professional tax services. These services also include assistance regarding federal, state, and local tax compliance.

All Other Fees: Other fees would include fees for products and services other than the services reported above.

Pre-Approval Policy

The Audit Committee has established a pre-approval policy that describes the permitted audit, audit-related, tax and other services to be provided by KPMG LLP, the Company’s independent registered public accounting

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firm (“KPMG”). The policy requires that the Audit Committee pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such service does not impair the auditor’s independence.

Any requests for audit, audit-related, tax and other services that have not received general pre-approval must be submitted to the Audit Committee for specific pre-approval, irrespective of the amount, and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings of the Audit Committee. However, the Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management. The Audit Committee pre-approved 100% of services described in this policy.

PART IV

Item 15. Exhibits, Financial Statement Schedules**a. Documents Filed as Part of this Report**

The following reports and consolidated financial statements are set forth in Item 8:

	<u>Page</u>
Management's Report on Internal Control Over Financial Reporting	83
Report of Independent Registered Public Accounting Firm	84
Consolidated Statements of Assets and Liabilities as of December 31, 2018 and 2017	86
Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016	87
Consolidated Statements of Changes in Net Assets for the years ended December 31, 2018, 2017 and 2016	88
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016	89
Consolidated Schedules of Investments as of December 31, 2018 and 2017	90
Notes to Consolidated Financial Statements	103

b. Exhibits

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

<u>Exhibit Number</u>	<u>Description</u>
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(12)
4.4	In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, certain instruments respecting long-term debt of the Registrant have been omitted but will be furnished to the SEC upon request
10.1	Dividend Reinvestment Plan(1)
10.2	Form of Senior Secured Credit Agreement by and between the Registrant, Citibank, N.A., as administrative agent, the lenders party thereto, JPMorgan Chase Bank, N.A., as syndication agent, and SunTrust Bank, as documentation agent(8)
10.3	Form of Amendment No. 1 to the Senior Secured Credit Agreement by and between the Registrant, the Lenders and Citibank, N.A., as administrative agent(5)
10.4	Form of Amendment No. 2 to the Senior Secured Credit Agreement by and between the Registrant, the Lenders and Citibank, N.A., as administrative agent(9)
10.5	Form of Amendment No. 3 to the Senior Secured Credit Agreement by and between the Registrant, the Lenders and Citibank, N.A., as administrative agent*

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<u>Exhibit Number</u>	<u>Description</u>
10.6	<u>Third Amended and Restated Investment Advisory and Management Agreement by and between the Registrant and Solar Capital Partners, LLC(11)</u>
10.7	<u>Form of Custodian Agreement(7)</u>
10.8	<u>Amended and Restated Administration Agreement by and between Registrant and Solar Capital Management, LLC(6)</u>
10.9	<u>Form of Indemnification Agreement by and between Registrant and each of its directors(1)</u>
10.10	<u>Trademark License Agreement by and between Registrant and Solar Capital Partners, LLC(1)</u>
10.11	<u>Form of Share Purchase Agreement by and between Registrant and Solar Capital Investors II, LLC(2)</u>
10.12	<u>Form of Registration Rights Agreement(4)</u>
10.13	<u>Form of Subscription Agreement(4)</u>
10.14	<u>Consent and Omnibus Amendment to Transaction Documents by and among the Registrant, SSLP 2016-1, LLC, each of the Conduit Lenders and Institutional Lenders and Wells Fargo Bank, N.A., as administrative agent and collateral agent *</u>
14.1	<u>Code of Ethics(10)</u>
14.2	<u>Code of Business Conduct(7)</u>
21.1	<u>Subsidiaries of Solar Capital Ltd.*</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*</u>
32.1	<u>Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*</u>
32.2	<u>Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*</u>
99.1	<u>Crystal Financial LLC (A Delaware Limited Liability Company) Consolidated Financial Statements for the years ended December 31, 2018 and December 31, 2017*</u>
99.2	<u>NEF Holdings, LLC (A Delaware Limited Liability Company) Consolidated Financial Statements for the year ended December 31, 2018 and the period ended December 31, 2017*</u>

- (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 report on Form 8-K filed on November 29, 2010.
- (5) Previously filed in connection with Solar Capital Ltd.'s report on Form 10-Q filed on July 31, 2013.
- (6) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Post-Effective Amendment No. 10 (File No. 333-172968) filed on November 12, 2013.

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- (7) Previously filed in connection with Solar Capital Ltd.'s report on Form 10-K filed on February 25, 2014.
 - (8) Previously filed in connection with Solar Capital Ltd.'s report on Form 8-K filed on July 6, 2012.
 - (9) Previously filed in connection with Solar Capital Ltd.'s report on Form 10-Q filed on November 2, 2016.
 - (10) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 (File No. 333-223663) filed on March 14, 2018.
 - (11) Previously filed in connection with Solar Capital Ltd.'s report on Form 10-Q filed on August 6, 2018.
 - (12) 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.

c. Consolidated Financial Statement Schedules

Separate Financial Statements of Subsidiaries Not Consolidated:

Consolidated Financial Statements for Crystal Financial LLC's (A Delaware Limited Liability Company) years ended December 31, 2018 and December 31, 2017 are attached as Exhibit 99.1 hereto.

Consolidated Financial Statements for NEF Holdings, LLC's (A Delaware Limited Liability Company) year ended December 31, 2018 and period ended December 31, 2017 are attached as Exhibit 99.2 hereto.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

SOLAR CAPITAL LTD.

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

Date: February 21, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated.

<u>Date</u>	<u>Signature</u>	<u>Title</u>
February 21, 2019	<u> /s/ MICHAEL S. GROSS </u> Michael S. Gross	Chief Executive Officer, President, Chairman of the Board and Director (Principal Executive Officer)
February 21, 2019	<u> /s/ STEVEN HOCHBERG </u> Steven Hochberg	Director
February 21, 2019	<u> /s/ DAVID S. WACHTER </u> David S. Wachter	Director
February 21, 2019	<u> /s/ LEONARD A. POTTER </u> Leonard A. Potter	Director
February 21, 2019	<u> /s/ BRUCE SPOHLER </u> Bruce Spohler	Chief Operating Officer and Director
February 21, 2019	<u> /s/ RICHARD L. PETEKA </u> Richard L. Peteka	Chief Financial Officer (Principal Financial Officer) and Secretary

AMENDMENT NO. 3 TO SENIOR SECURED CREDIT AGREEMENT

AMENDMENT NO. 3 dated as of November 21, 2018 (this "Amendment No. 3") among SOLAR CAPITAL LTD., a Maryland corporation (the "Borrower"), the undersigned Lenders constituting the Required Lenders (as defined in the Credit Agreement) (the "Consenting Lenders") and CITIBANK, N.A., as administrative agent for the lenders party to the Credit Agreement referenced below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

WHEREAS, the Borrower, the lenders party thereto and the Administrative Agent are parties to a Senior Secured Credit Agreement dated as of June 29, 2012 (as amended, modified and supplemented and in effect immediately prior to the effectiveness of this Amendment No. 3, the "Credit Agreement");

Whereas, the Borrower has requested, and each of the Consenting Lenders and the Administrative Agent have agreed, to amend the Credit Agreement in order to effect the changes described below;

WHEREAS, pursuant to Section 9.02(b) of the Credit Agreement, the amendments requested by the Borrower must be contained in a written agreement signed by the Borrower and the Required Lenders;

NOW THEREFORE, in consideration of the promises and the mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each of the Borrower, the Consenting Lenders and the Administrative Agent hereby agrees as follows:

Section 1. Definitions.

(a) Except as otherwise defined in this Amendment No. 3, terms defined in the Credit Agreement (including the preamble and recitals above) are used herein as defined therein.

(b) References in the Credit Agreement and the other Loan Documents (including references to the Credit Agreement as amended hereby) to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein", "hereof", "thereunder", "thereby", "therein", or "thereof") shall be deemed to be references to the Credit Agreement, as amended hereby.

Section 2. Amendments to Credit Agreement.

(a) The definition of "Applicable Margin" set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Applicable Margin” means, (a) with respect to any Non-Extending Lender: (i) 1.25% per annum in the case of ABR Loans and (ii) 2.25% per annum in the case of Eurocurrency Loans, and (b) with respect to any Extending Lender: (i) if the Gross Borrowing Base (as of the most recently delivered Borrowing Base Certificate) is equal to or greater than 1.85 times the Covered Debt Amount (as of the most recently delivered Borrowing Base Certificate), (A) with respect to any ABR Loan, 1.00% per annum, and (B) with respect to any Eurocurrency Loan, 2.00% per annum and (ii) if the Gross Borrowing Base (as of the most recently delivered Borrowing Base Certificate) is less than 1.85 times the Covered Debt Amount (as of the most recently delivered Borrowing Base Certificate), (A) with respect to any ABR Loan, 1.25% per annum, and (B) with respect to any Eurocurrency Loan, 2.25% per annum. Any change in the Applicable Margin due to a change in the ratio of the Gross Borrowing Base to the Covered Debt Amount as set forth in any Borrowing Base Certificate shall be effective from and including the day immediately succeeding the date of delivery of such Borrowing Base Certificate; provided that (x) if any Borrowing Base Certificate has not been delivered in accordance with Section 5.01(d), then from and including the day immediately succeeding the date on which such Borrowing Base Certificate was required to be delivered, the Applicable Margin shall be the Applicable Margin set forth in clause (b)(ii) above, to and including the date on which the required Borrowing Base Certificate is delivered and (y) at any time that an Event of Default has occurred and is continuing to but excluding the date on which such Event of Default shall cease to be continuing, the Applicable Margin shall be the Applicable Margin set forth in clause (b)(ii) above.

(b) Section 1.01 of the Credit Agreement is hereby amended by inserting the following new definitions in the correct alphabetical order therein:

“Collateral Pool” means, at any time, each Portfolio Investment that has been Delivered (as defined in the Guarantee and Security Agreement) to the Collateral Agent and is subject to the Lien of the Guaranty and Security Agreement, and then only for so long as such Portfolio Investment continues to be Delivered as contemplated therein and in which the Collateral Agent has a first-priority perfected Lien as security for the Secured Obligations (subject to any Lien permitted by Section 6.02 hereof), provided that in the case of any Portfolio Investment in which the Collateral Agent has a first-priority perfected security interest pursuant to a valid Uniform Commercial Code filing (and for which no other method of perfection with a higher priority is possible), such Portfolio Investment may be included in the Borrowing Base so long as all remaining actions to complete “Delivery” are satisfied in full within 7 days of such inclusion.

“Combined Debt Amount” means, as of any date, (i) the aggregate amount of the Dollar Commitments and the Multicurrency Commitments as of such date (or, if greater, the Revolving Credit Exposures of all Lenders as of such date) plus (ii) the aggregate outstanding amount of Term Loans as of such date plus (iii) the aggregate amount of outstanding Designated Indebtedness.

“EBITDA” means the consolidated net income of the applicable Person (excluding extraordinary, unusual or non-recurring gains and extraordinary losses (to the extent excluded in the definition of “EBITDA” (or similar defined term used for the purposes contemplated herein) in the relevant agreement relating to the applicable Portfolio Investment)) for the relevant period plus, without duplication, the following to the extent deducted in calculating such consolidated net income in the relevant agreement relating to the applicable Portfolio Investment for such period: (i) consolidated interest charges for such period, (ii) the provision for federal, state, local and foreign income taxes payable for such period, (iii) depreciation and amortization expense for such period, and (iv) such other adjustments included in the definition of “EBITDA” (or similar defined term used for the purposes contemplated herein) in the relevant agreement relating to the applicable Portfolio Investment, provided that such adjustments are usual and customary and substantially comparable to market terms for substantially similar debt of other similarly situated borrowers at the time such relevant agreements are entered into as reasonably determined in good faith by the Borrower.

“Gross Borrowing Base” has the meaning assigned to such term in Section 5.13(a)(vi).

“Relevant Asset Coverage Ratio” means, as of any date, the Asset Coverage Ratio as of the most recent Quarterly Date.

(c) Section 2.10(c) of the Credit Agreement is hereby amended by inserting the following proviso at the end thereof:

“; provided, solely to the extent such Borrowing Base Deficiency is due to a failure to satisfy the requirements of Section 5.13(a)(vi) as a consequence of a change in either (x) the ratio of the Gross Borrowing Base to the Senior Debt Amount or (y) the Relevant Asset Coverage Ratio from one quarterly period to the next, such 30-Business Day period shall be extended to a 45-Business Day period solely with respect to compliance with Section 5.13(a)(vi).”

(d) Section 5.13 of the Credit Agreement is hereby amended and restated as set forth on Annex A hereto.

(e) Section 6.07(b) of the Credit Agreement is hereby amended by replacing the reference to “2.00” therein with “1.50”.

(f) Clause (e) of Article VII is hereby amended by inserting the following proviso at the end thereof:

“; provided further, such 30-Business Day period shall be extended to a 45-Business Day period solely to the extent as provided in Section 2.10(c) in order to cure any failure to satisfy Section 5.13(a)(vi)”

(g) The reference to the “Borrowing Base” in Sections 6.03(d)(ii)(y), 6.05(d) and 9.02(c)(ii)(2)(B)(II) of the Credit Agreement are hereby amended to be references to “Gross Borrowing Base”.

(h) Exhibit C to the Credit Agreement is hereby amended and restated in its entirety as set forth on Annex B hereto.

Section 3. Representations and Warranties.

The Borrower represents and warrants to the Consenting Lenders and the Administrative Agent, as of the date of this Amendment No. 3 and on and as of the Amendment Effective Date (as defined below) and immediately after giving effect to this Amendment No. 3, as follows:

(a) Authorization; Enforceability. This Amendment No. 3 has been duly authorized, executed and delivered by the Borrower and each of this Amendment No. 3 and the Credit Agreement, as amended by this Amendment No. 3, constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors’ rights and (ii) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) No Conflict. Neither the execution, delivery and performance of this Amendment No. 3 nor the transactions contemplated herein will (i) violate any applicable law or regulation or the limited liability company operating agreement, charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority or (ii) violate or result in a default in any material respect under any Loan Document or any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person.

(c) Continued Security Interest. On the date of this Amendment No. 3 and after giving effect to this Amendment No. 3 and the transactions contemplated herein, the security interest created by and provided for in the Security Documents, shall constitute a valid first and prior perfected Lien on the Collateral (except that any

such security interest in a Special Equity Interest may be subject to a Lien in favor of a creditor of the issuer of such Special Equity Interest as contemplated by the definition of such term in Section 1.02 of the Guarantee and Security Agreement). The Borrower hereby acknowledges and agrees that this Amendment No. 3 shall in no way constitute a release of the Borrower from its obligations under the Guarantee and Security Agreement.

(d) Solvency. Immediately after the consummation of the transactions contemplated by this Amendment No. 3, the present fair value of the assets of the Borrower will exceed the sum of the probable liabilities and identified contingent liabilities of the Borrower. The Borrower is solvent both before and after giving effect to the execution, delivery and performance of this Amendment No. 3 and the Credit Agreement (as amended by this Amendment No. 3) and the other Loan Documents and the consummation of the transactions contemplated by this Amendment No. 3, and is not, and after giving effect to the execution, delivery and performance of this Amendment No. 3 and the Credit Agreement (as amended by this Amendment No. 3) and the other Loan Documents and the consummation of the transactions contemplated by this Amendment No. 3, will not be (A) left with unreasonably small capital with which to carry on its business as it is proposed to be conducted and (B) unable to pay its debts (contingent or otherwise) as they mature.

(e) Representations in Loan Documents. The representations and warranties of the Borrower set forth in Article III of the Credit Agreement (as amended hereby) and in the other Loan Documents are true and correct in all material respects (except to the extent any such representation or warranty is itself qualified by materiality or reference to a Material Adverse Effect, in which case it is true and correct in all respects, subject to such qualification) on and as of the date of this Amendment No. 3 and on the Amendment Effective Date (as defined below).

(f) No Default. No Default has occurred and is continuing.

Section 4. Conditions Precedent.

This Amendment No. 3 shall become effective as of the date (the "Amendment Effective Date") when, and only when, each of the following conditions precedent shall have been satisfied:

(a) The Administrative Agent shall have received one or more counterparts of this Amendment No. 3 executed by the Borrower and each of the Consenting Lenders;

(b) The Borrower shall have paid such reasonable and documented fees and expenses of Chadbourne & Parke LLP, special New York counsel to the Administrative Agent, in connection with the ongoing administration of the Credit Agreement, the negotiation, preparation, execution and delivery of this Amendment No. 3 and the other Loan Documents (to the extent that statements for such fees and expenses have been delivered to the Borrower).

Section 5. Miscellaneous.

(a) Except as herein provided, the Credit Agreement shall remain unchanged. The Credit Agreement, as specifically amended by this Amendment No. 3, and each of the other Loan Documents are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(b) This Amendment No. 3 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 3 by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Amendment No. 3 by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Amendment No. 3.

(c) This Amendment No. 3 shall be construed in accordance with and governed by the law of the State of New York. The provisions of Sections 9.09(b), 9.09(c), 9.09(d) and Section 9.10 of the Credit Agreement are hereby incorporated herein, *mutatis mutandis*, as if a part hereof.

(d) This Amendment No. 3 is a Loan Document.

(e) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

[Remainder of page intentionally left blank; signatures follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be duly executed and delivered as of the day and year first above written.

SOLAR CAPITAL LTD.

By: _____
Name:
Title:

[Signature Page to Amendment No. 3]

CITIBANK, N.A., as Administrative Agent and as a
Lender

By: _____

Name:

Title:

[Signature Page to Amendment No. 3]

[LENDER SIGNATURE PAGES TO BE INSERTED]

[Signature Page to Amendment No. 3]

Annex A

SECTION 5.13. Calculation of Borrowing Base.

(a) For purposes of this Agreement, the “Borrowing Base” shall be determined, as at any date of determination, as the sum of the Advance Rates of the Value of each Portfolio Investment (excluding any cash held by the Administrative Agent pursuant to Section 2.05(k)), provided that:

(i) if, as of such date, the Relevant Asset Coverage Ratio is (A) greater than or equal to 2.00:1:00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 6% of the aggregate Value of all Portfolio Investments in the Collateral Pool, shall be 50% of the otherwise applicable Advance Rate; (B) less than 2.00:1:00 and greater than or equal to 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 5% of the aggregate Value of all Portfolio Investments in the Collateral Pool, shall be 50% of the otherwise applicable Advance Rate or (C) less than 1.75:1:00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 4% of the aggregate Value of all Portfolio Investments in the Collateral Pool, shall be 50% of the otherwise applicable Advance Rate;

(ii) if, as of such date, the Relevant Asset Coverage Ratio is (A) greater than or equal to 2.00:1:00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 12% of the aggregate Value of all Portfolio Investments in the Collateral Pool shall be 0%; (B) less than 2.00:1:00 and greater than or equal to 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 10% of the aggregate Value of all Portfolio Investments in the Collateral Pool shall be 0% or (C) less than 1.75:1:00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 8% of the aggregate Value of all Portfolio Investments in the Collateral Pool shall be 0%;

(iii) if, as of such date, the Relevant Asset Coverage Ratio is (A) greater than or equal to 2.00:1:00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) in any single Industry Classification Group that exceeds 25% of the aggregate Value of all Portfolio Investments in the Collateral Pool shall be 0%, (B) less than 2.00:1:00 and greater than or

equal to 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) in any single Industry Classification Group that exceeds 20% of the aggregate Value of all Portfolio Investments in the Collateral Pool shall be 0%, provided that, with respect to Portfolio Investments in the Collateral Pool in a single Industry Classification Group from time to time designated by the Borrower to the Administrative Agent, such 20% figure shall be increased to 25%, or (C) less than 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) in any single Industry Classification Group that exceeds 20% of the aggregate Value of all Portfolio Investments in the Collateral Pool shall be 0%;

(iv) if, as of such date, the Relevant Asset Coverage Ratio is (A) greater than or equal to 2.00:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Non-Core Investments shall be 0% to the extent necessary so that no more than 20% of the Borrowing Base is attributable to such investments, (B) less than 2.00:1.00 and greater than or equal to 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Non-Core Investments shall be 0% to the extent necessary so that no more than 10% of the Borrowing Base is attributable to such investments or (C) less than 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Non-Core Investments shall be 0% to the extent necessary so that no more than 5% of the Borrowing Base is attributable to such investments;

(v) if, as of such date, the Relevant Asset Coverage Ratio is (A) less than 2.00:1.00 and greater than or equal to 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Junior Investments and Non-Core Investments shall be 0% to the extent necessary so that no more than 30% of the Borrowing Base is attributable to such investments or (B) less than 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Junior Investments and Non-Core Investments shall be 0% to the extent necessary so that no more than 20% of the Borrowing Base is attributable to such investments;

(vi) if, as of such date, (A)(1) the Borrowing Base (without giving effect to any adjustment required pursuant to this paragraph (a)(vi), the "Gross Borrowing Base") is less than 1.5 times the Senior Debt Amount and (2) the Relevant Asset Coverage Ratio is less than 2.00:1.00 and greater than or equal to 1.75:1.00, then the Borrowing Base shall be reduced to the extent necessary such that the contribution of Senior Investments to the Borrowing Base may not be less than 60% of the Covered Debt Amount, (B)(1) the Gross Borrowing Base is less than 1.5 times the Senior Debt Amount and (2) the Relevant Asset Coverage Ratio is less than 1.75:1.00, then the Borrowing Base shall be reduced to the extent necessary such that the contribution of Senior Investments to the Borrowing Base may not be less than 75% of the Covered Debt Amount, (C)(1) the Gross Borrowing Base is greater than or equal to 1.5 times the Senior Debt Amount and (2) the Relevant Asset Coverage Ratio is less than 2.00:1.00 and greater than or equal to 1.75:1.00, then the Borrowing Base shall be reduced to the extent necessary such that the

contribution of Senior Investments to the Borrowing Base may not be less than 40% of the Covered Debt Amount or (D)(1) the Gross Borrowing Base is greater than or equal to 1.5 times the Senior Debt Amount and (2) the Relevant Asset Coverage Ratio is less than 1.75:1.00, then the Borrowing Base shall be reduced to the extent necessary such that the contribution of Senior Investments to the Borrowing Base may not be less than 60% of the Covered Debt Amount;

(vii) if, as of such date, the Relevant Asset Coverage Ratio is (i) greater than or equal to 2.00:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) attributable to Venture Loans exceeding 30% of the aggregate Value of all Portfolio Investments in the Collateral Pool, shall be 0%; (ii) less than 2.00:1.00 and greater than or equal to 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) attributable to Venture Loans exceeding 25% of the aggregate Value of all Portfolio Investments in the Collateral Pool, shall be 0% or (iii) less than 1.75:1.00, the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) attributable to Venture Loans exceeding 20% of the aggregate Value of all Portfolio Investments in the Collateral Pool, shall be 0%;

(viii) the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Common Equity) in which the Borrower has a controlling influence as determined under the Investment Company Act that exceeds 5% of Shareholders' Equity of the Borrower (which for purposes of this calculation shall exclude the aggregate amount of investments in, and advances to, Financing Subsidiaries) shall be the Advance Rate applicable to Performing Common Equity (to the extent such Portfolio Investments are Performing) or 0%; and

(ix) the Advance Rate applicable to that portion of the Value of the Portfolio Investments attributable to any investment in a Financing Subsidiary shall be 0%.

(b) No Portfolio Investment may be included in the Borrowing Base until such time as such Portfolio Investment has been Delivered (as defined in the Guarantee and Security Agreement) to the Collateral Agent, and then only for so long as such Portfolio Investment continues to be Delivered as contemplated therein; provided that in the case of any Portfolio Investment in which the Collateral Agent has a first-priority perfected security interest pursuant to a valid Uniform Commercial Code filing (and for which no other method of perfection with a higher priority is possible), such Portfolio Investment may be included in the Borrowing Base so long as all remaining actions to complete "Delivery" are satisfied within 7 days of such inclusion. Voting stock of any Controlled Foreign Corporation in excess of 66% of the issued and outstanding voting stock of such Controlled Foreign Corporation shall not be included as a Portfolio Investment for purposes of calculating the Borrowing Base.

For the avoidance of doubt, to avoid double-counting of excess concentrations, any Advance Rate reductions set forth under this Section 5.13 shall be without duplication of any other such Advance Rate reductions. For purposes of the categorization of each Portfolio

Investment in accordance with this Section 5.13, the amount of any “first lien debt” or EBITDA with respect to any Portfolio Investment shall be determined using the most recent quarterly valuation determined in accordance with the valuation procedures set forth in Section 5.12(b)(ii)(B).

(c) As used herein, the following terms have the following meanings:

“Advance Rate” means, as to any Portfolio Investment as of any date and subject to adjustment as provided in Section 5.13(a)(i) through (x) (other than clause (vi) and as provided below based on the Relevant Asset Coverage Ratio as of such date, the following percentages with respect to such Portfolio Investment:

Portfolio Investment ¹	Relevant Asset Coverage Ratio > 2.00:1.00		2.00:1.00 > Relevant Asset Coverage Ratio > 1.75:1.00		1.75:1.00 > Relevant Asset Coverage Ratio > 1.50:1.00	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Cash, Cash Equivalents and Short-Term U.S. Government Securities	100%	n.a.	100%	n.a.	100%	n.a.
Long-Term U.S. Government Securities	95%	n.a.	95%	n.a.	95%	n.a.
Performing First Lien Bank Loans	85%	75%	85%	75%	85%	75%
Performing First Lien Venture Loans	85%	75%	80%	70%	75%	65%
Performing First Lien Unitranche Bank Loans	85%	75%	80%	70%	75%	65%
Performing First Lien Last Out Bank Loans	80%	70%	75%	65%	70%	60%
Performing Second Lien Bank Loans	75%	65%	70%	60%	65%	55%
Performing Cash Pay High Yield Securities	70%	60%	65%	55%	60%	50%

¹ The above categories are intended to be indicative of the traditional investment types in a fully capitalized issuer. All determinations of whether a particular portfolio investment belongs to one category or another shall be made by the Borrower on a consistent basis with the foregoing.

Portfolio Investment ¹	Relevant Asset Coverage Ratio > 2.00:1.00		2.00:1.00 > Relevant Asset Coverage Ratio > 1.75:1.00		1.75:1.00 > Relevant Asset Coverage Ratio > 1.50:1.00	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
	Performing Cash Pay Mezzanine Investments	65%	55%	60%	50%	55%
Performing Non-Cash Pay High Yield Securities	60%	50%	55%	45%	50%	40%
Performing Non-Cash Pay Mezzanine Investments	55%	45%	50%	40%	45%	35%
Performing Preferred Equity	55%	45%	50%	40%	45%	35%
Performing Common Equity	30%	20%	25%	20%	20%	20%
Non-Performing First Lien Bank Loans	45%	45%	40%	40%	35%	35%
Non-Performing First Lien Unitranche Bank Loans	45%	45%	40%	40%	35%	35%
Non-Performing Venture Loans	40%	35%	35%	30%	30%	25%
Non-Performing First Lien Last Out Bank Loans	40%	35%	35%	30%	30%	25%
Non-Performing Second Lien Bank Loans	40%	30%	35%	25%	30%	20%
Non-Performing High Yield Securities	30%	30%	25%	25%	20%	20%
Non-Performing Mezzanine Investments	30%	25%	25%	20%	20%	20%
Non-Performing Preferred Equity	0%	0%	0%	0%	0%	0%
Non-Performing Common Equity	0%	0%	0%	0%	0%	0%

“Bank Loans” means debt obligations (including, without limitation, term loans, revolving loans, debtor-in-possession financings, the funded and unfunded portion of revolving credit lines and letter of credit facilities and other similar loans and investments including interim loans and senior subordinated loans) which are generally under a loan or credit facility.

“Capital Stock” of any Person means any and all shares of corporate stock (however designated) of, and any and all other equity interests and participations representing ownership interests (including membership interests and limited liability company interests) in, such Person; provided, however, that trust certificates, preference shares, unrated subordinated notes, combination notes and other residual or equity interests of a Person whose primary business is investing in and/or purchasing loans or other financial assets shall not be considered “Capital Stock” to the extent that such Person finances the purchase of or investment in such loans or financial assets through the issuance of debt securities.

“Cash” has the meaning assigned to such term in Section 1.01 of this Agreement.

“Cash Equivalents” has the meaning assigned to such term in Section 1.01 of this Agreement.

“Cash Pay Bank Loans” means First Lien Bank Loans, First Lien Unitranche Bank Loans, First Lien Last Out Bank Loans and Second Lien Bank Loans as to which, at the time of determination, all of the interest on which is payable not less frequently than quarterly and for which not less than 2/3rds of the interest (including accretions and “pay-in-kind” interest) for the current monthly or quarterly period (as applicable) is payable in cash.

“Cash Pay Venture Loan” means First Lien Venture Loans as to which, at the time of determination, all of the interest on which is payable not less frequently than quarterly and for which not less than 2/3rds of the interest (including accretions and “pay-in-kind” interest) for the current monthly or quarterly period (as applicable) is payable in cash.

“First Lien Bank Loan” means a Bank Loan that is entitled to the benefit of a first lien and first priority perfected security interest (subject to any Permitted Prior Working Capital Lien and other customary encumbrances) on a substantial portion of the assets of the respective borrower and guarantors obligated in respect thereof, provided that any First Lien Bank Loan that is also a First Lien Unitranche Bank Loan shall be treated for purposes of determining the applicable Advance Rate as a First Lien Unitranche Bank Loan; provided, further, that any First Lien Bank Loan that is also a First Lien Last Out Bank Loan shall be treated for purposes of determining the applicable Advance Rate as a First Lien Last Out Bank Loan.

“First Lien Last Out Bank Loan” means a Bank Loan that is a First Lien Bank Loan, a portion of which is, in effect, subject to debt subordination and superpriority rights of other lenders following an event of default (such portion, a “last out” portion) provided, that the aggregate principal amount of the “last out” portion of such Bank Loan is at least 50% of the aggregate principal amount of any “first out” portion of such Bank Loan, provided, further that the underlying obligor with respect to such Bank Loan shall have a ratio of first lien debt (including the “first out” portion of such Bank Loan, but excluding the “last out” portion of such Bank Loan) to EBITDA

that does not exceed 3.25:1.00 and a ratio of aggregate first lien debt (including both the “first out” portion and the “last out” portion of such Bank Loan) to EBITDA that does not exceed 5.25:1.00. An Obligor’s investment in the “last out” portion of a First Lien Last Out Bank Loan shall be treated as a First Lien Last Out Bank Loan for purposes of determining the applicable Advance Rate for such Portfolio Investment under this Agreement. For the avoidance of doubt, an Obligor’s investment in the portion of such Bank Loan that is not the last out portion (the “first out” portion) shall be treated as a First Lien Bank Loan for purposes of determining the applicable Advance Rate for such Portfolio Investment under this Agreement and an Obligor’s investment in any “last out” portion of a First Lien Bank Loan that does not meet the foregoing criteria shall be treated as a Second Lien Bank Loan.

“First Lien Unitranche Bank Loan” means a First Lien Bank Loan with a ratio of first lien debt to EBITDA that exceeds 5.25:1.00, and where the underlying borrower does not also have a Second Lien Bank Loan outstanding.

“First Lien Venture Loan” means a Venture Loan that is entitled to the benefit of a first lien and first priority perfected security interest (subject to any Permitted Prior Working Capital Lien and other customary encumbrances) on a substantial portion of the assets of the respective borrower and guarantors obligated in respect thereof.

“High Yield Securities” means debt Securities, in each case (a) issued by public or private issuers, (b) issued pursuant to an effective registration statement or pursuant to Rule 144A under the Securities Act (or any successor provision thereunder) and (c) that are not Cash Equivalents, Mezzanine Investments or Bank Loans.

“Junior Investments” means, collectively, Performing Cash Pay High Yield Securities and Performing Cash Pay Mezzanine Investments.

“Long-Term U.S. Government Securities” means U.S. Government Securities maturing more than three months from the applicable date of determination.

“Mezzanine Investments” means debt Securities (including convertible debt Securities (other than the “in-the-money” equity component thereof)) (a) issued by public or private issuers, (b) issued without registration under the Securities Act, (c) not issued pursuant to Rule 144A under the Securities Act (or any successor provision thereunder), (d) that are not Cash Equivalents and (e) contractually subordinated in right of payment to other debt of the same issuer.

“Non-Core Investments” means, collectively, Portfolio Investments in common equity, warrants, Non-Performing Bank Loans, Non-Performing High Yield Securities, Non-Performing Mezzanine Investments, Performing Non-Cash Pay High Yield Securities, Performing Preferred Equity, Performing Non-Cash Pay Mezzanine Investments and Performing Common Equity.

“Non-Performing Bank Loans” means, collectively, Non-Performing First Lien Bank Loans, Non-Performing First Lien Last Out Bank Loans, Non-Performing First Lien Unitranche Loans, Non-Performing Second Lien Bank Loans and Non-Performing Venture Loans.

“Non-Performing Common Equity” means Capital Stock (other than Preferred Stock) and warrants of an issuer having any debt outstanding that is non-Performing.

“Non-Performing First Lien Bank Loans” means First Lien Bank Loans other than Performing First Lien Bank Loans.

“Non-Performing Venture Loans” means Venture Loans other than Performing First Lien Venture Loans.

“Non-Performing First Lien Last Out Bank Loans” means First Lien Last Out Bank Loans other than Performing First Lien Bank Loans.

“Non-Performing First Lien Unitranche Bank Loans” means First Lien Unitranche Bank Loans other than Performing First Lien Bank Unitranche Loans.

“Non-Performing High Yield Securities” means High Yield Securities other than Performing High Yield Securities.

“Non-Performing Mezzanine Investments” means Mezzanine Investments other than Performing Mezzanine Investments.

“Non-Performing Preferred Equity” means Preferred Stock other than Performing Preferred Equity.

“Non-Performing Second Lien Bank Loans” means Second Lien Bank Loans other than Performing Second Lien Bank Loans.

“Performing” means (a) with respect to any Portfolio Investment that is debt, the issuer of such Portfolio Investment is not in default of any payment obligations in respect thereof, after the expiration of any applicable grace period and (b) with respect to any Portfolio Investment that is Preferred Stock, the issuer of such Portfolio Investment has not failed to meet any scheduled redemption obligations or to pay its latest declared cash dividend, after the expiration of any applicable grace period.

“Performing Cash Pay High Yield Securities” means High Yield Securities (a) as to which, at the time of determination, not less than 2/3rds of the interest (including accretions and “pay-in-kind” interest) for the current monthly, quarterly, semi-annual or annual period (as applicable) is payable in cash and (b) which are Performing.

“Performing Cash Pay Mezzanine Investments” means Mezzanine Investments (a) as to which, at the time of determination, not less than 2/3rds of the interest (including accretions and “pay-in-kind” interest) for the current monthly, quarterly, semi-annual or annual period (as applicable) is payable in cash and (b) which are Performing.

“Performing Common Equity” means Capital Stock (other than Preferred Stock) and warrants of an issuer all of whose outstanding debt is Performing.

“Performing First Lien Bank Loans” means First Lien Bank Loans which are Cash Pay Bank Loans and are Performing.

“Performing First Lien Last Out Bank Loans” means First Lien Last Out Bank Loans which are Cash Pay Bank Loans and are Performing.

“Performing First Lien Unitranche Bank Loans” means First Lien Unitranche Bank Loans which are Cash Pay Bank Loans and are Performing.

“Performing First Lien Venture Loans” means First Lien Venture Loans which are Cash Pay Venture Loans and are Performing.

“Performing Non-Cash Pay High Yield Securities” means Performing High Yield Securities other than Performing Cash Pay High Yield Securities.

“Performing Non-Cash Pay Mezzanine Investments” means Performing Mezzanine Investments other than Performing Cash Pay Mezzanine Investments.

“Performing Preferred Equity” means Preferred Stock of an issuer that has not failed to meet any scheduled redemption obligations or to pay its latest declared cash dividend, after the expiration of any applicable grace period.

“Performing Second Lien Bank Loans” means Second Lien Bank Loans which are Cash Pay Bank Loans and are Performing.

“Permitted Prior Working Capital Lien” means, with respect to any borrower under a Bank Loan, a security interest to secure a revolving facility for such borrower and any of its subsidiaries; provided that (i) such Bank Loan has a second priority lien on the collateral that is subject to the first priority lien of such revolving facility (or a pari passu lien on such collateral where the revolving facility has a super-priority right of payment), (ii) such revolving facility is not secured by any other assets (other than a pari passu lien or a second priority lien, subject to the first priority lien of the Bank Loan) and does not benefit from any standstill rights or other agreements (other than customary rights) with respect to any other assets and (iii) the maximum outstanding amount of such revolving facility is not greater than the lower of (a) 1.0x EBITDA of the borrower under such Bank Loan, and (b) 20% of the outstanding amount of the associated First Lien Bank Loan.

“Preferred Stock” as applied to the Capital Stock of any Person, means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to any shares (or other interests) of other Capital Stock of such Person, and shall include, without limitation, cumulative preferred, non-cumulative preferred, participating preferred and convertible preferred Capital Stock.

“Second Lien Bank Loan” means a Bank Loan that is entitled to the benefit of a second lien and second priority perfected security interest (subject to customary encumbrances) on a substantial portion of the assets of the respective borrower and guarantors obligated in respect thereof.

“Securities” means common and preferred stock, units and participations, member interests in limited liability companies, partnership interests in partnerships, notes, bonds, debentures, trust receipts and other obligations, instruments or evidences of indebtedness, including debt instruments of public and private issuers and tax-exempt securities (including warrants, rights, put and call options and other options relating thereto, representing rights, or any combination thereof) and other property or interests commonly regarded as securities or any form of interest or participation therein, but not including Bank Loans.

“Senior Debt Amount” means, on any date, the greater of (i) the Covered Debt Amount and (ii) the Combined Debt Amount.

“Senior Investments” means Cash, Cash Equivalents, Short-Term U.S. Government Securities, Long-Term U.S. Government Securities, Performing First Lien Bank Loans, Performing First Lien Last Out Bank Loans, Performing First Lien Unitranche Loans and Performing First Lien Venture Loans.

“Short-Term U.S. Government Securities” means U.S. Government Securities maturing within three months of the applicable date of determination.

“U.S. Government Securities” has the meaning assigned to such term in Section 1.01 of this Agreement.

“Value” means, with respect to any Portfolio Investment, the most recent value as determined pursuant to Section 5.12(b)(ii).

“Venture Loan” means a Portfolio Investment that is a “venture” loan and whose principal underlying collateral consists of an all asset lien (including accounts, inventory and equipment, where applicable) (subject to any “permitted liens” as defined in the applicable loan agreement for such Portfolio Investment or such comparable definition or provision if “permitted liens” is not defined therein) but with at least a negative pledge on the intellectual property, of an underlying obligor that is in the startup, R&D or early-stage commercial phase and whose principal business is in the biopharmaceutical, medical device, healthcare IT or Healthcare Services industries.

Annex B

[Form of Borrowing Base Certificate]

Monthly accounting period ended _____, 20

Reference is made to the Senior Secured Credit Agreement, dated as of June 29, 2012 (as modified and supplemented and in effect from time to time, the "Credit Agreement"), by and among Solar Capital Ltd. (the "Company"), the Lenders party thereto, Citibank, N.A., as Administrative Agent and the other parties party thereto. Terms defined in the Credit Agreement are used herein as defined therein. The contents of this certificate are confidential and subject to Section 9.13 of the Credit Agreement.

Pursuant to Section 5.01(d) of the Credit Agreement, the undersigned, the _____ of the Company, and as such a Financial Officer of the Company, hereby certifies on behalf of the Company that attached hereto as Annex 1 is (a) a complete and correct list as at the end of the monthly accounting period ended _____, 20____ of all Portfolio Investments included in the Collateral, indicating, in the case of each such Portfolio Investment, (i) the classification thereof for purposes of Section 5.13 of the Credit Agreement, (ii) the Value thereof as determined in accordance with Section 5.12 of the Credit Agreement, (iii) whether or not such Portfolio Investment has been Delivered (as defined in the Guarantee and Security Agreement), (iv) the Advance Rates (as adjusted pursuant to Section 5.13 of the Credit Agreement) applicable to each Portfolio Investment and (b) a true and correct calculation of the Borrowing Base as at the end of such monthly accounting determined in accordance with the requirements of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed as of the _____ day of _____, 20____.

Title: [Financial Officer]

Borrowing Base Certificate

Borrowing Base Calculations

<u>Calculation of Available Borrowing Base or Deficiency:</u>	
(1) Total Borrowing Base:	\$
(2) Calculation of Covered Debt Amount:	\$
(a) Revolving Credit Exposure	\$
(b) Principal amount of Term Loans outstanding	\$
(c) The aggregate amount of Other Covered Indebtedness	\$
(d) from the date that is nine months prior to the maturity date of any Unsecured Longer-Term Indebtedness that matures less than six months after the Maturity Date, the outstanding amount of any such Unsecured Longer-Term Indebtedness	\$
(e) LC Exposures fully cash collateralized	\$
(f) Sum of (2)(a) <i>plus</i> (2)(b) <i>plus</i> (2)(c) <i>plus</i> (2)(d) <i>minus</i> (2)(e)	\$
(3) Available Borrowing Base (Borrowing Base Deficiency): (1) <i>minus</i> (2)(f)	\$
Gross Borrowing Base: (1) without giving effect to any adjustment required pursuant to Section 5.13(a)(vi)	\$

Borrowing Base Certificate

Annex I

Portfolio Investments

<u>Portfolio Investment</u>	<u>Classification</u>	<u>Value</u>	<u>Delivered [Yes/No]</u>	<u>Advance Rate</u>
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Borrowing Base Certificate

Section 5.13(a)(i)

If, as of such date, the Relevant Asset Coverage Ratio is greater than or equal to 2.00:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 6% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

50% of the otherwise applicable Advance Rate

If, as of such date, the Relevant Asset Coverage Ratio is less than 2.00:1:00 and greater than or equal to 1.75:1.00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 5% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

50% of the otherwise applicable Advance Rate

If, as of such date, the Relevant Asset Coverage Ratio is less than 1.75:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 4% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

50% of the otherwise applicable Advance Rate

Section 5.13(a)(ii)

If, as of such date, the Relevant Asset Coverage Ratio is greater than or equal to 2.00:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 12% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

If, as of such date, the Relevant Asset Coverage Ratio is less than 2.00:1:00 and greater than or equal to 1.75:1.00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 10% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

If, as of such date, the Relevant Asset Coverage Ratio is less than 1.75:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments

Borrowing Base Certificate

(other than Cash and Cash Equivalents) of all issuers in a consolidated group of corporations or other entities in accordance with GAAP exceeding 8% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

Section 5.13(a)(iii)

If, as of such date, the Relevant Asset Coverage Ratio is greater than or equal to 2.00:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) in any single Industry Classification Group that exceeds 25% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

If, as of such date, the Relevant Asset Coverage Ratio is less than 2.00:1:00 and greater than or equal to 1.75:1.00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) in any single Industry Classification Group that exceeds 20% (or, with respect to Portfolio Investments in the Collateral Pool in a single Industry Classification Group from time to time designated by the Borrower to the Administrative Agent, such 20% figure shall be increased to 25%) of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

If, as of such date, the Relevant Asset Coverage Ratio is less than 1.75:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) in any single Industry Classification Group that exceeds 20% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

Section 5.13(a)(iv)

If, as of such date, the Relevant Asset Coverage Ratio is greater than or equal to 2.00:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Non-Core Investments:

0% of the otherwise applicable Advance Rate to the extent necessary so that no more than 20% of the Borrowing Base is attributable to such investments

If, as of such date, the Relevant Asset Coverage Ratio is less than 2.00:1:00 and greater than or equal to 1.75:1.00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Non-Core Investments:

0% of the otherwise applicable Advance Rate to the extent necessary so that no more than 10% of the Borrowing Base is attributable to such investments

Borrowing Base Certificate

If, as of such date, the Relevant Asset Coverage Ratio is less than 1.75:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Non-Core Investments:

0% of the otherwise applicable Advance Rate to the extent necessary so that no more than 5% of the Borrowing Base is attributable to such investments

Section 5.13(a)(v)

If, as of such date, the Relevant Asset Coverage Ratio is less than 2.00:1:00 and greater than or equal to 1.75:1.00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Junior Investments and Non-Core Investments:

0% of the otherwise applicable Advance Rate to the extent necessary so that no more than 30% of the Borrowing Base is attributable to such investments

If, as of such date, the Relevant Asset Coverage Ratio is less than 1.75:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Borrower's investments in Junior Investments and Non-Core Investments

0% of the otherwise applicable Advance Rate to the extent necessary so that no more than 20% of the Borrowing Base is attributable to such investments

Section 5.13(a)(vi)

If, as of such date, (1) the Gross Borrowing Base, is less than 1.5 times the Senior Debt Amount and (2) the Relevant Asset Coverage Ratio is less than 2.00:1:00 and greater than or equal to 1.75:1.00:

Reduction of the Borrowing Base to the extent necessary such that the contribution of Senior Investments to the Borrowing Base may not be less than 60% of the Covered Debt Amount

If, as of such date, (1) the Gross Borrowing Base is less than 1.5 times the Senior Debt Amount and (2) the Relevant Asset Coverage Ratio is less than 1.75:1.00:

Reduction of the Borrowing Base to the extent necessary such that the contribution of Senior Investments to the Borrowing Base may not be less than 75% of the Covered Debt Amount,

If, as of such date, (1) the Gross Borrowing Base is greater than or equal to 1.5 times the Senior Debt Amount and (2) the Relevant Asset Coverage Ratio is less than 2.00:1.00 and greater than or equal to 1.75:1.00:

Reduction of the Borrowing Base to the extent necessary such that the contribution of Senior Investments to the Borrowing Base may not be less than 40% of the Covered Debt Amount

Borrowing Base Certificate

If, as of such date, (1) the Gross Borrowing Base is greater than or equal to 1.5 times the Senior Debt Amount and (2) the Relevant Asset Coverage Ratio is less than 1.75:1.00:

Reduction of the Borrowing Base to the extent necessary such that the contribution of Senior Investments to the Borrowing Base may not be less than 60% of the Covered Debt Amount;

Section 5.13(a)(vii)

If, as of such date, the Relevant Asset Coverage Ratio is greater than or equal to 2.00:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) attributable to Venture Loans exceeding 30% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

If, as of such date, the Relevant Asset Coverage Ratio is less than 2.00:1:00 and greater than or equal to 1.75:1.00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) attributable to Venture Loans exceeding 25% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

If, as of such date, the Relevant Asset Coverage Ratio is less than 1.75:1:00, adjustments to the Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Cash and Cash Equivalents) attributable to Venture Loans exceeding 20% of the aggregate Value of all Portfolio Investments in the Collateral Pool:

0% of the otherwise applicable Advance Rate

Section 5.13(a)(viii)

Adjustments to Advance Rate applicable to that portion of the aggregate Value of the Portfolio Investments (other than Common Equity) in which the Borrower has a controlling influence as determined under the Investment Company Act that exceeds 5% of Shareholders' Equity of the Borrower (which for purposes of this calculation shall exclude the aggregate amount of investments in, and advances to, Financing Subsidiaries):

Advance Rate applicable to Performing Common Equity (to the extent such Portfolio Investments are Performing) or 0% of the Advance Rate otherwise applicable.

Section 5.13(a)(ix)

Adjustments to Advance Rate applicable to that portion of the Value of the Portfolio Investments attributable to any investment in a Financing Subsidiary:

0% of the Advance Rate otherwise applicable

Borrowing Base Certificate

CONSENT AND OMNIBUS AMENDMENT

THIS CONSENT AND OMNIBUS AMENDMENT TO TRANSACTION DOCUMENTS (this "Amendment") is made as of December 19, 2018, by and among:

(1) **SSLP 2016-1, LLC**, a Delaware limited liability company, as the borrower (together with its successors and assigns in such capacity, the "Borrower");

(2) **SOLAR CAPITAL LTD.**, a Maryland corporation, as servicer (together with its successors and assigns in such capacity, the "Servicer");

(3) **SOLAR CAPITAL LTD.**, a Maryland corporation, as transferor (in such capacity, the "Transferor");

(4) **EACH OF THE CONDUIT LENDERS FROM TIME TO TIME PARTY HERETO** (together with its respective successors and assigns in such capacity, each a "Conduit Lender" and collectively, the "Conduit Lenders");

(5) **EACH OF THE INSTITUTIONAL LENDERS FROM TIME TO TIME PARTY HERETO** (together with its respective successors and assigns in such capacity, each an "Institutional Lender", collectively, the "Institutional Lenders" and, together with the Conduit Lenders, the "Lenders");

(6) **EACH OF THE LENDER AGENTS FROM TIME TO TIME PARTY HERETO** (together with its respective successors and assigns in such capacity, each a "Lender Agent" and collectively, the "Lender Agents");

(7) **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association, as the administrative agent for the Lender Agents hereunder (together with its successors and assigns in such capacity, the "Administrative Agent"), and as the Lender Agent for Wells Fargo Bank, National Association as an Institutional Lender (together with its successors and assigns in such capacity, the "WFBNA Agent"); and

(8) **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association (together with its successors and assigns, "WFBNA"), as the collateral agent (together with its successors and assigns in such capacity, the "Collateral Agent"), as the collateral custodian (together with its successors and assigns in such capacity, the "Collateral Custodian"), as the account bank (together with its successors and assigns in such capacity, the "Account Bank") and as the securities intermediary (together with its successors and assigns in such capacity, the "Securities Intermediary").

Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Agreement (as defined below).

R E C I T A L S

WHEREAS, the Borrower, the Servicer, Senior Secured Unitranche Loan Program LLC, as transferor (the “Existing Transferor”), the Administrative Agent, each of the Conduit Lenders from time to time party thereto, each of the Institutional Lenders from time to time party thereto, each of the Lender Agents from time to time party thereto, the Collateral Agent and the Collateral Custodian are parties to that certain Loan and Servicing Agreement dated as of June 30, 2016 (such agreement as amended, modified, supplemented, waived or restated from time to time, the “Agreement”);

WHEREAS, Senior Secured Unitranche Loan Program LLC will merge with and into Solar Capital Ltd. on the date hereof (the “Transferor Merger”);

WHEREAS, Solar Capital Ltd. agrees to act in the capacity of transferor under the Agreement from and after the date hereof;

WHEREAS, the Borrower will merge with and into SSLP II 2016-1, LLC, a Delaware limited liability company, on the date hereof and following such merger the Borrower will be the surviving entity (the “Borrower Merger” and together with the Transferor Merger, the “Mergers”);

WHEREAS, the relevant parties are not permitted to enter into the Mergers without the consent of the Administrative Agent;

WHEREAS, pursuant to the Purchase and Sale Agreement, the Existing Transferor is not permitted to enter into the Transferor Merger;

WHEREAS, pursuant to Section 2.07 of the Agreement, the Borrower transferred certain of the Loan Assets pursuant to a Purchase Agreement, dated as of September 14, 2018, by and among Senior Secured Unitranche Program LLC, Solar Capital Ltd., as buyer, Voya Retirement Insurance and Annuity Company and ReliaStar Life Insurance Company, as sellers, and Voya Investment Management, LLC (the “Sale”);

WHEREAS, the parties have requested the Administrative Agent (i) consent to the Mergers and the Sale on the terms set forth herein and (ii) waive the requirements set forth in Section 5.3(c) of the Purchase and Sale Agreement in connection with the Transferor Merger; and

WHEREAS, Section 11.01 of the Agreement provides that the parties to the Agreement may amend, waive, supplement or otherwise modify any of the provisions of the Agreement under the circumstances and subject to the satisfaction of the conditions set forth therein.

NOW, THEREFORE, based upon the above Recitals, the mutual promises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

SECTION 1. Consent and Waiver. Pursuant to Section 2.07(b) of the Agreement, the Administrative Agent hereby consents to the Sale by the Borrower, pursuant to Section 5.02(g) of the Agreement, the Administrative Agent hereby consents to the Borrower Merger and

pursuant to Section 5.04(a) of the Agreement, the Administrative Agent hereby consents to the Transferor Merger. In connection with the Transferor Merger, the Administrative Agent hereby waives the requirements of Section 5.3(c) of the Purchase and Sale Agreement on a one-time basis.

SECTION 2. Amendments to all Transaction Documents.

(a) As of the date of this Amendment, each reference (if any) in each Transaction Document to “Senior Secured Unitranche Loan Program LLC, a Delaware limited liability company” or “Senior Secured Unitranche Loan Program LLC” shall be deleted in its entirety and the text “Solar Capital Ltd., a Maryland corporation” or “Solar Capital Ltd.”, as the case may be, shall be inserted in the place thereof, and Solar Capital Ltd. hereby agrees to assume the obligations of Senior Secured Unitranche Program LLC as set forth in each such Transaction Document.

(b) As of the date of this Amendment, each reference (if any) in each Transaction Document to the Transferor being a “limited liability company”, maintaining its “limited liability company existence” (or words of similar import), having “limited liability company power” (or words of similar import), taking “limited liability company action” (or words of similar import), being subject to a “limited liability company restriction” (or words of similar import) or having “limited liability company obligations” (or words of similar import) shall be replaced with a reference to such Person being a “corporation”, maintaining its “corporate existence”, having “corporate power”, taking “corporate action”, being subject to a “corporate restriction” or having “corporate obligations”, as applicable.

(c) As of the date of this Amendment, each reference (in any) in each Transaction Document to the Transferor being a “Delaware” entity shall be replaced with a reference to the Transferor being a “Maryland” entity.

SECTION 3. Amendments to Agreement. As of the date of this Amendment, the Agreement is hereby amended by deleting the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and by adding the bold and double-underlined text (indicated textually in the same manner as the following example: **bold and double-underlined text**) as set forth on the pages of the Agreement attached as Appendix A hereto.

SECTION 4. Agreement in Full Force and Effect as Amended. Except as specifically amended hereby, all provisions of the Agreement and the other Transaction Documents shall remain in full force and effect. All references to the Agreement and the other Transaction Documents in the Transaction Documents shall be deemed to mean the Agreement or the other Transaction Documents as modified hereby. This Amendment shall not be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement or the other Transaction Documents other than as expressly set forth herein and shall not constitute a novation of the Agreement or any other Transaction Document. None of the consents contained herein will be deemed to expressly or impliedly waive, amend or supplement any provision of the Agreement or any other Transaction Document other than as expressly set forth herein and shall not constitute a novation of the Agreement or any other Transaction Document.

SECTION 5. Representations. Each of the Borrower and the Servicer hereby represent and warrant as of the date of this Amendment as follows:

(a) the representations and warranties contained in Section 4.01, 4.02 and 4.03 of the Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof, except (i) to the extent specifically made with regard to a particular date and (ii) for such changes as are a result of any act or omission specifically permitted under the Agreement, or as otherwise specifically permitted by the Administrative Agent and Lender Agents;

(b) the execution, delivery and performance by it of this Amendment and the Agreement as amended hereby are within its powers, have been duly authorized, and do not contravene (A) its limited liability company agreement, charter, by-laws, or other organizational documents, or (B) any Applicable Law;

(c) this Amendment has been duly executed and delivered by it;

(d) each of this Amendment and the Agreement as amended hereby constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by general principles of equity;

(e) it is not in default under the Agreement as amended hereby; and

(f) no Unmatured Event of Default, Servicer Termination Event or Event of Default has occurred and is continuing.

SECTION 6. Conditions to Effectiveness. This Amendment shall become effective as of the date hereof upon satisfaction of the following conditions:

(a) the delivery of executed signature pages by all parties hereto to the Administrative Agent;

(b) a certificate of the Secretary, Assistant Secretary or managing member, as applicable, of each of the Borrower, the Transferor and the Servicer, dated the date of this Agreement, (i) certifying the names and true signatures of the incumbent officers of such Person authorized to sign on behalf of such Person, (ii) attaching a copy of the limited liability company agreement or by-laws, as applicable, of such Person and certifying that such copy is a complete and correct copy, and that such limited liability company agreement or by-laws have not been amended, modified or supplemented and are in full force and effect, and (iii) attaching the resolutions of the board of directors or the written consent of the members of such Person, as applicable, approving and authorizing the execution, delivery and performance by such Person of the Transaction Documents and this Amendment, as applicable;

(c) a good standing certificate, dated as of a recent date for each of the Borrower, the Transferor and the Servicer, issued by the Secretary of State of such Person's State of formation or organization, as applicable;

(d) the Administrative Agent and the Lenders shall have received the executed legal opinion of Latham & Watkins LLP, counsel to the Borrower, in form and substance acceptable to the Lender in its reasonable discretion;

(e) the Administrative Agent and the Lenders shall have received the executed legal opinion of Venable LLP, counsel to the Transferor, in form and substance acceptable to the Lender in its reasonable discretion;

(f) the Administrative Agent has received a copy of the unfiled certificate of merger and confirmation from the Servicer that filed such certificate in connection with the Mergers and has received all necessary certifications in connection with the Mergers in accordance with the Transaction Documents; and

(g) the Administrative Agent shall have received a financing statement naming Solar Capital Ltd., in its capacity of Transferor, as debtor, the Borrower as assignor and the Collateral Agent, on behalf of the Secured Parties, as secured party/total assignee.

SECTION 7. Purchase and Sale Agreement. Solar Capital Ltd. hereby agrees to be bound by the terms of the Purchase and Sale Agreement, in its capacity as the Servicer thereunder. Without limiting the generality of the foregoing, in the event that, notwithstanding the intent of the parties to the Purchase and Sale Agreement, the Sale Portfolio (as defined in the Purchase and Sale Agreement) is held to continue to be property of Solar Capital Ltd., then Solar Capital Ltd. agrees to be bound by Section 2.4 of the Purchase and Sale Agreement and hereby grants to the Borrower a first priority security interest (subject only to Permitted Liens) in all of Solar Capital Ltd.'s right, title and interest in and to the Sale Portfolio and all amounts payable to the holders of the Sale Portfolio in accordance with the terms thereof and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including all amounts from time to time held or invested in the Collection Account, whether in the form of cash, instruments, securities or other property, to secure the prompt and complete payment of a loan deemed to have been made in an amount equal to the aggregate Purchase Price (as defined in the Purchase and Sale Agreement) of the Sale Portfolio together with all of the other obligations of Solar Capital Ltd. under the Purchase and Sale Agreement.

SECTION 8. Miscellaneous.

(a) Without in any way limiting any other obligation hereunder or under the Transaction Documents, the Borrower agrees to provide, from time to time, any additional documentation and to execute additional acknowledgements, amendments, instruments or other agreements as may be reasonably requested and required by the Administrative Agent to effectuate the foregoing.

(b) This Amendment may be executed in any number of counterparts (including by facsimile or in portable document format), and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument but all of which together shall constitute one and the same agreement.

(c) The descriptive headings of the various sections of this Amendment are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

(d) This Amendment may not be amended or otherwise modified except as provided in the Agreement.

(e) The failure or unenforceability of any provision hereof shall not affect the other provisions of this Amendment or the Agreement.

(f) Whenever the context and construction so require, all words used in the singular number herein shall be deemed to have been used in the plural, and vice versa, and the masculine gender shall include the feminine and neuter and the neuter shall include the masculine and feminine.

(g) This Amendment and the Agreement represent the final agreement between the parties only with respect to the subject matter expressly covered hereby and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements between the parties. There are no unwritten oral agreements between the parties.

(h) The provisions of Sections 11.08 and 11.09 of the Agreement are each incorporated by reference herein mutatis mutandis.

(i) THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE CHOICE OF LAW PROVISIONS SET FORTH IN THE AGREEMENT AND SHALL BE SUBJECT TO THE WAIVER OF JURY TRIAL AND NOTICE PROVISIONS SET FORTH IN THE AGREEMENT.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

SSLP 2016-1, LLC, as the Borrower, debtor and purchaser

By: /s/ Richard Peteka

Name: Richard Peteka

Title: Chief Financial Officer and Secretary

SOLAR CAPITAL LTD., as the ser

By: /s/ Richard Peteka

Name: Richard Peteka

Title: Chief Financial Officer and Secretary

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

[Signature Page to Omnibus Amendment]

SOLAR CAPITAL LTD., as the Transferor

By: /s/ Richard Peteka

Name: Richard Peteka

Title: Chief Financial Officer and Secretary

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

[Signature Page to Omnibus Amendment]

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as the Administrative Agent and the WFBNA Agent

By: /s/ Steve Sebo

Name: Steve Sebo

Title: Vice President

[Signature Page to Omnibus Amendment]

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as an Institutional Lender

By: /s/ Ben Love

Name: Ben Love

Title: Vice President

[Signature Page to Omnibus Amendment]

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as the Collateral Agent, Collateral Custodian, Securities
Intermediary and Account Bank

By: /s/ Rupinder Suri

Name: Rupinder Suri

Title: Vice President

[Signature Page to Omnibus Amendment]

Appendix A

Appendix A

Up to \$200,000,000

LOAN AND SERVICING AGREEMENT

Dated as of June 30, 2016

among

SSLP 2016-1, LLC,
as the Borrower

~~SENIOR SECURED UNITRANCHE LOAN PROGRAM LLC~~ SOLAR CAPITAL LTD.,
as the Transferor

SOLAR CAPITAL LTD.,
as the Servicer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as the Administrative Agent

EACH OF THE CONDUIT LENDERS AND INSTITUTIONAL LENDERS FROM TIME TO
TIME PARTY HERETO,
as the Lenders

EACH OF THE LENDER AGENTS FROM TIME TO TIME PARTY HERETO,
as the Lender Agents

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as the Collateral Agent, Collateral Custodian and Account Bank

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ANNEXES

ANNEX A	Commitments
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This LOAN AND SERVICING AGREEMENT is made as of June 30, 2016, among:

- (1) SSLP 2016-1, LLC, a Delaware limited liability company (together with its successors and assigns in such capacity, the "Borrower");
- (2) ~~SENIOR SECURED UNTRANCHE LOAN PROGRAM LLC~~, a Delaware limited liability company SOLAR CAPITAL LTD., a Maryland corporation, as the Transferor (as defined herein);
- (3) SOLAR CAPITAL LTD., a Maryland corporation, as the Servicer (as defined herein);
- (4) EACH OF THE CONDUIT LENDERS FROM TIME TO TIME PARTY HERETO, as a Conduit Lender;
- (5) EACH OF THE INSTITUTIONAL LENDERS FROM TIME TO TIME PARTY HERETO, as an Institutional Lender;
- (6) EACH OF THE LENDER AGENTS FROM TIME TO TIME PARTY HERETO, as a Lender Agent;
- (7) WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent ("Administrative Agent"); and
- (8) WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("WFBNA"), not in its individual capacity but solely as the collateral agent (together with its successors and assigns in such capacity, the "Collateral Agent"), not in its individual capacity but solely as the collateral custodian (together with its successors and assigns in such capacity, the "Collateral Custodian") and not in its individual capacity but solely as the Account Bank (as defined herein).

PRELIMINARY STATEMENT

The Lenders have agreed, on the terms and conditions set forth herein, to provide a secured revolving credit facility which shall provide for Advances from time to time in an aggregate principal amount not to exceed the Borrowing Base. The proceeds of the Advances will be used to finance the Borrower's origination of Eligible Loan Assets or purchase, on a "true sale" basis, of Eligible Loan Assets from (i) the Transferor, pursuant to the Purchase and Sale Agreement between the Borrower and the Transferor or (ii) other third parties, in each case, with the prior written approval of the Administrative Agent. Accordingly, the parties agree as follows:

ARTICLE I.

DEFINITIONS

Section 1.01 Certain Defined Terms.

(a) Certain capitalized terms used throughout this Agreement are defined above or in this Section 1.01.

(b) As used in this Agreement and the exhibits, schedules and annexes thereto (each of which is hereby incorporated herein and made a part hereof), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“1940 Act” means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

“Account Bank” means Wells Fargo Bank, National Association, in its capacity as the “Account Bank” pursuant to the Control Agreement.

“Account Bank Expenses” means the expenses set forth in the WFBNA Fee Letter that are payable to the Account Bank and any other accrued and unpaid expenses (including reasonable and documented attorneys’ fees, costs and expenses) and indemnity amounts in each case payable by the Borrower to the Account Bank under the Transaction Documents.

“Account Bank Fees” means the fees set forth in the WFBNA Fee Letter, as such fee letter may be amended, restated, supplemented and/or otherwise modified from time to time.

“Accreted Interest” means interest accrued on a Loan Asset that is added to the principal amount of such Loan Asset instead of being paid as interest as it accrues.

“Action” has the meaning assigned to that term in Section 8.03.

“Adjusted Borrowing Value” means for any Eligible Loan Asset, for any date of determination, an amount equal to the Assigned Value of such Eligible Loan Asset at such time *multiplied* by the Outstanding Balance of such Eligible Loan Asset at such time; provided that (A) the parties hereby agree that the Adjusted Borrowing Value of any Loan Asset that is no longer an Eligible Loan Asset shall be zero and (B) the aggregate Adjusted Borrowing Value with respect to all Eligible Loan Assets that are loans to a single Obligor and its Affiliates shall not exceed the greater of (i) 5% of the aggregate Outstanding Balance of all Eligible Loan Assets or (ii) \$15,000,000; provided, however, solely with respect to any three Obligors, the aggregate Adjusted Borrowing Value of all Eligible Loan Assets that are loans to a single Obligor and its Affiliates may exceed \$15,000,000 so long as (x) such Adjusted Borrowing Value does not exceed the greater of (i) 6.5% of the aggregate Outstanding Balance of all Eligible Loan Assets or (ii) \$17,500,000. For the avoidance of doubt, companies owned by the same Financial Sponsor shall not be considered “Affiliates” for purposes of this definition of “Adjusted Borrowing Value”.

“Administrative Agent” means Wells Fargo Bank, National Association, in its capacity as administrative agent for the Lender Agents, together with its successors and assigns, including any successor appointed pursuant to Article IX.

“Advance” means each loan advanced by the Lenders to the Borrower on an Advance Date pursuant to Article II.

“Advance Date” means, with respect to any Advance, the date on which such Advance is made.

“Advances Outstanding” means, at any time, the sum of the principal amounts of Advances loaned to the Borrower for the initial and any subsequent borrowings pursuant to Sections 2.01 and 2.02 as of such time, reduced by the aggregate Available Collections received and distributed as repayment of principal amounts of Advances outstanding pursuant to Section 2.04 at or prior to such time and any other amounts received by the Lenders to repay the principal amounts of Advances outstanding pursuant to Section 2.18 or otherwise at or prior to such time; provided that the principal amounts of Advances outstanding shall not be reduced by any Available Collections or other amounts if at any time such Available Collections or other amounts are rescinded or must be returned for any reason.

“Affected Party” has the meaning assigned to that term in Section 2.10.

“Affiliate” when used with respect to a Person, means any other Person controlling, controlled by or under common control with such Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to vote 20% or more of the voting securities of such Person or to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing; provided that for purposes of determining whether any Loan Asset is an Eligible Loan Asset, the term Affiliate shall not include any Affiliate relationship which may exist solely as a result of direct or indirect ownership of, or control by, a common Financial Sponsor; provided, further, that for purposes of Section 2.07(e), Section 4.01(gg), Section 4.03(e), Section 5.01(n) and Section 5.03(i) of this Agreement, as well as Section 4.1(aa) and Section 5.2(h)(iv) of the Purchase and Sale Agreement, the term “Affiliate” shall not include any portfolio company of the Servicer or the Transferor, as applicable, that is not consolidated on the financial statements of the Servicer or the Transferor, as applicable.

“Agented Loan” means any Loan Asset originated as a part of a syndicated loan transaction that has one or more administrative, paying and/or collateral agents who receive payments and hold the collateral pledged by the related Obligor on behalf of all lenders with respect to the related credit facility.

“Aggregate Unfunded Exposure Amount” means, as of any date of determination, the sum of the Unfunded Exposure Amounts of all Delayed Draw Loan Assets held by the Borrower on such date.

“Agreement” means this Loan and Servicing Agreement, as the same may be amended, restated, supplemented and/or otherwise modified from time to time hereafter.

“Anti-Corruption Laws” means (a) the U.S. Foreign Corrupt Practices Act of 1977, as amended; (b) the U.K. Bribery Act 2010, as amended; and (c) any other anti-bribery or anti-corruption laws, regulations or ordinances in any jurisdiction in which the Borrower, the Servicer, the Transferor or any of their respective Subsidiaries is located or doing business.

“Anti-Money Laundering Laws” means the Applicable Laws in any jurisdiction in which the Borrower, the Servicer, the Transferor or any of their respective Subsidiaries is located or doing business that relates to money laundering or terrorism financing.

“Applicable Law” means for any Person or property of such Person, all existing and future laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority applicable to such Person or property (including, without limitation, predatory lending laws, usury laws, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Federal Truth in Lending Act, Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System and the Investment Advisers Act of 1940, as amended) and applicable judgments, decrees, injunctions, writs, awards or orders of any court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.

“Applicable LIBOR Rate” means, with respect to any Loan Asset, the definition of “LIBOR ~~Rate~~” or any comparable definition in the Loan Agreement for such Loan Asset.

“Applicable Percentage” means, (i) with respect to any First Lien Loan Asset, 67.5% and (ii) with respect to any First Lien Last-Out Loan Asset, 45.0%.

“Applicable Prime Rate” means with respect to any Loan Asset, the prime or base rate (or any comparable definition) applicable to such Loan Asset pursuant to the Loan Agreement for such Loan Asset.

“Applicable Spread” shall be 2.50% *per annum*; provided that, at any time after the occurrence and during the continuance of an Event of Default, the Applicable Spread shall be 4.50% *per annum*.

“Approval Notice” means, with respect to any Eligible Loan Asset, the written notice, in substantially the form attached hereto as Exhibit A, evidencing the approval by the Administrative Agent, in its sole discretion, of the acquisition or origination, as applicable, of such Eligible Loan Asset by the Borrower.

“Asset Coverage Ratio” means the ratio, determined on a consolidated basis, without duplication and in accordance with GAAP of (a) the fair market value of the total assets of the BDC and its consolidated Subsidiaries as required by, and in accordance with, GAAP and Applicable Law and any orders of the Securities and Exchange Commission issued to the BDC, to be determined by the board of directors of the BDC and reviewed by its auditors, less all liabilities (other than Indebtedness, including Indebtedness hereunder) of the BDC and its consolidated Subsidiaries, to (b) the aggregate amount of Indebtedness of the BDC and its consolidated Subsidiaries, in each case determined pursuant to Section 18 under the 1940 Act, as modified by Section 61 thereunder, and any orders of the Securities and Exchange Commission issued thereunder, including any exemptive relief granted by the Securities and Exchange Commission with respect to the Indebtedness of any Person.

“Assigned Documents” has the meaning assigned to that term in Section 2.12.

“Assigned Value” means, with respect to each Eligible Loan Asset, as of any date of determination, the lower of (i) the Purchase Price of such Eligible Loan Asset or (ii) the value (expressed as a percentage of the Outstanding Balance of such Eligible Loan Asset) of such Eligible Loan Asset as determined by the Administrative Agent in its sole discretion as of the Cut-Off Date of such Eligible Loan Asset, subject to the following terms:

(a) If a Value Adjustment Event of the type described in clauses (ii), (iii), (iv) or (vii) of the definition thereof with respect to such Eligible Loan Asset occurs, the Assigned Value of such Eligible Loan Asset will be zero.

(b) If a Value Adjustment Event of the type described in clauses (i), (v) or (vi) of the definition thereof with respect to such Eligible Loan Asset occurs, the “Assigned Value” may be amended by the Administrative Agent at any time upon each such occurrence of a Value Adjustment Event, in its sole discretion; provided that, solely with respect to the occurrence of a Value Adjustment Event of the type described in clause (i)(y) of the definition thereof, immediately after giving effect to any such Assigned Value decrease, the Assigned Value shall, to the extent applicable, be increased to the lower of (x) the original Assigned Value and (y) such value that would result in the Facility Attachment Ratio for such Loan Asset being lower than the “Minimum Facility Attachment Ratio” specified therefor in accordance with the grid below:

First Lien Loan Assets

Net Senior Leverage Ratio	Minimum Facility Attachment Ratio
Less than 4.25x	2.90x
Greater than or equal to 4.25 and less than 5.00x	2.80x
Greater than or equal to 5.00 and less than 6.00x	2.70x
Greater than or equal to 6.00 and less than 7.00x	2.60x
Greater than or equal to 7.00 and less than 8.00x	2.40x
Greater than or equal to 8.00x	0.00x

First Lien Last-Out Loan Assets

Net Senior Leverage Ratio	Minimum Facility Attachment Ratio
Less than 5.00x	Facility Attachment Ratio as of Cut-Off Date
Greater than or equal to 5.00 and less than 6.00x	Facility Attachment Ratio as of Cut-Off Date <i>less 0.25x</i>
Greater than or equal to 6.00 and less than 7.00x	Facility Attachment Ratio as of Cut-Off Date <i>less 0.50x</i>
Greater than or equal to 7.00x	0.00x

Designated Loan Assets

Total Net Leverage Ratio	Minimum Facility Attachment Ratio
Less than 6.00x	The lesser of (i) Facility Attachment Ratio as of Cut-Off Date and (ii) 2.00x
Greater than or equal to 6.00x	0.00x

(c) If the Net Senior Leverage Ratio or the Interest Coverage Ratio, as the case may be, of any Eligible Loan Asset for which the Assigned Value has been decreased due to a Value Adjustment Event, as described in clause (i) of the definition thereof, improves to a level such that no Value Adjustment Event would be required at the time of determination, then the Borrower may request in writing the revaluation from time to time, with respect to any Eligible Loan Asset subject to this clause (c), and upon such request the Administrative Agent shall reevaluate the Assigned Value of such Loan Asset; provided that such Assigned Value may not increase above the Purchase Price of such Loan Asset as of the applicable Cut-Off Date.

(d) The Administrative Agent shall promptly notify the Servicer of any change effectuated by the Administrative Agent of the Assigned Value of any Loan Asset.

“Available Collections” means, all cash collections and other cash proceeds with respect to any Eligible Loan Asset, including, without limitation, all Principal Collections, all Interest Collections, all proceeds of any sale or disposition with respect to such Loan Asset, all cash proceeds or other funds received by the Borrower or the Servicer with respect to any Underlying Collateral (including from any guarantors), all other amounts on deposit in the Collection Account from time to time, and all proceeds of Permitted Investments with respect to the Controlled Accounts; provided that, for the avoidance of doubt, “Available Collections” shall not include amounts on deposit in the Unfunded Exposure Account which do not represent proceeds of Permitted Investments.

“Bankruptcy Code” means Title 11, United States Code, 11 U.S.C. §§ 101 et seq., as amended from time to time.

“Bankruptcy Event” shall be deemed to have occurred with respect to a Person if either:

(i) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets under any Bankruptcy Laws, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(ii) such Person shall commence a voluntary case or other proceeding under any Bankruptcy Laws now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for such Person or all or substantially all of its assets under any Bankruptcy Laws or shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors or members shall vote to implement any of the foregoing.

“Bankruptcy Laws” means the Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

“Bankruptcy Proceeding” means any case, action or proceeding before any court or other Governmental Authority relating to any Bankruptcy Event.

“Base Rate” means, on any date, a fluctuating *per annum* interest rate equal to the higher of (a) the Prime Rate or (b) the Federal Funds Rate *plus* 0.5%.

“BDC” means Solar Capital Ltd., a Maryland corporation that has elected to be regulated as a business development company under the 1940 Act.

“BDC Asset Coverage Event” has the meaning specified in Section 6.08(h).

“BDC Reporting Date” means any date on which the BDC publicly files its financial statements.

“Beneficial Ownership Certification” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation, which certification shall be substantially similar in form and substance to the form of Certification Regarding Beneficial Owners of Legal Entity Customers published jointly, in May 2018, by the Loan Syndications and Trading Association and Securities Industry and Financial Markets Association.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Benefit Plan Investor” means a “benefit plan investor” as defined in Department of Labor regulation 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA, and includes an employee benefit plan that is subject to the fiduciary responsibility provisions of Title I of ERISA, a plan that is subject to Section 4975 of the Code, and an entity the underlying assets of which are deemed to include plan assets.

“Borrower” has the meaning assigned to that term in the preamble hereto.

“Borrowing Base” means, as of any date of determination, an amount equal to the lesser of:

(a) (i) the aggregate sum of the products of (A) the Applicable Percentage for each Eligible Loan Asset as of such date and (B) the Adjusted Borrowing Value of such Eligible Loan Asset as of such date, plus (ii) the amount on deposit in the Principal Collection Account as of such date plus (iii) the amount on deposit in the Unfunded Exposure Account minus the Unfunded Exposure Equity Amount; or

(b) (i) the aggregate Adjusted Borrowing Value of all Eligible Loan Assets as of such date *minus* (ii) the Minimum Equity Amount, *plus* (iii) the amount on deposit in the Principal Collection Account as of such date *plus* (iv) the amount on deposit in the Unfunded Exposure Account *minus* the Unfunded Exposure Equity Amount; or

(c) the Maximum Facility Amount *minus* the Aggregate Unfunded Exposure Amount *plus* the lesser of (x) the Aggregate Unfunded Exposure Amount and (y) the amount on deposit in the Unfunded Exposure Account;

provided that, for the avoidance of doubt, any Loan Asset which at any time is no longer an Eligible Loan Asset shall not be included in the calculation of “Borrowing Base”.

“Borrowing Base Certificate” means a certificate setting forth the calculation of the Borrowing Base as of the applicable date of determination substantially in the form of Exhibit B hereto, prepared by the Servicer.

“Borrowing Base Deficiency” means, as of any date of determination, an amount equal to the positive difference, if any, of (a) Advances Outstanding on such date over (b) the Borrowing Base.

“Breakage Fee” means, for Advances which are repaid (in whole or in part) on any date other than a Payment Date, the breakage costs (other than lost profits), if any, related to such repayment, based upon the assumption that the Lender funded its loan commitment in the London Interbank Eurodollar market and using any reasonable attribution or averaging methods which the Lender deems appropriate and practical, it hereby being understood that the amount of any loss, costs or expense payable by the Borrower to any Lender as Breakage Fee shall be determined in the respective Lender Agent’s reasonable discretion and shall be conclusive absent manifest error.

“Business Day” means a day of the year other than (i) Saturday or a Sunday or (ii) any other day on which commercial banks in New York, New York, Charlotte, North Carolina, or the city in which the offices of the Collateral Agent are authorized or required by applicable law, regulation or executive order to close; provided that, if any determination of a Business Day shall relate to an Advance bearing interest at LIBOR, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market. For avoidance of doubt, if the offices of the Collateral Agent are authorized by applicable law, regulation or executive order to close but remain open, such day shall not be a “Business Day”.

“Capital Lease Obligations” means, with respect to any entity, the obligations of such entity to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such entity under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“Change of Control” shall be deemed to have occurred if any of the following occur:

(a) the creation or imposition of any Lien (other than Permitted Liens) on any limited liability company membership interest in the Borrower;

(b) the failure by the ~~Equity holder~~ Solar to own, directly or indirectly, 100% of the limited liability company membership interests in the Borrower;

(c) the dissolution, termination or liquidation in whole or in part, transfer or other disposition, in each case, of all or substantially all of the assets of, Solar, other than as permitted pursuant to Section 5.04(a); or

(d) any change of control of the Servicer that takes the form of either a merger or consolidation that does not comply with the provisions of Section 5.04(a);

(e) ~~the failure by Solar to own at least 51% of the limited liability company membership interests in the Equityholder; or (f) the addition of any Person, other than Solar, Voya Retirement Insurance and Annuity Company, ReliaStar Life Insurance Company or Voya Insurance and Annuity Company (or in each case, any Affiliate thereof with prior written notice provided to the Administrative Agent), as a member under the Equityholder's limited liability company agreement.~~

“Closing Date” means June 30, 2016.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral Agent” has the meaning assigned to that term in the preamble hereto.

“Collateral Agent Expenses” means the expenses set forth in the WFBNA Fee Letter and any other accrued and unpaid expenses (including reasonable and documented attorneys’ fees, costs and expenses) and indemnity amounts, in each case payable by the Borrower to the Collateral Agent under the Transaction Documents.

“Collateral Agent Fees” means the fees set forth in the WFBNA Fee Letter that are payable to the Collateral Agent, as such fee letter may be amended, restated, supplemented and/or otherwise modified from time to time.

“Collateral Agent Termination Notice” has the meaning assigned to that term in Section 10.05.

“Collateral Custodian” means WFBNA, not in its individual capacity, but solely as collateral custodian pursuant to the terms of this Agreement.

“Collateral Custodian Expenses” means the expenses set forth in the WFBNA Fee Letter that are payable to the Collateral Custodian and any other accrued and unpaid expenses (including reasonable and documented attorneys’ fees, costs and expenses) and indemnity amounts in each case payable by the Borrower to the Collateral Custodian under the Transaction Documents.

“Collateral Custodian Fees” means the fees set forth in the WFBNA Fee Letter, as such fee letter may be amended, restated, supplemented and/or otherwise modified from time to time.

“Collateral Custodian Termination Notice” has the meaning assigned to that term in Section 12.05.

“Collateral Portfolio” means all right, title, and interest (whether now owned or hereafter acquired or arising, and wherever located) of the Borrower in the property identified below in clauses (i) through (iv) and all accounts, cash and currency, chattel paper, tangible

chattel paper, electronic chattel paper, copyrights, copyright licenses, equipment, fixtures, contract rights, general intangibles, instruments, certificates of deposit, certificated securities, uncertificated securities, financial assets, securities entitlements, commercial tort claims, deposit accounts, inventory, investment property, letter-of-credit rights, software, supporting obligations, accessions, or other property consisting of, arising out of, or related to any of the following (in each case excluding the Retained Interest and the Excluded Amounts):

- (i) the Loan Assets, and all monies due or to become due in payment under such Loan Assets on and after the related Cut-Off Date, including, but not limited to, all Available Collections;
- (ii) the Portfolio Assets with respect to the Loan Assets referred to in clause (i) above;
- (iii) the Controlled Accounts and all Permitted Investments purchased with funds on deposit in the Controlled Accounts; and
- (iv) all income and Proceeds of the foregoing.

For the avoidance of doubt, the term “Collateral Portfolio” shall, for all purposes of this Agreement, be deemed to include any Loan Asset acquired directly by the Borrower from a third party in a transaction underwritten by the Transferor or any transaction in which the Borrower is the designee of the Transferor under the instruments of conveyance relating to the applicable Loan Asset.

“Collection Account” has the meaning assigned to that term in Section 6.04(f).

“Collection Date” means the date on which the aggregate outstanding principal amount of the Advances have been repaid in full and all Yield and Fees and all other Obligations (other than contingent indemnification and reimbursement obligations which are unknown, unmatured and/or for which no claim giving rise thereto has been asserted) have been paid in full, and the Borrower shall have no further right to request any additional Advances.

“Commercial Paper Notes” means, any short-term promissory notes of any Conduit Lender issued by such Conduit Lender in the commercial paper market.

“Commitment” means, with respect to each Lender, (i) prior to the end of the Reinvestment Period or for purposes of Advances made pursuant to Section 2.02(f), the dollar amount set forth opposite such Lender’s name on Annex A hereto (as such amount may be revised from time to time in accordance with the terms hereof) or the amount set forth as such Lender’s “Commitment” on Schedule I to the Joinder Supplement relating to such Lender, as applicable and (ii) on or after the Reinvestment Period (other than for purposes of Advances made pursuant to Section 2.02(f)), such Lender’s Pro Rata Share of the aggregate Advances Outstanding.

~~“Committed Equity Capital” means equity capital committed to the Equityholder (which, for the avoidance of doubt, includes funded and unfunded commitments) pursuant to binding documentation satisfactory to the Administrative Agent in its sole discretion. On the Closing Date, the Committed Equity Capital is \$200,000,000.~~

“Conduit Lender” means each commercial paper conduit as may from time to time become a Lender hereunder by executing and delivering a Joinder Supplement to the Administrative Agent and the Borrower as contemplated by Section 2.21.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

“Control Agreement” means that certain Account Control Agreement, dated the date of this Agreement, among the Borrower, the Servicer, the Account Bank, the Administrative Agent and the Collateral Agent, which agreement relates to the Collection Account and the Unfunded Exposure Account, as such agreement may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

“Controlled Accounts” means the Collection Account and the Unfunded Exposure Account.

“Cut-Off Date” means, with respect to each Loan Asset, the date such Loan Asset is Pledged hereunder.

“Defaulting Lender” means any Lender that (i) has failed to fund any portion of the Advances required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (ii) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three Business Days of the date when due, unless such amount is the subject of a good faith dispute, (iii) has notified the Borrower, the Administrative Agent or any other Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply or has failed to comply with its funding obligations under this Agreement or generally under other agreements in which it commits or is obligated to extend credit, or (iv) has become or is insolvent or has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

“Defaulted Loan Asset” means a Loan Asset which has become subject to a Value Adjustment Event of the type described in clauses (ii), (iii), (iv) or (vii) in the definition thereof. If the Value Adjustment Event which gave rise to a Defaulted Loan Asset is cured, waived or no longer in existence, the Borrower may submit such Loan Asset for review by the Administrative Agent (in its sole discretion) for the purpose of re-classifying such Loan Asset as a Loan Asset which is no longer a Defaulted Loan Asset.

“Delayed Draw Loan Asset” means a Loan Asset that is fully committed on the initial funding date of such Loan Asset and is required to be fully funded in one or more installments on draw dates but which, once all such installments have been made, does not permit the re-borrowing of any amount previously repaid by the related Obligor; provided that upon the making of each installment, such portion shall no longer be deemed to be a “Delayed Draw Loan Asset” for purposes of this Agreement.

“Designated Loan Asset” means any Loan Asset that the Administrative Agent, in its sole discretion, has designated as a “Designated Loan Asset” on the related Approval Notice.

“Determination Date” means the last day of each calendar month.

“Disbursement Request” means a disbursement request from the Borrower to the Administrative Agent and the Collateral Agent in the form attached hereto as Exhibit C in connection with a disbursement request from the Unfunded Exposure Account in accordance with Section 2.04(d) or a disbursement request from the Principal Collection Account in accordance with Section 2.20, as applicable.

“Dollars” means, and the conventional “\$” signifies, the lawful currency of the United States.

“EBITDA” means, with respect to any period and any Loan Asset, the meaning of “EBITDA”, “Adjusted EBITDA” or any comparable definition in the Loan Agreement for each such Loan Asset (together with all add-backs and exclusions as designated in such Loan Agreement), and in any case that “EBITDA”, “Adjusted EBITDA” or such comparable definition is not defined in such Loan Agreement, an amount, for the principal obligor on such Loan Asset and any of its parents or Subsidiaries that are obligated pursuant to the Loan Agreement for such Loan Asset (determined on a consolidated basis without duplication in accordance with GAAP) equal to earnings from continuing operations for such period *plus* interest expense, income taxes and unallocated depreciation and amortization for such period (to the extent deducted in determining earnings from continuing operations for such period), and any other item the Borrower and the Administrative Agent mutually deem to be appropriate.

“Eligibility Criteria” means, collectively, all of the following criteria with respect to any Loan Asset (other than any individual clause listed below that the Administrative Agent in its sole discretion has, prior to the applicable Cut-Off Date, waived in writing with respect to such Loan Asset, which waiver shall solely be for the specific fact or circumstance that existed at the time of such waiver):

- (i) As of the related Cut-Off Date, each such Loan Asset is a First Lien Loan Asset or a First Lien Last-Out Loan Asset.
- (ii) With respect to each such Loan Asset, the Primary Obligor is organized under the laws of the United States or any state thereof.
- (iii) Each such Loan Asset is denominated in Dollars.

(iv) As of the related Cut-Off Date, no such Loan Asset is Margin Stock.

(v) The acquisition of such Loan Asset would not cause the Borrower or the assets constituting the Collateral Portfolio to be required to be registered as an investment company under the 1940 Act, as amended.

(vi) No such Loan Asset is a financing by a debtor-in-possession in any Bankruptcy Proceeding.

(vii) No such Loan Asset is principally secured by real estate.

(viii) Each such Loan Asset constitutes a legal, valid, binding and enforceable obligation of the Obligor thereunder and each guarantor thereof, enforceable against each such Person in accordance with its terms, subject to usual and customary bankruptcy, insolvency and equity limitations.

(ix) Each such Loan Asset is in the form of, and is treated as, indebtedness for United States federal income tax purposes.

(x) As of the related Cut-Off Date, each such Loan Asset is not in payment default.

(xi) As of the related Cut-Off Date, the acquisition of each such Loan Asset by the Borrower, and the Pledge of each such Loan Asset, has been approved by the Administrative Agent in its sole discretion.

(xii) The Obligor with respect to each such Loan Asset is not an Affiliate of the Servicer or the Transferor with respect to such Loan Asset.

(xiii) The acquisition of any such Loan Asset by the Borrower or the Pledge thereof will not (a) violate in any material respect any Applicable Law or (b) cause the Administrative Agent, the Lenders or the Lender Agents to fail to comply with any request or directive (whether or not having the force of law) from any banking or other Governmental Authority having jurisdiction over the Administrative Agent, the Lenders or the Lender Agents.

(xiv) Pursuant to the Loan Agreement with respect to such Loan Asset, either (a) such Loan Asset is freely assignable to the Borrower and able to be Pledged to the Collateral Agent, on behalf of the Secured Parties, without the consent of the Obligor or (b) all consents necessary for assignment of such Loan Asset to the Borrower and Pledge to the Collateral Agent for the benefit of the Secured Parties have been obtained.

(xv) The funding obligations for each such Loan Asset and the Loan Agreement under which such Loan Asset was created have been fully satisfied and all sums available thereunder have been fully advanced, or if such Loan Asset

is a Delayed Draw Loan Asset, either (a) the Borrower shall have or have caused to be, at the time of the acquisition of such Loan Asset by the Borrower, deposited into the Unfunded Exposure Account an amount in Dollars equal to the Unfunded Exposure Equity Amount or (b) the Unfunded Exposure Equity Amount with respect to such Loan Asset shall not create a Borrowing Base Deficiency.

(xvi) (a) As of the related Cut-Off Date, no such Loan Asset is the subject of any assertions in respect of, any litigation on the part of any Person, right of rescission, set-off, counterclaim or defense, including the defense of usury, by the related Obligor and (b) the Loan Agreements with respect to such Loan Asset contain provisions substantially to the effect that the payment obligations of the Obligor(s) thereunder are absolute and unconditional without any right of rescission, setoff, counterclaim or defense against the Transferor or other assignor, as applicable, and the assignees thereof and the Loan Agreements with respect to the Loan Asset provide for an affirmative waiver by the related Obligor of all rights of rescission, set-off and counterclaim against the Transferor and its assignees.

(xvii) With respect to each such Loan Asset acquired by the Borrower from the Transferor under the Purchase and Sale Agreement, by the Cut-Off Date on which such Loan Asset is Pledged under the Agreement and on each day thereafter on which the Borrower continues to own such Loan Asset, the Transferor will have caused its master computer records relating to such Loan Asset to be clearly and unambiguously marked to show that such Loan Asset has been sold to the Borrower.

(xviii) As of the related Cut-Off Date, no such Loan Asset has been repaid, prepaid, satisfied, in each case, in full or rescinded in part or in full.

(xix) No such Loan Asset has been sold, transferred, assigned or pledged by the Borrower to any Person other than the Collateral Agent for the benefit of the Secured Parties.

(xx) Such Loan Asset is not subject to withholding tax unless the Obligor thereon is required under the terms of the related Loan Agreement to make "gross-up" payments that cover the full amount of such withholding tax on an after-tax basis. The transfer, assignment and conveyance of such Loan Asset (and the other Portfolio Assets related thereto) is not subject to and will not result in any tax, fee or governmental charge (other than income taxes) payable by the Borrower or any other Person to any federal, state or local government.

(xxi) To the knowledge of the Borrower and the Servicer, as of the Cut-Off Date, the Obligor with respect to such Loan Asset (and any guarantor of such Obligor's obligations thereunder) had full legal capacity to execute and deliver the Loan Agreement which creates such Loan Asset and any other documents related thereto.

(xxii) As of the related Cut-Off Date, the Obligor of each such Loan Asset is not a Governmental Authority.

(xxiii) For each such Loan Asset acquired by the Borrower from the Transferor, (a) such Loan Asset was originated or sourced by the Transferor in the ordinary course of the Transferor's business and, to the extent required by Applicable Law, the Transferor had all necessary licenses and permits to originate such Loan Asset in the State where the Obligor was located and (b) such Loan Asset was sold by the Transferor to the Borrower under the Purchase and Sale Agreement and, to the extent required by Applicable Law, the Borrower has all necessary licenses and permits to purchase and own such Loan Assets and enter into Loan Agreements pursuant to which each such Loan Asset was created, in the State where the Obligor is located.

(xxiv) As of the related Cut-Off Date, there are no proceedings pending or, to the Borrower's knowledge, threatened (a) asserting insolvency of the Obligor of such Loan Asset or (b) wherein the Obligor of such Loan Asset, any other party or any Governmental Authority has alleged that such Loan Asset or the Loan Agreement which creates such Loan Asset is illegal or unenforceable.

(xxv) Each such Loan Asset requires the related Obligor to maintain the Underlying Collateral with respect to such Loan Asset in good repair and to maintain adequate insurance with respect to such related Underlying Collateral.

(xxvi) To the knowledge of the Borrower and the Servicer, the Underlying Collateral related to each such Loan Asset has not, and will not, be used by the related Obligor in any manner or for any purpose which would result in any material risk of material liability being imposed upon the Transferor, the Borrower or the Lenders under any federal, state, local or foreign laws, common laws, statutes, codes, ordinances, rules, regulations, permits, judgments, agreements or order related to or addressing the environment, health or safety.

(xxvii) Each such Loan Asset has an original term to maturity of not greater than seven years.

(xxviii) Each such Loan Asset does not contain confidentiality restrictions that would prohibit the Lenders, the Lender Agents or the Administrative Agent from accessing all necessary information (as required to be provided pursuant to the Transaction Documents) with regards to such Loan Asset.

(xxix) (a) Each Floating Rate Loan Asset has a current cash coupon of at least 3.00% and such coupon is payable at least quarterly. Each Fixed Rate Loan Asset has a current cash coupon of at least 7.00%.

(xxx) Each such Loan Asset (i) was originated or sourced and underwritten, or purchased and re-underwritten, by the Transferor or the Borrower (or the Servicer, on the Borrower's behalf), including, without

limitation, the completion of due diligence and, if applicable, a collateral assessment as the Transferor or the Servicer on the Borrower's behalf considered necessary and (ii) is being serviced by the Servicer.

(xxxix) In accordance with Section 3.02, all of the Required Loan Documents and the Loan Asset Checklist, acceptable to the Administrative Agent and the Transferor, with respect to such Loan Asset have been, or will be, delivered to the Collateral Custodian within five Business Days of the applicable Cut-Off Date.

(xxxix) Each such Loan Asset is not an extension of credit to the Obligor for the purpose of (a) making any past due principal, interest or other payments due on such Loan Asset, (b) preventing such Loan Asset or any other loan to the related Obligor from becoming past due or (iii) preventing such Loan Asset from becoming a Defaulted Loan Asset.

(xxxix) To the knowledge of the Borrower and the Servicer, the Obligor with respect to such Loan Asset, on the applicable date of determination, (a) is a business organization (and not a natural person) duly organized and validly existing under the laws of its jurisdiction of organization; (b) is a legal operating entity or holding company; (c) has not entered into the Loan Asset primarily for personal, family or household purposes; and (d) as of the related Cut-Off Date is not the subject of a Bankruptcy Event, and, as of the related Cut-Off Date, such Obligor is not in financial distress and has not experienced a material adverse change in its condition, financial or otherwise, in each case, as determined by the Servicer in its reasonable discretion unless approved in writing by the Administrative Agent.

(xxxix) All information provided by the Borrower or the Servicer to the Administrative Agent in writing with respect to such Loan Asset is true and correct in all material respects as of the date such information is provided.

(xxxix) No Loan Asset is an Equity Security nor does any Loan Asset provide for the conversion into an Equity Security at any time on or after the date it is included as part of the Collateral Portfolio.

(xxxix) As of the related Cut-Off Date, no selection procedures adverse to the interests of the Secured Parties were utilized by the Borrower in the selection of such Loan Asset.

(xxxix) As of the related Cut-Off Date and immediately after giving effect to the acquisition of such Loan Asset, the Adjusted Borrowing Value with respect to all Eligible Loan Assets consisting of Fixed Rate Loan Assets will not exceed, in the aggregate, 5.0% of the Maximum Facility Amount.

(xxxviii) As of the related Cut-Off Date and immediately after giving effect to the acquisition of such Loan Asset, the Aggregate Unfunded Exposure Amount will not exceed, in the aggregate, 10.0% of the Maximum Facility Amount.

(xxxix) As of the related Cut-Off Date and immediately after giving effect to the acquisition of such Loan Asset, the Adjusted Borrowing Value with respect to all Eligible Loan Assets consisting of First Lien Last-Out Loan Assets will not exceed, in the aggregate, 10.0% of the Maximum Facility Amount.

(xl) Such Loan Asset is not a participation interest in all or a portion of a loan (for the avoidance of doubt, a syndication or co-lending interest which is not documented as a participation interest shall not be deemed a participation interest).

“Eligible Loan Asset” means, at any time, a Loan Asset in respect of which each of the representations and warranties contained in Section 4.02 is true and correct in respect of such Loan Asset.

“Environmental Laws” means any and all foreign, federal, state and local laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, interpretations (with the force of law) and orders of courts or Governmental Authorities, relating to the protection of human health or the environment, including, but not limited to, requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Materials. Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.), the Hazardous Material Transportation Act (49 U.S.C. § 331 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Safe Drinking Water Act (42 U.S.C. § 300, et seq.), the Environmental Protection Agency’s regulations relating to underground storage tanks (40 C.F.R. Parts 280 and 281), and the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), and the rules and regulations thereunder, each as amended or supplemented from time to time.

“Equity Security” means (i) any equity security or any other security that is not eligible for purchase by the Borrower as a Loan Asset, (ii) any security purchased as part of a “unit” with a Loan Asset and that itself is not eligible for purchase by the Borrower as a Loan Asset, and (iii) any obligation that, at the time of commitment to acquire such obligation, was eligible for purchase by the Borrower as a Loan Asset but that, as of any subsequent date of determination, no longer is eligible for purchase by the Borrower as a Loan Asset, for so long as such obligation fails to satisfy such requirements.

~~“Equityholder” means Senior Secured Unitranche Loan Program LLC. The Equityholder shall provide the Minimum Equity Amount to the Borrower by way of a capital contribution to the Borrower.~~

~~“Equityholder Operating Agreement” means the Amended & Restated Limited Liability Company Agreement of the Equityholder, dated as of October 15, 2015, as the same may be amended, restated, modified or supplemented from time to time.~~

“ERISA” means the United States Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means with respect to a Person (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as that Person, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with that Person, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as that Person, any corporation described in clause (a) above or any trade or business described in clause (b) above.

“Eurodollar Disruption Event” means the occurrence of any of the following: (a) Wells Fargo shall have notified the Administrative Agent of a determination by Wells Fargo, as Lender, or any of its assignees or participants that it would be contrary to law or to the directive of any central bank or other Governmental Authority (whether or not having the force of law) to obtain Dollars in the London interbank market to fund any Advance, (b) Wells Fargo shall have notified the Administrative Agent of the inability, for any reason, of Wells Fargo or any of its respective assignees or participants to determine LIBOR, (c) Wells Fargo, as Lender, shall have notified the Administrative Agent of a determination by Wells Fargo, as Lender, or any of its respective assignees or participants that the rate at which deposits of Dollars are being offered to Wells Fargo or any of its respective assignees or participants in the London interbank market does not accurately reflect the cost to Wells Fargo or its assignee or participant of making, funding or maintaining any Advance or (d) Wells Fargo shall have notified the Administrative Agent of the inability of Wells Fargo or any of its respective assignees or participants to obtain Dollars in the London interbank market to make, fund or maintain any Advance.

“Event of Default” has the meaning assigned to that term in [Section 7.01](#).

“Excepted Persons” has the meaning assigned to that term in [Section 11.13\(a\)](#).

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Excluded Amounts” means (a) any amount received in the Collection Account with respect to any Loan Asset included as part of the Collateral Portfolio, which amount is attributable to the payment of any Tax, fee or other charge imposed by any Governmental Authority on such Loan Asset or on any Underlying Collateral and (b) any amount received in the Collection Account or other Controlled Account representing (i) any amount representing a reimbursement of insurance premiums, (ii) any escrows relating to Taxes, insurance and other amounts in connection with Loan Assets which are held in an escrow account for the benefit of the Obligor and the secured party pursuant to escrow arrangements under a Loan Agreement and (iii) any amount received in the Collection Account with respect to any Loan Asset retransferred

or substituted for upon the occurrence of a Warranty Event or that is otherwise replaced by a Substitute Eligible Loan Asset, or that is otherwise sold or transferred by the Borrower pursuant to Section 2.07, to the extent such amount is attributable to a time after the effective date of such replacement or sale.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in an Obligation or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Obligation or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.11(i)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.11, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 2.11(g) and (d) any withholding Taxes imposed under FATCA.

“Facility Attachment Ratio” means, with respect to any Eligible Loan Asset, as of any date of determination, an amount equal to (i) if such Eligible Loan Asset is a First Lien Loan Asset, the product of (a) the Net Senior Leverage Ratio, (b) the Applicable Percentage and (c) the Assigned Value, (ii) if such Eligible Loan Asset is a First Lien Last-Out Loan Asset, the sum of (a) the First Out Attachment Ratio and (b) the product of (I)(x) the Last Out Attachment Ratio less (y) the First Out Attachment Ratio, (II) the Applicable Percentage and (III) the Assigned Value, in each case, as of such date and (iii) if such Eligible Loan Asset is a Designated Loan Asset, the product of (I) the Net Senior Leverage Ratio, (II) the Applicable Percentage and (III) the Assigned Value.

“Facility Maturity Date” means the earliest to occur of (i) the Stated Maturity Date, (ii) the date of the declaration, or automatic occurrence, of the Facility Maturity Date pursuant to Section 7.01, (iii) the Collection Date and (iv) the occurrence of the termination of this Agreement pursuant to Section 2.18(b), hereof.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (and any amended or successor version that is substantively comparable and not materially more onerous to comply with), the United States Treasury Regulations promulgated thereunder and official published guidance with respect thereto and any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code.

“Federal Funds Rate” means, for any period, a fluctuating interest *per annum* rate equal, for each day during such period, to the weighted average of the overnight federal funds

rates as in Federal Reserve Board Statistical Release H.15(519) or any successor or substitute publication selected by the Administrative Agent (or, if such day is not a Business Day, for the next preceding Business Day), or, if for any reason such rate is not available on any day, the rate determined, in the sole discretion of the Administrative Agent, to be the rate at which overnight federal funds are being offered in the national federal funds market at 9:00 a.m. on such day.

“Fees” means (i) the Non-Usage Fee and (ii) the fees payable to each Lender or Lender Agent pursuant to the terms of any Lender Fee Letter.

“Financial Asset” has the meaning specified in Section 8-102(a)(9) of the UCC.

“Financial Sponsor” means any Person, including any Subsidiary of such Person, whose principal business activity is acquiring, holding, and selling investments (including controlling interests) in otherwise unrelated companies that each are distinct legal entities with separate management, books and records and bank accounts, whose operations are not integrated with one another and whose financial condition and creditworthiness are independent of the other companies so owned by such Person.

“First Lien Last-Out Loan Asset” means a commercial loan that would constitute a First Lien Loan Asset but that, at any time prior to and/or after an event of default under the related Loan Agreement of such Eligible Loan Asset, will be paid after one or more tranches of First Lien Loan Assets issued by the same Obligor have been paid in full in accordance with a specified waterfall or other priority of payments; provided that the Administrative Agent may, in its sole discretion, designate an Eligible Loan Asset that would otherwise constitute a First Lien Last-Out Loan Asset as a First Lien Loan Asset in the related Approval Notice.

“First Lien Loan Asset” means a commercial loan (a) that is not (and cannot by its terms become) subordinate in right of payment to any obligation of the Obligor in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, (b) that is secured by a pledge of collateral, which security interest is validly perfected and first priority under Applicable Law (subject to liens permitted under the applicable credit agreement that are reasonable and customary for similar loans, and liens accorded priority by law in favor of the United States or any State or agency), and (c) the Servicer determines in good faith that the value of the collateral securing the loan on or about the time of origination equals or exceeds the outstanding principal balance of the loan plus the aggregate outstanding balances of all other loans of equal or higher seniority secured by the same collateral; provided that, for the avoidance of doubt, a First Lien Last-Out Loan Asset shall not constitute a First Lien Loan Asset unless the Administrative Agent, in its sole discretion, designates an Eligible Loan Asset that would otherwise constitute a First Lien Last-Out Loan Asset as a First Lien Loan Asset in the related Approval Notice.

“First Out Attachment Ratio” means, with respect to any Eligible Loan Asset, as of any date of determination, an amount equal to the Net Senior Leverage Ratio with respect to all or any portion of such Eligible Loan Asset that constitutes first lien senior secured Indebtedness that is not (and cannot by its terms become) subordinate in right of payment to any obligation of the Obligor in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings (excluding any First Lien Last-Out Loan Asset or other first lien last out Indebtedness within the capital structure).

“Fixed Rate Loan Asset” means an Eligible Loan Asset other than a Floating Rate Loan Asset.

“Floating Rate Loan Asset” means an Eligible Loan Asset under which the Loan Rate payable by the Obligor thereof is based on the Applicable Prime Rate or the Applicable LIBOR Rate, *plus* some specified interest percentage in addition thereto, and the Eligible Loan Asset provides that such Loan Rate will reset in accordance with customary terms immediately upon any change in the related Applicable Prime Rate or the Applicable LIBOR Rate.

“Foreign Lender” means (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States.

“Governmental Authority” means, with respect to any Person, any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person.

“Governmental Plan Entity” means a “governmental plan” within the meaning of Section 3(32) of ERISA or any other entity the assets of which are subject to state statutes regulating investments of and fiduciary obligations with respect to such governmental plans or to state statutes that impose prohibitions similar to those contained in Section 406 of ERISA or Section 4975 of the Code.

“Hazardous Materials” means all materials subject to any Environmental Law, including, without limitation, materials listed in 49 C.F.R. § 172.010, materials defined as hazardous pursuant to § 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, flammable, explosive or radioactive materials, hazardous or toxic wastes or substances, lead-based materials, petroleum or petroleum distillates or asbestos or material containing asbestos, polychlorinated biphenyls, radon gas, urea formaldehyde and any substances classified as being “in inventory”, “usable work in process” or similar classification that would, if classified as unusable, be included in the foregoing definition.

“Indebtedness” means:

(i) with respect to any Obligor under any Loan Asset, for the purposes of the definition of “Interest Coverage Ratio”, “Net Senior Leverage Ratio,” and “Total Net Leverage Ratio” the meaning of “Indebtedness” or any comparable definition in the Loan Agreement for each such Loan Asset, and in any case that

“Indebtedness” or such comparable definition is not defined in such Loan Agreement, without duplication, (a) all obligations of such entity for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such entity evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such entity under conditional sale or other title retention agreements relating to property acquired by such entity, (d) all obligations of such entity in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (e) all indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such entity, whether or not the indebtedness secured thereby has been assumed, (f) all guarantees by such entity of indebtedness of others, (g) all Capital Lease Obligations of such entity, (h) all obligations, contingent or otherwise, of such entity as an account party in respect of letters of credit and letters of guaranty and (i) all obligations, contingent or otherwise, of such entity in respect of bankers’ acceptances; and

(ii) for all other purposes, with respect to any Person at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current liabilities incurred in the ordinary course of business and payable in accordance with customary trade practices) or that is evidenced by a note, bond, debenture or similar instrument or other evidence of indebtedness customary for indebtedness of that type, (b) all obligations of such Person under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (c) all obligations of such Person in respect of acceptances issued or created for the account of such Person, (d) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, (e) all indebtedness, obligations or liabilities of that Person in respect of derivatives, and (f) all obligations under direct or indirect guaranties in respect of obligations (contingent or otherwise) to purchase or otherwise acquire, or to otherwise assure a creditor against loss in respect of, indebtedness or obligations of others of the kind referred to in clauses (a) through (e) of this clause (ii). The amount of any Indebtedness under clause (d) shall be equal to the lesser of (A) the aggregate unpaid amount of the relevant obligations and (B) the fair market value (as determined by such Person in good faith) of the property subject to the relevant Lien.

“Indemnified Amounts” has the meaning assigned to that term in Section 8.01.

“Indemnified Party” has the meaning assigned to that term in Section 8.01.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Transaction Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnifying Party” has the meaning assigned to that term in Section 8.03.

“Independent Director” means a natural person who, (A) for the five-year period prior to his or her appointment as Independent Director, has not been, and during the continuation of his or her service as Independent Director is not: (i) an employee, director, stockholder, member, manager, partner or officer of the Borrower or any of its Affiliates (other than his or her service as an Independent Director, independent officer or other independent capacity of the Borrower or other Affiliates that are structured to be “bankruptcy remote”); (ii) a customer or supplier of the Borrower or any of its Affiliates (other than his or her service as an Independent Director, independent officer or other independent capacity of the Borrower or other Affiliates that are structured to be “bankruptcy remote”); or (iii) any member of the immediate family of a person described in (i) or (ii), and (B) has, (i) prior experience as an Independent Director for a corporation or limited liability company whose charter documents required the unanimous consent of all Independent Directors thereof before such corporation or limited liability company could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (ii) at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities.

“Indorsement” has the meaning specified in Section 8-102(a)(11) of the UCC, and “Indorsed” has a corresponding meaning.

“IFRS” means the international financial reporting standards applicable to private enterprises in the applicable jurisdiction, which are applicable to the circumstances as of any day.

“Initial Advance” means the first Advance made pursuant to Article II.

“Institutional Lender” means (i) Wells Fargo and (ii) each financial institution other than a Conduit Lender which may from time to time become a Lender hereunder by executing and delivering a Joinder Supplement to the Administrative Agent and the Borrower as contemplated by Section 2.21.

“Instrument” has the meaning specified in Section 9-102(a)(47) of the UCC.

“Insurance Policy” means, with respect to any Loan Asset, an insurance policy covering liability and physical damage to, or loss of, the Underlying Collateral.

“Insurance Proceeds” means any amounts received by the Borrower on or with respect to a Loan Asset under any Insurance Policy or with respect to any condemnation proceeding or award in lieu of condemnation which is neither required to be used to restore, improve or repair the related property nor required to be paid to the Obligor under the Loan Agreement.

“Interest” means, with respect to any Obligor for any period, the amount which, in conformity with GAAP, would be set forth opposite the caption “interest expense” (exclusive of any PIK Interest) or any like caption reflected on the most recent financial statements delivered by such Obligor to the Borrower for such period.

“Interest Collection Account” has the meaning assigned to that term in Section 6.04(f).

“Interest Collections” means, (i) with respect to any Loan Asset, all payments and collections attributable to interest on such Loan Asset, including, without limitation, all scheduled payments of interest and payments of interest relating to principal prepayments, all guaranty payments attributable to interest and proceeds of any liquidations, sales, dispositions or securitizations attributable to interest on such Loan Asset and (ii) amendment fees, late fees, waiver fees, prepayment fees or other amounts received in respect of Loan Assets.

“Interest Coverage Ratio” means, with respect to any Loan Asset for any Relevant Test Period, the meaning of “Interest Coverage Ratio” or any comparable definition in the Loan Agreement for each such Loan Asset, and in any case that “Interest Coverage Ratio” or such comparable definition is not defined in such Loan Agreement, the ratio of (a) EBITDA to (b) Interest.

“IRS” means the United States Internal Revenue Service.

“Joinder Supplement” means an agreement among the Borrower, a Lender, its Lender Agent and the Administrative Agent in the form of Exhibit D to this Agreement (appropriately completed) delivered in connection with a Person becoming a Lender hereunder after the Closing Date.

“Last Out Attachment Ratio” means, with respect to any Eligible Loan Asset, as of any date of determination, an amount equal to the Net Senior Leverage Ratio with respect to all or any portion of such Eligible Loan Asset that constitutes first lien senior secured Indebtedness that is (or by its terms could become) subordinate in right of payment to one or more tranches of first lien senior secured Indebtedness.

“Lender” means any Institutional Lender or Conduit Lender, and/or any other Person to whom an Institutional Lender or Conduit Lender assigns any part of its rights and obligations under this Agreement and the other Transaction Documents in accordance with the terms of Section 11.04.

“Lender Agent” means, with respect to (i) Wells Fargo, Wells Fargo; (ii) each Conduit Lender which may from time to time become party hereto, the Person designated as the “Lender Agent” with respect to such Conduit Lender in the applicable Joinder Supplement and (iii) each Institutional Lender which may from time to time become a party hereto, each shall be deemed to be its own Lender Agent, and, in each case, each of their respective successors and assigns.

“Lender Fee Letter” means each fee letter agreement that shall be entered into by and among the Borrower, the Servicer, the applicable Lender and its related Lender Agent in connection with the transactions contemplated by this Agreement, as amended, modified, waived, supplemented, restated or replaced from time to time.

“LIBOR” means, for any day during the Remittance Period, with respect to any Advance (or portion thereof) (a) the rate *per annum* appearing on Reuters Screen LIBOR01 Page (or any successor or substitute page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m., London time, for such day; provided that, if such day is not a Business Day, the immediately preceding Business Day, for a three-month maturity; and (b) if no rate specified in clause (a) of this definition so appears on Reuters Screen LIBOR01 Page (or any successor or substitute page), the interest rate *per annum* at which dollar deposits of \$5,000,000 and for a three-month maturity are offered by the principal London office of Wells Fargo in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, for such day. Notwithstanding any other provision in this Agreement, for purposes of calculating the Yield Rate, “LIBOR” shall not at any time be deemed to be lower than 0%.

“Lien” means any mortgage or deed of trust, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, claim, preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale, lease or other title retention agreement, sale subject to a repurchase obligation, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing) or the authorized filing of or agreement to give any financing statement perfecting a security interest under the UCC or comparable law of any jurisdiction.

“Lien Release Dividend” has the meaning assigned to that term in Section 2.07(g).

“Lien Release Dividend Date” means the date specified by the Borrower, which date may be any Business Day; provided that written notice is given in accordance with Section 2.07(g).

“Liquidity Agreement” means any agreement entered into in connection with this Agreement pursuant to which a Liquidity Bank agrees to make purchases from or advances to, or purchase assets from, any Conduit Lender in order to provide liquidity support for such Conduit Lender’s Advances hereunder.

“Liquidity Bank” means the Person or Persons who provide liquidity support to any Conduit Lender pursuant to a Liquidity Agreement in connection with the issuance by such Conduit Lender of Commercial Paper Notes.

“Loan Agreement” means the loan agreement, credit agreement or other agreement pursuant to which a Loan Asset has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Loan Asset or of which the holders of such Loan Asset are the beneficiaries.

“Loan Asset” means any loan originated, sourced or acquired by the Borrower in the ordinary course of its business, which loan includes, without limitation, (i) the Required

Loan Documents and Loan Asset File, and (ii) all right, title and interest of the Transferor and/or the Borrower, as applicable, in and to the loan and any Underlying Collateral, but excluding, as applicable, the Retained Interest and Excluded Amounts.

“Loan Asset Checklist” means an electronic or hard copy, as applicable, of a checklist in the form of Exhibit N delivered by or on behalf of the Borrower to the Collateral Custodian, for each Loan Asset, of all applicable Required Loan Documents.

“Loan Asset File” means, with respect to each Loan Asset, a file containing (a) each of the documents and items as set forth on the Loan Asset Checklist with respect to such Loan Asset and (b) duly executed originals (to the extent required by the Servicing Standard) and electronic copies of any other Records relating to such Loan Assets and Portfolio Assets pertaining thereto.

“Loan Asset Register” has the meaning assigned to that term in Section 5.03(k).

“Loan Assignment” has the meaning set forth in the Purchase and Sale Agreement.

“Loan Rate” means for each Loan Asset in a Remittance Period, the current cash pay interest rate for such Loan Asset in such period, as specified in the related Loan Agreement.

“Loan Tape” means the current schedule of Loan Assets held by the Borrower, which shall set forth the information specified on Schedule IV.

“Make-Whole Premium” means, in the event that the Maximum Facility Amount is voluntarily reduced, in whole or in part, pursuant to Section 2.18(b) prior to the second anniversary of the Closing Date, an amount, payable *pro rata* to each Lender Agent (for the account of the applicable Lender), equal to (i) to the extent the Maximum Facility Amount is reduced prior to the first anniversary of the Closing Date, 2.00% of the amount by which the Maximum Facility Amount has been reduced, and (ii) to the extent the Maximum Facility Amount is reduced on or after the first anniversary of the Closing Date but prior to the second anniversary of the Closing Date, 1.00% of the amount by which the Maximum Facility Amount has been reduced; provided that, in the foregoing clauses (i) and (ii), the Make-Whole Premium shall be calculated without giving effect to the proviso in the definition of “Maximum Facility Amount”. For the avoidance of doubt, a Make-Whole Premium shall only be applicable in connection with a permanent reduction of the Maximum Facility Amount.

“Management Agreement” means the Investment Advisory and Management Agreement, dated as of March 6, 2007, between Solar Capital Ltd. and Solar Capital Partners, LLC.

“Margin Stock” means “margin stock” as such term is defined in Regulation T, U or X of the Federal Reserve Board.

“Material Adverse Effect” means, with respect to any event or circumstance, a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Transferor, the Servicer or the Borrower, (b) the validity,

enforceability or collectability of this Agreement or any other Transaction Document or the validity, enforceability or collectability of the Loan Assets generally or any material portion of the Loan Assets, (c) the rights and remedies of the Collateral Agent, the Collateral Custodian, the Account Bank, the Administrative Agent, any Lender, any Lender Agent and the Secured Parties with respect to matters arising under this Agreement or any other Transaction Document, (d) the ability of each of the Borrower and the Servicer, to perform their respective obligations under this Agreement or any other Transaction Document, or (e) the status, existence, perfection, priority or enforceability of the Collateral Agent's Lien on the Collateral Portfolio.

“Material Modification” means any amendment or waiver of, or modification or supplement to, a Loan Agreement governing an Eligible Loan Asset executed or effected on or after the Cut-Off Date for such Eligible Loan Asset (or, solely in the case of clause (d), a change to any loan that is senior to an Eligible Loan Asset) which:

(a) reduces or forgives any or all of the principal amount due under such Eligible Loan Asset;

(b) delays or extends the stated maturity date for such Eligible Loan Asset;

(c) waives one or more interest payments, permits any interest due in cash to be deferred or capitalized and added to the principal amount of such Eligible Loan Asset (other than any deferral or capitalization already allowed by the terms of the Loan Agreement of any PIK Loan Asset), or reduces amount of interest due with respect to such Eligible Loan Asset when the Interest Coverage Ratio is less than 150% (prior to giving effect to such reduction in interest expense);

(d) contractually or structurally subordinates such Eligible Loan Asset (other than, for the avoidance of doubt, in the case of a First Lien Last-Out Loan Asset, any loan which existed at the Cut-Off Date for such Eligible Loan Asset which is senior to such Eligible Loan Asset) by operation of a priority of payments, turnover provisions, the transfer of assets in order to limit recourse to the related Obligor or the granting of Liens (other than Permitted Liens) on any of the Underlying Collateral securing such Loan Asset or increases the commitment amount of any loan senior to such Loan Asset;

(e) substitutes, alters or releases the Underlying Collateral securing such Eligible Loan Asset and each such substitution, alteration or release, as determined in the sole reasonable discretion of the Administrative Agent, materially and adversely affects the value of such Eligible Loan Asset; provided that the foregoing clause (e) shall not apply to any release in conjunction with a relatively contemporaneous disposition by the related Obligor accompanied by a mandatory reinvestment of net proceeds or mandatory repayment of the related loan facility with the net proceeds of such collateral; or

(f) amends, waives, forbears, supplements or otherwise modifies (i) the meaning of “Net Senior Leverage Ratio”, “Interest Coverage Ratio”, “Total Net Leverage Ratio” or “Permitted Liens” or any respective comparable definitions in the Loan Agreement for such Eligible Loan Asset or (ii) any term or provision of such Loan Agreement referenced in or utilized in the calculation of the “Net Senior Leverage

Ratio”, “Interest Coverage Ratio”, “Total Net Leverage Ratio” or “Permitted Liens” or any respective comparable definitions for such Eligible Loan Asset, in either case in a manner that, in the commercially reasonable judgment of the Administrative Agent, is materially adverse to the Secured Parties.

“Maximum Facility Amount” means the aggregate Commitments as then in effect, which amount shall not exceed \$200,000,000; provided that at all times after the Reinvestment Period, the Maximum Facility Amount shall mean the aggregate Advances Outstanding at such time.

“Minimum Equity Amount” means, as of any date of determination, an amount equal to the greater of (i) (a) if such date is prior to the first date on which the Adjusted Borrowing Value of all Eligible Loan Assets exceeds \$175,000,000, \$50,000,000 or (b) otherwise, \$ 70,000,000 and (ii) the sum of the Adjusted Borrowing Value of the three largest Loan Assets in the facility.

“Moody’s” means Moody’s Investors Service, Inc. (or its successors in interest).

“Multiemployer Plan” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA to which a Person or any ERISA Affiliate of that Person contributed or had any obligation to contribute on behalf of its employees at any time during the current year or the preceding five years.

“Net Senior Leverage Ratio” means, with respect to any Loan Asset for any Relevant Test Period, the meaning of “Net Senior Leverage Ratio” or any comparable definition in the Loan Agreement for each such Loan Asset, and in any case that “Net Senior Leverage Ratio” or such comparable definition is not defined in such Loan Agreement, the ratio of (a) all senior Indebtedness of the Primary Obligor with respect to such Loan Asset *minus* Unrestricted Cash to (b) EBITDA.

“Non-Usage Fee” has the meaning assigned to that term in Section 2.09.

“Non-Usage Fee Rate” has the meaning assigned to that term in Section 2.09.

“Noteless Loan Asset” means a Loan Asset with respect to which the Loan Agreements either (i) do not require the Obligor to execute and deliver a promissory note to evidence the indebtedness created under such Loan Asset or (ii) require execution and delivery of such a promissory note only upon the request of any holder of the indebtedness created under such Loan Asset and as to which the Borrower has not requested a promissory note from the related Obligor.

“Notice of Borrowing” means an irrevocable written notice of borrowing from the Borrower to the Administrative Agent and each Lender Agent in the form attached hereto as Exhibit E.

“Notice of Exclusive Control” has the meaning given to such term in the Control Agreement.

“Notice of Lien Release Dividend” means a notice pursuant to Section 2.07(g), in the form attached hereto as Exhibit O.

“Notice of Reduction” means a notice of a reduction of the Advances Outstanding pursuant to Section 2.18, in the form attached hereto as Exhibit F.

“Obligations” means all present and future indebtedness and other liabilities and obligations (howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, or due or to become due) of the Borrower to the Lenders, the Lender Agents, the Administrative Agent, the Account Bank, the Collateral Agent or the Collateral Custodian arising under this Agreement and/or any other Transaction Document and shall include, without limitation, all liability for principal of and interest on the Advances, Breakage Fees, indemnifications and other amounts due or to become due by the Borrower to the Lenders, the Lender Agents, the Administrative Agent, the Collateral Agent, the Collateral Custodian and the Account Bank under this Agreement and/or any other Transaction Document, including, without limitation, any amounts payable under any Lender Fee Letter, the WFBNA Fee Letter, any Make-Whole Premium and costs and expenses payable by the Borrower to the Lenders, the Lender Agents, the Administrative Agent, the Account Bank, the Collateral Agent or the Collateral Custodian, including reasonable and documented attorneys’ fees, costs and expenses, including without limitation, interest, fees and other obligations that accrue after the commencement of an insolvency proceeding (in each case whether or not allowed as a claim in such insolvency proceeding).

“Obligor” means, collectively, each Person obligated to make payments under a Loan Agreement, including any guarantor thereof.

“Officer’s Certificate” means a certificate signed by the president, the secretary, an assistant secretary, the chief financial officer or any vice president, as an authorized officer, of any Person.

“Operating Lease Implementation” means the implementation by an Obligor of IFRS 16/ASC 842.

“Opinion of Counsel” means a written opinion of counsel, which opinion and counsel are acceptable to the Administrative Agent in its sole discretion; provided that Latham & Watkins LLP and Sutherland Asbill & Brennan LLP shall be considered acceptable counsel for purposes of this definition.

“Outstanding Balance” means the principal balance of a Loan Asset, expressed exclusive of PIK Interest and accrued interest.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Transaction Document, or sold or assigned an interest in any Obligation or Transaction Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Transaction Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.11(i)).

“Payment Date” means the 15th calendar day of each January, April, July and October or, if such day is not a Business Day, the next succeeding Business Day, commencing in October 2016; provided that the final Payment Date shall occur on the Collection Date.

“Payment Duties” has the meaning assigned to that term in Section 10.02(b)(ii).

“Pension Plan” has the meaning assigned to that term in Section 4.01(w).

“Permitted Assignee” means any lender which has a long-term unsecured debt rating of not less than “A3” from Moody’s and not less than “A” from S&P.

“Permitted Investments” means, at any time:

(i) direct interest bearing obligations of, and interest bearing obligations guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality of the United States, the obligations of which are backed by the full faith and credit of the United States;

(ii) demand or time deposits in, certificates of deposit of, demand notes of, or bankers’ acceptances issued by any depository institution or trust company organized under the laws of the United States or any State thereof (including any federal or state branch or agency of a foreign depository institution or trust company) and subject to supervision and examination by federal and/or state banking authorities (including, if applicable, the Collateral Agent, the Collateral Custodian or the Administrative Agent or any agent thereof acting in its commercial capacity); provided that, the short-term unsecured debt obligations of such depository institution or trust company at the time of such investment, or contractual commitment providing for such investment, are rated at least “A-1” by S&P’s and “P-1” by Moody’s;

(iii) commercial paper that (i) is payable in Dollars and (ii) is rated at least “A-1” by S&P’s and “P-1” by Moody’s; and

(iv) registered money market funds that have, at all times, credit ratings of “Aaa-mf” by Moody’s and “AAAm” or “AAAm-G” by S&P.

No Permitted Investment shall have an “f,” “r,” “p,” “pi,” “q,” “sf” or “t” subscript affixed to its S&P rating. Any such investment may be made or acquired from or

through the Collateral Agent or the Administrative Agent or any of their respective affiliates, or any entity for whom the Collateral Agent, the Administrative Agent, the Collateral Custodian or any of their respective affiliates provides services and receives compensation (so long as such investment otherwise meets the applicable requirements of the foregoing definition of Permitted Investment at the time of acquisition); provided that, notwithstanding the foregoing clauses (i) through (iv), Permitted Investments may only include obligations or securities that constitute cash equivalents for purposes of the rights and assets in paragraph (c)(8)(i)(B) of the exclusions from the definition of “covered fund” for purposes of the Volcker Rule. The Collateral Agent and Collateral Custodian shall have no obligation to determine or oversee compliance with the foregoing.

“Permitted Liens” means any of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced (a) Liens for Taxes if such Taxes shall not at the time be due and payable or if a Person shall currently be contesting the validity thereof in good faith by appropriate proceedings and with respect to which reserves in accordance with GAAP have been provided on the books of such Person, (b) Liens imposed by law, such as materialmen’s, warehousemen’s, mechanics’, carriers’, workmen’s and repairmen’s Liens and other similar Liens, arising by operation of law in the ordinary course of business for sums that are not overdue or are being contested in good faith, (c) with respect to any Underlying Collateral, Liens permitted under the related Loan Agreements that are customary for similar Loan Assets and consistent with the Servicing Standard, (d) with respect to Agented Loans, Liens in favor of the lead agent, the collateral agent or the paying agent for the benefit of all holders of indebtedness of such Obligor, and (e) Liens granted pursuant to or by the Transaction Documents.

“Person” means an individual, partnership, corporation (~~including a statutory or business trust~~), company, limited liability company, limited liability partnership, joint stock company, trust (~~including a statutory or business trust~~), estate, unincorporated association, sole proprietorship, joint venture, nonprofit corporation, group, sector, government (or any agency, instrumentality or political subdivision thereof), territory or other entity or organization.

“PIK Interest” means interest accrued on a Loan Asset that is added to the principal amount of such Loan Asset instead of being paid as interest as it accrues.

“PIK Loan Asset” means a Loan Asset which provides for a portion of the interest that accrues thereon to be added to the principal amount of such Loan Asset for some period of the time prior to such Loan Asset requiring the current cash payment of such previously capitalized interest, which cash payment shall be treated as an Interest Collection at the time it is received.

“Pledge” means the pledge of any Eligible Loan Asset or other Portfolio Asset pursuant to Article II.

“Portfolio Assets” means all Loan Assets in which the Borrower has an interest, together with all proceeds thereof and other assets or property related thereto, including all right, title and interest of the Borrower in and to:

- (i) any amounts on deposit in any cash reserve, collection, custody or lockbox accounts securing the Loan Assets;
- (ii) all rights with respect to the Loan Assets to which the Borrower is entitled as lender under the applicable Loan Agreement;
- (iii) the Controlled Accounts, together with all cash and investments in each of the foregoing other than amounts earned on investments therein;
- (iv) any Underlying Collateral securing a Loan Asset and all Recoveries related thereto, all payments paid in respect thereof and all monies due, to become due and paid in respect thereof accruing after the applicable Cut-Off Date and all liquidation proceeds;
- (v) all Required Loan Documents, the Loan Asset Files related to any Loan Asset, any Records, and the documents, agreements, and instruments included in the Loan Asset Files or Records;
- (vi) all Insurance Policies with respect to any Loan Asset;
- (vii) all Liens, guaranties, indemnities, warranties, letters of credit, accounts, bank accounts and property subject thereto from time to time purporting to secure or support payment of any Loan Asset, together with all UCC financing statements, mortgages or similar filings signed or authorized by an Obligor relating thereto;
- (viii) the Purchase and Sale Agreement (including, without limitation, rights of recovery of the Borrower against the Transferor) and the assignment to the Collateral Agent, for the benefit of the Secured Parties, of all UCC financing statements filed by the Borrower against the Transferor under or in connection with the Purchase and Sale Agreement;
- (ix) all records (including computer records) with respect to the foregoing; and
- (x) all collections, income, payments, proceeds and other benefits of each of the foregoing.

“Primary Obligor” means, with respect to any Loan Asset, any Obligor in principal reliance on which the lenders under such Loan Asset granted their credit approval.

“Prime Rate” means the rate announced by Wells Fargo, as Lender, from time to time as its prime rate in the United States, such rate to change as and when such designated rate changes. The Prime Rate is not intended to be the lowest rate of interest charged by Wells Fargo or any other specified financial institution in connection with extensions of credit to debtors.

“Principal Collection Account” has the meaning assigned to that term in Section 6.04(f).

“Principal Collections” means (i) any amounts deposited by the Borrower in accordance with Section 2.06(a)(i) or Section 2.07(c)(i) and (ii) with respect to any Loan Asset, all amounts received which are not Interest Collections, including, without limitation, all Recoveries, all Insurance Proceeds, all scheduled payments of principal and principal prepayments and all guaranty payments and proceeds of any liquidations, sales, dispositions or securitizations, in each case, attributable to the principal of such Loan Asset. For the avoidance of doubt, “Principal Collections” shall not include amounts on deposit in the Unfunded Exposure Account.

“Pro Rata Share” means, with respect to each Lender, the percentage obtained by dividing the Commitment of such Lender (or, following the termination thereof, the outstanding principal amount of all Advances of such Lender), by the aggregate Commitments of all the Lenders (or, following the termination thereof, the aggregate Advances Outstanding).

“Proceeds” means, with respect to any assets included in the Collateral Portfolio, all property that is receivable or received when such assets are collected, sold, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all rights to payment with respect to any insurance relating thereto.

“Prohibited Transferee” means any hedge fund, any so-called vulture fund or loan-to-own fund, any distressed debt fund or any other fund that is similar to any of the foregoing or any other Person engaged in the business of making loans to, and other investments in, middle-market companies that is in competition with Solar, but excluding (i) banks, (ii) insurance companies and (iii) funds that primarily invest in publicly traded securities.

“Purchase and Sale Agreement” means that certain Purchase and Sale Agreement, dated as of the date hereof, between the Transferor, as the seller, and the Borrower, as the purchaser, as amended, modified, waived, supplemented, restated or replaced from time to time.

“Purchase Price” means with respect to any Eligible Loan Asset, an amount (expressed as a percentage) equal to (i) the purchase price paid by the Borrower for such Eligible Loan Asset (exclusive of any accrued interest, Accreted Interest and original issue discount) *divided by* (ii) the principal balance of such Eligible Loan Asset outstanding as of the date of such purchase (exclusive of any accrued interest, Accreted Interest and original issue discount); provided that any Eligible Loan Asset acquired by the Borrower with a “Purchase Price” equal to or greater than 97% (including, for the avoidance of doubt, in excess of 100%) shall be deemed to have a “Purchase Price” equal to 100%.

“Recipient” means (a) the Administrative Agent, (b) any Lender or (c) any Lender Agent, as applicable.

“Records” means all documents relating to the Loan Assets, including books, records and other information executed in connection with the origination or acquisition of the Collateral Portfolio or maintained with respect to the Collateral Portfolio and the related

Obligors that the Borrower, the Transferor or the Servicer have generated, in which the Borrower has acquired an interest pursuant to the Purchase and Sale Agreement or in which the Borrower or the Transferor have otherwise obtained an interest.

“Recoveries” means, as of the time any Underlying Collateral with respect to any Loan Asset subject to clauses (ii) or (iv) of the definition of “Value Adjustment Event”, as applicable, is sold, discarded or abandoned (after a determination by the Servicer that such Underlying Collateral has little or no remaining value) or otherwise determined to be fully liquidated by the Servicer in accordance with the Servicing Standard, the proceeds from the sale of the Underlying Collateral, the proceeds of any related Insurance Policy, any other recoveries with respect to such Loan Asset, as applicable, the Underlying Collateral, and amounts representing late fees and penalties, net of any amounts received that are required under such Loan Asset, as applicable, to be refunded to the related Obligor.

“Register” has the meaning assigned to that term in Section 2.14.

“Regulation U” means Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R. §221, or any successor regulation.

“Reinvestment Period” shall mean the period commencing on the Closing Date and ending on the day preceding the earliest of (i) June 30, 2019 (notwithstanding Section 1.04(i)), (ii) the occurrence of an Event of Default (past any applicable notice or cure period provided in the definition thereof) and (iii) the date of any voluntary termination by the Borrower pursuant to Section 2.18(b); provided that if any of the foregoing is not a Business Day, the Reinvestment Period shall end on the next succeeding Business Day.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and such Person’s Affiliates.

“Release Date” has the meaning set forth in Section 2.07(c).

“Relevant Test Period” means, with respect to any Loan Asset, the relevant test period for the calculation of Total Net Leverage Ratio, Net Senior Leverage Ratio or Interest Coverage Ratio, as applicable, for such Loan Asset in the Loan Agreements or, if no such period is provided for therein, for Obligors delivering monthly financial statements, each period of the last 12 consecutive reported calendar months, and for Obligors delivering quarterly financial statements, each period of the last four consecutive reported fiscal quarters of the principal Obligor on such Loan Asset; provided that with respect to any Loan Asset for which the relevant test period is not provided for in the Loan Agreement, if an Obligor is a newly-formed entity as to which 12 consecutive calendar months have not yet elapsed, “Relevant Test Period” shall initially include the period from the date of formation of such Obligor to the end of the twelfth calendar month or fourth fiscal quarter (as the case may be) from the date of formation, and shall subsequently include each period of the last 12 consecutive reported calendar months or four consecutive reported fiscal quarters (as the case may be) of such Obligor.

“Remittance Period” means, (i) as to the initial Payment Date, the period beginning on the Closing Date and ending on, and including, the Determination Date immediately preceding such Payment Date and (ii) as to any subsequent Payment Date, the period beginning on the first day after the most recently ended Remittance Period and ending on, and including, the Determination Date immediately preceding such Payment Date, or, with respect to the final Remittance Period, the Collection Date.

“Replacement Servicer” has the meaning assigned to that term in Section 6.01(c).

“Reporting Date” means the date that is two Business Days prior to the 15th day of each calendar month, commencing in August 2016.

“Required Lenders” means (i) Wells Fargo (as a Lender hereunder) and its successors and assigns and (ii) the Lenders representing an aggregate of at least 51% of the aggregate Commitments of the Lenders then in effect; provided that the Commitment of, and the portion of any outstanding Advances, as applicable, held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of the Required Lenders.

“Required Loan Documents” means, for each Loan Asset, the following documents or instruments, all as specified on the related Loan Asset Checklist:

(a) (i) the original executed promissory note or, in the case of a lost note, a copy of the executed underlying promissory note accompanied by an original executed affidavit and indemnity endorsed by the Borrower in blank or to the Collateral Agent (and an unbroken chain of endorsements from each prior holder of such promissory note to the Borrower), or (ii) if such promissory note is not issued in the name of the Borrower or is a Noteless Loan Asset, an executed copy of each assignment and assumption agreement, transfer document or instrument relating to such Loan Asset evidencing the assignment of such Loan Asset from any prior third party owner thereof to the Borrower and from the Borrower in blank;

(b) to the extent applicable for the related Loan Asset, copies of the executed (i) guaranty, (ii) underlying credit or loan agreement (or similar agreement pursuant to which the related Loan Asset has been issued or created), (iii) acquisition agreement (or similar agreement) and (iv) security agreement, mortgage or other agreement that secures the obligations represented by such Loan Asset, in each case as set forth on the Loan Asset Checklist; and

(c) with respect to any Loan Asset originated by the Transferor and with respect to which the Transferor acts as administrative agent (or in a comparable capacity), either (i) copies of the UCC-1 financing statements, if any, and any related continuation statements, each showing the Obligor as debtor and the Collateral Agent as total assignee or showing the Obligor, as debtor and the Transferor as secured party and each with evidence of filing thereon, or (ii) copies of any such financing statements certified by the Servicer to be true and complete copies thereof in instances where the original financing statements have been sent to the appropriate public filing office for filing, in each case, as set forth in the Loan Asset Checklist.

“Required Reports” means, collectively, the Servicing Report required pursuant to Section 6.08(b), the Servicer’s Certificate required pursuant to Section 6.08(c), the financial statements of the Servicer required pursuant to Section 6.08(d), the financial statements and valuation reports of each Obligor required pursuant to Section 6.08(e), the annual statements as to compliance required pursuant to Section 6.09, and the annual independent public accountant’s (or other third party’s) report required pursuant to Section 6.10.

“Responsible Officer” means, with respect to any Person, any duly authorized officer of such Person (or, if applicable, a duly authorized officer of the general partner or manager of such Person) with direct responsibility for the administration of this Agreement and also, with respect to a particular matter, any other duly authorized officer of such Person to whom such matter is referred because of such officer’s knowledge of and familiarity with the particular subject.

“Restricted Junior Payment” means (i) any dividend or other distribution, direct or indirect, on account of any class of membership interests of the Borrower now or hereafter outstanding, except a dividend paid solely in interests of that class of membership interests or in any junior class of membership interests of the Borrower; (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any class of membership interests of the Borrower now or hereafter outstanding, (iii) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire membership interests of the Borrower now or hereafter outstanding, and (iv) any payment of management fees by the Borrower. For the avoidance of doubt, (x) payments and reimbursements due to the Servicer in accordance with this Agreement or any other Transaction Document do not constitute Restricted Junior Payments, and (y) distributions by the Borrower to holders of its membership interests of Loan Assets or of cash or other proceeds relating thereto which have been substituted by the Borrower in accordance with this Agreement shall not constitute Restricted Junior Payments.

“Retained Interest” means, with respect to any Agented Loan that is transferred to the Borrower, (i) all of the obligations, if any, of the agent(s) under the documentation evidencing such Agented Loan and (ii) the applicable portion of the interests, rights and obligations under the documentation evidencing such Agented Loan that relate to such portions of the indebtedness that are owned by another lender (including such portion held in a separate account managed by the Servicer).

“Revenue Recognition Implementation” means the implementation by an Obligor of IFRS 15/ASC 606.

“Review Criteria” has the meaning assigned to that term in Section 12.02(b)(i).

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (or its successors in interest).

“Sanction” or “Sanctions” means, individually and collectively, respectively, any and all economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes and anti-terrorism laws including but not limited to those imposed, administered or enforced from time to time by: (a) the United States of America, including those administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), the U.S. Department of State, the U.S. Department of Commerce, or through any existing or future executive order; (b) the United Nations Security Council; (c) the European Union; (d) the United Kingdom; or (e) any other Governmental Authorities with jurisdiction over the Borrower, the Transferor, the Servicer or any of their respective Subsidiaries.

“Sanctioned Person” means any Person that is a target of Sanctions, including without limitation, a Person that is: (a) listed on OFAC’s Specially Designated Nationals (SDN) and Blocked Persons List; (b) a Person organized or resident in a country or territory that is the target of comprehensive sanctions (presently, Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine); or (c) any Person 50% or more owned or, where relevant under applicable Sanctions laws, controlled by any of the foregoing.

“Scheduled Payment” means each scheduled payment of principal and/or interest required to be made by an Obligor on the related Loan Asset, as adjusted pursuant to the terms of the related Loan Agreement.

“Secured Party” means each of the Administrative Agent, each Lender (together with its successors and assigns), each Lender Agent, each Affected Party, each Indemnified Party, the Collateral Custodian, the Collateral Agent and the Account Bank.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Servicer” means at any time the Person then authorized, pursuant to Section 6.01 to service, administer, and collect on the Loan Assets and exercise rights and remedies in respect of the same.

“Servicer Pension Plan” has the meaning set forth in Section 4.03(n).

“Servicer Termination Event” means the occurrence of any one or more of the following events:

(a) any failure by the Servicer to make any payment, transfer or deposit into the Collection Account (including, without limitation, with respect to bifurcation and remittance of Interest Collections and Principal Collections) or the Unfunded Exposure Account, as required by this Agreement or any Transaction Document which continues unremedied for a period of three Business Days (or if due to administrative error, three Business Days after notice or knowledge thereof);

(b) any failure on the part of the Servicer duly to (i) observe or perform in any material respect any other covenants or agreements of the Servicer set forth in this Agreement or the other Transaction Documents to which the Servicer is a party

(including, without limitation, any delegation of the Servicer's duties that is not permitted by Section 6.01) or (ii) comply in any material respect with the Servicing Standard regarding the servicing of the Collateral Portfolio and in each case the same continues unremedied for a period of 30 days (if such failure can be remedied) after the earlier to occur of (x) the date on which written notice of such failure requiring the same to be remedied shall have been given to the Servicer by the Administrative Agent or the Collateral Agent (at the direction of the Administrative Agent) and (y) the date on which a Responsible Officer of the Servicer acquires knowledge thereof;

(c) the failure of the Servicer to make any payment when due (after giving effect to any related grace period) under one or more agreements for borrowed money to which it is a party in an aggregate amount in excess of \$2,500,000, individually or in the aggregate, or the occurrence of any event or condition that has resulted in the acceleration of such amount of recourse debt whether or not waived;

(d) a Bankruptcy Event shall occur with respect to the Servicer;

(e) Solar shall assign its rights or obligations as "Servicer" hereunder to any Person other than Solar Senior Capital Ltd.;

(f) any failure by the Servicer to deliver (i) any required Servicing Report on or before the date occurring two Business Days after the date such report is required to be made or given, as the case may be or (ii) any other Required Reports hereunder on or before the date occurring seven Business Days after the date such report is required to be made or given, as the case may be, in each case under the terms of this Agreement;

(g) any representation, warranty or certification made by the Servicer in any Transaction Document or in any certificate delivered pursuant to any Transaction Document shall prove to have been incorrect when made, which inaccuracy has a Material Adverse Effect on the Administrative Agent, the Collateral Agent or any Secured Party and which continues to be unremedied for a period of 30 days after the earlier to occur of (i) the date on which written notice of such incorrectness requiring the same to be remedied shall have been given to the Servicer by the Administrative Agent or the Collateral Agent (at the direction of the Administrative Agent) and (ii) the date on which a Responsible Officer of the Servicer acquires knowledge thereof;

(h) any financial or other information reasonably requested by the Administrative Agent, a Lender Agent or Collateral Agent is not provided within a reasonable amount of time following such written (which may be delivered via email) request;

(i) the rendering against the Servicer of one or more final judgments, decrees or orders for the payment of money in excess of \$5,000,000, individually or in the aggregate (excluding, in each case, any amounts covered by insurance; provided that this parenthetical shall not be applicable to (a) more than two such final judgments, decrees or orders in any 60 month period and shall not be applicable to more than one such final judgment, decree or order in the event a second judgment, decree or order occurs in a 12

month period following the first final judgment and (b) any such final judgment, decree or order if the Administrative Agent determines that such judgment, decree or order reasonably could cause a Material Adverse Effect on the assets, liabilities, financial condition, business or operations of the Servicer or the ability of the Servicer to meet its obligations under the Transaction Documents to which it is party), and the continuance of such judgment, decree or order unsatisfied and in effect for any period of more than 60 consecutive days without a stay of execution;

(j) the occurrence of an Event of Default;

(k) any other event which has caused a Material Adverse Effect on the assets, liabilities, financial condition, business or operations of the Servicer or the ability of the Servicer to meet its obligations under the Transaction Documents to which it is a party; or

(l) the Management Agreement shall fail to be in full force and effect.

“Servicer Termination Notice” has the meaning assigned to that term in Section 6.01(b).

“Servicer’s Certificate” has the meaning assigned to that term in Section 6.08(c).

“Servicing Fees” means the fee payable to the Servicer on each Payment Date in arrears in respect of each Remittance Period, which fee shall be equal to the product of (i) 0.50%, (ii) the arithmetic mean of the aggregate Outstanding Balance of all Loan Assets on the first day and on the last day of the related Remittance Period and (iii) the actual number of days in such Remittance Period *divided by 360*; ~~provided that at any time from and after the Closing Date during which Solar, or an Affiliate thereof acts as Servicer, clause (i) above shall be 0.00%.~~ 360.

“Servicing File” means, for each Loan Asset, (a) copies of each of the Required Loan Documents and (b) any other portion of the Loan Asset File which is not part of the Required Loan Documents.

“Servicing Report” has the meaning assigned to that term in Section 6.08(b).

“Servicing Standard” means, with respect to any Loan Assets included in the Collateral Portfolio, to service and administer such Loan Assets on behalf of the Secured Parties in accordance with Applicable Law, the terms of this Agreement, the Loan Agreements, all customary and usual servicing practices for loans like the Loan Assets and to the extent consistent with the foregoing, (a)(i) if the Servicer is the Transferor or an Affiliate thereof, the higher of: (A) the standards, policies and procedures that the Servicer reasonably believes to be customarily followed by institutional managers of national standing relating to assets of the nature and character of the Collateral Portfolio, and (B) the same care, skill, prudence and diligence with which the Servicer services and administers loans for its own account or for the account of others, and (ii) if the Servicer is not the Transferor or an Affiliate thereof, the same care, skill, prudence and diligence with which the Servicer services and administers loans for its own account or for the account of others; (b) with a view to maximize the value of the Loan

Assets; and (c) without regard to: (i) the Servicer's obligations to incur servicing and administrative expenses with respect to a Loan Asset, (ii) the Servicer's right to receive compensation for its services hereunder or with respect to any particular transaction, (iii) the ownership by the Servicer or any Affiliate thereof of any Loan Assets, or (iv) the ownership, servicing or management for others by the Servicer of any other loans or property by the Servicer.

"Similar Law" means state statutes regulating investments of and/or fiduciary obligations with respect to "governmental plans" within the meaning of Section 3(32) of ERISA and state statutes that impose prohibitions similar to those contained in Section 406 of ERISA or Section 4975 of the Code.

"Solar" means Solar Capital Ltd.

"Solvent" means, as to any Person at any time, having a state of affairs such that all of the following conditions are met: (a) the fair value of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code; (b) the present fair saleable value of the property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts and other liabilities as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in a business or a transaction, and does not propose to engage in a business or a transaction, for which such Person's property assets would constitute unreasonably small capital.

"State" means one of the fifty states of the United States or the District of Columbia.

"Stated Maturity Date" means June 30, 2021.

"Structuring Fee" means the structuring fee set forth in the Lender Fee Letter, as such fee letter may be amended, restated, supplemented and/or otherwise modified from time to time.

"Subsidiary" means with respect to a person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such person.

“Substitute Eligible Loan Asset” means each Eligible Loan Asset Pledged by the Borrower to the Collateral Agent, on behalf of the Secured Parties, pursuant to Section 2.07(a) or Section 2.07(c)(ii).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Total Net Leverage Ratio” means, with respect to any Loan Asset that is not a First Lien Loan Asset for any Relevant Test Period, the meaning of “Total Net Leverage Ratio” or any comparable definition in the Loan Agreement for each such Loan Asset, and in any case that “Total Net Leverage Ratio” or such comparable definition is not defined in such Loan Agreement, the ratio of (a) Indebtedness minus Unrestricted Cash, as of the applicable test date, to (b) EBITDA, for the applicable test period, as calculated by the Servicer in good faith using information from and calculations consistent with the relevant compliance statements and financial reporting packages provided by the relevant Obligor as per the requirements of the related Loan Agreement.

“Transaction Documents” means this Agreement, any Joinder Supplement, the Purchase and Sale Agreement, the Control Agreement, the WFBNA Fee Letter, each Lender Fee Letter and each document, instrument or agreement related to any of the foregoing.

“Transferor” means ~~the Equityholder~~ Solar Capital Ltd., in its capacity as the Transferor hereunder and as the seller under the Purchase and Sale Agreement, together with its successors and assigns in such capacity.

“U.S. Borrower” means any Borrower that is a U.S. Person.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning specified in Section 2.11(g).

“UCC” means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

“Underlying Collateral” means, with respect to a Loan Asset, any property or other assets designated and pledged or mortgaged as collateral to secure repayment of such Loan Asset, as applicable, including, without limitation, mortgaged property and/or a pledge of the stock, membership or other ownership interests in the related Obligor and all proceeds from any sale or other disposition of such property or other assets.

“Unfunded Exposure Account” has the meaning assigned to that term in Section 6.04(h).

“Unfunded Exposure Amount” means, as of any date of determination, with respect to an Eligible Loan Asset, an amount equal to the aggregate amount of all unfunded commitments associated with such Eligible Loan Asset.

“Unfunded Exposure Amount Shortfall” has the meaning assigned to that term in Section 2.02(f).

“Unfunded Exposure Equity Amount” means, on any date of determination, an amount equal to:

(i) for all Eligible Loan Assets which have any unfunded commitments, the aggregate sum of the products of (a) the Unfunded Exposure Amount for each such Eligible Loan Asset *multiplied by* (b) the difference of (x) 100% *minus* (y) the Applicable Percentage for each such Eligible Loan Asset;

plus

(ii) for all Eligible Loan Assets which have any unfunded commitments, the aggregate sum of the products of (a)(x) 100% *minus* the Assigned Value for each such Loan Asset *multiplied by* (y) the Unfunded Exposure Amount of each such Loan Asset *multiplied by* (b) the Applicable Percentage for each such Eligible Loan Asset.

“United States” or “U.S.” means the United States of America.

“Unmatured Event of Default” means any event that, if it continues uncured, will, with lapse of time, notice or lapse of time and notice, constitute an Event of Default.

“Unrestricted Cash” the meaning of “Unrestricted Cash” or any comparable definition in the Loan Agreements for each Loan Asset, and in any case that “Unrestricted Cash” or such comparable definition is not defined in such Loan Agreement, all cash available for use for general corporate purposes and not held in any reserve account or legally or contractually restricted for any particular purposes or subject to any lien (other than blanket liens permitted under or granted in accordance with such Loan Agreement).

“Unused Portion” has the meaning assigned to that term in Section 2.09.

“USA PATRIOT Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56.

“Value Adjustment Event” means, with respect to any Eligible Loan Asset, the occurrence of any one or more of the following events after the related Cut-Off Date (any of which, for the avoidance of doubt, may occur more than once):

(i) occurrence of one or more of the following (as tested and reported on a quarterly basis): (x) the Interest Coverage Ratio for any Relevant Test

Period with respect to such Loan Asset is both (1) less than 85% of the Interest Coverage Ratio with respect to any such Loan Asset as of the applicable Cut-Off Date and (2) less than 1.50x or (y) the Net Senior Leverage Ratio for any Relevant Test Period of the related Obligor with respect to such Loan Asset is both (1) more than 0.50x higher than such Net Senior Leverage Ratio as calculated on the applicable Cut-Off Date and (2) is greater than 3.50x; provided that in connection with any Revenue Recognition Implementation or any Operating Lease Implementation, the Administrative Agent may retroactively adjust the Interest Coverage Ratio or the Net Senior Leverage Ratio for any Loan Asset as determined on the related Cut-Off Date;

(ii) an Obligor payment default as to principal or interest under any Loan Asset (after giving effect to any grace and/or cure period set forth in the Loan Agreement, but not to exceed five Business Days);

(iii) a payment default has occurred in relation to any other Indebtedness of the related Obligor that is *pari passu* with or senior to the related Loan Asset (after giving effect to any grace and/or cure period set forth in the loan agreement with respect to such other Indebtedness, but not to exceed five Business Days) which such default would trigger a default under the related Loan Agreement;

(iv) a Bankruptcy Event with respect to the related Obligor;

(v) the failure to deliver a “loan level” financial reporting package as required hereunder with respect to such Loan Asset no later than (x) 60 days after the end of the first, second or third quarter of any fiscal year or (y) 120 days after the end of each fiscal year (in each case, unless waived or otherwise agreed to by the Administrative Agent in its sole discretion);

(vi) the occurrence of a Material Modification (in accordance with clauses (b)-(f) of the definition thereof) with respect to such Loan Asset;
or

(vii) the occurrence of a Material Modification (in accordance with clause (a) of the definition thereof) with respect to such Loan Asset.

“Volcker Rule” means Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder.

“Warranty Event” means, as to any Loan Asset, the discovery that as of the related Cut-Off Date for such Loan Asset, (i) there existed a breach of any representation or warranty relating to such Loan Asset and the failure of the Borrower to cure such breach, or cause the same to be cured, within 30 days after the earlier to occur of the Borrower’s receipt of notice thereof from the Administrative Agent or the Borrower becoming aware thereof (without duplication of the grace period set forth in Section 2.07(c)) or (ii) such Loan Asset fails to satisfy one or more criteria of the definition of “Eligibility Criteria.”

“Warranty Loan Asset” means any Loan Asset with respect to which a Warranty Event has occurred.

“Wells Fargo” shall mean Wells Fargo Bank, National Association, and its successors and assigns.

“WFBNA” has the meaning assigned to that term in the preamble hereto.

“WFBNA Fee Letter” means the fee letter, dated as of the date hereof, among the Collateral Agent, the Collateral Custodian, the Account Bank, and the Borrower, as such letter may be amended, modified, supplemented, restated or replaced from time to time.

“Withholding Agent” means the Borrower, the Administrative Agent, the Collateral Agent, the Servicer, and each Lender Agent, as applicable.

“Yield” means with respect to any Remittance Period, the sum for each day in such Remittance Period determined in accordance with the following formula:

$$\frac{YR \times L}{D}$$

where: YR = the Yield Rate applicable on such day;
L = the Advances Outstanding on such day; and
D = 360 or, to the extent the Yield Rate is the Base Rate, 365 or 366 days, as applicable;

provided that (i) no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by Applicable Law and (ii) Yield shall not be considered paid by any distribution if at any time such distribution is later required to be rescinded by any Lender to the Borrower or any other Person for any reason including, without limitation, such distribution becoming void or otherwise avoidable under any statutory provision or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code.

“Yield Rate” means, as of any date of determination, an interest rate *per annum* equal to LIBOR for such date plus the Applicable Spread; provided that if Wells Fargo, as Lender, shall have notified the Administrative Agent (and the Administrative Agent shall in turn have notified the Borrower) that a Eurodollar Disruption Event has occurred and is continuing, the Yield Rate shall be equal to the Base Rate plus the Applicable Spread *minus* 1.00% until Wells Fargo shall have notified the Administrative Agent that such Eurodollar Disruption Event has ceased, at which time the Yield Rate shall again be equal to LIBOR for such date plus the Applicable Spread.

Section 1.02 Other Terms. All accounting terms used but not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and used but not specifically defined herein, are used herein as defined in such Article 9.

Section 1.03 Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

Section 1.04 Interpretation.

In each Transaction Document, unless a contrary intention appears:

- (a) the singular number includes the plural number and vice versa;
- (b) reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by the Transaction Documents;
- (c) reference to any gender includes each other gender;
- (d) reference to day or days without further qualification means calendar days;
- (e) reference to any time means New York, New York time;
- (f) reference to the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”;
- (g) reference to any agreement (including any Transaction Document), document or instrument means such agreement, document or instrument as amended, modified, waived, supplemented, restated or replaced and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Transaction Documents, and reference to any promissory note includes any promissory note that is an extension or renewal thereof or a substitute or replacement therefor;
- (h) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any Section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such Section or other provision;
- (i) if any date for compliance with the terms or conditions of any Transaction Document falls due on a day which is not a Business Day, then such due date shall be deemed to be the immediately following Business Day;
- (j) reference to the “occurrence” of an Unmatured Event of Default, Event of Default or Servicer Termination Event means after any grace period applicable to such Unmatured Event of Default, Event of Default or Servicer Termination Event and shall not include any Unmatured Event of Default, Event of Default or Servicer Termination Event that has been expressly waived in writing in accordance with the terms of this Agreement; ~~and~~

(k) reference to the term “knowledge” or “actual knowledge” shall mean actual knowledge after commercially reasonable inquiry; and

(l) unless otherwise expressly stated in this Agreement, if at any time any change in generally accepted accounting principles (including the adoption of IFRS) would affect the computation of any covenant (including the computation of any financial covenant) set forth in this Agreement or any other Transaction Document, Borrower and Administrative Agent shall negotiate in good faith to amend such covenant to preserve the original intent in light of such change; provided, that, until so amended, (i) such covenant shall continue to be computed in accordance with the application of generally accepted accounting principles prior to such change and (ii) Borrower shall provide to Administrative Agent a written reconciliation in form and substance reasonably satisfactory to Administrative Agent, between calculations of such covenant made before and after giving effect to such change in generally accepted accounting principles.

ARTICLE II.

THE FACILITY

Section 2.01 Advances.

(a) Advances. On the terms and conditions hereinafter set forth, from time to time from the Closing Date until the end of the Reinvestment Period, the Lenders shall make Advances, secured by the Collateral Portfolio, (x) to the Borrower for the purpose of purchasing Eligible Loan Assets or (y) to the Unfunded Exposure Account in an amount up to the Aggregate Unfunded Exposure Amount. Other than pursuant to Section 2.02(f), under no circumstances shall any Lender be required to make any Advance if after giving effect to such Advance and the addition to the Collateral Portfolio of the Eligible Loan Assets being acquired by the Borrower using the proceeds of such Advance, (i) an Event of Default has occurred and is continuing or would result therefrom or an Unmatured Event of Default exists or would result therefrom or (ii) the aggregate Advances Outstanding would exceed the Borrowing Base. Notwithstanding anything to the contrary herein (other than pursuant to Section 2.02(f)), no Lender shall be obligated to provide the Borrower (or to the Unfunded Exposure Account, if applicable) with aggregate funds in connection with an Advance that would exceed the lesser of (x) such Lender’s unused Commitment then in effect and (y) the aggregate unused Commitments then in effect.

Section 2.02 Procedure for Advances.

(a) During the Reinvestment Period, the Lenders will make Advances on any Business Day at the request of the Borrower, subject to and in accordance with the terms and conditions of Sections 2.01 and 2.02 and subject to the provisions of Article III hereof.

(b) Each Advance shall be made on a same-day basis on irrevocable written notice from the Borrower to the Administrative Agent and each Lender Agent, with a copy to the Collateral Agent and the Collateral Custodian, in the form of a Notice of Borrowing; provided that such Notice of Borrowing shall be deemed to have been received by the Administrative Agent and each Lender Agent on a Business Day if delivered no later than 2:00 p.m. on the proposed date of such Advance and, if not delivered by such time, shall be deemed to have been received on the following Business Day. Each Notice of Borrowing shall include a duly completed Borrowing Base Certificate (updated to the date such Advance is requested and giving pro forma effect to the Advance requested and the use of the proceeds thereof), and shall specify:

(i) the aggregate amount of such Advance, which amount shall not cause the Advances Outstanding to exceed the Borrowing Base; provided that, except with respect to an Advance pursuant to Section 2.02(f) or, in the case of an Advance to be applied to fund any Delayed Draw Loan Asset, the amount of such Advance must be at least equal to \$500,000;

(ii) the proposed date of such Advance;

(iii) a representation that all conditions precedent for an Advance described in Article III hereof have been satisfied;

(iv) the amount of cash that will be funded by the Transferor into the Unfunded Exposure Account in connection with any Delayed Draw Loan Asset funded by such Advance, if applicable; and

(v) whether such Advance should be remitted to the Borrower or the Unfunded Exposure Account.

On the date of each Advance, upon satisfaction of the applicable conditions set forth in Article III, each Lender shall, in accordance with instructions received by Administrative Agent or the applicable Lender Agent from the Borrower, either (i) make available to the Borrower, in same day funds, an amount equal to such Lender's Pro Rata Share of such Advance, by payment into the account which the Borrower has designated in writing or (ii) remit in same day funds an amount equal to such Lender's Pro Rata Share of such Advance into the Unfunded Exposure Account, as applicable; provided that, with respect to an Advance funded pursuant to Section 2.02(f), each Lender may remit the Advance equal to such Lender's Pro Rata Share of the Unfunded Exposure Amount Shortfall in same day funds to the Unfunded Exposure Account.

(c) The Advances shall bear interest at the Yield Rate.

(d) Subject to Section 2.18 and the other terms, conditions, provisions and limitations set forth herein (including, without limitation, the payment of the Make-Whole Premium, as applicable), the Borrower may borrow, repay or prepay and reborrow Advances without any penalty, fee or premium on and after the Closing Date and prior to the end of the Reinvestment Period.

(e) A determination by Wells Fargo, as Lender, of the existence of any Eurodollar Disruption Event (any such determination to be communicated to the Borrower by written notice from the Administrative Agent promptly after the Administrative Agent learns of such event), or of the effect of any Eurodollar Disruption Event on its making or maintaining Advances at LIBOR, shall be conclusive absent manifest error.

(f) Notwithstanding anything to the contrary herein (including, without limitation, the occurrence of an Event of Default or the existence of an Unmatured Event of Default or a Borrowing Base Deficiency), if, upon the occurrence of an Event of Default or on the last day of the Reinvestment Period, the amount on deposit in the Unfunded Exposure Account is less than the Aggregate Unfunded Exposure Amount, the Borrower shall request an Advance in the amount of such shortfall (the "Unfunded Exposure Amount Shortfall"). Following receipt of a Notice of Borrowing (which shall specify the account details of the Unfunded Exposure Account where the funds will be made available), each Lender shall fund such Unfunded Exposure Amount Shortfall in accordance with Section 2.02(b), notwithstanding anything to the contrary herein (including, without limitation, the Borrower's failure to satisfy any of the conditions precedent set forth in Section 3.02); provided that such Advance shall not exceed the Maximum Facility Amount.

(g) The obligation of each Conduit Lender and each Institutional Lender to remit its Pro Rata Share of any Advance shall be several from that of each other Lender and the failure of any Conduit Lender or Institutional Lender to so make such amount available to the Borrower shall not relieve any other Lender of its obligation hereunder.

Section 2.03 Determination of Yield. Each applicable Lender Agent shall determine the Yield for its portion of the Advances (including unpaid Yield related thereto, if any, due and payable on a prior Payment Date) to be paid by the Borrower on each Payment Date for the related Remittance Period and shall advise the Servicer thereof on the third Business Day prior to such Payment Date. The Borrower shall pay all such Yield on such Payment Date.

Section 2.04 Remittance Procedures. On each Payment Date, the Servicer shall instruct the Collateral Agent by delivery of the Servicing Report and, if the Servicer fails to do so, the Administrative Agent may instruct the Collateral Agent, to apply funds on deposit in the Controlled Accounts as described in this Section 2.04; provided that, at any time after delivery of a Notice of Exclusive Control, the Administrative Agent shall instruct the Collateral Agent to apply funds on deposit in the Controlled Accounts as described in this Section 2.04.

(a) Interest Payments prior to an Event of Default. Prior to the occurrence and continuance of an Event of Default or the Facility Maturity Date, on each Payment Date the Collateral Agent shall (as directed pursuant to the first paragraph of this Section 2.04) transfer Interest Collections held by the Account Bank in the Collection Account to the following Persons in the following amounts, calculated as of the most recent Determination Date, and priority:

(i) *pari passu* to (a) the payment of taxes and any applicable government fees; provided that amounts payable pursuant to this subclause (a)

(and Sections 2.04(b)(i)(a) and 2.04(c)(i)(a), if applicable) shall not, collectively, exceed \$50,000 for any 12 month period, (b) the Collateral Agent, in payment in full of all accrued Collateral Agent Fees and Collateral Agent Expenses, (c) the Collateral Custodian, in payment in full of all accrued Collateral Custodian Fees and Collateral Custodian Expenses and (d) the Account Bank, in payment in full of all accrued Account Bank Fees and Account Bank Expenses; provided that amounts payable with respect to Collateral Agent Expenses, Collateral Custodian Expenses and the Account Bank Expenses pursuant to this clause (i) (and Sections 2.04(b)(i) and 2.04(c)(i), if applicable) shall not, collectively, exceed \$100,000 for any 12 month period;

(ii) to the Servicer, in payment in full of all accrued and unpaid Servicing Fees;

(iii) *pro rata*, in accordance with the amounts due under this clause, to each Lender Agent, for the account of the applicable Lender, all Yield and the Non-Usage Fee, that are accrued and unpaid as of the last day of the related Remittance Period;

(iv) *pro rata*, to each Lender Agent (for the account of the applicable Lender) and the Administrative Agent, as applicable, all accrued and unpaid fees, expenses (including reasonable and documented attorneys' fees, costs and expenses) and indemnity amounts payable by the Borrower to the Administrative Agent, any Lender Agent or any Lender under the Transaction Documents;

(v) to pay the Advances Outstanding up to the amount required to eliminate any outstanding Borrowing Base Deficiency;

(vi) to pay the Advances Outstanding, together with any applicable Make-Whole Premium, in connection with any complete refinancing or termination of this Agreement;

(vii) *pari passu* to (a) the Collateral Agent, in payment in full of all accrued Collateral Agent Expenses to the extent not previously paid, (b) the Collateral Custodian, in payment in full of all accrued Collateral Custodian Expenses to the extent not previously paid, and (c) the Account Bank, in payment in full of all accrued Account Bank Expenses to the extent not previously paid;

(viii) to pay any other amounts due and payable (other than with respect to the repayment of Advances Outstanding) under this Agreement and the other Transaction Documents;

(ix) to the Servicer in respect of all reasonable expenses (except allocated overhead) incurred in connection with the performance of its duties hereunder or paid on behalf of the Borrower; and

(x) (a) during an Unmatured Event of Default, to remain in the Collection Account or (b) otherwise, to the Borrower, any remaining amounts.

(b) Principal Payments prior to an Event of Default. Prior to an Event of Default occurring and continuing or prior to the Facility Maturity Date, on each Payment Date the Collateral Agent shall (as directed pursuant to the first paragraph of this Section 2.04) transfer Principal Collections held by the Account Bank in the Collection Account to the following Persons in the following amounts, calculated as of the most recent Determination Date, and priority:

(i) to pay amounts due under Section 2.04(a)(i) through (a)(iv), to the extent not paid thereunder;

(ii) (x) prior to the end of the Reinvestment Period (at the discretion of the Servicer), to the Unfunded Exposure Account in an amount necessary to cause the amount on deposit in the Unfunded Exposure Account to equal the aggregate Unfunded Exposure Equity Amount; or (y) after the end of the Reinvestment Period, to the Unfunded Exposure Account in an amount necessary to cause the amount on deposit in the Unfunded Exposure Account to equal the Aggregate Unfunded Exposure Amount;

(iii) (x) prior to the end of the Reinvestment Period, to pay the Advances Outstanding up to the amount required to eliminate any outstanding Borrowing Base Deficiency; or (y) after the end of the Reinvestment Period, to pay the Advances Outstanding, and any applicable Make-Whole Premium incurred in connection with any complete refinancing or termination of this Agreement, in each case, until paid in full;

(iv) *pari passu* to (a) the Collateral Agent, in payment in full of all accrued Collateral Agent Expenses to the extent not previously paid, (b) the Collateral Custodian in payment in full of all accrued Collateral Custodian Expenses to the extent not previously paid, and (c) the Account Bank, in payment in full of all accrued Account Bank Expenses to the extent not previously paid;

(v) to pay any other amounts due and payable under this Agreement and the other Transaction Documents;

(vi) to the Servicer in respect of all reasonable expenses incurred in connection with the performance of its duties hereunder; and

(vii) (a) during an Unmatured Event of Default, to remain in the Collection Account or (b) otherwise, to the Borrower (x) prior to the end of the Reinvestment Period, any remaining amounts (provided that the Borrower will not be permitted to receive an amount greater than 7.0% of the Maximum Facility Amount *per annum* pursuant to this clause (vii)(b)(x)) and (y) after the end of the Reinvestment Period, any remaining amounts.

(c) Transfers Upon the occurrence of an Event of Default. If an Event of Default has occurred and is continuing or, in any case, after the declaration, or automatic occurrence, of the Facility Maturity Date, on each Payment Date thereafter the Collateral Agent

shall (as directed pursuant to the first paragraph of this Section 2.04) transfer collected funds held by the Account Bank in the Collection Account to the following Persons in the following amounts, calculated as of the prior Business Day, and priority:

(i) *pari passu* to (a) the payment of taxes and any applicable government fees; provided that amounts payable pursuant to this subclause (a) (and Sections 2.04(a)(i)(a) and 2.04(b)(i)(a), if applicable) shall not, collectively, exceed \$50,000 for any 12 month period, (b) the Collateral Agent, in payment in full of all accrued Collateral Agent Fees and Collateral Agent Expenses, (b) the Collateral Custodian, in payment in full of all accrued Collateral Custodian Fees and Collateral Custodian Expenses and (c) the Account Bank, in payment in full of all accrued Account Bank Fees and Account Bank Expenses; provided that amounts payable with respect to Collateral Agent Expenses, Collateral Custodian Expenses and the Account Bank Expenses pursuant to this clause (i) (and Sections 2.04(a)(i) and (b)(i), if applicable) shall not, collectively, exceed \$100,000 for any 12 month period;

(ii) to the Servicer, in payment in full of all accrued and unpaid Servicing Fees;

(iii) *pro rata*, in accordance with the amounts due under this clause, to each Lender Agent, for the account of the applicable Lender, all Yield and the Non-Usage Fee that is accrued and unpaid as of the last day of the related Remittance Period;

(iv) *pro rata*, to each Lender Agent (for the account of the applicable Lender) and the Administrative Agent, as applicable, all accrued and unpaid fees, expenses (including reasonable and documented attorneys' fees, costs and expenses) and indemnity amounts payable by the Borrower to the Administrative Agent, any Lender Agent or any Lender under the Transaction Documents;

(v) to the Unfunded Exposure Account in an amount necessary to cause the amount on deposit in the Unfunded Exposure Account to equal the Aggregate Unfunded Exposure Amount;

(vi) to pay the Advances Outstanding, and any applicable Make-Whole Premium incurred in connection with any complete refinancing or termination of this Agreement, in each case, until paid in full;

(vii) *pari passu* to (a) the Collateral Agent, in payment in full of all accrued Collateral Agent Expenses to the extent not previously paid, (b) the Collateral Custodian, in payment in full of all accrued Collateral Custodian Expenses to the extent not previously paid, and (c) the Account Bank, in payment in full of all accrued Account Bank Expenses to the extent not previously paid;

(viii) to pay any other amounts due and payable under this Agreement and the other Transaction Documents;

(ix) to the Servicer in respect of all reasonable expenses (except allocated overhead) incurred in connection with the performance of its duties hereunder; and

(x) to the Borrower, any remaining amounts.

(d) Unfunded Exposure Account. Funds on deposit in the Unfunded Exposure Account may be withdrawn to fund draw requests of the relevant Obligor under any Delayed Draw Loan Asset; provided that, until the earlier to occur of the end of the Reinvestment Period or the Facility Maturity Date, the amount withdrawn to fund such draw request shall not create any Borrowing Base Deficiency. Any such draw request made by an Obligor, along with wiring instructions for the applicable Obligor, shall be forwarded by the Borrower or the Servicer to the Collateral Agent (with a copy to the Administrative Agent and each Lender Agent) in the form of a Disbursement Request, and the Collateral Agent shall instruct the Account Bank to fund such draw request in accordance with the Disbursement Request. As of any date of determination, the Servicer (or, after delivery of a Notice of Exclusive Control, the Administrative Agent) may cause any amounts on deposit in the Unfunded Exposure Account that exceed (i) the aggregate Unfunded Exposure Equity Amount prior to the earlier to occur of the end of the Reinvestment Period or the Facility Maturity Date and (ii) the aggregate of all Unfunded Exposure Amounts following the earlier to occur of the end of the Reinvestment Period or the Facility Maturity Date to be deposited into the Principal Collection Account as Principal Collections.

(e) Insufficiency of Funds. For the sake of clarity, the parties hereby agree that if the funds on deposit in the Collection Account are insufficient to pay any amounts due and payable on a Payment Date or otherwise, the Borrower shall nevertheless remain responsible for, and shall pay when due, all amounts payable under this Agreement and the other Transaction Documents in accordance with the terms of this Agreement and the other Transaction Documents. Notwithstanding the foregoing, the ~~Equityholder~~ Servicer, in its capacity as the sole owner of the Borrower, may at any time contribute amounts to the Borrower for deposit into the Collection Account or the Unfunded Exposure Account for application in accordance with the terms of this Agreement.

Section 2.05 Instructions to the Collateral Agent and the Account Bank. All instructions and directions given to the Collateral Agent or the Account Bank by the Servicer, the Borrower or the Administrative Agent pursuant to Section 2.04 shall be in writing (including instructions and directions transmitted to the Collateral Agent or the Account Bank by telecopy or e-mail), and such written instructions and directions shall be delivered with a written certification that such instructions and directions are in compliance with the provisions of Section 2.04. The Servicer and the Borrower shall promptly transmit to the Administrative Agent by telecopy or e-mail a copy of all instructions and directions given to the Collateral Agent or the Account Bank by such party pursuant to Section 2.04. The Administrative Agent shall promptly transmit to the Servicer and the Borrower by telecopy or e-mail a copy of all instructions and directions given to the Collateral Agent or the Account Bank by the Administrative Agent, pursuant to Section 2.04. If either the Administrative Agent or Collateral Agent disagrees with the computation of any amounts to be paid or deposited by the Borrower or

the Servicer under Section 2.04 or otherwise pursuant to this Agreement, or upon their respective instructions, it shall so notify the Borrower, the Servicer and the Collateral Agent in writing and in reasonable detail to identify the specific disagreement. If such disagreement cannot be resolved within two Business Days, the determination of the Administrative Agent as to such amounts shall be conclusive and binding on the parties hereto absent manifest error. In the event the Collateral Agent or the Account Bank receives instructions from the Servicer or the Borrower which conflict with any instructions received by the Administrative Agent, the Collateral Agent or the Account Bank, as applicable, shall rely on and follow the instructions given by the Administrative Agent; provided that the Collateral Agent or Account Bank, as applicable, shall promptly provide notification to the Servicer or the Borrower of such conflicting instructions; provided, further, that any such failure on the part of the Collateral Agent to deliver such notice shall not render such action by the Collateral Agent invalid.

Section 2.06 Borrowing Base Deficiency Payments.

(a) In addition to any other obligation of the Borrower to cure any Borrowing Base Deficiency pursuant to the terms of this Agreement, if, on any day prior to the Collection Date, any Borrowing Base Deficiency exists, then the Borrower shall, within three (3) Business Days from the date of such Borrowing Base Deficiency, cure such Borrowing Base Deficiency in its entirety; provided that, notwithstanding the foregoing, if the Borrower shall provide to the Administrative Agent within three (3) Business Days of the occurrence of such Borrowing Base Deficiency a plan, acceptable to the Administrative Agent in its sole discretion, enabling such Borrowing Base Deficiency to be eliminated in its entirety within a time period established in such plan (which period shall in no case extend beyond the immediately succeeding Payment Date), such Borrowing Base Deficiency shall not constitute an Event of Default; provided, further, that during the period of time that such event remains unremedied, (i) no additional Advances will be made under this Agreement, (ii) any payments required to be made by the Borrower on a Payment Date shall be made under Section 2.04(c) and (iii) the Applicable Spread shall be equal to 4.50% *per annum* for all Advances.

A Borrowing Base Deficiency may be remedied by effecting one or more (or any combination thereof) of the following actions in order to eliminate such Borrowing Base Deficiency as of such date of determination: (i) deposit cash in Dollars into the Principal Collection Account, (ii) repay Advances Outstanding (together with any Breakage Fees and all accrued and unpaid costs and expenses of the Administrative Agent, the Lender Agents and the Lenders, in each case in respect of the amount so prepaid), and/or (iii) subject to the approval of the Administrative Agent, in its sole discretion, Pledge additional Eligible Loan Assets. The Administrative Agent shall use all commercially reasonable efforts to respond to any approval request in a timely manner.

(b) No later than 2:00 p.m. on the Business Day prior to the proposed repayment of Advances or Pledge of additional Eligible Loan Assets pursuant to Section 2.06(a), the Borrower (or the Servicer on its behalf) shall deliver (i) to the Administrative Agent (with a copy to the Collateral Agent and the Collateral Custodian), notice of such repayment or Pledge and a duly completed Borrowing Base Certificate, updated to the date such repayment or Pledge is being made and giving pro forma effect to such repayment or Pledge, and (ii) to the Administrative Agent, if applicable, a description of any Eligible Loan Asset and each Obligor of such Eligible Loan Asset to be Pledged and added to the updated Loan Tape. Any notice pertaining to any repayment or any Pledge pursuant to this Section 2.06 shall be irrevocable.

Section 2.07 Substitution and Sale of Loan Assets; Affiliate Transactions.

(a) Substitutions. The Borrower may, with the consent of the Administrative Agent in its sole discretion, replace any Loan Asset with an Eligible Loan Asset so long as (i)(A) no event has occurred and is continuing, or would result from such substitution, which constitutes an Event of Default, (B) no event has occurred and is continuing, or would result from such substitution, which constitutes an Unmatured Event of Default and (C) both before and after giving effect to such substitution, no Borrowing Base Deficiency shall exist (provided that the Borrower may effect a substitution as necessary to facilitate a cure of a Borrowing Base Deficiency (and any Unmatured Event of Default arising therefrom) with the contribution of an Eligible Loan Asset) and (ii) simultaneously therewith, the Borrower Pledges (in accordance with all of the terms and provisions contained herein) a Substitute Eligible Loan Asset.

(b) Discretionary Sales. The Borrower shall be permitted to sell Loan Assets to Persons from time to time; provided that (i) the proceeds of such sale shall be deposited into the Collection Account to be disbursed in accordance with Section 2.04 hereof, (ii)(A) no event has occurred and is continuing, or would result from such sale, which constitutes an Event of Default, (B) no event has occurred and is continuing, or would result from such sale, which constitutes an Unmatured Event of Default and (C) both before and after giving effect to such sale, no Borrowing Base Deficiency shall exist (provided that the Borrower may sell Loan Assets pursuant to this clause (b) as necessary to facilitate a cure of a Borrowing Base Deficiency (and any Unmatured Event of Default arising therefrom) with the contribution of an Eligible Loan Asset); and (iii) the prior written consent of the Administrative Agent shall be required if such Loan Asset is sold for an amount which is less than the Adjusted Borrowing Value.

(c) Repurchase or Substitution of Warranty Loan Assets. If on any day a Loan Asset is (or becomes) a Warranty Loan Asset, no later than 30 days following the earlier of knowledge by the Borrower or the Servicer of such Loan Asset becoming a Warranty Loan Asset or receipt by the Borrower from the Administrative Agent or the Servicer of written notice thereof, the Borrower shall either:

(i) make a deposit to the Collection Account (for allocation pursuant to Section 2.04) in immediately available funds in an amount equal to (x) the Assigned Value as of the Cut-Off Date with respect to such Loan Asset *multiplied by* the Outstanding Balance of such Loan Asset and (y) any expenses or fees with respect to such Loan Asset and costs and damages incurred by the Administrative Agent or by any Lender in connection with any violation by such Loan Asset of any predatory or abusive lending law which is an Applicable Law (a notification regarding the amount of such expenses or fees to be provided by the Administrative Agent to the Borrower); provided that the Administrative Agent shall have the right to determine whether the amount so deposited is sufficient to satisfy the foregoing requirements; or

(ii) with the prior written consent of the Administrative Agent, in its sole discretion, substitute for such Warranty Loan Asset a Substitute Eligible Loan Asset.

Upon confirmation of the deposit of the amounts set forth in Section 2.07(c)(i) into the Collection Account or the delivery by the Borrower of a Substitute Eligible Loan Asset for each Warranty Loan Asset (the date of such confirmation or delivery, the “Release Date”), such Warranty Loan Asset and related Portfolio Assets shall be removed from the Collateral Portfolio and, as applicable, the Substitute Eligible Loan Asset and related Portfolio Assets shall be included in the Collateral Portfolio. On the Release Date of each Warranty Loan Asset, the Collateral Agent, for the benefit of the Secured Parties, shall automatically and without further action be deemed to release to the Borrower, without recourse, representation or warranty, all the right, title and interest and any Lien of the Collateral Agent, for the benefit of the Secured Parties in, to and under the Warranty Loan Asset and any related Portfolio Assets and all future monies due or to become due with respect thereto.

(d) Conditions to Sales, Substitutions and Repurchases. Any sales, substitutions or repurchases effected pursuant to Sections 2.07, (b), or (c) shall be subject to the satisfaction of the following conditions (as certified in writing to the Administrative Agent and Collateral Agent by the Borrower):

(i) the Borrower shall deliver a Borrowing Base Certificate to the Administrative Agent in connection with such sale, substitution or repurchase;

(ii) the Borrower shall deliver a list of all Loan Assets to be sold, substituted, or repurchased;

(iii) no selection procedures adverse to the interests of the Administrative Agent, the Lender Agents or the Lenders were utilized by the Borrower in the selection of the Loan Assets to be sold, repurchased or substituted;

(iv) the Borrower shall give one Business Day’s notice of such sale, substitution or repurchase;

(v) the Borrower shall notify the Administrative Agent of any amount to be deposited into the Collection Account in connection with any sale, substitution or repurchase;

(vi) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 hereof shall continue to be true and correct in all respects, except to the extent relating to an earlier date; and

(vii) the Borrower shall agree to pay the reasonable and documented legal fees and expenses of the Administrative Agent, the Collateral Agent and the Collateral Custodian in connection with any such sale, substitution or repurchase (including, but not limited to, expenses incurred in connection with the release of

the Lien of the Collateral Agent on behalf of the Secured Parties and any other party having an interest in the Loan Asset in connection with such sale, substitution or repurchase), which agreement to pay is set forth in Section 11.07 hereof.

(e) Affiliate Transactions. Notwithstanding anything to the contrary set forth herein or in any other Transaction Document, the Transferor (or an Affiliate thereof) shall not reacquire from the Borrower and the Borrower shall not transfer to the Transferor or to Affiliates of the Transferor, and none of the Transferor nor any Affiliates thereof will have a right or ability to purchase, the Loan Assets unless (i) such transfer shall be on an arms' length basis and for fair market value (except in the case of repurchases of Loan Assets by the Transferor pursuant to Section 6.1 of the Purchase and Sale Agreement or substitutions of Loan Assets pursuant to Section 6.2 of the Purchase and Sale Agreement) and (ii) to the extent any Loan Asset with an Assigned Value of less than or equal to 90% is sold, the prior written consent of the Administrative Agent has been obtained. For the avoidance of doubt, nothing in this clause (e) shall prohibit the Borrower from transferring or distributing its Loan Assets to the holders of its equity or Affiliates, as applicable, in accordance with Section 2.07(a), (e) or (g) herein and subject to the limitations, if applicable of Section 2.07(f); provided that no selection procedures adverse to the interests of the Administrative Agent, the Lender Agents or the Lenders were utilized by the Borrower in the selection of the Loan Assets to be transferred or distributed.

(f) Limitations on Sales and Substitutions. The Outstanding Balance of the Loan Asset(s) (other than Warranty Loan Assets) which are the subject of a proposed sale or substitution or Lien Release Dividend, together with the Outstanding Balance of all Loan Assets (other than Warranty Loan Assets) sold pursuant to Section 2.07(b) or substituted pursuant to Section 2.07(a), during the 12-month period immediately preceding the proposed date of sale or substitution (or such lesser number of months as shall have elapsed as of such date) does not exceed 25% of the Maximum Facility Amount; provided that the Outstanding Balance of the Loan Assets sold pursuant to that certain Purchase Agreement, dated as of September 14, 2018, by and among Senior Secured Unitranche Loan Program LLC, Solar Capital Ltd., as buyer, Voya Retirement Insurance and Annuity Company and ReliaStar Life Insurance Company, as sellers, and Voya Investment Management, LLC, with the consent of the Administrative Agent shall not be subject to, or be included in the calculation of, the foregoing threshold.

(g) Lien Release Dividend. Notwithstanding any provision contained in this Agreement to the contrary, provided no Event of Default has occurred and is continuing and no Unmatured Event of Default exists, on a Lien Release Dividend Date, the Borrower may dividend to the Transferor Loan Assets, or portions thereof (each, a "Lien Release Dividend"), subject to the following terms and conditions, as certified by the Borrower and the Transferor to the Administrative Agent (with a copy to the Collateral Agent and the Collateral Custodian):

(i) The Borrower and the Transferor shall have given the Administrative Agent, with a copy to the Collateral Agent and the Collateral Custodian, at least five Business Days prior written notice to the Administrative Agent regarding the effectuation of a Lien Release Dividend, in the form of Exhibit O hereto (a "Notice of Lien Release Dividend");

(ii) On any Lien Release Dividend Date, no more than four Lien Release Dividends shall have been made during the 12-month period immediately preceding the proposed Lien Release Dividend Date;

(iii) After giving effect to the Lien Release Dividend on the Lien Release Dividend Date, (A) no Borrowing Base Deficiency, Event of Default or Unmatured Event of Default shall exist, (B) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 hereof shall continue to be correct in all respects, except to the extent relating to an earlier date, (C) the eligibility of any Loan Asset remaining as part of the Collateral Portfolio after the Lien Release Dividend will be redetermined as of the Lien Release Dividend Date, (D) no claim shall have been asserted or proceeding commenced challenging the enforceability or validity of any of the Required Loan Documents and (E) there shall have been no material adverse change as to the Servicer or the Borrower;

(iv) Such Lien Release Dividend must be in compliance with Applicable Law and may not (A) be made with the intent to hinder, delay or defraud any creditor of the Borrower or (B) leave the Borrower, immediately after giving effect to the Lien Release Dividend, (x) insolvent, (y) with insufficient funds to pay its obligations as and when they become due or (z) with inadequate capital for its present and anticipated business and transactions;

(v) On or prior to the Lien Release Dividend Date, the Borrower shall have delivered to the Administrative Agent, with a copy to the Collateral Agent and the Collateral Custodian, a list specifying all Loan Assets or portions thereof to be transferred pursuant to such Lien Release Dividend;

(vi) A portion of a Loan Asset may be transferred pursuant to a Lien Release Dividend; provided that (A) such transfer does not have an adverse effect on the portion of such Loan Asset remaining as a part of the Collateral Portfolio, any other aspect of the Collateral Portfolio, the Lenders, the Lender Agents, the Administrative Agent or any other Secured Party and (B) a new promissory note (other than with respect to a Noteless Loan Asset) for the portion of the Loan Asset remaining as a part of the Collateral Portfolio has been executed, and the original thereof has been endorsed to the Collateral Agent and delivered to the Collateral Custodian;

(vii) Each Loan Asset, or portion thereof, as applicable, shall be transferred at a value equal to, or greater than, the Adjusted Borrowing Value thereof;

(viii) The Borrower shall deliver a Borrowing Base Certificate (including a calculation of the Borrowing Base after giving effect to such Lien Release Dividend) to the Administrative Agent;

(ix) The Borrower shall have paid in full an aggregate amount equal to the sum of all amounts due and owing to the Administrative Agent, the Lenders, the Collateral Agent or the Collateral Custodian, as applicable, under this Agreement and the other Transaction Documents, if any, to the extent accrued to such date (including, without limitation, Breakage Fees) with respect to the Loan Assets to be transferred pursuant to such Lien Release Dividend and incurred in connection with the transfer of such Loan Assets pursuant to such Lien Release Dividend; and

(x) The Borrower and the Servicer (on behalf of the Borrower) shall pay the reasonable and documented legal fees and expenses of the Administrative Agent, the Collateral Agent and the Collateral Custodian in connection with any Lien Release Dividend (including, but not limited to, reasonable and documented expenses incurred in connection with the release of the Lien of the Collateral Agent, on behalf of the Secured Parties, and any other party having an interest in the Loan Asset in connection with such Lien Release Dividend).

Section 2.08 Payments and Computations, Etc.

(a) All amounts to be paid or deposited by the Borrower or the Servicer hereunder shall be paid or deposited in accordance with the terms hereof no later than 5:00 p.m. on the day when due in lawful money of the United States in immediately available funds to the Collection Account or such other account as is designated by the Administrative Agent. The Borrower or the Servicer, as applicable, shall, to the extent permitted by law, pay to the Secured Parties interest on all amounts not paid or deposited when due (taking into account any grace period provided for herein) to any of the Secured Parties hereunder at 2.0% *per annum* above the Base Rate (other than with respect to any Advances outstanding, which shall accrue at the Yield Rate), payable on demand, from the date of such nonpayment until such amount is paid in full (as well after as before judgment); provided that such interest rate shall not at any time exceed the maximum rate permitted by Applicable Law. Any Obligation hereunder shall not be reduced by any distribution of any portion of Available Collections if at any time such distribution is rescinded or required to be returned by any Lender to the Borrower or any other Person for any reason. All computations of interest and all computations of Yield and other fees hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first but excluding the last day) elapsed, other than calculations with respect to the Base Rate, which shall be based on a year consisting of 365 or 366 days, as applicable.

(b) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of Yield or any fee payable hereunder, as the case may be.

(c) If any Advance requested by the Borrower and approved by the Lender Agents and the Administrative Agent pursuant to Section 2.02 is not for any reason whatsoever, except as a result of the gross negligence or willful misconduct of, or failure to fund such Advance on the part of, the Lenders, the Administrative Agent or an Affiliate thereof, made or

effectuated, as the case may be, on the date specified therefor, the Borrower shall indemnify such Lender against any loss, cost or expense incurred by such Lender related thereto (other than any such loss, cost or expense solely due to the gross negligence or willful misconduct or failure to fund such Advance on the part of the Lenders, the Administrative Agent or an Affiliate thereof), including, without limitation, any loss (including cost of funds and reasonable out-of-pocket expenses but excluding lost profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund Advances or maintain the Advances. Any such Lender shall provide to the Borrower documentation setting forth the amounts of any loss, cost or expense referred to in the previous sentence, such documentation to be conclusive absent manifest error.

Section 2.09 Non-Usage Fee.

The Borrower shall pay, in accordance with Section 2.04, *pro rata* to each Lender (either directly or through the applicable Lender Agent), a non-usage fee (the "Non-Usage Fee") payable in arrears for each Remittance Period, equal to the sum of the products for each day during such Remittance Period of (i) one *divided by* 360, (ii) the applicable Non-Usage Fee Rate (as defined below), and (iii) the aggregate Commitments *minus* the Advances Outstanding on such day (such amount, the "Unused Portion"). The Non-Usage Fee Rate (the "Non-Usage Fee Rate") shall be equal to:

(a) for the period from (and including) the Closing Date through (and excluding) the twelve month anniversary thereof, 0.50%;

(b) for the period from (and including) the twelve month anniversary of the Closing Date and thereafter, (i) 0.50% on any Unused Portion up to or equal to 30.0% of the Maximum Facility Amount and (ii) 2.00% on any Unused Portion in excess of 30.0% of the Maximum Facility Amount.

Section 2.10 Increased Costs; Capital Adequacy.

(a) If, due to either (i) the introduction of or any change following the date hereof (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation, administration or application following the date hereof of any Applicable Law (including, without limitation, any law or regulation resulting in any interest payments paid to any Lender under this Agreement being subject to any Tax), in each case whether foreign or domestic or (ii) the compliance with any guideline or request following the date hereof from any central bank or other Governmental Authority (whether or not having the force of law): (x) there shall be any increase in the cost to the Administrative Agent, any Lender, any Lender Agent, any Liquidity Bank or any Affiliate, participant (provided that a participant shall not be entitled to receive any greater payment under this Section 2.10 than the Lender would have been entitled to receive with respect to the participation sold to such participant except to the extent provided in Section 11.04(d)), successor or assign thereof (each of which shall be an "Affected Party") of agreeing to make or making, funding or maintaining any Advance (or any reduction of the amount of any payment (whether of principal, interest, fee, compensation or otherwise) to any Affected Party hereunder), as the case may be; (y) there shall be any reduction in the amount of any sum received or receivable by an Affected Party under this

Agreement, under any other Transaction Document or any Liquidity Agreement; or (z) any Affected Party shall be subject to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto, then the Borrower shall, from time to time, after written demand by the Administrative Agent (which demand shall be accompanied by a statement setting forth in reasonable detail the basis for such demand), on behalf of such Affected Party, pay to the Administrative Agent, on behalf of such Affected Party, additional amounts sufficient to compensate such Affected Party for such increased costs or reduced payments within 10 days after such demand; provided that the amounts payable under this Section 2.10 shall be without duplication of amounts payable under Section 2.11. If either (i) the introduction of or any change following the date hereof in or in the interpretation, administration or application following the date hereof of any law, guideline, rule or regulation, directive or request or (ii) the compliance by any Affected Party with any law, guideline, rule, regulation, directive or request following the date hereof, from any central bank, any Governmental Authority or agency, including, without limitation, compliance by an Affected Party with any request or directive regarding capital adequacy, but, in each case, excluding Taxes, has or would have the effect of reducing the rate of return on the capital of any Affected Party, as a consequence of its obligations hereunder or any related document or arising in connection herewith or therewith to a level below that which any such Affected Party could have achieved but for such introduction, change or compliance (taking into consideration the policies of such Affected Party with respect to capital adequacy), by an amount deemed by such Affected Party to be material, then, from time to time, after demand by such Affected Party (which demand shall be accompanied by a statement setting forth in reasonable detail the basis for such demand), the Borrower shall pay the Administrative Agent on behalf of such Affected Party such additional amounts as will compensate such Affected Party for such reduction. For the avoidance of doubt, any increase in cost and/or reduction in Yield with respect to any Affected Party caused by regulatory capital allocation adjustments due to FAS 166, 167 and subsequent statements and interpretations shall constitute a circumstance on which such Affected Party may base a claim for reimbursement under this Section 2.10; provided that, for the avoidance of doubt, the amounts payable under this clause (a) shall be without duplication of amounts payable under Article XI and shall not include Indemnified Taxes.

(b) If either (i) the introduction of or any change following the date hereof in or in the interpretation, administration or application following the date hereof of any law, guideline, rule or regulation, directive or request or (ii) the compliance by any Affected Party with any law, guideline, rule, regulation, directive or request following the date hereof, from any central bank, any Governmental Authority or agency, including, without limitation, compliance by an Affected Party with any request or directive regarding capital adequacy, but, in each case, excluding Taxes, has or would have the effect of reducing the rate of return on the capital of any Affected Party, as a consequence of its obligations hereunder or any related document or arising in connection herewith or therewith to a level below that which any such Affected Party could have achieved but for such introduction, change or compliance (taking into consideration the policies of such Affected Party with respect to capital adequacy), by an amount deemed by such Affected Party to be material, then, from time to time, after demand by such Affected Party (which demand shall be accompanied by a statement setting forth in reasonable detail the basis for such demand), the Borrower shall pay the Administrative Agent on behalf of such Affected

Party such additional amounts as will compensate such Affected Party for such reduction. For the avoidance of doubt, any increase in cost and/or reduction in Yield with respect to any Affected Party caused by regulatory capital allocation adjustments due to FAS 166, 167 and subsequent statements and interpretations shall constitute a circumstance on which such Affected Party may base a claim for reimbursement under this Section 2.10.

(c) If as a result of any event or circumstance similar to those described in clause (a) or (b) of this Section 2.10, any Affected Party is required to compensate a bank or other financial institution providing liquidity support, credit enhancement or other similar support to such Affected Party in connection with this Agreement or the funding or maintenance of Advances hereunder, then within ten days after demand by such Affected Party, the Borrower shall pay to such Affected Party such additional amount or amounts as may be necessary to reimburse such Affected Party for any amounts payable or paid by it.

(d) In determining any amount provided for in this Section 2.10, the Affected Party may use any reasonable averaging and attribution methods. The Administrative Agent, on behalf of any Affected Party making a claim under this Section 2.10, shall submit to the Borrower a certificate setting forth in reasonable detail the basis for and the computations of such additional or increased costs, which certificate shall be conclusive absent manifest error.

(e) Failure or delay on the part of any Affected Party to demand compensation pursuant to this Section 2.10 shall not constitute a waiver of such Affected Party's right to demand or receive such compensation.

(f) Notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules and regulations promulgated thereunder or issued in connection therewith and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to have been introduced after the Closing Date, thereby constituting a change for which a claim for increased costs or additional amounts may be made hereunder with respect to the Affected Parties, regardless of the date enacted, adopted or issued.

(g) If at any time the Borrower shall be liable for the payment of any additional amounts in accordance with this Section 2.10, then the Borrower shall have the option, at its sole expense and effort, upon notice to the applicable Affected Party and the Administrative Agent, to require such Affected Party to assign and delegate in accordance with Section 11.04, all of its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations; provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent and (ii) such Affected Party shall have received payment of an amount equal to all Obligations due and payable to such Affected Party. An Affected Party shall not be required to make any such assignment and delegation if, prior thereto, it has waived any amounts owed to it under this Section 2.10.

Section 2.11 Taxes.

(a) For purposes of this Section 2.11, the term “applicable law” includes FATCA.

(b) Any and all payments by or on account of any obligation of the Borrower under any Transaction Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.11) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) The Borrower shall indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.11) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Recipient (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Recipient, shall be conclusive absent manifest error.

(e) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender’s failure to comply with the provisions of Section 2.14 relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Transaction Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Transaction Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 2.11, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) (i) For purposes of this Section 2.11(g), the term “Lender” includes any Lender Agent. Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Transaction Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.11(g)(ii)(A), (g)(ii)(B) and (g)(ii)(D) below) shall not be required if in the Lender’s reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Borrower,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Transaction Document, executed copies of

IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Transaction Document, IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable) establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(2) executed copies of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit P-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable); or

(4) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit P-2 or Exhibit P-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit P-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Transaction Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative

Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.11 (including by the payment of additional amounts pursuant to this Section 2.11), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.11 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) If at any time the Borrower shall be liable for the payment of any additional amounts in accordance with this Section 2.11, then the Borrower shall have the option, at its sole expense and effort, upon notice to the applicable Affected Party and the Administrative Agent, require such indemnified party to assign and delegate in accordance with Section 11.04, all of its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations; provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent; (ii) such indemnified party shall have received payment of an amount equal to all Obligations due and payable to such indemnified party. An indemnified party shall not be required to make any such assignment and delegation if, prior thereto, it has waived any amounts owed to it under this Section 2.11; and (iii) such assignment and delegation would not subject such Indemnified Party to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Indemnified Party.

Each party's obligations under this Section 2.11 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Transaction Document.

Section 2.12 Collateral Assignment of Agreements. The Borrower hereby collaterally assigns to the Collateral Agent, for the benefit of the Secured Parties, all of the Borrower's right and title to and interest in, to and under (but not any obligations under) the Purchase and Sale Agreement (and any UCC financing statements filed under or in connection therewith), the Loan Agreements related to each Loan Asset, all other agreements, documents and instruments evidencing, securing or guarantying any Loan Asset and all other agreements, documents and instruments related to any of the foregoing but excluding any Excluded Amounts or Retained Interest (the "Assigned Documents"). In furtherance and not in limitation of the foregoing, the Borrower hereby collaterally assigns to the Collateral Agent, for the benefit of the Secured Parties, its right to indemnification under Article IX of the Purchase and Sale Agreement. The Borrower confirms that until the Collection Date the Collateral Agent (at the direction of the Administrative Agent) on behalf of the Secured Parties shall have the sole right to enforce the Borrower's rights and remedies under the Purchase and Sale Agreement and any UCC financing statements filed under or in connection therewith for the benefit of the Secured Parties. The parties hereto agree that such collateral assignment to the Collateral Agent, for the benefit of the Secured Parties, shall terminate upon the Collection Date.

Section 2.13 Grant of a Security Interest. To secure the prompt, complete and indefeasible payment in full when due, whether by lapse of time, acceleration or otherwise, of the Obligations and the performance by the Borrower of all of the covenants and obligations to be performed by it pursuant to this Agreement and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, the Borrower hereby (a) collaterally assigns and pledges to the Collateral Agent, on behalf of the Secured Parties, and (b) grants a security interest to the Collateral Agent, on behalf of the Secured Parties, in all of the Borrower's right, title and interest in, to and under (but none of the obligations under) all of the Collateral Portfolio, whether now existing or hereafter arising or acquired by the Borrower, and wherever the same may be located. For the avoidance of doubt, the Collateral Portfolio shall not include any Excluded Amounts, and the Borrower does not hereby assign, pledge or grant a security interest in any such Excluded Amounts. Anything herein to the contrary notwithstanding, (a) the Borrower shall remain liable under the Collateral Portfolio to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Collateral Agent, for the benefit of the Secured Parties, of any of its rights in the Collateral Portfolio shall not release the Borrower from any of its duties or obligations under the Collateral Portfolio, and (c) none of the Administrative Agent, the Collateral Agent, any Lender (nor its successors and assigns), any Lender Agent, any Liquidity Bank nor any Secured Party shall have any obligations or liability under the Collateral Portfolio by reason of this Agreement, nor shall the Administrative Agent, the Collateral Agent, any Lender (nor its successors and assigns), any Lender Agent, any Liquidity Bank nor any Secured Party be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 2.14 Evidence of Debt. The Administrative Agent shall maintain, solely for this purpose as the agent of the Borrower, at its address referred to in Section 11.02 a copy of each assignment and acceptance agreement delivered to and accepted by it and a register for the recordation of the names and addresses and interests of the Lenders (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent, each Lender and each Lender Agent shall treat each person whose name is recorded in the Register as a Lender under this Agreement for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender Agent at any reasonable time and from time to time upon reasonable prior notice.

Section 2.15 Survival of Representations and Warranties. It is understood and agreed that the representations and warranties set forth in Sections 4.01, 4.02 and 4.03 are made and are true and correct on the date of this Agreement and on each Cut-Off Date unless such representations and warranties are made as of a specific date.

Section 2.16 Release of Loan Assets.

(a) The Borrower may obtain the release of (i) any Loan Asset (and the related Portfolio Assets pertaining thereto) released pursuant to a Lien Release Dividend or sold or substituted in accordance with the applicable provisions of Section 2.07 or liquidated in accordance with Sections 6.05 and 12.08(a) and any Portfolio Assets pertaining to such Loan Asset and (ii) any Collateral Portfolio that expires by its terms and all amounts in respect thereof have been paid in full by the related Obligor and deposited in the Collection Account. The Collateral Agent, for the benefit of the Secured Parties, shall at the sole expense of the Servicer and at the direction of the Administrative Agent, execute such documents and instruments of release as may be prepared by the Servicer on behalf of the Borrower, give notice of such release to the Collateral Custodian (in the form of Exhibit J) (unless the Collateral Custodian and Collateral Agent are the same Person) and take other such actions as shall reasonably be requested by the Borrower to effect such release of the Lien created pursuant to this Agreement. Upon receiving such notification by the Collateral Agent as described in the immediately preceding sentence, if applicable, the Collateral Custodian shall deliver the Required Loan Documents to the Borrower.

(b) Promptly after the Collection Date has occurred, each Lender and the Administrative Agent, in accordance with their respective interests, shall release to the Borrower, for no consideration but at the sole expense of the Borrower, their respective remaining interests in the Portfolio Assets, free and clear of any Lien resulting solely from an act by the Collateral Agent, any Lender or the Administrative Agent but without any other representation or warranty, express or implied, by or recourse against any Lender or the Administrative Agent.

Section 2.17 Treatment of Amounts Received by the Borrower. Amounts received by the Borrower pursuant to Section 2.07 on account of Loan Assets shall be treated as payments of Principal Collections or Interest Collections, as applicable, on Loan Assets hereunder.

Section 2.18 Prepayment; Termination.

(a) Except as expressly permitted or required herein, including, without limitation, any repayment necessary to cure a Borrowing Base Deficiency, Advances Outstanding may only be prepaid in whole or in part at the option of the Borrower at any time by delivering a Notice of Reduction (which notice shall include a Borrowing Base Certificate) to the Administrative Agent, the Collateral Agent and the Lender Agents at least one Business Day prior to such reduction. Upon any prepayment, the Borrower shall also pay in full any Breakage Fees (solely to the extent such prepayment occurs on any day other than a Payment Date) and other accrued and unpaid costs and expenses of Administrative Agent, Lender Agents and Lenders related to such prepayment; provided that no reduction in Advances Outstanding shall be given effect unless (i) sufficient funds have been remitted to pay all such amounts in full, as determined by the Administrative Agent, in its sole discretion and (ii) no event would result from such prepayment which would constitute an Event of Default or an Unmatured Event of Default. The Administrative Agent shall apply amounts received from the Borrower pursuant to this Section 2.18(a) to the payment of any Breakage Fees and to the *pro rata* reduction of the Advances Outstanding. Any notice relating to any repayment pursuant to this Section 2.18(a) shall be irrevocable.

(b) The Borrower may, at its option, terminate this Agreement and the other Transaction Documents upon three Business Days' prior written notice to the Administrative Agent and the Lender Agents and upon payment in full of all Advances Outstanding, all accrued and unpaid Yield, any Breakage Fees, all accrued and unpaid costs and expenses of the Administrative Agent, Lender Agents and Lenders, payment of the Make-Whole Premium *pro rata* to each Lender Agent (for the account of the applicable Lender) and payment of all other Obligations (other than contingent indemnification obligations which are unknown, unmatured and/or for which no claim giving rise thereto has been asserted). In addition, the Borrower may reduce the Maximum Facility Amount in part upon payment in full of the Make-Whole Premium, if applicable, and delivery of a Notice of Reduction at least one Business Day prior to such reduction; provided that no Event of Default or Unmatured Event of Default would result from such reduction in the Maximum Facility Amount. Any termination of this Agreement shall be subject to Section 11.05.

(c) Notwithstanding anything to the contrary in Section 2.18(b), no Make-Whole Premium shall be payable by the Borrower in the event that the Obligations are refinanced by the proceeds of any other financing of the Transferor or any of its Affiliates by any of the Administrative Agent or any of its respective Affiliates (provided that the aggregate commitments of such financing shall equal or exceed the Advances Outstanding on such date, and the Administrative Agent or its respective Affiliates hold at least 51% of the aggregate commitments of such replacement or other financing).

(d) The Borrower hereby acknowledges and agrees that the Make-Whole Premium constitutes additional consideration for the Lenders to enter into this Agreement.

(e) Unless sooner prepaid pursuant to the terms hereof, the Advances Outstanding shall be repaid in full on the Facility Maturity Date or on such later date as is agreed to in writing by the Borrower, the Servicer, the Administrative Agent and the Lenders.

Section 2.19 Collections and Allocations.

(a) The Servicer shall promptly identify to the Collateral Agent all Available Collections received in the Collection Account as being on account of Interest Collections or Principal Collections and shall segregate all Principal Collections and Interest Collections and transfer the same to the Principal Collection Account and the Interest Collection Account, respectively. The Servicer shall transfer, or cause to be transferred, any collections received directly by it (if any) to the Collection Account by the close of business within two Business Days after such Principal Collections and Interest Collections are received; provided that the Servicer shall identify to the Collateral Agent any collections received directly by the Servicer as being on account of Interest Collections or Principal Collections. The Collateral Agent shall further provide to the Servicer a statement as to the amount of Principal Collections and Interest Collections on deposit in the Principal Collection Account and the Interest Collection Account no later than three Business Days after each Determination Date for inclusion in the Servicing Report delivered pursuant to Section 6.08(b). It is understood and agreed that the Servicer shall remain liable for the proper allocation of the aforementioned Principal Collections and Interest Collections into the appropriate accounts.

(b) On and after the Cut-Off Date with respect to any Loan Asset, the Servicer will deposit or will cause the Borrower to deposit into the Collection Account all Available Collections received in respect of Eligible Loan Assets being transferred to and included as part of the Collateral Portfolio on such date.

(c) With the prior written consent of the Administrative Agent (a copy of which will be provided by the Servicer to the Collateral Agent), the Servicer may direct the Collateral Agent to withdraw from the Collection Account any deposits thereto constituting Excluded Amounts if the Servicer has, prior to such withdrawal and consent, delivered to the Administrative Agent (with a copy to the Collateral Agent) a report setting forth the calculation of such Excluded Amounts in form and substance satisfactory to the Administrative Agent in its sole discretion.

(d) Prior to the delivery of a Notice of Exclusive Control, the Servicer shall, pursuant to written instruction (which may be in the form of standing instructions), direct the Collateral Agent to invest, or cause the investment of, funds on deposit in the Collection Account in Permitted Investments, from the date of this Agreement until the Collection Date. Absent any such written instruction, such funds shall not be invested. A Permitted Investment acquired with funds deposited in the Collection Account shall mature not later than the Business Day immediately preceding any Payment Date, and shall not be sold or disposed of prior to its maturity unless (i) the Servicer determines (in its commercially reasonable discretion) there is a substantial risk of material deterioration of such Permitted Investment and (ii) the Administrative Agent consents, in its sole discretion, to such sale or disposition. All such Permitted Investments shall be registered in the name of the Account Bank or its nominee for the benefit of the

Administrative Agent or the Collateral Agent, and shall otherwise comply with the assumptions of the legal opinions of Latham & Watkins LLP dated the Closing Date and delivered in connection with this Agreement; provided that compliance shall be the responsibility of the Borrower and the Servicer and not the Collateral Agent and Account Bank. All income and gain realized from any such investment, as well as any interest earned on deposits in the Collection Account shall be distributed in accordance with the provisions of Article II hereof. The Borrower shall and the ~~Equityholder~~ Servicer, in its capacity as the sole owner of the Borrower, may deposit in the Collection Account or the Unfunded Exposure Account, as the case may be (with respect to investments made hereunder of funds held therein), an amount equal to the amount of any actual loss incurred, in respect of any such investment, immediately upon realization of such loss. None of the Account Bank, the Collateral Agent, the Administrative Agent, any Lender Agent or any Lender shall be liable for the amount of any loss incurred, in respect of any investment, or lack of investment, of funds held in the Collection Account, other than with respect to fraud or their own gross negligence or willful misconduct. The parties hereto acknowledge that the Collateral Agent or any of its Affiliates may receive compensation with respect to the Permitted Investments.

(e) Until the Collection Date, neither the Borrower nor the Servicer shall have any rights of direction or withdrawal with respect to amounts held in the Collection Account, except to the extent explicitly set forth in Sections 2.04, 2.19(d) or 2.20.

Section 2.20 Reinvestment of Principal Collections.

On the terms and conditions hereinafter set forth as certified in writing to the Collateral Agent, the Lender Agents and Administrative Agent, the Servicer may, to the extent of any Principal Collections on deposit in the Principal Collection Account:

(a) prior to the end of the Reinvestment Period, withdraw such funds for the purpose of reinvesting in additional Eligible Loan Assets to be Pledged hereunder; provided that the following conditions are satisfied:

(i) all conditions precedent set forth in Section 3.04 have been satisfied;

(ii) no Event of Default has occurred and is continuing, or would result from such withdrawal and reinvestment, and no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such withdrawal and reinvestment;

(iii) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 hereof shall continue to be true and correct in all respects, except to the extent relating to an earlier date;

(iv) the Servicer provides same day written notice to the Administrative Agent and the Collateral Agent by facsimile or email (to be received no later than 1:00 p.m. on such day) of the request to withdraw Principal Collections and the amount of such request;

(v) the notice required in clause (iv) above shall be accompanied by a Disbursement Request and a Borrowing Base Certificate, each executed by the Borrower and a Responsible Officer of the Servicer; and

(vi) the Collateral Agent provides to the Administrative Agent by facsimile or e-mail (to be received no later than 1:30 p.m. on that same day) a statement reflecting the total amount on deposit as of the opening of business on such day in the Principal Collection Account; or

(b) prior to the Facility Maturity Date, withdraw such funds for the purpose of making payments in respect of the Advances Outstanding at such time in accordance with and subject to the terms of Section 2.18.

Upon the satisfaction of the applicable conditions set forth in this Section 2.20 (as certified by the Borrower to the Collateral Agent and the Administrative Agent), the Collateral Agent shall instruct the Account Bank to release funds from the Principal Collection Account to the Servicer in an amount not to exceed the lesser of (A) the amount requested by the Servicer and (B) the amount on deposit in the Principal Collection Account on such day.

Section 2.21 Additional Lenders.

The Borrower may, with the written consent of the Administrative Agent, add additional Persons as Lenders. Each additional Lender and its applicable Lender Agent shall become a party hereto by executing and delivering to the Administrative Agent and the Borrower a Joinder Supplement.

Section 2.22 Defaulting Lenders.

(a) Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by Applicable Law:

(i) That Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in Section 11.01.

(ii) Any payment of principal interest, fees or other amounts received by the Administrative Agent for the account of that Defaulting Lender (whether voluntary or mandatory, at maturity, or otherwise), shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent hereunder; *second*, as the Borrower may request (so long as no Unmatured Event of Default or Event of Default exists), to the funding of any Advance in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third*, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released in

order to satisfy obligations of that Defaulting Lender to fund Advances under this Agreement; *fourth*, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; *fifth*, so long as no Unmatured Event of Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by such Borrower against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and *sixth*, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if such payment is a payment of the principal amount of any Advances in respect of which that Defaulting Lender has not fully funded its appropriate share, such payment shall be applied solely to pay the Advances of all non-Defaulting Lenders on a *pro rata* basis prior to being applied to the payment of any Advances of that Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this Section 2.22 shall be deemed paid to and redirected by that Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) For any period during which that Lender is a Defaulting Lender, that Defaulting Lender shall not be entitled to receive any Non-Usage Fee for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to such Defaulting Lender).

(b) If the Administrative Agent determines (subject to the consent of the Borrower, not to be unreasonably withheld, conditioned or delayed) that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), that Lender will, to the extent applicable purchase that portion of outstanding Advances of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Advances to be held on a *pro rata* basis by the Lenders in accordance with their Pro Rata Shares, whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. For the avoidance of doubt, no Breakage Fee shall be payable to any Lender under this Section 2.22(b).

ARTICLE III.

CONDITIONS PRECEDENT

Section 3.01 Conditions Precedent to Effectiveness. This Agreement shall be effective upon satisfaction of the conditions precedent that:

(i) all fees and reasonable and documented out-of-pocket expenses (including reasonable legal fees, the Structuring Fee and any fees required under any Lender Fee Letter and the WFBNA Fee Letter) that are invoiced at or prior to the Closing Date shall have been paid in full and all other acts and conditions (including, without limitation, the obtaining of any necessary consents, all required legal opinions and regulatory approvals and the making of any required filings, recordings or registrations) required to be done and performed and to have happened prior to the execution, delivery and performance of this Agreement and all related Transaction Documents and to constitute the same legal, valid and binding obligations, enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in due and strict compliance with all Applicable Law;

(ii) in the reasonable judgment of the Administrative Agent and each Lender Agent, there has not been any change after the date hereof in Applicable Law which adversely affects any Lender's or the Administrative Agent's ability to enter into the transactions contemplated by the Transaction Documents or any material adverse change or material disruption after the date hereof in the financial, banking or commercial loan or capital markets generally;

(iii) any and all information in writing submitted to each Lender, Lender Agent and the Administrative Agent by the Borrower, the Transferor or the Servicer or any of their Affiliates is true, accurate, complete in all material respects and not misleading in any material respect;

(iv) each Lender Agent shall have received, all documentation and other information requested by such Lender Agent in its sole discretion and/or required by regulatory authorities with respect to the Borrower, the Transferor and the Servicer (and each Affiliate and any key personnel of the foregoing) under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act, all in form and substance satisfactory to each Lender Agent;

(v) the Administrative Agent shall have received on or before the date of such effectiveness the items listed in Schedule I hereto, each in form and substance satisfactory to the Administrative Agent and each Lender Agent;

(vi) in the judgment of the Administrative Agent, there shall have been no material adverse changes in the Borrower's (and the Servicer's, as applicable) underwriting, servicing, collection, operating, and reporting procedures and systems since the completion of due diligence; and

(vii) the results of Administrative Agent's financial, legal, tax and accounting due diligence relating to the Transferor, the Borrower, the Servicer, the Eligible Loan Assets and the transactions contemplated hereunder are satisfactory to Administrative Agent; ~~and (viii) the Administrative Agent has received confirmation that the Committed Equity Capital is at least \$200,000,000 as of the Closing Date.~~

Section 3.02 Conditions Precedent to All Advances. Each Advance (including the Initial Advance, except as explicitly set forth below) to the Borrower from the Lenders shall be subject to the further conditions precedent that:

(a) On the Advance Date of such Advance, the following statements shall be true and correct, and the Borrower by accepting any amount of such Advance shall be deemed to have certified that:

(i) the Servicer (on behalf of the Borrower) shall have delivered to the Administrative Agent and each Lender Agent (with a copy to the Collateral Custodian and the Collateral Agent) no later than 2:00 p.m. on the date of such Advance: (A) a Notice of Borrowing, (B) a Borrowing Base Certificate, (C) a Loan Tape, (D) an Approval Notice (with respect to any such Loan Asset added to the Collateral Portfolio on the related Advance Date) and (E) such additional information as may be reasonably requested by the Administrative Agent and, except with respect to an Advance under Section 2.02(f), and an executed copy of each assignment and assumption agreement, transfer document or instrument (including any Loan Assignment) relating to each Loan Asset to be Pledged evidencing the assignment of such Loan Asset from any prior third party owner thereof directly to the Borrower (other than in the case of any Loan Asset acquired or funded by the Borrower at origination) and a Loan Assignment in the form of Exhibit A to the Purchase and Sale Agreement (including Schedule I thereto);

(ii) except with respect to an Advance under Section 2.02(f), the Borrower shall have delivered to the Collateral Custodian (with a copy to the Administrative Agent), no later than 2:00 p.m. on the related Advance Date, a faxed or e-mailed copy of the duly executed original promissory notes of the Loan Assets (and, in the case of any Noteless Loan Asset, a fully executed assignment agreement) and if any Loan Assets are closed in escrow, a certificate (in the form of Exhibit H) from the closing attorneys of such Loan Assets certifying the possession of the Required Loan Documents; provided that, notwithstanding the foregoing, the Borrower shall cause the Loan Asset Checklist and the Required Loan Documents to be in the possession of the Collateral Custodian within five Business Days of any related Advance Date as to any Loan Assets;

(iii) except with respect to an Advance required by Section 2.02(f), the representations and warranties contained in Sections 4.01, 4.02 and 4.03 are true and correct in all respects, and there exists no breach of any covenant contained in Sections 5.01, 5.02, 5.03 and 5.04 before and after giving effect to the Advance to take place on such Advance Date and to the application of proceeds therefrom, on and as of such day as though made on and as of such date (other than any representation and warranty that is made as of a specific date);

(iv) except with respect to an Advance under Section 2.02(f), no Event of Default has occurred and is continuing, or would result from such Advance, and no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such Advance;

(v) no event has occurred and is continuing, or would result from such Advance, which constitutes a Servicer Termination Event or any event which, if it continues uncured, will, with notice or lapse of time, constitute a Servicer Termination Event;

(vi) since the Closing Date, no material adverse change has occurred in the ability of the Servicer, Transferor or the Borrower to perform its obligations under any Transaction Document;

(vii) no Liens (other than Permitted Liens) exist in respect of Taxes which are prior to the lien of the Collateral Agent on the Loan Asset to be pledged on such Advance Date; and

(viii) all terms and conditions of the Purchase and Sale Agreement required to be satisfied in connection with the assignment of each Loan Asset being pledged hereunder on such Advance Date (and the Portfolio Assets related thereto), including, without limitation, the perfection of the Borrower's interests therein, shall have been satisfied in full, and all filings (including, without limitation, UCC filings) required to be made by any Person and all actions required to be taken or performed by any Person in any jurisdiction to give the Collateral Agent, for the benefit of the Secured Parties, a first priority perfected security interest (subject only to Permitted Liens) in such Loan Assets and the Portfolio Assets related thereto and the proceeds thereof shall have been made, taken or performed;

(b) The Administrative Agent shall have delivered an Approval Notice to the Borrower with respect to each of the Eligible Loan Assets identified in the applicable Loan Tape for inclusion in the Collateral Portfolio on the applicable Advance Date.

(c) No Applicable Law shall prohibit, and no order, judgment or decree of any federal, state or local court or governmental body, agency or instrumentality shall prohibit or enjoin, the making of such Advances by any Lender or the proposed Pledge of Eligible Loan Assets in accordance with the provisions hereof.

(d) Except with respect to an Advance required by Section 2.02(f), the proposed Advance Date shall take place during the Reinvestment Period and the Facility Maturity Date has not yet occurred.

(e) The Borrower shall have paid all fees then required to be paid, including all fees required hereunder and under the applicable Lender Fee Letters and the WFBNA Fee Letter and shall have reimbursed the Lenders, the Administrative Agent, each Lender Agent, the Collateral Custodian, the Account Bank and the Collateral Agent for all fees, costs and expenses of closing the transactions contemplated hereunder and under the other Transaction Documents, including the reasonable attorney fees and any other legal and document preparation costs incurred by the Lenders, the Administrative Agent and each Lender Agent.

(f) Evidence shall have been provided to the Administrative Agent in form and substance satisfactory to the Administrative Agent that the Minimum Equity Amount has been contributed to the Borrower.

The failure of the Borrower to satisfy any of the foregoing conditions precedent in respect of any Advance shall give rise to a right of the Administrative Agent and the applicable Lender Agent, which right may be exercised at any time on the demand of the applicable Lender Agent, to rescind the related Advance and direct the Borrower to pay to the applicable Lender Agent for the benefit of the applicable Lender an amount equal to the Advances made during any such time that any of the foregoing conditions precedent were not satisfied or waived in writing.

Section 3.03 Advances Do Not Constitute a Waiver. No Advance made hereunder shall constitute a waiver of any condition to any Lender's obligation to make such an advance unless such waiver is in writing and executed by such Lender.

Section 3.04 Conditions to Acquisitions of Loan Assets. Each Pledge of an additional Eligible Loan Asset pursuant to Section 2.06, a Substitute Eligible Loan Asset pursuant to Section 2.07(a) or (c), an additional Eligible Loan Asset pursuant to Section 2.20 or any other Pledge of a Loan Asset hereunder and the inclusion of each such Eligible Loan Asset in the calculation of the Borrowing Base shall be subject to the further conditions precedent that (as certified to the Collateral Agent by the Borrower):

(a) the Servicer (on behalf of the Borrower) shall have delivered to the Administrative Agent and each Lender Agent (with a copy to the Collateral Custodian and the Collateral Agent) no later than 2:00 p.m. on the related Cut-Off Date: (A) a Borrowing Base Certificate, (B) a Loan Tape, (C) an Approval Notice (with respect to each Loan Asset added to the Collateral Portfolio on the related Cut-Off Date) and (D) such additional information as may be reasonably requested by the Administrative Agent and an executed copy of each assignment and assumption agreement, transfer document or instrument (including any Loan Assignment) relating to each Loan Asset to be pledged evidencing the assignment of such Loan Asset from any prior third party owner thereof directly to the Borrower (other than in the case of any Loan Asset acquired by the Borrower at origination) and a Loan Assignment in the form of Exhibit A to the Purchase and Sale Agreement (including Schedule I thereto);

(b) the Borrower shall have delivered to the Collateral Custodian (with a copy to the Administrative Agent), no later than 2:00 p.m. on the related Cut-Off Date, a faxed or e-mailed copy of the duly executed original promissory notes of the Loan Assets (and, in the case of any Noteless Loan Asset, a fully executed assignment agreement) and if any Loan Assets are closed in escrow, a certificate (in the form of Exhibit H) from the closing attorneys of such Loan Assets certifying the possession of the Required Loan Documents; provided that, notwithstanding the foregoing, the Borrower shall cause the Loan Asset Checklist and the Required Loan Documents for a Loan Asset to be in the possession of the Collateral Custodian within five Business Days after the related Cut-Off Date as to such Loan Asset;

(c) the Administrative Agent shall have delivered an Approval Notice to the Borrower with respect to each of the Eligible Loan Assets identified in the applicable Loan Tape for inclusion in the Collateral Portfolio on the applicable Cut-Off Date;

(d) no Event of Default has occurred and is continuing, or would result from such Pledge, and no Unmatured Event of Default exists, or would result from such Pledge (other than, with respect to any Pledge of an Eligible Loan Asset necessary to facilitate a cure of a Borrowing Base Deficiency in accordance with Section 2.06 or Section 2.07, an Unmatured Event of Default arising solely pursuant to such Borrowing Base Deficiency);

(e) no event has occurred and is continuing, or would result from such Pledge, which constitutes a Servicer Termination Event or any event which, if it continues uncured, will, with notice or lapse of time, constitute a Servicer Termination Event;

(f) since the Closing Date, no material adverse change has occurred in the ability of the Servicer, Transferor or the Borrower to perform its obligations under any Transaction Document;

(g) no Liens (other than Permitted Liens) exist in respect of Taxes which are prior to the lien of the Collateral Agent on the Loan Asset to be pledged on such Cut-Off Date;

(h) all terms and conditions of the Purchase and Sale Agreement required to be satisfied in connection with the assignment of each Loan Asset being Pledged (and the Portfolio Assets related thereto), including, without limitation, the perfection of the Borrower's interests therein, shall have been satisfied in full, and all filings (including, without limitation, UCC filings) required to be made by any Person and all actions required to be taken or performed by any Person in any jurisdiction to give the Collateral Agent, for the benefit of the Secured Parties, a first priority perfected security interest (subject only to Permitted Liens) in such Loan Assets and the Portfolio Assets related thereto and the proceeds thereof shall have been made, taken or performed; and

(i) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 are true and correct in all respects, and there exists no breach of any covenant contained in Sections 5.01, 5.02, 5.03 and 5.04 before and after giving effect to the Pledge to take place on such date, on and as of such day as though made on and as of such date (other than any representation and warranty that is made as of a specific date).

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower hereby represents and warrants, as of the Closing Date, as of each applicable Cut-Off Date, as of each applicable Advance Date, as of each Reporting Date and as of each other date provided under this Agreement or the other Transaction Documents on which such representations and warranties are required to be (or deemed to be) made (unless a specific date is specified below):

(a) Organization, Good Standing and Due Qualification. The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware (subject to Section 5.02(p)) and has the power and all licenses necessary to own its assets and to transact the business in which it is engaged and is duly qualified and in good standing under the laws of each jurisdiction where the transaction of such business or its ownership of the Loan Assets and the Collateral Portfolio requires such qualification.

(b) Power and Authority; Due Authorization; Execution and Delivery. The Borrower has the power, authority and legal right to make, deliver and perform this Agreement and each of the Transaction Documents to which it is a party and all of the transactions contemplated hereby and thereby, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and each of the Transaction Documents to which it is a party, and to grant to the Collateral Agent, for the benefit of the Secured Parties, a first priority perfected security interest in the Collateral Portfolio on the terms and conditions of this Agreement, subject only to Permitted Liens.

(c) Binding Obligation. This Agreement and each of the Transaction Documents to which the Borrower is a party constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with their respective terms, except as the enforceability hereof and thereof may be limited by Bankruptcy Laws and by general principles of equity (whether such enforceability is considered in a proceeding in equity or at law).

(d) All Consents Required. No consent of any other party and no consent, license, approval or authorization of, or registration or declaration with, any Governmental Authority, bureau or agency is required in connection with the execution, delivery or performance by the Borrower of this Agreement or any Transaction Document to which it is a party or the validity or enforceability of this Agreement or any such Transaction Document or the Loan Assets or the transfer of a security interest in such Loan Assets, other than such as have been met or obtained and are in full force and effect.

(e) No Violation. The execution, delivery and performance of this Agreement by the Borrower and all other agreements and instruments executed and delivered or to be executed and delivered by it pursuant hereto or thereto in connection with the Pledge of the Collateral Portfolio will not (i) create any Lien on the Collateral Portfolio other than Permitted Liens or (ii) violate any Applicable Law or the certificate of formation or limited liability company agreement of the Borrower or (iii) violate any contract or other material agreement to which the Borrower is a party or by which the Borrower or any property or assets of the Borrower may be bound.

(f) No Proceedings. There is no litigation or administrative proceeding or investigation pending or, to the knowledge of the Borrower, threatened against the Borrower or any properties of the Borrower, before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document to which the Borrower is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any other Transaction Document to which the Borrower is a party or (iii) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

(g) Bulk Sales. The grant of the security interest in the Collateral Portfolio by the Borrower to the Collateral Agent, for the benefit of the Secured Parties, pursuant to this Agreement, is in the ordinary course of business for the Borrower and is not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

(h) Pledge of Collateral Portfolio. Except as otherwise expressly permitted by the terms of this Agreement, no item of Collateral Portfolio has been sold, transferred, assigned or pledged by the Borrower to any Person, other than as contemplated by Article II and the Pledge of such Collateral Portfolio to the Collateral Agent, for the benefit of the Secured Parties, pursuant to the terms of this Agreement.

(i) Indebtedness. The Borrower has no Indebtedness or other indebtedness, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) Indebtedness incurred under the terms of the Transaction Documents and (ii) Indebtedness incurred pursuant to certain ordinary business expenses arising pursuant to the transactions contemplated by this Agreement and the other Transaction Documents.

(j) Sole Purpose. The Borrower has been formed solely for the purpose of engaging in transactions of the types contemplated by this Agreement, and has not engaged in any business activity other than the negotiation, execution and to the extent applicable, performance of this Agreement and the transactions contemplated by the Transaction Documents.

(k) No Injunctions. No injunction, writ, restraining order or other order of any nature adversely affects the Borrower's performance of its obligations under this Agreement or any Transaction Document to which the Borrower is a party.

(l) Taxes. The Borrower has filed or caused to be filed (on a consolidated basis or otherwise) on a timely basis all federal and all other material tax returns (including, without limitation, all federal and material foreign, state, local and other tax returns) required to be filed by it (subject to any extensions to file properly obtained by the same), is not liable for Taxes payable by any other Person and has paid or made adequate provisions for the payment of all Taxes, assessments and other governmental charges due and payable from the Borrower except for those Taxes being contested in good faith by appropriate proceedings and in respect of which it has established proper reserves on its books in accordance with GAAP. No Tax lien or similar adverse claim has been filed, and no claim is being asserted, with respect to any such

Tax, assessment or other governmental charge. Any Taxes, fees and other governmental charges due and payable by the Borrower, as applicable, in connection with the execution and delivery of this Agreement and the other Transaction Documents and the transactions contemplated hereby or thereby have been paid or shall have been paid if and when due.

(m) Location. The Borrower's location (within the meaning of Article 9 of the UCC) is Delaware. The chief executive office of the Borrower (and the location of the Borrower's records regarding the Collateral Portfolio (other than those delivered to the Collateral Custodian)) is located at the address set forth under its name in Section 11.02 (or at such other address as shall be designated by such party in a written notice to the other parties hereto).

(n) Tradenames. Except as permitted hereunder, the Borrower's legal name is as set forth in this Agreement. Except as permitted hereunder, the Borrower has not changed its name since its formation; does not have tradenames, fictitious names, assumed names or "doing business as" names other than as disclosed on Schedule II hereto (as such schedule may be updated from time to time by the Administrative Agent upon receipt of a notice delivered to the Administrative Agent pursuant to Section 5.02(p)); the Borrower's only jurisdiction of formation is Delaware, and, except as permitted hereunder, the Borrower has not changed its jurisdiction of formation.

(o) Solvency. The Borrower is not the subject of any Bankruptcy Proceedings or Bankruptcy Event. The Borrower is Solvent, and the transactions under this Agreement and any other Transaction Document to which the Borrower is a party do not and will not render the Borrower not Solvent. The Borrower is paying its debts as they become due (subject to any applicable grace period); and the Borrower, after giving effect to the transactions contemplated hereby, will have adequate capital to conduct its business.

(p) No Subsidiaries. The Borrower has no Subsidiaries except as permitted pursuant to Section 5.02(a).

(q) Value Given. The Borrower has given fair consideration and reasonably equivalent value to the Transferor in exchange for the purchase of the Loan Assets (or any number of them) purchased from the Transferor pursuant to the Purchase and Sale Agreement. No such transfer has been made for or on account of an antecedent debt owed by the Borrower to the Transferor and no such transfer is or may be voidable or subject to avoidance under any section of the Bankruptcy Code.

(r) Reports Accurate. All Servicer's Certificates, Servicing Reports (if prepared by the Borrower or to the extent that information contained therein is supplied by the Borrower), Notices of Borrowing, Borrowing Base Certificates and other written or electronic information, exhibits, financial statements, documents, books, records or reports furnished by the Borrower (or the Servicer on its behalf) to the Administrative Agent, the Collateral Agent, the Lenders, the Lender Agents, or the Collateral Custodian in connection with this Agreement are as of their date true, complete and correct in all material respects and no such document, certificate or information contains any material misstatement of fact or omits to state a material fact necessary to make the statements contained therein not misleading; provided that, solely

with respect to written or electronic information furnished by the Borrower which was provided to the Servicer from an Obligor with respect to a Loan Asset, such information need only be true, complete and correct in all material respects to the knowledge of the Borrower; provided, further, that the foregoing proviso shall not apply to any information presented in a Servicer's Certificate, Servicing Report, Notice of Borrowing or Borrowing Base Certificate.

(s) Exchange Act Compliance; Regulations T, U and X. None of the transactions contemplated herein or in the other Transaction Documents (including, without limitation, the use of proceeds from the sale of the Collateral Portfolio) will violate or result in a violation of Section 7 of the Exchange Act, or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. The Borrower does not own or intend to carry or purchase, and no proceeds from the Advances will be used to carry or purchase, any "margin stock" within the meaning of Regulation U or to extend "purpose credit" within the meaning of Regulation U.

(t) No Adverse Agreements. There are no agreements in effect adversely affecting the rights of the Borrower to make, or cause to be made, the grant of the security interest in the Collateral Portfolio contemplated by Section 2.13.

(u) Event of Default/Unmatured Event of Default. No event has occurred and is continuing which constitutes an Event of Default, and no event has occurred and is continuing which constitutes an Unmatured Event of Default (other than any Event of Default or Unmatured Event of Default which has previously been disclosed to the Administrative Agent as such).

(v) Servicing Standard. Borrower has purchased and will purchase only Loan Assets underwritten in accordance with the Servicing Standard.

(w) ERISA.

(i) The present value of all benefits vested under each "employee pension benefit plan," as such term is defined in Section 3(3) of ERISA, that is subject to Title IV of ERISA, Section 412 of the Code or Section 302 of ERISA (other than any Multiemployer Plan) and that is, or at any time during the preceding six years was, maintained by the Borrower or any ERISA Affiliate of the Borrower, or open to participation by employees of the Borrower or of any ERISA Affiliate of the Borrower, as from time to time in effect (each, a "Pension Plan"), does not exceed the value of the assets of the Pension Plan allocable to such vested benefits (based on the value of such assets as of the last annual valuation date). No non-exempt prohibited transactions, failure to meet the minimum funding standard set forth in Section 302(a) of ERISA and Section 412(a) of the Code (with respect to any Pension Plan other than a Multiemployer Plan), withdrawals or reportable events have occurred with respect to any Pension Plan that, in the aggregate, could subject the Borrower to any material Tax, penalty or other liability. No notice of intent to terminate a Pension Plan has been filed, nor has any Pension Plan been terminated under Section 4041(c) of ERISA, nor has the Pension Benefit Guaranty Corporation instituted proceedings to terminate, or appoint a trustee to administer a Pension Plan and no event has

occurred or condition exists that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan.

(ii) Borrower is not a Benefit Plan Investor or a Governmental Plan Entity.

(x) Allocation of Charges. There is not any agreement or understanding between the Servicer and the Borrower (other than as expressly set forth herein or as consented to by the Administrative Agent), providing for the allocation or sharing of obligations to make payments or otherwise in respect of any Taxes, fees, assessments or other governmental charges; provided that it is understood and acknowledged that the Borrower will be consolidated with the ~~Equityholder~~Transferor for tax purposes.

(y) Broker-Dealer. The Borrower is not a broker-dealer or subject to the Securities Investor Protection Act of 1970, as amended.

(z) Instructions to Obligors. The Collection Account is the only account to which Obligors have been instructed by the Borrower, or the Servicer on the Borrower's behalf, to send Principal Collections and Interest Collections on the Collateral Portfolio. The Borrower has not granted any Person other than the Collateral Agent, on behalf of the Secured Parties, an interest in the Collection Account.

(aa) Investment Company Act. The Borrower is not required to register as an "investment company" under the provisions of the 1940 Act.

(bb) Compliance with Law. The Borrower has complied in all material respects with all Applicable Law to which it may be subject, and no item of the Collateral Portfolio contravenes any Applicable Law.

(cc) Collections. The Borrower acknowledges that all Available Collections received by it or its Affiliates with respect to the Collateral Portfolio Pledged hereunder are held and shall be held in trust for the benefit of the Collateral Agent, on behalf of the Secured Parties until deposited into the Collection Account within two Business Days after receipt as required herein.

(dd) Set-Off, etc. No Loan Asset has been compromised, adjusted, extended, satisfied, subordinated, rescinded, set-off or modified by the Borrower, the Transferor or the Obligor thereof, and no Loan Asset in the Collateral Portfolio is subject to compromise, adjustment, extension, satisfaction, subordination, rescission, set-off, counterclaim, defense, abatement, suspension, deferment, deduction, reduction, termination or modification, whether arising out of transactions concerning the Collateral Portfolio or otherwise, by the Borrower, the Transferor or the Obligor with respect thereto, except, in each case, for amendments, extensions and modifications, if any, to such Collateral Portfolio otherwise permitted pursuant to Section 6.02(a) of this Agreement and in accordance with the Servicing Standard.

(ee) Full Payment. As of the applicable Cut-Off Date thereof, the Borrower has no knowledge of any fact which should lead it to expect that any Loan Asset will not be paid in full.

(ff) Environmental. With respect to each item of Underlying Collateral as of the applicable Cut-Off Date for the Loan Asset related to such Underlying Collateral, to the actual knowledge of a Responsible Officer of the Borrower: (a) the related Obligor's operations comply with all applicable Environmental Laws; and (b) the related Obligor does not have any contingent liability in connection with any release of any Hazardous Materials into the environment. As of the applicable Cut-Off Date for the Loan Asset related to such Underlying Collateral and except as disclosed in writing to the Administrative Agent as a notice or inquiry that may contravene this Section 4.01(ff) in connection with the approval of such Loan Asset, the Borrower has not received any written or verbal notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws that would reasonably be expected to impact the value of any of the Underlying Collateral.

(gg) USA PATRIOT Act. Neither the Borrower nor any Affiliate of the Borrower is (i) a country, territory, organization, person or entity named on an Office of Foreign Asset Control (OFAC) list; (ii) a Person that resides or has a place of business in a country or territory named on such lists or which is designated as a "Non-Cooperative Jurisdiction" by the Financial Action Task Force on Money Laundering, or whose subscription funds are transferred from or through such a jurisdiction; (iii) a "Foreign Shell Bank" within the meaning of the USA PATRIOT Act, i.e., a foreign bank that does not have a physical presence in any country and that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision; or (iv) a person or entity that resides in or is organized under the laws of a jurisdiction designated by the United States Secretary of the Treasury under Sections 311 or 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns. Sanctions. None of the Borrower nor, to its knowledge, any Person directly or indirectly Controlling the Borrower (i) is a Sanctioned Person; (ii) is controlled by or is acting on behalf of a Sanctioned Person; or (iii) shall cause the Obligations to be repaid with proceeds derived from any transaction that would be prohibited by Sanctions or would otherwise cause any Lender or any other party to this Agreement to be in breach of any Sanctions. To each such Person's knowledge, no investor in such Person is a Sanctioned Person.

(hh) Beneficial Ownership Certification. The information included in the Beneficial Ownership Certification, if any, is true and correct in all respects.

(ii) ~~(hh)~~ Confirmation from the EquityholderServicer. The Borrower has received in writing from the EquityholderServicer confirmation that such EquityholderServicer will not cause the Borrower to file a voluntary bankruptcy petition under the Bankruptcy Code.

(jj) ~~(ii)~~ Accuracy of Representations and Warranties. Each representation or warranty by the Borrower contained herein or in any certificate or other document furnished by the Borrower pursuant hereto or in connection herewith is true and correct in all respects.

~~(kk)~~ ~~(jj)~~ Reaffirmation of Representations and Warranties. On each day that any Advance is made hereunder, the Borrower shall be deemed to have certified that all representations and warranties described in Section 4.01 and Section 4.02 are true and correct on and as of such day as though made on and as of such day, except for any such representations or warranties which are made as of a specific date.

(ll) ~~(kk)~~ Security Interest.

(i) This Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Borrower's right in the Collateral Portfolio in favor of the Collateral Agent, on behalf of the Secured Parties, which security interest is prior to all other Liens (except for Permitted Liens), and is enforceable as such against creditors of and purchasers from the Borrower;

(ii) the Collateral Portfolio is comprised of "instruments", "security entitlements", "general intangibles", "tangible chattel paper", "accounts", "certificated securities", "uncertificated securities", "securities accounts", "deposit accounts", "supporting obligations" or "insurance" (each as defined in the applicable UCC), real property and/or such other category of collateral under the applicable UCC as to which the Borrower has complied with its obligations under this Section 4.01 ~~(kk)~~ (ll);

(iii) with respect to Collateral Portfolio that constitute "security entitlements":

a. all of such security entitlements have been credited to one of the Controlled Accounts and the securities intermediary for each Controlled Account has agreed to treat all assets credited to such Controlled Account as "financial assets" within the meaning of the applicable UCC;

b. the Borrower has taken all steps necessary to cause the securities intermediary to identify in its records the Borrower, subject to the lien of the Collateral Agent, for the benefit of the Secured Parties, as the Person having a security entitlement against the securities intermediary in each of the Controlled Accounts; and

c. the Controlled Accounts are not in the name of any Person other than the Borrower, subject to the lien of the Collateral Agent, for the benefit of the Secured Parties. The securities intermediary of any Controlled Account which is a "securities account" under the UCC has agreed to comply with the entitlement orders and instructions of the Borrower, the Servicer and the Collateral Agent (acting at the direction of the Administrative Agent) in accordance with the Transaction Documents, including causing cash to be invested in Permitted Investments; provided that, upon the delivery of a Notice of Exclusive Control by the Collateral

Agent (acting at the direction of the Administrative Agent), the securities intermediary has agreed to only follow the entitlement orders and instructions of the Collateral Agent, on behalf of the Secured Parties, including with respect to the investment of cash in Permitted Investments.

(iv) all Controlled Accounts constitute “securities accounts” or “deposit accounts” as defined in the applicable UCC;

(v) with respect to any Controlled Account which constitutes a “deposit account” as defined in the applicable UCC, the Borrower, the Account Bank and the Collateral Agent, on behalf of the Secured Parties, have entered into an account control agreement which permits the Collateral Agent on behalf of the Secured Parties to direct disposition of the funds in such deposit account following delivery of a Notice of Exclusive Control;

(vi) the Borrower owns and has good and marketable title to (or with respect to assets securing any Loan Assets, a valid security interest in) the Collateral Portfolio free and clear of any Lien (other than Permitted Liens) of any Person;

(vii) the Borrower has received all consents and approvals required by the terms of any Loan Asset to the granting of a security interest in the Loan Assets hereunder to the Collateral Agent, on behalf of the Secured Parties;

(viii) the Borrower has caused the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under Applicable Law in order to perfect the security interest in the Collateral Portfolio and that portion of the Loan Assets in which a security interest may be perfected by filing of a UCC financing statement granted to the Collateral Agent, on behalf of the Secured Parties, under this Agreement;

(ix) other than as expressly permitted by the terms of this Agreement the security interest granted to the Collateral Agent, on behalf of the Secured Parties, pursuant to this Agreement, the Borrower has not pledged, assigned, sold, granted a security interest in or otherwise conveyed any of the Collateral Portfolio. The Borrower has not authorized the filing of and is not aware of any financing statements against the Borrower that include a description of collateral covering the Collateral Portfolio other than any financing statement (A) relating to the security interests granted to the Borrower under the Purchase and Sale Agreement, or (B) that has been terminated and/or fully and validly assigned to the Collateral Agent on or prior to the date hereof. The Borrower is not aware of the filing of any judgment or Tax lien filings against the Borrower;

(x) all original executed copies of each underlying promissory note or electronic copies of each Loan Asset Register, as applicable, that constitute or evidence each Loan Asset has been, or subject to the delivery requirements contained herein, will be delivered to the Collateral Custodian;

(xi) other than in the case of Noteless Loan Assets, the Borrower has received, or subject to the delivery requirements contained herein will receive, a written acknowledgment from the Collateral Custodian that the Collateral Custodian, as the bailee of the Collateral Agent, is holding the underlying promissory notes that constitute or evidence the Loan Assets solely on behalf of and for the Collateral Agent, for the benefit of the Secured Parties; provided that the acknowledgment of the Collateral Custodian set forth in Section 12.11 may serve as such acknowledgement;

(xii) none of the underlying promissory notes, or Loan Asset Registers, as applicable, that constitute or evidence the Loan Assets has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Collateral Agent, on behalf of the Secured Parties;

(xiii) with respect to any Collateral Portfolio that constitutes a “certificated security,” such certificated security has been delivered to the Collateral Custodian, on behalf of the Secured Parties and, if in registered form, has been specially Indorsed to the Collateral Custodian, for the benefit of the Secured Parties, or in blank by an effective Indorsement or has been registered in the name of the Collateral Custodian, for the benefit of the Secured Parties, upon original issue or registration of transfer by the Borrower of such certificated security; and

(xiv) with respect to any Collateral Portfolio that constitutes an “uncertificated security”, that the Borrower shall either cause the issuer of such uncertificated security to register the Collateral Agent, on behalf of the Secured Parties, as the registered owner of such uncertificated security or will cause the issuer to comply with the instructions of the Collateral Agent without further consent of the Borrower.

Section 4.02 Representations and Warranties of the Borrower Relating to the Agreement and the Collateral Portfolio. The Borrower hereby represents and warrants, as of the Closing Date, as of each applicable Cut-Off Date, as of each applicable Advance Date, as of each Reporting Date and any date which Loan Assets are Pledged hereunder and as of each other date provided under this Agreement or the other Transaction Documents on which such representations and warranties are required to be (or deemed to be) made (unless a specific date is specified below):

(a) Valid Transfer and Security Interest. This Agreement constitutes a grant of a security interest in all of the Collateral Portfolio to the Collateral Agent, for the benefit of the Secured Parties, which upon the delivery of the Required Loan Documents to the Collateral Custodian, the crediting of Loan Assets to the Controlled Accounts and the filing of the financing statements, shall be a valid and first priority perfected security interest in the Loan Assets forming a part of the Collateral Portfolio and in that portion of the Loan Assets in which a security interest may be perfected by filing subject only to Permitted Liens. Neither the Borrower nor any Person claiming through or under the Borrower shall have any claim to or

interest in the Controlled Accounts and, if this Agreement constitutes the grant of a security interest in such property, except for the interest of the Borrower in such property as a debtor for purposes of the UCC.

(b) Eligibility of Collateral Portfolio. (i) The Loan Tape and the information contained in each Notice of Borrowing, is an accurate and complete listing of all the Loan Assets contained in the Collateral Portfolio as of the related Cut-Off Date and the information contained therein with respect to the identity of such item of Collateral Portfolio and the amounts owing thereunder is true and correct in all material respects as of the related Cut-Off Date, (ii) each Loan Asset designated on any Borrowing Base Certificate as an Eligible Loan Asset and each Loan Asset included as an Eligible Loan Asset in any calculation of Borrowing Base or Borrowing Base Deficiency is an Eligible Loan Asset, in each case, satisfying all criteria set forth in the definition of “Eligibility Criteria” and (iii) with respect to each item of Collateral Portfolio, all consents, licenses, approvals or authorizations of or registrations or declarations of any Governmental Authority or any Person required to be obtained, effected or given by the Borrower in connection with the transfer of a security interest in each item of Collateral Portfolio to the Collateral Agent, for the benefit of the Secured Parties, have been duly obtained, effected or given and are in full force and effect. For the avoidance of doubt, any inaccurate representation that a Loan Asset is an Eligible Loan Asset hereunder or under the Purchase and Sale Agreement shall not constitute an Event of Default if the Borrower complies with Section 2.07(c) hereunder and the Transferor complies with Section 6.1 of the Purchase and Sale Agreement.

(c) No Fraud. Each Loan Asset was originated or acquired without any fraud or material misrepresentation by the Transferor or, to the Borrower’s knowledge, on the part of the Obligor.

Section 4.03 Representations and Warranties of the Servicer. The Servicer hereby represents and warrants, as of the Closing Date, as of each applicable Cut-Off Date, as of each applicable Advance Date, as of each Reporting Date and as of each other date provided under this Agreement or the other Transaction Documents on which such representations and warranties are required to be (or deemed to be) made (unless a specific date is specified below):

(a) Organization and Good Standing. The Servicer has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Maryland (except as such jurisdiction is changed as permitted hereunder), with all requisite power and authority to own or lease its properties and to conduct its business as such business is presently conducted and to enter into and perform its obligations pursuant to this Agreement.

(b) Due Qualification. The Servicer is duly qualified to do business as a corporation and is in good standing as a corporation, and has obtained all necessary licenses and approvals in all jurisdictions in which the ownership or lease of its property and or the conduct of its business requires such qualification, licenses or approvals, except where failure to be in good standing or obtain such licenses or approvals would not reasonably be expected to have a Material Adverse Effect.

(c) Power and Authority; Due Authorization; Execution and Delivery. The Servicer (i) has all necessary power, authority and legal right to (a) execute and deliver this Agreement and the other Transaction Documents to which it is a party, (b) carry out the terms of the Transaction Documents to which it is a party, and (ii) has duly authorized by all necessary corporate action the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party. This Agreement and each other Transaction Document to which the Servicer is a party have been duly executed and delivered by the Servicer.

(d) Binding Obligation. This Agreement and each other Transaction Document to which the Servicer is a party constitutes a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its respective terms, except as such enforceability may be limited by Bankruptcy Laws and general principles of equity (whether considered in a suit at law or in equity).

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party and the fulfillment of the terms hereof and thereof will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the Servicer's articles of incorporation or by-laws or any contractual obligation of the Servicer, (ii) result in the creation or imposition of any Lien (other than Permitted Liens) upon any of the Servicer's properties pursuant to the terms of any such contractual obligation, other than this Agreement, or (iii) violate any Applicable Law.

(f) No Proceedings. There is no litigation, proceeding or investigation pending or, to the knowledge of the Servicer, threatened against the Servicer, before any Governmental Authority (i) asserting the invalidity of this Agreement or any other Transaction Document to which the Servicer is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or any other Transaction Document to which the Servicer is a party or (iii) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

(g) All Consents Required. All approvals, authorizations, consents, orders, licenses or other actions of any Person or of any Governmental Authority (if any) required for the due execution, delivery and performance by the Servicer of this Agreement and any other Transaction Document to which the Servicer is a party have been obtained.

(h) Reports Accurate. No Borrowing Base Certificate, information, exhibit, financial statement, document, book, record or report furnished by the Servicer to the Administrative Agent, the Collateral Agent, the Lenders, the Lender Agents, or the Collateral Custodian in connection with this Agreement is inaccurate in any material respect as of the date it is dated, and no such document, certificate or information contains any misstatement of material fact or omits to state a material fact necessary to make the statements contained therein not misleading; provided that, solely with respect to written or electronic information furnished by the Borrower which was provided to the Servicer from an Obligor with respect to a Loan Asset, such information need only be true, complete and correct in all material respects to the

knowledge of the Borrower; provided, further, that the foregoing proviso shall not apply to any information presented in a Servicer's Certificate, Servicing Report, Notice of Borrowing or Borrowing Base Certificate.

(i) Collections. The Servicer acknowledges that all Available Collections received by the Borrower or its Affiliates with respect to the Collateral Portfolio Pledged hereunder are held and shall be held in trust for the benefit of the Collateral Agent, on behalf of the Secured Parties until deposited into the Collection Account within two Business Days after receipt as required herein.

(j) Investment Company Act. The Servicer is an "investment company" that has elected to be regulated as a "business development company" within the meaning of the 1940 Act.

(k) Solvency. The Servicer is not the subject of any Bankruptcy Proceedings or Bankruptcy Event. The transactions under this Agreement and any other Transaction Document to which the Servicer is a party do not and will not render the Servicer not Solvent.

(l) Taxes. The Servicer has filed or caused to be filed all federal and all other material tax returns (including, without limitation, all federal and material foreign, state, local and other tax returns) that are required to be filed by it (subject to any extensions to file properly obtained by the same). The Servicer has paid or made adequate provisions for the payment of all Taxes and all assessments made against it or any of its property (other than any amount of Tax the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with GAAP have been provided on the books of the Servicer), and no Tax lien has been filed and, to the Servicer's knowledge, no claim is being asserted, with respect to any such Tax, assessment or other governmental charge.

(m) Security Interest. Upon the filing of UCC-1 financing statements naming the Collateral Agent as secured party and the Borrower as debtor, the Collateral Agent, for the benefit of the Secured Parties, shall have a valid and first priority perfected security interest in the Loan Assets and in the Borrower's right in that portion of the Collateral Portfolio in which a security interest may be perfected by filing of a UCC financing statement (except for any Permitted Liens). All filings (including, without limitation, such UCC filings) as are necessary for the perfection of the Secured Parties' security interest in the Loan Assets and that portion of the Collateral Portfolio in which a security interest may be perfected by filing of a financing statement have been (or prior to the applicable Advance will be) made.

(n) ERISA. The present value of all benefits vested under each "employee pension benefit plan", as such term is defined in Section 3(3) of ERISA, that is subject to Title IV of ERISA, Section 412 of the Code or Section 302 of ERISA (other than any Multiemployer Plan) and that is, or at any time during the preceding six years was, maintained by the Servicer or any ERISA Affiliate of the Servicer, or open to participation by employees of the Servicer or of any ERISA Affiliate of the Servicer, as from time to time in effect (each, a "Servicer Pension Plan") does not exceed the value of the assets of the Servicer Pension Plan allocable to such vested benefits (based on the value of such assets as of the last annual valuation date). No prohibited transactions, failure to meet the minimum funding standard set forth in Section 302(a)

of ERISA and Section 412(a) of the Code (with respect to any Servicer Pension Plan other than a Multiemployer Plan), withdrawals or reportable events have occurred with respect to any Servicer Pension Plan that, in the aggregate, could subject the Servicer to any material Tax, penalty or other liability. No notice of intent to terminate a Servicer Pension Plan has been filed, nor has any Servicer Pension Plan been terminated under Section 4041(c) of ERISA, nor has the Pension Benefit Guaranty Corporation instituted proceedings to terminate, or appoint a trustee to administer, a Servicer Pension Plan and no event has occurred or condition exists that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Servicer Pension Plan.

~~(o) USA PATRIOT Act. Neither the Servicer nor any Affiliate of the Servicer is (i) a country, territory, organization, person or entity named on an OFAC list; (ii) a Person that resides or has a place of business in a country or territory named on such lists or which is designated as a “Non-Cooperative Jurisdiction” by the Financial Action Task Force on Money Laundering, or whose subscription funds are transferred from or through such a jurisdiction; (iii) a “Foreign Shell Bank” within the meaning of the USA PATRIOT Act, i.e., a foreign bank that does not have a physical presence in any country and that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision; or (iv) a person or entity that resides in or is organized under the laws of a jurisdiction designated by the United States Secretary of the Treasury under Sections 311 or 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns. Sanctions. None of the Servicer nor, to its knowledge, any Person directly or indirectly Controlling the Servicer (i) is a Sanctioned Person; (ii) is controlled by or is acting on behalf of a Sanctioned Person; or (iii) shall cause the Obligations to be repaid with proceeds derived from any transaction that would be prohibited by Sanctions or would otherwise cause any Lender or any other party to this Agreement to be in breach of any Sanctions. The Servicer will notify each Lender and Administrative Agent in writing promptly after becoming aware of any breach of this Section 4.03(o).~~

(p) Environmental. With respect to each item of Underlying Collateral as of the applicable Cut-Off Date for the Loan Asset related to such Underlying Collateral, to the actual knowledge of a Responsible Officer of the Servicer: (a) the related Obligor’s operations comply with all applicable Environmental Laws; and (b) the related Obligor does not have any contingent liability in connection with any release of any Hazardous Materials into the environment. As of the applicable Cut-Off Date for the Loan Asset related to such Underlying Collateral and except as disclosed in writing to the Administrative Agent as a notice or inquiry that may contravene this Section 4.03(p) in connection with the approval of such Loan Asset, the Servicer has not received any written or verbal notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws that would reasonably be expected to impact the value of any of the Underlying Collateral.

(q) No Injunctions. No injunction, writ, restraining order or other order of any nature adversely affects the Servicer’s performance of its obligations under this Agreement or any Transaction Document to which the Servicer is a party.

(r) Instructions to Obligors. The Collection Account is the only account to which Obligors have been instructed by the Servicer on the Borrower's behalf to send Principal Collections and Interest Collections on the Collateral Portfolio.

(s) Broker-Dealer. The Servicer is not a broker-dealer or subject to the Securities Investor Protection Act of 1970, as amended.

(t) Servicer Termination Event. No event has occurred and is continuing which constitutes a Servicer Termination Event (other than any Servicer Termination Event which has previously been disclosed to the Administrative Agent as such).

(u) Compliance with Applicable Law. The Servicer has complied in all material respects with all Applicable Law to which it may be subject, and no item in the Collateral Portfolio contravenes any Applicable Law.

Section 4.04 Representations and Warranties of the Collateral Agent. The Collateral Agent in its individual capacity and as Collateral Agent represents and warrants as follows:

(a) Organization; Power and Authority. It is a duly organized and validly existing national banking association in good standing under the laws of the United States. It has full corporate power, authority and legal right to execute, deliver and perform its obligations as Collateral Agent under this Agreement.

(b) Due Authorization. The execution and delivery of this Agreement and the consummation of the transactions provided for herein have been duly authorized by all necessary association action on its part, either in its individual capacity or as Collateral Agent, as the case may be.

(c) No Conflict. The execution and delivery of this Agreement, the performance of the transactions contemplated hereby and the fulfillment of the terms hereof will not conflict with, result in any breach of its articles of incorporation or bylaws or any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under any indenture, contract, agreement, mortgage, deed of trust, or other instrument to which the Collateral Agent is a party or by which it or any of its property is bound.

(d) No Violation. The execution and delivery of this Agreement, the performance of the transactions contemplated hereby and the fulfillment of the terms hereof will not conflict with or violate, in any respect, any Applicable Law.

(e) All Consents Required. All approvals, authorizations, consents, orders or other actions of any Person or Governmental Authority applicable to the Collateral Agent, required in connection with the execution and delivery of this Agreement, the performance by the Collateral Agent of the transactions contemplated hereby and the fulfillment by the Collateral Agent of the terms hereof have been obtained.

(f) Validity, Etc. The Agreement constitutes the legal, valid and binding obligation of the Collateral Agent, enforceable against the Collateral Agent in accordance with its terms, except as such enforceability may be limited by applicable Bankruptcy Laws and general principles of equity (whether considered in a suit at law or in equity).

Section 4.05 Representations and Warranties of each Lender. Each Lender hereby individually represents and warrants, as to itself, that it acting for its own account in the aggregate owns and invests on a discretionary basis, not less than \$25,000,000 in investments. Notwithstanding any provision herein to the contrary, the parties hereto intend that the Advances made hereunder shall constitute a “loan” and not a “security” for purpose of Section 8-102(15) of the UCC.

Section 4.06 Representations and Warranties of the Collateral Custodian. The Collateral Custodian in its individual capacity and as Collateral Custodian represents and warrants as follows:

(a) Organization; Power and Authority. It is a duly organized and validly existing national banking association in good standing under the laws of the United States. It has full corporate power, authority and legal right to execute, deliver and perform its obligations as Collateral Custodian under this Agreement.

(b) Due Authorization. The execution and delivery of this Agreement and the consummation of the transactions provided for herein have been duly authorized by all necessary association action on its part, either in its individual capacity or as Collateral Custodian, as the case may be.

(c) No Conflict. The execution and delivery of this Agreement, the performance of the transactions contemplated hereby and the fulfillment of the terms hereof will not conflict with, result in any breach of its articles of incorporation or bylaws or any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under any indenture, contract, agreement, mortgage, deed of trust, or other instrument to which the Collateral Custodian is a party or by which it or any of its property is bound.

(d) No Violation. The execution and delivery of this Agreement, the performance of the transactions contemplated hereby and the fulfillment of the terms hereof will not conflict with or violate, in any respect, any Applicable Law.

(e) All Consents Required. All approvals, authorizations, consents, orders or other actions of any Person or Governmental Authority applicable to the Collateral Custodian, required in connection with the execution and delivery of this Agreement, the performance by the Collateral Custodian of the transactions contemplated hereby and the fulfillment by the Collateral Custodian of the terms hereof have been obtained.

(f) Validity, Etc. The Agreement constitutes the legal, valid and binding obligation of the Collateral Custodian, enforceable against the Collateral Custodian in accordance with its terms, except as such enforceability may be limited by applicable Bankruptcy Laws and general principles of equity (whether considered in a suit at law or in equity).

ARTICLE V.

GENERAL COVENANTS

Section 5.01 Affirmative Covenants of the Borrower.

From the Closing Date until the Collection Date:

(a) Organizational Procedures and Scope of Business. The Borrower will observe all organizational procedures required by its certificate of formation, limited liability company agreement and the laws of its jurisdiction of formation. Without limiting the foregoing, the Borrower will limit the scope of its business to: (i) the acquisition of Eligible Loan Assets and the ownership and management of the Portfolio Assets and the related assets in the Collateral Portfolio; (ii) the sale, transfer or other disposition of Loan Assets as and when permitted under the Transaction Documents; (iii) entering into and performing under the Transaction Documents; (iv) consenting or withholding consent as to proposed amendments, waivers and other modifications of the Loan Agreements to the extent not in conflict with the terms of this Agreement or any other Transaction Document; (v) exercising any rights (including but not limited to voting rights and rights arising in connection with a Bankruptcy Event with respect to an Obligor or the consensual or non-judicial restructuring of the debt or equity of an Obligor) or remedies in connection with the Loan Assets and participating in the committees (official or otherwise) or other groups formed by creditors of an Obligor to the extent not in conflict with the terms of this Agreement or any other Transaction Document; and (vi) engaging in any activity and to exercise any powers permitted to limited liability companies under the laws of the State of Delaware that are related to the foregoing and necessary, convenient or advisable to accomplish the foregoing.

(b) Special Purpose Entity Requirements. The Borrower will at all times: (i) maintain at least one Independent Director; (ii) maintain its own separate books and records and bank accounts; (iii) hold itself out to the public and all other Persons as a legal entity separate from the ~~Equityholder~~ Transferor and any other Person (although, in connection with certain advertising and marketing, the Borrower may be identified as a Subsidiary of the Transferor); (iv) have a board of directors separate from that of the ~~Equityholder~~ Transferor and any other Person; (v) file its own Tax returns, if any, as may be required under Applicable Law, to the extent (1) not part of a consolidated group filing a consolidated return or returns or (2) not treated as a division for Tax purposes of another taxpayer, and pay any Taxes so required to be paid under Applicable Law in accordance with the terms of this Agreement; (vi) not commingle its assets with assets of any other Person; (vii) conduct its business in its own name and strictly comply with all organizational formalities to maintain its separate existence (although, in connection with certain advertising and marketing, the Borrower may be identified as a Subsidiary of Solar); (viii) maintain separate financial statements, except to the extent that the Borrower's financial and operating results are consolidated with those of the ~~Equityholder~~ Transferor in consolidated financial statements; (ix) pay its own liabilities only out of its own funds; (x) maintain an arm's-length relationship with its Affiliates and the

~~Equityholder/Transferor~~; (xi) pay the salaries of its own employees, if any; (xii) not hold out its credit or assets as being available to satisfy the obligations of others; (xiii) maintain separate office space (which may be a separately identified area in office space shared with one or more Affiliates of the Borrower) and allocate fairly and reasonably any overhead for shared office space; (xiv) use separate stationery, invoices and checks; (xv) not pledge its assets as security for the obligations of any other Person; (xvi) correct any known misunderstanding regarding its separate identity; (xvii) maintain adequate capital in light of its contemplated business purpose, transactions and liabilities and pay its operating expenses and liabilities from its own assets; (xviii) cause its board of directors to meet or act pursuant to written consents and keep minutes of such meetings and actions, in each case in accordance with Delaware limited liability company formalities, and observe in all material respects all other Delaware limited liability company formalities; (xix) not acquire the obligations or any securities of its Affiliates; ~~and~~ (xx) cause the directors, officers, agents and other representatives of the Borrower to act at all times with respect to the Borrower consistently and in furtherance of the foregoing and in the best interests of the Borrower and (xxi) not divide or permit any division of the Borrower. Where necessary, the Borrower will obtain proper authorization from its members for limited liability company action.

(c) Preservation of Company Existence. The Borrower will maintain its limited liability company existence in good standing under the laws of its jurisdiction of formation and will promptly obtain and thereafter maintain qualifications to do business as a foreign limited liability company in any other state in which it is required to so qualify under Applicable Law, in each case (other than in respect of maintenance of its existence) where the failure to obtain and maintain such standing and qualification could reasonably be expected to have a Material Adverse Effect.

(d) Compliance with Legal Opinions. The Borrower shall take all other actions necessary to maintain the accuracy of the factual assumptions set forth in the legal opinions of Latham & Watkins LLP, as special counsel to the Borrower, issued in connection with the Purchase and Sale Agreement and relating to the issues of substantive consolidation and true sale of the Loan Assets.

(e) Deposit of Collections. The Borrower shall promptly (but in no event later than two Business Days after receipt) deposit or cause to be deposited into the Collection Account any and all Available Collections received by the Borrower.

(f) Disclosure of Purchase Price. The Borrower shall disclose to the Administrative Agent and the Lender Agents (which such disclosure may be included in the Borrowing Base Certificate) the purchase price for each Loan Asset proposed to be acquired by the Borrower.

(g) Obligor Defaults and Bankruptcy Events. The Borrower shall give, or shall cause the Servicer to give, notice to the Administrative Agent and the Lender Agents within five Business Days of the Borrower's, the Transferor's or the Servicer's actual knowledge of the occurrence of any default by an Obligor under any Loan Asset or any Bankruptcy Event with respect to any Obligor under any Loan Asset.

(h) Required Loan Documents. The Borrower shall deliver to the Collateral Custodian copies of the Required Loan Documents and the Loan Asset Checklist pertaining to each Loan Asset within five Business Days after the Cut-Off Date pertaining to such Loan Asset.

(i) Taxes. The Borrower will file or cause to be filed all tax returns required to be filed by it (including, without limitation, all foreign, federal, state, local and other tax returns) and pay any and all Taxes imposed on it or its property as required by the Transaction Documents (except for those Taxes contested in good faith by appropriate proceedings and in respect of which it establishes proper reserves on its books in accordance with GAAP).

(j) Notice of Event of Default. The Borrower shall notify the Administrative Agent and each Lender Agent of the occurrence of any Event of Default under this Agreement promptly upon obtaining knowledge of such event. In addition, no later than two Business Days following the Borrower's knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default, the Borrower will provide to the Administrative Agent and each Lender Agent a written statement of a Responsible Officer of the Borrower setting forth the details of such event and the action that the Borrower proposes to take with respect thereto.

(k) Notice of Material Events. The Borrower shall promptly upon becoming aware thereof notify the Administrative Agent and each Lender Agent of any event or other circumstance that is reasonably likely to have a Material Adverse Effect.

(l) Notice of Income Tax Liability. The Borrower shall furnish to the Administrative Agent and each Lender Agent notice within 10 Business Days of the receipt of revenue agent reports or other written proposals, determinations or assessments of the Internal Revenue Service or any other taxing authority which propose, determine or otherwise set forth positive adjustments to the Tax liability of the Borrower itself in an amount equal to or greater than \$500,000 in the aggregate. Any such notice shall specify the nature of the items giving rise to such adjustments and the amounts thereof.

(m) Notice of Auditors' Management Letters. The Borrower shall promptly notify the Administrative Agent and each Lender Agent after the receipt of any auditors' management letters received by the Borrower or by its accountants.

(n) Notice of Proceedings. The Borrower shall notify the Administrative Agent and each Lender Agent, as soon as possible and in any event within three Business Days, after the Borrower receives notice or obtains knowledge thereof, of any settlement of, material judgment (including a material judgment with respect to the liability phase of a bifurcated trial) in or commencement of any material labor controversy, material litigation, material action, material suit or material proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Collateral Portfolio, the Transaction Documents, the Collateral Agent's, for the benefit of the Secured Parties, interest in the Collateral Portfolio, or the Borrower, the Servicer or the Transferor or any of their Affiliates. Solely for purposes of this Section 5.01(n), (i) any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Collateral Portfolio, the Transaction Documents, the Collateral Agent's, for the benefit of the Secured Parties, interest in

the Collateral Portfolio, the Transferor or the Borrower in excess of \$500,000, with respect to the Borrower, or \$5,000,000, with respect to the Transferor, shall be deemed to be material and (ii) any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Servicer in excess of \$5,000,000 shall be deemed to be material.

(o) ERISA Notices.

(i) Notice of ERISA Reportable Events. The Borrower shall promptly notify the Administrative Agent and each Lender Agent after receiving notice of any “reportable event” (as defined in Title IV of ERISA, other than an event for which the reporting requirements have been waived by regulations) with respect to the Borrower (or any ERISA Affiliate thereof), and provide them with a copy of such notice.

(ii) Notices Relating to Benefit Plan Investor or Governmental Plan Entity Status. The Borrower shall promptly notify the Administrative Agent and the Lender in the event the Borrower becomes a Benefit Plan Investor or a Governmental Plan Entity or in the event the Borrower knows or expects that this Agreement or any other action or transaction in connection with this Agreement or any other Transaction Document will constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or in a non-exempt violation of Similar Law.

(p) Notice of Accounting Changes. As soon as possible and in any event within three Business Days after the effective date thereof, the Borrower will provide to the Administrative Agent and each Lender Agent notice of any material change in the accounting policies of the Borrower.

(q) Additional Documents. The Borrower shall provide the Administrative Agent and each Lender Agent with copies of such documents as the Administrative Agent or any Lender Agent may reasonably request evidencing the truthfulness of the representations set forth in this Agreement.

(r) Protection of Security Interest. With respect to the Collateral Portfolio acquired by the Borrower, the Borrower will (i) acquire such Collateral Portfolio pursuant to and in accordance with the terms of the Purchase and Sale Agreement or such other similar agreement, as applicable, (ii) (at the expense of the Servicer, on behalf of the Borrower) take all action necessary to perfect, protect and more fully evidence the Borrower’s ownership of such Collateral Portfolio free and clear of any Lien other than the Lien created hereunder and Permitted Liens, including, without limitation, (a) with respect to the Loan Assets and that portion of the Collateral Portfolio in which a security interest may be perfected by filing, filing and maintaining (at the expense of the Servicer, on behalf of the Borrower), effective financing statements against the Transferor in all necessary or appropriate filing offices, (including any amendments thereto or assignments thereof) and filing continuation statements, amendments or assignments with respect thereto in such filing offices, (including any amendments thereto or assignments thereof) and (b) executing or causing to be executed such other instruments or notices as may be necessary or appropriate, (iii) (at the expense of the Servicer, on behalf of the

Borrower) take all action necessary to cause a valid, subsisting and enforceable first priority perfected security interest, subject only to Permitted Liens, to exist in favor of the Collateral Agent (for the benefit of the Secured Parties) in the Borrower's interests in all of the Collateral Portfolio being Pledged hereunder including the filing of a UCC financing statement in the applicable jurisdiction adequately describing the Collateral Portfolio (which may include an "all asset" filing), and naming the Borrower as debtor and the Collateral Agent as the secured party, and filing continuation statements, amendments or assignments with respect thereto in such filing offices, (including any amendments thereto or assignments thereof), (iv) permit the Administrative Agent or any Lender Agent or their respective agents or representatives to visit the offices of the Borrower during normal office hours and upon reasonable advance notice examine and make copies of all documents, books, records and other information concerning the Collateral Portfolio and discuss matters related thereto with any of the officers or employees of the Borrower having knowledge of such matters no more than twice in any fiscal year when no Event of Default is in existence, and (v) take all additional action that the Administrative Agent, any Lender Agent or the Collateral Agent may reasonably request to perfect, protect and more fully evidence the respective first priority perfected security interests of the parties to this Agreement in the Collateral Portfolio, or to enable the Administrative Agent or the Collateral Agent to exercise or enforce any of their respective rights hereunder.

(s) Liens. The Borrower will promptly notify the Administrative Agent and the Lender Agents of the existence of any Lien on the Collateral Portfolio and the Borrower shall defend the right, title and interest of the Collateral Agent, for the benefit of the Secured Parties, in, to and under the Collateral Portfolio against all claims of third parties (other than Permitted Liens).

(t) Other Documents. At any time from time to time upon prior written request of the Administrative Agent or any Lender Agent, at the sole expense of the Borrower, the Borrower will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Administrative Agent or any Lender Agent may reasonably request for the purposes of obtaining or preserving the full benefits of this Agreement including the first priority security interest (subject only to Permitted Liens) granted hereunder and of the rights and powers herein granted (including, among other things, authorizing the filing of such UCC financing statements as the Administrative Agent may request).

(u) Compliance with Law. The Borrower shall at all times comply in all material respects with all Applicable Law applicable to Borrower or any of its assets (including, without limitation, Environmental Laws, and all federal securities laws), and Borrower shall do or cause to be done all things necessary to preserve and maintain in full force and effect its legal existence, and all licenses material to its business.

(v) Proper Records. The Borrower shall at all times keep proper books of records and accounts in which full, true and correct entries shall be made of its transactions in accordance with GAAP and set aside on its books all such proper reserves in accordance with GAAP.

(w) Satisfaction of Obligations. The Borrower shall pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all

its obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves with respect thereto have been provided on the books of the Borrower.

(x) Performance of Covenants. The Borrower shall observe, perform and satisfy all the material terms, provisions, covenants and conditions required to be observed, performed or satisfied by it, and shall pay when due all costs, fees and expenses required to be paid by it, under the Transaction Documents. The Borrower shall pay and discharge all Taxes, levies, liens and other charges on it or its assets and on the Collateral Portfolio that, in each case, in any manner would create any lien or charge upon the Collateral Portfolio, except for any such Taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided in accordance with GAAP.

(y) Tax Treatment. The Borrower shall treat the Advances advanced hereunder as indebtedness of the Borrower (or, so long as the Borrower is treated as a disregarded entity for U.S. federal income tax purposes, as indebtedness of the entity of which it is considered to be a part) for U.S. federal income tax purposes and to file any and all Tax forms in a manner consistent therewith.

(z) Maintenance of Records. The Borrower will maintain records with respect to the Collateral Portfolio and the conduct and operation of its business with no less a degree of prudence than if the Collateral Portfolio were held by the Borrower for its own account and will furnish the Administrative Agent and each Lender Agent, upon the reasonable request by the Administrative Agent and each Lender Agent, information with respect to the Collateral Portfolio and the conduct and operation of its business.

(aa) Obligor Notification Forms. The Borrower shall furnish the Collateral Agent and the Administrative Agent with an appropriate power of attorney to send (at the Administrative Agent's discretion on the Collateral Agent's behalf, after the occurrence and continuance of an Event of Default) Obligor notification forms to give notice to the Obligors of the Collateral Agent's interest in the Collateral Portfolio and the obligation to make payments as directed by the Administrative Agent on the Collateral Agent's behalf.

(bb) Officer's Certificate. On or within 30 days prior to each anniversary of the date of this Agreement, the Borrower shall deliver an Officer's Certificate, in form and substance acceptable to the Lender Agents and the Administrative Agent, providing (i) a certification, based upon a review and summary of UCC search results, that there is no other interest in the Collateral Portfolio that is perfected by filing of a UCC financing statement other than in favor of the Collateral Agent and (ii) a certification, based upon a review and summary of Tax and judgment lien searches, that there is no other interest in the Collateral Portfolio based on any Tax or judgment lien.

(cc) Continuation Statements. The Borrower shall, not earlier than six months and not later than three months prior to the fifth anniversary of the date of filing of the financing statement referred to in Schedule I hereto or any other financing statement filed pursuant to this Agreement or in connection with any Advance hereunder, unless the Collection Date shall have occurred:

(i) authorize and deliver and file or cause to be filed an appropriate continuation statement with respect to such financing statement; and

(ii) deliver or cause to be delivered to the Collateral Agent, the Administrative Agent and the Lender Agents an opinion of the counsel for the Borrower, in form and substance reasonably satisfactory to the Administrative Agent, confirming and updating the opinion delivered pursuant to Schedule I with respect to perfection and otherwise to the effect that the security interest hereunder continues to be a valid and perfected security interest, and stating that counsel has reviewed applicable searches of the UCC filing office in the Borrower's jurisdiction of organization and that such searches do not indicate any other Liens of record except as specified therein, provided herein or otherwise permitted hereunder, which opinion may contain usual and customary assumptions, limitations and exceptions.

(dd) Disregarded Entity. The Borrower will be disregarded as an entity separate from its owner pursuant to Treasury Regulation Section 301.7701-3(b), and neither the Borrower nor any other Person on its behalf shall make an election to be, or take any other action that is reasonably likely to result in the Borrower being treated as other than an entity disregarded from its owner under Treasury Regulation Section 301.7701-3(c).

(ee) Beneficial Ownership Regulation. Promptly following any request therefor, the Borrower shall deliver to the Administrative Agent information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with the Beneficial Ownership Regulation.

(ff) Compliance with Anti-Money Laundering Laws and Anti-Corruption Laws. The Borrower shall and each Person directly or indirectly Controlling the Borrower shall: (i) comply with all applicable Anti-Money Laundering Laws and Anti-Corruption Laws in all material respects, and shall maintain policies and procedures reasonably designed to ensure compliance with the Anti-Money Laundering Laws and Anti-Corruption Laws; (ii) ensure it does not use any of the credit in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws in any material respect; and (iii) ensure it does not fund any repayment of the Obligations in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws in any material respect. The Borrower shall conduct the requisite due diligence in connection with the transactions contemplated herein for purposes of complying with the Anti-Money Laundering Laws, including with respect to the legitimacy of any applicable investor and the origin of the assets used by such investor to purchase the property in question, and will maintain sufficient information to identify any applicable investor for purposes of the Anti-Money Laundering Laws.

Section 5.02 Negative Covenants of the Borrower.

From the Closing Date until the Collection Date:

(a) Special Purpose Entity Requirements. Except as otherwise permitted by this Agreement, the Borrower shall not (i) guarantee any obligation of any Person, including any Affiliate; (ii) engage, directly or indirectly, in any business, other than the actions required or permitted to be performed under the Transaction Documents; (iii) incur, create or assume any Indebtedness, other than Indebtedness incurred under the Transaction Documents and arising in connection with ordinary business expenses arising pursuant to the transactions contemplated by this Agreement and the other Transaction Documents; (iv) make or permit to remain outstanding any loan or advance to, or own or acquire any stock or securities (other than any equity or other securities retained pursuant to Section 6.05) of, any Person, except that the Borrower may invest in those Loan Assets and other investments permitted under the Transaction Documents and may make any advance required or expressly permitted to be made pursuant to any provisions of the Transaction Documents and permit the same to remain outstanding in accordance with such provisions; (v) fail to pay its debts and liabilities from its assets when due; (vi) create, form or otherwise acquire any Subsidiaries or (vii) release, sell, transfer, convey or assign any Loan Asset unless in accordance with the Transaction Documents.

(b) Requirements for Material Actions. The Borrower shall not fail to provide (and at all times the Borrower's organizational documents shall reflect) that the unanimous consent of all directors (including the consent of the Independent Director(s)) is required for the Borrower to (i) dissolve or liquidate, in whole or part, or institute proceedings to be adjudicated bankrupt or not Solvent, (ii) institute or consent to the institution of bankruptcy or insolvency proceedings against it, (iii) file a petition seeking or consent to reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, (iv) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for the Borrower, (v) make any assignment for the benefit of the Borrower's creditors, (vi) admit in writing its inability to pay its debts generally as they become due, or (vii) take any action in furtherance of any of the foregoing.

(c) Protection of Title. The Borrower shall not take any action which would directly or indirectly impair or adversely affect Borrower's title to the Collateral Portfolio, except for dispositions of the Collateral Portfolio expressly permitted or contemplated by this Agreement.

(d) Transfer Limitations. The Borrower shall not transfer, assign, convey, grant, bargain, sell, set over, deliver or otherwise dispose of, or pledge or hypothecate, directly or indirectly, any interest in the Collateral Portfolio to any person other than the Collateral Agent for the benefit of the Secured Parties, or engage in financing transactions or similar transactions with respect to the Collateral Portfolio with any person other than the Administrative Agent and the Lenders, in each case, except as otherwise expressly permitted or contemplated by the terms of this Agreement.

(e) Liens. The Borrower shall not create, incur or permit to exist any lien, encumbrance or security interest in or on any of the Collateral Portfolio subject to the security interest granted by the Borrower pursuant to this Agreement, other than Permitted Liens.

(f) Organizational Documents. The Borrower shall not modify or terminate any of the organizational documents of the Borrower without the prior written consent of the Administrative Agent.

(g) Merger, Acquisitions, Sales, etc. The Borrower shall not change its organizational structure, enter into any transaction of merger or consolidation or amalgamation, or asset sale (other than pursuant to Section 2.07, including sales of the Collateral Portfolio expressly permitted or contemplated thereby), or liquidate, wind up or dissolve itself (or suffer any liquidation, winding up or dissolution) without the prior written consent of the Administrative Agent.

(h) Use of Proceeds. The Borrower shall not use the proceeds of any Advance other than (x) to finance the purchase by the Borrower on a “true sale” basis, of Collateral Portfolio, (y) to fund the Unfunded Exposure Account in order to establish reserves for unfunded commitments of Delayed Draw Loan Assets included in the Collateral Portfolio or (z) in those instances where sufficient Borrowing Base capacity exists, to distribute such proceeds to the ~~Equityholder~~ Transferor without a concurrent purchase by the Borrower of any Collateral Portfolio.

(i) Limited Assets. The Borrower shall not hold or own any assets that are not part of the Collateral Portfolio other than with respect to any assets released from the Lien of the Collateral Agent hereunder (and for which no Advances, if any, applicable to such asset remain outstanding) following (i) a substitution effected in accordance with Section 2.07(a) (so long as the Borrower has Pledged a Substitute Eligible Loan Asset in connection therewith), (ii) a repurchase or substitution of a Warranty Loan Asset effected in accordance with Section 2.07(c) or (iii) a Lien Release Dividend effected in accordance with Section 2.07(g).

(j) Extension or Amendment of Collateral Portfolio. The Borrower will not, except as otherwise permitted in Section 6.02(a) of this Agreement and in accordance with the Servicing Standard, extend, amend or otherwise modify the terms of any Loan Asset (including the Underlying Collateral).

(k) Purchase and Sale Agreement. The Borrower will not amend, modify, waive or terminate any provision of the Purchase and Sale Agreement without the prior written consent of the Administrative Agent.

(l) Restricted Junior Payments. The Borrower shall not make any Restricted Junior Payment, other than, so long as no Event of Default or Unmatured Event of Default has occurred and is continuing or would result therefrom (i) if the Administrative Agent has confirmed that the applicable Unmatured Event of Default has been cured, amounts on deposit in the Interest Collection Account that would have been distributed pursuant to Section 2.04(a)(x) or the Principal Collection Account that would have been distributed pursuant to Section 2.04(b)(vii) on the immediately preceding Payment Date except for the existence of an Unmatured Event of Default and (ii) distributions to its member on its membership interests.

(m) ERISA Matters. The Borrower will not (a) engage, and will exercise its best efforts not to permit any ERISA Affiliate to engage, in any prohibited transaction (within the meaning of ERISA Section 406 or Code Section 4975) for which an exemption is not available or has not previously been obtained from the United States Department of Labor, (b) fail to meet the minimum funding standard set forth in Section 302(a) of ERISA and Section 412(a) of the Code with respect to any Pension Plan other than a Multiemployer Plan, (c) fail to make any payments to a Multiemployer Plan that the Borrower or any ERISA Affiliate may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto, (d) terminate any Pension Plan so as to result, directly or indirectly in any liability to the Borrower, or (e) permit to exist any occurrence of any reportable event described in Title IV of ERISA with respect to any Pension Plan, other than an event for which reporting requirements have been waived by regulations.

(n) Instructions to Obligors. The Borrower will not make any change, or permit the Servicer to make any change, in its instructions to Obligors regarding payments to be made with respect to the Collateral Portfolio to the Collection Account, unless the Administrative Agent has consented to such change (such consent not to be unreasonably withheld or delayed, it being understood that any such account to which the Obligors may be instructed to make payments shall be subject to an account control agreement which provides the Collateral Agent with a first priority perfected security interest in such account, as evidenced by an Opinion of Counsel reasonably acceptable to the Administrative Agent).

(o) Taxable Mortgage Pool Matters. The sum of the Outstanding Balances of all Loan Assets owned by the Borrower and that are principally secured by an interest in real property (within the meaning of Treasury Regulation Section 301.7701(i)-1(d)(3)) shall not at any time exceed 35% of the aggregate Outstanding Balance of all Loan Assets.

(p) Change of Jurisdiction, Location, Names or Location of Loan Asset Files. The Borrower shall not change the jurisdiction of its formation, make any change to its corporate name or use any tradenames, fictitious names, assumed names, "doing business as" names or other names (other than those listed on Schedule II hereto, as such schedule may be revised from time to time to reflect name changes and name usage permitted under the terms of this Section 5.02(p) after compliance with all terms and conditions of this Section 5.02(p) related thereto) unless, prior to the effective date of any such change in the jurisdiction of its formation, name change or use, the Borrower receives prior written consent from the Administrative Agent of such change and delivers to the Administrative Agent such financing statements as the Administrative Agent may request to reflect such name change or use, together with such Opinions of Counsel and other documents and instruments as the Administrative Agent may request in connection therewith. The Borrower will not change the location of its chief executive office unless prior to the effective date of any such change of location, the Borrower notifies the Administrative Agent of such change of location in writing. The Borrower will not move, or consent to the Collateral Custodian or the Servicer moving, the Loan Asset Files from the location thereof on the Closing Date, unless the Administrative Agent shall consent to such move in writing and the Servicer shall provide the Administrative Agent with such Opinions of Counsel and other documents and instruments as the Administrative Agent may reasonably request in connection therewith.

(q) Allocation of Charges. There will not be any agreement or understanding between the Servicer and the Borrower (other than as expressly set forth herein or as consented to by the Administrative Agent), providing for the allocation or sharing of obligations to make payments or otherwise in respect of any Taxes, fees, assessments or other governmental charges; provided that it is understood and acknowledged that the Borrower will be consolidated with the ~~Equityholder~~ Transferor for tax purposes.

(r) Compliance with Sanctions. None of the Borrower nor any Person directly or indirectly Controlling the Borrower will, directly or knowingly indirectly, use the proceeds of any Advance hereunder, or lend, contribute, or otherwise make available such proceeds to any subsidiary, joint venture partner, or other Person (i) to fund any activities or business of or with a Sanctioned Person, or (ii) in any manner that would be prohibited by Sanctions or would otherwise cause any Lender to be in breach of any Sanctions. The Borrower shall comply with all applicable Sanctions in all material respects, and shall maintain policies and procedures reasonably designed to ensure compliance with Sanctions.

Section 5.03 Affirmative Covenants of the Servicer.

From the Closing Date until the Collection Date:

(a) Compliance with Law. The Servicer will comply in all material respects with all Applicable Law, including those with respect to servicing the Collateral Portfolio or any part thereof pursuant to the terms hereof.

(b) Preservation of Company Existence. The Servicer will preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification could reasonably be expected to have a Material Adverse Effect.

(c) Obligations and Compliance with Collateral Portfolio. The Servicer will take all actions within its control so as to permit the Borrower to fulfill and comply with all obligations on the part of the Borrower to be fulfilled or complied with under or in connection with the administration of each item of Collateral Portfolio and will do nothing to impair the rights of the Collateral Agent, for the benefit of the Secured Parties, or of the Secured Parties in, to and under the Collateral Portfolio. It is understood and agreed that the Servicer does not hereby assume any obligations of the Borrower in respect of any Advances or assume any responsibility for the performance by the Borrower of any of its obligations hereunder or under any other agreement executed in connection herewith that would be inconsistent with the limited recourse undertaking of the Servicer, in its capacity as seller, under Section 2.1(e) of the Purchase and Sale Agreement.

(d) Keeping of Records and Books of Account.

(i) The Servicer will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Collateral Portfolio in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Collateral Portfolio and the identification of the Collateral Portfolio.

(ii) The Servicer shall permit the Administrative Agent, each Lender Agent or their respective agents or representatives, to visit the offices of the Servicer during normal office hours and upon reasonable advance notice and examine and make copies of all documents, books, records and other information concerning the Collateral Portfolio and the Servicer's servicing thereof and discuss matters related thereto with any of the officers or employees of the Servicer having knowledge of such matters and to review the Servicer's collection and administration of the Collateral Portfolio in order to assess compliance by the Servicer with the Servicing Standard, as well as with the Transaction Documents and to conduct an audit of the Collateral Portfolio and Required Loan Documents in conjunction with such a review. For the avoidance of doubt, the right of the Administrative Agent provided herein to visit and inspect the financial records and properties of the Borrower and the Servicer and conduct such audits shall be limited to not more than two such visits and inspections in any fiscal year; provided that after the occurrence and during the continuance of an Event of Default, there shall be no limit to the number of such visits, inspections and audits.

(iii) The Servicer will on or prior to the date hereof, mark its master data processing records and other books and records relating to the Collateral Portfolio indicating that the Collateral Portfolio is owned by the Borrower subject to the Lien of the Collateral Agent, for the benefit of the Secured Parties.

(e) Preservation of Security Interest. The Servicer will take all steps necessary to ensure that the Borrower has granted a security interest (as defined in the UCC) to the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio, which is enforceable in accordance with Applicable Law. The Servicer (at its own expense, on behalf of the Borrower) will file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the first priority perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in, to and under the Loan Assets and that portion of the Collateral Portfolio in which a security interest may be perfected by filing.

(f) Events of Default. The Servicer will provide the Administrative Agent and each Lender Agent (with a copy to the Collateral Agent) with written notice of the occurrence of each Event of Default and each Unmatured Event of Default no later than two Business Days following the Servicer's knowledge or notice thereof. In addition, no later than two Business

Days following the Servicer's knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default, the Servicer will provide to the Collateral Agent, the Administrative Agent and each Lender Agent a written statement of the chief financial officer or chief accounting officer of the Servicer setting forth the details of such event and the action that the Servicer proposes to take with respect thereto.

(g) Taxes. The Servicer will file all federal and all other material tax returns required to be filed by it (including, without limitation, all federal and material foreign, state, local and other tax returns) and pay any and all Taxes imposed on it or its property as required under the Transaction Documents (except for those Taxes contested in good faith by appropriate proceedings and in respect of which it establishes proper reserves on its books in accordance with GAAP).

(h) Other. The Servicer will promptly furnish to the Collateral Agent and the Administrative Agent such other information, documents, records or reports respecting the Collateral Portfolio or the condition or operations, financial or otherwise, of the Borrower or the Servicer as the Collateral Agent or the Administrative Agent may from time to time reasonably request in order to protect the interests of the Administrative Agent, the Collateral Agent or Secured Parties under or as contemplated by this Agreement.

(i) Proceedings Related to the Borrower, the Transferor and the Servicer and the Transaction Documents. The Servicer shall notify the Administrative Agent and each Lender Agent as soon as possible and in any event within three Business Days after any Responsible Officer of the Servicer receives notice or obtains knowledge thereof of any settlement of, judgment (including a judgment with respect to the liability phase of a bifurcated trial) in or commencement of any labor controversy, litigation, action, suit or proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that could reasonably be expected to have a Material Adverse Effect on the Borrower, the Transferor or the Servicer (or any of their Affiliates) or the Transaction Documents. Solely for purposes of this Section 5.03(i), (i) any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Transaction Documents or the Borrower in excess of \$500,000 shall be deemed to be expected to have such a Material Adverse Effect and (ii) any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Servicer or the Transferor in excess of \$5,000,000 shall be deemed to be expected to have such a Material Adverse Effect.

(j) Deposit of Collections. The Servicer shall promptly (but in no event later than two Business Days after receipt) deposit or cause to be deposited into the Collection Account any and all Available Collections received by the Borrower, the Servicer or any of their Affiliates.

(k) Loan Asset Register. The Servicer shall maintain, or cause to be maintained, with respect to each Noteless Loan Asset a register (which may be in physical or electronic form and readily identifiable as the loan asset register) (each, a "Loan Asset Register") in which it will record, or cause to be recorded, (v) the amount of such Noteless Loan Asset, (w) the amount of any principal or interest due and payable or to become due and payable from the Obligor thereunder, (x) the amount of any sum in respect of such Noteless Loan Asset received

from the Obligor, (y) the date of origination of such Noteless Loan Asset and (z) the maturity date of such Noteless Loan Asset. All of the information (and related certifications) required to be set forth with respect to the Loan Asset Register may be included in the applicable Borrowing Base Certificate.

(l) Special Purpose Entity Requirements. The Servicer shall take such actions as are necessary to cause the Borrower to be in compliance with the special purpose entity requirements set forth in Sections 5.01(a) and (b) and 5.02(a); provided that, for the avoidance of doubt, the Servicer shall not be required to expend any of its own funds to cause the Borrower to be in compliance with Section 5.02(a)(viii) or Section 5.01(a)(xv) (it being understood that this proviso shall in no way affect the obligation of the Servicer to manage the activities and liability of the Borrower such that the Borrower maintains compliance with either of the foregoing subsections).

(m) Accounting Changes. As soon as possible and in any event within three Business Days after the effective date thereof, the Servicer will provide to the Administrative Agent and the Lender Agents notice of any material change in the accounting policies of the Servicer.

(n) Proceedings Related to the Collateral Portfolio. The Servicer shall notify the Administrative Agent and each Lender Agent as soon as possible and in any event within three Business Days after any Responsible Officer of the Servicer receives notice or has actual knowledge of any settlement of, judgment (including a judgment with respect to the liability phase of a bifurcated trial) in or commencement of any labor controversy, litigation, action, suit or proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that could reasonably be expected to have a Material Adverse Effect on the interests of the Collateral Agent or the Secured Parties in, to and under the Collateral Portfolio. Solely for purposes of this Section 5.03(n), any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Collateral Portfolio or the Collateral Agent's or the Secured Parties' interest in the Collateral Portfolio in excess of \$5,000,000 or more shall be deemed to be expected to have such a Material Adverse Effect.

(o) Compliance with Legal Opinions. The Servicer shall take all other actions necessary to maintain the accuracy of the factual assumptions set forth in the legal opinions of Latham & Watkins LLP, as special counsel to the Servicer, issued in connection with the Transaction Documents and relating to the issues of substantive consolidation and true sale of the Loan Assets.

(p) Instructions to Agents and Obligors. The Servicer shall direct, or shall cause the Transferor to direct, any agent or administrative agent for any Loan Asset to remit all payments and collections with respect to such Loan Asset, and, if applicable, to direct the Obligor with respect to such Loan Asset to remit all such payments and collections with respect to such Loan Asset directly to the Collection Account. The Borrower and the Servicer shall take commercially reasonable steps to ensure, and shall cause the Transferor to take commercially reasonable steps to ensure, that only funds constituting payments and collections relating to Loan Assets shall be deposited into the Collection Account.

(q) Capacity as Servicer. The Servicer will ensure that, at all times when it is dealing with or in connection with the Loan Assets in its capacity as Servicer, it holds itself out as Servicer, and not in any other capacity.

(r) Audits. At the discretion of the Administrative Agent and each Lender Agent, the Servicer shall allow the Administrative Agent and each Lender Agent (during normal office hours and upon advance notice) to review the Servicer's collection and administration of the Collateral Portfolio in order to assess compliance by the Servicer with the Servicing Standard, as well as with the Transaction Documents and to conduct an audit of the Collateral Portfolio and Required Loan Documents in conjunction with such a review. Such review shall be reasonable in scope and shall be completed in a reasonable period of time. Any such review shall be subject to the limitations set forth in Section 5.03(d)(ii).

(s) Insurance Policies. The Servicer will take such actions that are customarily taken by or on behalf of a lender in a syndicated loan facility to preserve the rights of such lender in respect of any Insurance Policies applicable to Loan Assets.

(t) Disregarded Entity. The Servicer shall cause the Borrower to be disregarded as an entity separate from its owner pursuant to Treasury Regulation Section 301.7701-3(b) and shall cause that neither the Borrower nor any other Person on its behalf shall make an election to be, or take any other action that is reasonably likely to result in the Borrower being, treated as other than an entity disregarded from its owner under Treasury Regulation Section 301.7701-3(c).

(u) Compliance with Anti-Money Laundering Laws and Anti-Corruption Laws. The Servicer, each Person directly or indirectly Controlling the Servicer and each Person directly or indirectly Controlled by the Servicer and, to the Servicer's knowledge, any Related Party of the foregoing shall:
(i) comply with all applicable Anti-Money Laundering Laws and Anti-Corruption Laws in all material respects, and shall maintain policies and procedures reasonably designed to ensure compliance with the Anti-Money Laundering Laws and Anti-Corruption Laws; (ii) ensure it does not cause the Borrower to use any of the credit in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws in any material respect; and (iii) ensure it does not cause the Borrower to fund any repayment of the Obligations in violation of any Anti-Corruption Laws or Anti-Money Laundering Laws in any material respect.

(v) Sanctions. The Servicer shall promptly notify the Administrative Agent and the Lenders in writing of any breach of any representation, warranty or covenant relating to Sanctions or Sanctioned Persons by itself or by the Borrower.

Section 5.04 Negative Covenants of the Servicer.

From the Closing Date until the Collection Date:

(a) Mergers, Acquisition, Sales, etc. The Servicer will not consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person (other than an Affiliate), unless the Servicer is the surviving entity and unless:

(i) the Servicer has delivered to the Administrative Agent and each Lender Agent an Officer's Certificate and an Opinion of Counsel each stating that any such consolidation, merger, conveyance or transfer and any supplemental agreement executed in connection therewith comply with this Section 5.04 and that all conditions precedent herein provided for relating to such transaction have been complied with and, in the case of the Opinion of Counsel, that such supplemental agreement is legal, valid and binding with respect to the Servicer and such other matters as the Administrative Agent may reasonably request;

(ii) the Servicer shall have delivered notice of such consolidation, merger, conveyance or transfer to the Administrative Agent and each Lender Agent;

(iii) after giving effect thereto, no Event of Default or Servicer Termination Event or event that with notice or lapse of time would constitute either an Event of Default or a Servicer Termination Event shall have occurred and be continuing; and

(iv) the Administrative Agent shall have consented in writing to such consolidation, merger, conveyance or transfer (such consent not to be unreasonably withheld).

(b) Change of Location of Loan Asset Files. The Servicer shall not (x) change the offices where it keeps records concerning the Collateral Portfolio from the address set forth under its name in Section 11.02, or (y) move, or consent to the Collateral Custodian moving, the Required Loan Documents and Loan Asset Files from the location thereof on the initial Advance Date, unless, in each case, the Administrative Agent shall consent to such change or move in writing and the Servicer shall provide the Administrative Agent with such Opinions of Counsel and other documents and instruments as the Administrative Agent may reasonably request in connection therewith and has taken all actions required under the UCC of each relevant jurisdiction in order to continue the first priority perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio.

(c) Change in Payment Instructions to Obligors. The Servicer will not make any change in its instructions to Obligors regarding payments to be made with respect to the Collateral Portfolio to the Collection Account, unless the Administrative Agent has consented to such change (such consent not to be unreasonably withheld or delayed, it being understood that any such account to which the Obligors may be instructed to make payments shall be subject to an account control agreement which provides the Collateral Agent with a first priority perfected security interest in such account, as evidenced by an Opinion of Counsel reasonably acceptable to the Administrative Agent).

(d) Extension or Amendment of Loan Assets. The Servicer will not, except as otherwise permitted in Section 6.02(a), extend, amend or otherwise modify the terms of any Loan Asset (including the Underlying Collateral).

(e) Taxable Mortgage Pool Matters. The Servicer will manage the portfolio and advise the Borrower with respect to purchases from the Transferor so as to not at any time allow the sum of the Outstanding Balances of all Loan Assets owned by the Borrower and that are principally secured by an interest in real property (within the meaning of Treasury Regulation Section 301.7701(i)-1(d)(3)) to exceed 35% of the aggregate Outstanding Balance of all Loan Assets.

(f) Allocation of Charges. There will not be any agreement or understanding between the Servicer and the Borrower (other than as expressly set forth herein or as consented to by the Administrative Agent), providing for the allocation or sharing of obligations to make payments or otherwise in respect of any Taxes, fees, assessments or other governmental charges.

(g) Compliance with Sanctions. None of the Servicer nor, to its knowledge, any Person directly or indirectly Controlling the Servicer will, directly or knowingly indirectly, cause the Borrower to use the proceeds of any Advance hereunder, or lend, contribute, or otherwise make available such proceeds to any subsidiary, joint venture partner, or other Person (i) to fund any activities or business of or with a Sanctioned Person, or (ii) in any manner that would be prohibited by Sanctions or would otherwise cause any Lender to be in breach of any Sanctions. The Servicer shall comply with all applicable Sanctions in all material respects, and shall maintain policies and procedures reasonably designed to ensure compliance with Sanctions. The Servicer will notify each Lender and the Administrative Agent in writing promptly after becoming aware of any breach of this Section 5.04(g).

Section 5.05 Affirmative Covenants of the Collateral Agent.

From the Closing Date until the Collection Date:

(a) Compliance with Law. The Collateral Agent will comply in all material respects with all Applicable Law.

(b) Preservation of Existence. The Collateral Agent will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation and qualify and remain qualified in good standing in each jurisdiction where failure to preserve and maintain such existence, rights, franchises, privileges and qualification could reasonably be expected to have a Material Adverse Effect.

Section 5.06 Affirmative Covenants of the Collateral Custodian.

From the Closing Date until the Collection Date:

(a) Compliance with Law. The Collateral Custodian will comply in all material respects with all Applicable Law.

(b) Preservation of Existence. The Collateral Custodian will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation and qualify and remain qualified in good standing in each jurisdiction where failure to preserve and maintain such existence, rights, franchises, privileges and qualification could reasonably be expected to have a Material Adverse Effect.

(c) Location of Required Loan Documents. Subject to Article XII of this Agreement, the Required Loan Documents delivered in original form shall remain at all times in the possession of the Collateral Custodian at the address located at 1055 10th Ave S.E., Minneapolis, MN 55414 unless notice of a different address is given in accordance with the terms hereof or unless the Administrative Agent agrees to allow certain Required Loan Documents to be released to the Servicer on a temporary basis in accordance with the terms hereof, except as such Required Loan Documents may be released pursuant to the terms of this Agreement.

Section 5.07 Negative Covenants of the Collateral Custodian.

From the Closing Date until the Collection Date, the Collateral Custodian will not dispose of any documents constituting the Required Loan Documents in any manner that is inconsistent with the performance of its obligations as the Collateral Custodian pursuant to this Agreement and will not dispose of any Collateral Portfolio except as contemplated by this Agreement.

ARTICLE VI.

ADMINISTRATION AND SERVICING OF CONTRACTS

Section 6.01 Appointment and Designation of the Servicer.

(a) Initial Servicer. The Borrower, each Lender Agent and the Administrative Agent hereby appoint Solar, pursuant to the terms and conditions of this Agreement, as Servicer, with the authority to service, administer and exercise rights and remedies, on behalf of the Borrower, in respect of the Collateral Portfolio. Until the Administrative Agent gives Solar a Servicer Termination Notice, Solar hereby accepts such appointment and agrees to perform the duties and responsibilities of the Servicer pursuant to the terms hereof. The Servicer and the Borrower hereby acknowledge that the Administrative Agent and the Secured Parties are third party beneficiaries of the obligations undertaken by the Servicer hereunder.

(b) Servicer Termination Notice. The Borrower, the Servicer, each Lender Agent, and the Administrative Agent hereby agree that, upon the occurrence of a Servicer Termination Event, the Administrative Agent, by written notice to the Servicer (with a copy to the Collateral Agent) (a "Servicer Termination Notice"), may terminate all of the rights, obligations, power and authority of the Servicer under this Agreement. On and after the receipt by the Servicer of a Servicer Termination Notice pursuant to this Section 6.01(b), the Servicer shall continue to perform all servicing functions under this Agreement until the date specified in the Servicer Termination Notice or otherwise specified by the Administrative Agent in writing or, if no such date is specified in such Servicer Termination Notice or otherwise specified by the Administrative Agent, until a date mutually agreed upon by the Servicer and the Administrative Agent and shall be entitled to receive, to the extent of funds available therefor pursuant to Section 2.04, the Servicing Fees therefor accrued until such date. After such date, the Servicer

agrees that it will terminate its activities as Servicer hereunder in a manner that the Administrative Agent believes will facilitate the transition of the performance of such activities to a successor Servicer, and the successor Servicer shall assume each and all of the Servicer's obligations to service and administer the Collateral Portfolio, on the terms and subject to the conditions herein set forth, and the Servicer shall use its best efforts to assist the successor Servicer in assuming such obligations.

(c) Appointment of Replacement Servicer. At any time following the delivery of a Servicer Termination Notice, the Administrative Agent may, in its sole discretion, (i) appoint Wells Fargo (or an Affiliate thereof) as Servicer under this Agreement and, in such case, all authority, power, rights and obligations of the Servicer shall pass to and be vested in Wells Fargo (or an Affiliate thereof) or (ii) appoint a new Servicer (in each case, the "Replacement Servicer"), which appointment shall take effect upon the Replacement Servicer accepting such appointment by a written assumption in a form satisfactory to the Administrative Agent in its sole discretion. In the event that Wells Fargo (or an Affiliate thereof) or a Replacement Servicer has not accepted its appointment at the time when the Servicer ceases to act as Servicer, the Administrative Agent shall petition a court of competent jurisdiction to appoint any established financial institution, having a net worth of not less than \$50,000,000 and whose regular business includes the servicing of assets similar to the Collateral Portfolio, as the Replacement Servicer hereunder.

(d) Liabilities and Obligations of Replacement Servicer. Upon its appointment, the Replacement Servicer shall be the successor in all respects to the Servicer with respect to servicing functions under this Agreement and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof, and all references in this Agreement to the Servicer shall be deemed to refer to the Replacement Servicer; provided that the Replacement Servicer shall have (i) no liability with respect to any action performed by the terminated Servicer prior to the date that the Replacement Servicer becomes the successor to the Servicer or any claim of a third party based on any alleged action or inaction of the terminated Servicer, (ii) no obligation to perform any advancing obligations, if any, of the Servicer unless it elects to in its sole discretion, (iii) no obligation to pay any Taxes required to be paid by the Servicer (provided that the Replacement Servicer shall pay any income Taxes for which it is liable), (iv) no obligation to pay any of the fees and expenses of any other party to the transactions contemplated hereby, and (v) no liability or obligation with respect to any Servicer indemnification obligations of any prior Servicer, including the original Servicer. The indemnification obligations of the Replacement Servicer upon becoming a Replacement Servicer, are expressly limited to those arising on account of its failure to act in good faith and with reasonable care under the circumstances. In addition, the Replacement Servicer shall have no liability relating to the representations and warranties of the Servicer contained in Section 4.03.

(e) Authority and Power. All authority and power granted to the Servicer under this Agreement shall automatically cease and terminate upon termination of this Agreement and shall pass to and be vested in the Borrower and, without limitation, the Borrower is hereby authorized and empowered to execute and deliver, on behalf of the Servicer, as attorney-in-fact or otherwise, all documents and other instruments, and to do and accomplish all other acts or things necessary or appropriate to effect the purposes of such transfer of servicing rights. The Servicer agrees to cooperate with the Borrower in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing of the Collateral Portfolio.

(f) Subcontracts. The Servicer may, with the prior written consent of the Administrative Agent, subcontract with any other Person for servicing, administering or collecting the Collateral Portfolio; provided that (i) the Servicer shall select any such Person with reasonable care and shall be solely responsible for the fees and expenses payable to any such Person, (ii) the Servicer shall not be relieved of, and shall remain liable for, the performance of the duties and obligations of the Servicer pursuant to the terms hereof without regard to any subcontracting arrangement and (iii) any such subcontract shall be terminable upon the occurrence of a Servicer Termination Event.

(g) Waiver. The Borrower acknowledges that the Administrative Agent or any of its Affiliates may act as the Collateral Agent and/or the Servicer, and the Borrower waives any and all claims against the Administrative Agent, each Lender Agent or any of their respective Affiliates, the Collateral Agent and the Servicer (other than claims relating to each such party's gross negligence or willful misconduct) relating in any way to the custodial or collateral administration functions having been performed by the Administrative Agent or any of its Affiliates in accordance with the terms and provisions (including the standard of care) set forth in the Transaction Documents.

Section 6.02 Duties of the Servicer.

(a) Duties. The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to service, administer and collect on the Collateral Portfolio from time to time, all in accordance with Applicable Law and the Servicing Standard. Prior to the occurrence of a Servicer Termination Event, but subject to the terms of this Agreement (including, without limitation, Section 6.04), the Servicer has the sole and exclusive authority to make any and all decisions with respect to the Collateral Portfolio and take or refrain from taking any and all actions with respect to the Collateral Portfolio. Without limiting the foregoing, the duties of the Servicer shall include the following:

(i) supervising the Collateral Portfolio, including communicating with Obligors, executing amendments, providing consents and waivers, enforcing and collecting on the Collateral Portfolio and otherwise managing the Collateral Portfolio on behalf of the Borrower;

(ii) maintaining all necessary servicing records with respect to the Collateral Portfolio and providing such reports to the Administrative Agent and each Lender Agent (with a copy to the Collateral Agent and the Collateral Custodian) in respect of the servicing of the Collateral Portfolio (including information relating to its performance under this Agreement) as may be required hereunder or as the Administrative Agent or any Lender Agent may reasonably request;

(iii) maintaining and implementing administrative and operating procedures (including, without limitation, an ability to recreate servicing records

evidencing the Collateral Portfolio in the event of the destruction of the originals thereof) and keeping and maintaining all documents, books, records and other information reasonably necessary or advisable for the collection of the Collateral Portfolio;

(iv) promptly delivering to the Administrative Agent, each Lender Agent, the Collateral Agent or the Collateral Custodian, from time to time, such information and servicing records (including information relating to its performance under this Agreement) as the Administrative Agent, each Lender Agent, Collateral Custodian or the Collateral Agent may from time to time reasonably request;

(v) identifying each Loan Asset clearly and unambiguously in its servicing records to reflect that such Loan Asset is owned by the Borrower and that the Borrower is Pledging a security interest therein to the Secured Parties pursuant to this Agreement;

(vi) notifying the Administrative Agent and each Lender Agent of any material action, suit, proceeding, dispute, offset, deduction, defense or counterclaim (1) that is or is threatened to be asserted by an Obligor with respect to any Loan Asset (or portion thereof) of which it has knowledge or has received notice; or (2) that could reasonably be expected to have a Material Adverse Effect;

(vii) maintaining the perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio;

(viii) except to the extent held by the Collateral Custodian in accordance with Section 12.02(b), maintaining the Loan Asset File with respect to Loan Assets included as part of the Collateral Portfolio; provided that, so long as the Servicer is in possession of any Required Loan Documents, the Servicer will hold such Required Loan Documents in a fireproof safe or fireproof file cabinet;

(ix) directing the Collateral Agent to make payments pursuant to the terms of the Servicing Report in accordance with Section 2.04;

(x) directing the sale or substitution of Collateral Portfolio in accordance with Section 2.07;

(xi) providing assistance to the Borrower with respect to the purchase and sale of and payment for the Loan Assets;

(xii) instructing the Obligors and the administrative agents on the Loan Assets to make payments directly into the Collection Account established and maintained with the Collateral Agent;

(xiii) delivering the Loan Asset Files and the Loan Tape to the Collateral Custodian; and

(xiv) complying with such other duties and responsibilities as may be required of the Servicer by this Agreement.

It is acknowledged and agreed that the Borrower possesses all rights of a lender with respect to the enforcement of rights of a lender and remedies with respect to the Loan Assets and the Underlying Collateral and under the Loan Agreements with respect to the related Loan Asset, and therefore, for all purposes under this Agreement, the Servicer shall perform its administrative and management duties hereunder only to the extent that, as a lender under the related Loan Agreements, it has the right to do so. Notwithstanding anything to the contrary contained herein, it is acknowledged and agreed that the performance by the Servicer of its duties hereunder shall be limited insofar as such performance would conflict with or result in a breach of any of the express terms of the related Loan Agreements; provided that the Servicer shall (a) provide prompt written notice to the Administrative Agent (who will provide each Lender Agent with a copy promptly upon receipt thereof) upon becoming aware of such conflict or breach, (b) have determined that there is no other commercially reasonable performance that it could render consistent with the express terms of the Loan Agreements which would result in all or a portion of the servicing duties being performed in accordance with this Agreement, and (c) undertake all commercially reasonable efforts to mitigate the effects of such non-performance including performing as much of the servicing duties as possible and performing such other commercially reasonable and/or similar duties consistent with the terms of the Loan Agreements.

(b) Notwithstanding anything to the contrary contained herein, the exercise by the Administrative Agent, the Collateral Agent, each Lender Agent and the Secured Parties of their rights hereunder shall not release the Servicer, the Transferor or the Borrower from any of their duties or responsibilities with respect to the Collateral Portfolio. The Secured Parties, the Administrative Agent, each Lender Agent and the Collateral Agent shall not have any obligation or liability with respect to any Collateral Portfolio, nor shall any of them be obligated to perform any of the obligations of the Servicer hereunder.

(c) Any payment by an Obligor in respect of any indebtedness owed by it to the Transferor or the Borrower shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Administrative Agent, be applied as a collection of a payment by such Obligor (starting with the oldest such outstanding payment due) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

(d) At any time when a Replacement Servicer is appointed pursuant to Section 6.01(c), the Transferor shall, at the Collateral Agent's, the Collateral Custodian's or the Administrative Agent's request, assemble all of the Loan Asset Files reasonably available to it and make the same available to the Collateral Agent, the Collateral Custodian or the Administrative Agent at a place selected by the Collateral Agent, the Collateral Custodian, the Administrative Agent or their designee.

(e) On and after the date that a Replacement Servicer is appointed pursuant to Section 6.01(c), the existing Servicer shall assist the Replacement Servicer in assuming each and all of the Servicer's obligations to service and administer the Collateral Portfolio in accordance with this Agreement and comply with reasonable instructions from the Administrative Agent with respect thereto.

Section 6.03 Authorization of the Servicer.

(a) Each of the Borrower, the Administrative Agent, each Lender Agent and each Lender hereby authorizes the Servicer (including any successor thereto) to take any and all reasonable steps in its name and on its behalf necessary or desirable in the determination of the Servicer and not inconsistent with the sale of the Collateral Portfolio by the Transferor to the Borrower under the Purchase and Sale Agreement and, thereafter, the Pledge by the Borrower to the Collateral Agent on behalf of the Secured Parties hereunder, of a security interest in the Collateral Portfolio, to collect all amounts due under any and all Collateral Portfolio, including, without limitation, endorsing any of their names on checks and other instruments representing Interest Collections and Principal Collections, executing and delivering any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Collateral Portfolio and, after the delinquency of any Collateral Portfolio and to the extent permitted under and in compliance with Applicable Law, to commence proceedings with respect to enforcing payment thereof, to the same extent as the Transferor could have done if it had continued to own such Collateral Portfolio. The Transferor, the Borrower and the Collateral Agent on behalf of the Secured Parties shall furnish the Servicer (and any successors thereto) with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder, and shall cooperate with the Servicer to the fullest extent in order to ensure the collectability of the Collateral Portfolio. In no event shall the Servicer be entitled to make the Secured Parties, the Administrative Agent, the Collateral Agent, any Lender or any Lender Agent a party to any litigation without such party's express prior written consent, or to make the Borrower a party to any litigation (other than any routine foreclosure or similar collection procedure) without the Administrative Agent's and each Lender Agent's consent.

(b) After the declaration of the Facility Maturity Date, at the direction of the Administrative Agent, the Servicer shall take such action as the Administrative Agent may deem necessary or advisable to enforce collection of the Collateral Portfolio; provided that the Administrative Agent may, at any time after an Event of Default has occurred, notify any Obligor with respect to any Collateral Portfolio of the assignment of such Collateral Portfolio to the Collateral Agent on behalf of the Secured Parties and direct that payments of all amounts due or to become due be made directly to the Administrative Agent or any servicer, collection agent or account designated by the Administrative Agent and, upon such notification and at the expense of the Borrower, the Administrative Agent may enforce collection of any such Collateral Portfolio, and adjust, settle or compromise the amount or payment thereof.

Section 6.04 Collection of Payments; Accounts.

(a) Collection Efforts, Modification of Collateral Portfolio. The Servicer will use its commercially reasonable efforts to collect or cause to be collected, all payments called for under the terms and provisions of the Loan Assets included in the Collateral Portfolio as and when the same become due, all in accordance with the Servicing Standard.

(b) Taxes and other Amounts. The Servicer will use its commercially reasonable efforts to collect all payments with respect to amounts due for Taxes, assessments and insurance premiums relating to each Loan Asset to the extent required to be paid to the Borrower for such application under the applicable Loan Agreement and remit such amounts to the appropriate Governmental Authority or insurer as required by the Loan Agreements.

(c) Payments to Collection Account. On or before the applicable Cut-Off Date, the Servicer shall have instructed all Obligors (or the applicable administrative or paying agent) to make all payments in respect of the Collateral Portfolio directly to the Collection Account; provided that the Servicer is not required to so instruct any Obligor which is solely a guarantor or other surety (or an Obligor that is not designated as the “lead borrower” or another such similar term) unless and until the Servicer calls on the related guaranty or secondary obligation.

(d) Controlled Accounts. Each of the parties hereto hereby agrees that (i) each Controlled Account is intended to be a “securities account” or “deposit account” within the meaning of the UCC and (ii) except as otherwise expressly provided herein and in the Control Agreement, as applicable, prior to the delivery of a Notice of Exclusive Control, the Borrower and the Servicer shall be entitled to exercise the rights that comprise each Financial Asset held in each Controlled Account which is a securities account and have the right to direct the disposition of funds in any Controlled Account which is a deposit account; provided that after the delivery of a Notice of Exclusive Control (as defined in the Control Agreement, as applicable), such rights shall be exclusively held by the Collateral Agent (acting at the direction of the Administrative Agent). Each of the parties hereto hereby agrees to cause the securities intermediary that holds any property for the Borrower in a Controlled Account that is a securities account to agree with the parties hereto that (A) such property (subject to Section 6.04(e)) below with respect to any property other than investment property, as defined in Section 9-102(a)(49) of the UCC is to be treated as a Financial Asset under Article 8 of the UCC and (B) regardless of any provision in any other agreement, for purposes of the UCC, with respect to the Controlled Accounts, New York shall be deemed to be the Account Bank’s jurisdiction (within the meaning of Section 9-304 of the UCC) and the securities intermediary’s jurisdiction (within the meaning of Section 8-110 of the UCC). All securities or other property underlying any Financial Assets credited to the Controlled Accounts in the form of securities or instruments shall be registered in the name of the Account Bank or if in the name of the Borrower or the Collateral Agent, Indorsed to the Account Bank, Indorsed in blank, or credited to another securities account maintained in the name of the Account Bank, and in no case will any Financial Asset credited to the Controlled Accounts be registered in the name of the Borrower, payable to the order of the Borrower or specially Indorsed to the Borrower, except to the extent the foregoing have been specially Indorsed to the Account Bank or Indorsed in blank.

(e) Loan Agreements. Notwithstanding any term hereof (or any term of the UCC that might otherwise be construed to be applicable to a “securities intermediary” as defined in the UCC) to the contrary, none of the Collateral Agent, the Collateral Custodian nor any securities intermediary shall be under any duty or obligation in connection with the acquisition by the Borrower, or the grant by the Borrower to the Collateral Agent, of any Loan Asset in the nature of a loan or a participation in a loan to examine or evaluate the sufficiency of the

documents or instruments delivered to it by or on behalf of the Borrower under the related Loan Agreements, or otherwise to examine the Loan Agreements, in order to determine or compel compliance with any applicable requirements of or restrictions on transfer (including without limitation any necessary consents). The Collateral Custodian shall hold any Instrument delivered to it evidencing any Loan Asset granted to the Collateral Agent hereunder as custodial agent for the Collateral Agent in accordance with the terms of this Agreement.

(f) Establishment of the Collection Account. The Borrower established or caused to be established, on or before the Closing Date, with the Account Bank, and maintained in the name of the Borrower, subject to the lien of the Collateral Agent, for the benefit of the Secured Parties, a segregated corporate trust account entitled "Collection Account for SSLP 2016-1, LLC, subject to the lien of Wells Fargo Bank, National Association, as Collateral Agent for the benefit of the Secured Parties" (the "Collection Account"), and the Borrower shall further cause to be maintained two subaccounts linked to and constituting part of the Collection Account for the purpose of segregating, within two (2) Business Days of the receipt of any Principal Collections (the "Principal Collection Account") and Interest Collections (the "Interest Collection Account"), respectively, over which the Collateral Agent, for the benefit of the Secured Parties, shall have control and from which none of the Servicer nor the Borrower shall have any right of withdrawal except in accordance with the terms of this Agreement and the Control Agreement.

(g) Adjustments. If (i) the Servicer makes a deposit into the Collection Account in respect of an Interest Collection or Principal Collection of a Loan Asset and such Interest Collection or Principal Collection was received by the Servicer in the form of a check that is not honored for any reason or (ii) the Servicer makes a mistake with respect to the amount of any Interest Collection or Principal Collection and deposits an amount that is less than or more than the actual amount of such Interest Collection or Principal Collection, the Servicer shall appropriately adjust the amount subsequently deposited into the Collection Account to reflect such dishonored check or mistake. Any Scheduled Payment in respect of which a dishonored check is received shall be deemed not to have been paid.

(h) Establishment of the Unfunded Exposure Account. The Borrower established, on or before the Closing Date, with the Account Bank, and maintained in the name of the Borrower, subject to the lien of the Collateral Agent, for the benefit of the Secured Parties, a segregated corporate trust account entitled "Unfunded Exposure Account for SSLP 2016-1, LLC, subject to the lien of Wells Fargo Bank, National Association, as Collateral Agent for the benefit of the Secured Parties" (the "Unfunded Exposure Account"). Funds on deposit in the Unfunded Exposure Account as of any date of determination may be withdrawn to fund draw requests of the relevant Obligor under any Delayed Draw Loan Assets; provided that, until the earlier to occur of the end of the Reinvestment Period or the Facility Maturity Date, the amount withdrawn to fund such draw request shall not cause a Borrowing Base Deficiency. Any such draw request made by an Obligor, along with wiring instructions for the applicable Obligor, shall be forwarded by the Borrower or the Servicer to the Administrative Agent, and the Administrative Agent shall instruct the Account Bank to fund such draw request in accordance with the Loan Agreement pertaining to such Delayed Draw Loan Assets. As of any date of determination, any amounts on deposit in the Unfunded Exposure Account that exceed (i) the aggregate Unfunded Exposure Equity Amount prior to the earlier to occur of the end of the

Reinvestment Period or the Facility Maturity Date and (ii) the aggregate of all Unfunded Exposure Amounts following the earlier to occur of the end of the Reinvestment Period or the Facility Maturity Date, in each case shall be transferred into the Principal Collection Account as Principal Collections.

Section 6.05 Realization Upon Loan Assets. The Servicer will use reasonable efforts to exercise available remedies, if any, relating to a Defaulted Loan Asset in order to maximize recoveries thereunder in accordance with the Servicing Standard. Subject to the terms of the Loan Agreements and the Servicing Standard, the Servicer will comply with Applicable Law in exercising such remedies. The Servicer will remit to the Collection Account the Recoveries received in connection with the sale or disposition of Underlying Collateral relating to a Defaulted Loan Asset.

Section 6.06 Servicing Compensation. As compensation for its activities hereunder and reimbursement for its expenses, the Servicer shall be entitled to be paid the Servicing Fees and reimbursed its reasonable out-of-pocket expenses as provided in Section 2.04.

Section 6.07 Payment of Certain Expenses by Servicer. The Servicer will be required to pay all expenses incurred by it in connection with its activities under this Agreement, including fees and disbursements of its independent accountants, Taxes imposed on the Servicer, expenses incurred by the Servicer in connection with payments and reports pursuant to this Agreement, and all other fees and expenses not expressly stated under this Agreement for the account of the Borrower. The Servicer will pay (on behalf of the Borrower) or make a capital contribution to the Borrower to enable the Borrower to pay all reasonable fees and expenses owing to any bank or trust company in connection with the maintenance of the Controlled Accounts. The Servicer may be reimbursed for any reasonable out-of-pocket expenses incurred hereunder (including out-of-pocket expenses paid by the Servicer on behalf of the Borrower), subject to the availability of funds pursuant to Section 2.04; provided that, to the extent funds are not available for such reimbursement, the Servicer shall be required to pay such expenses for its own account and shall not be entitled to any payment therefor other than the Servicing Fees and except as otherwise provided in Section 2.04.

Section 6.08 Reports to the Administrative Agent; Account Statements; Servicing Information.

(a) Notice of Borrowing. On each Advance Date and on each reduction of Advances Outstanding pursuant to Section 2.18, the Borrower (and the Servicer on its behalf) will provide a Notice of Borrowing or a Notice of Reduction, as applicable, and a Borrowing Base Certificate, each updated as of such date, to the Administrative Agent and each Lender Agent (with a copy to the Collateral Agent).

(b) Servicing Report. On each Reporting Date, the Servicer will provide to the Borrower, each Lender Agent, the Administrative Agent, the Collateral Agent and any Liquidity Bank, a monthly statement including (i) a Borrowing Base Certificate calculated as of the most recent Determination Date, (ii) a summary prepared with respect to each Obligor and with respect to each Loan Asset for such Obligor prepared as of the most recent Determination Date

that will be required to set forth only (x) calculations of the Net Senior Leverage Ratio and the Interest Coverage Ratio for each such Loan Asset for the most recently ended Relevant Test Period for each such Loan Asset and (y) whether or not each such Loan Asset shall have become subject to a material amendment, restatement, supplement, waiver or other modification and whether such amendment, restatement, supplement, waiver or other modification is a Material Modification, (iii) a calculation of the amounts actually available to be drawn by the Servicer under its consolidated committed debt facilities pursuant to Section 7.01(t) and (iv) if such Reporting Date precedes a Payment Date, amounts to be remitted pursuant to Section 2.04 to the applicable parties (which shall include any applicable wiring instructions of the parties receiving payment) (such monthly statement, a “Servicing Report”), with respect to related calendar month signed by a Responsible Officer of the Servicer and the Borrower and substantially in the form of Exhibit I.

(c) Servicer’s Certificate. Together with each Servicing Report, the Servicer shall submit to the Administrative Agent, each Lender Agent, the Collateral Agent and any Liquidity Bank a certificate substantially in the form of Exhibit I (a “Servicer’s Certificate”), signed by a Responsible Officer of the Servicer, which shall include a certification by such Responsible Officer that no Event of Default or Unmatured Event of Default has occurred and is continuing.

(d) Financial Statements. The Servicer will submit (or cause to be submitted) to the Administrative Agent and each Lender Agent, (i) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Servicer ~~and the Equityholder~~ (excluding the fiscal quarter ending on the date specified in clause (ii)), commencing with the fiscal quarter ended September 30, 2016, consolidated unaudited financial statements of ~~the Equityholder and the Servicer~~ for the most recent fiscal quarter, and (ii) within 120 days after the end of each fiscal year of ~~the Equityholder and the Servicer~~, commencing with the fiscal year ended December 31, 2016, consolidated audited financial statements of ~~the Equityholder and the Servicer~~, audited by a firm of nationally recognized independent public accountants, as of the end of such fiscal year.

(e) Obligor Financial Statements; Valuation Reports; Other Reports. The Servicer will deliver to the Administrative Agent, the Lender Agents and the Collateral Agent, with respect to each Obligor, (i) to the extent received by the Borrower and/or the Servicer pursuant to the Loan Agreement, the complete financial reporting package with respect to such Obligor and with respect to each Loan Asset for such Obligor provided to the Borrower and/or the Servicer either monthly or quarterly, as the case may be, by such Obligor, which delivery shall be made within 10 Business Days after Servicer’s or Borrower’s receipt thereof and (ii) asset and portfolio level monitoring reports prepared by the Servicer with respect to the Loan Assets, which delivery shall be made within 60 days of the end of each quarter (or, in the case of last quarter of each year, 120 days of the end of such quarter) and which shall include, without limitation, covenant and financial covenant testing information. The Servicer will promptly deliver to the Administrative Agent and any Lender Agent, upon reasonable request and to the extent received by the Borrower and/or the Servicer, all other documents and information required to be delivered by the Obligors to the Borrower with respect to any Loan Asset included in the Collateral Portfolio.

(f) Amendments to Loan Assets. The Servicer will deliver to the Administrative Agent, the Lender Agents and the Collateral Custodian a copy of any material amendment, restatement, supplement, waiver or other modification to the Loan Agreement of any Loan Asset (along with any material internal documents prepared by the Servicer and provided to its investment committee in connection with such amendment, restatement, supplement, waiver or other modification) within 10 Business Days of the effectiveness of such amendment, restatement, supplement, waiver or other modification.

(g) Website Access to Information. Notwithstanding anything to the contrary contained herein, information required to be delivered or submitted to any Secured Party pursuant to Section 5.03(h) and this Article VI shall be deemed to have been delivered on the date on which such information is posted on Intralinks (or other replacement) website to which the Administrative Agent and Lender Agents have access or upon receipt of such information through e-mail or another delivery method acceptable to the Administrative Agent.

(h) BDC Assets. The BDC will submit to the Administrative Agent and each Lender Agent, on each BDC Reporting Date, a certification by a Responsible Officer of the BDC of the aggregate assets and commitments of the BDC and its consolidated Subsidiaries (determined in accordance with GAAP and Applicable Law) as of the end of the previous fiscal quarter. A "BDC Asset Coverage Event" shall be deemed to occur and be continuing if the Asset Coverage Ratio of the BDC and its consolidated Subsidiaries (determined in accordance with GAAP and Applicable Law) on any BDC Reporting Date is less than the amount required under the 1940 Act (which as of the Closing Date is 2:1).

Section 6.09 Annual Statement as to Compliance. The Servicer will provide to the Administrative Agent, each Lender Agent and the Collateral Agent within 120 days following the end of each fiscal year of the Servicer, commencing with the fiscal year ending on December 31, 2016, a report signed by a Responsible Officer of the Servicer certifying that (a) a review of the activities of the Servicer, and the Servicer's performance pursuant to this Agreement, for the fiscal period ending on the last day of such fiscal year has been made under such Person's supervision and (b) the Servicer has performed or has caused to be performed in all material respects all of its obligations under this Agreement throughout such year and no Servicer Termination Event has occurred.

Section 6.10 Annual Independent Public Accountant or Other Third Party's Servicing Reports. The Servicer will cause a firm of nationally recognized independent public accountants (who may also render other services to the Servicer) or other nationally recognized independent third party experienced in such matters (such third party subject to the approval of the Administrative Agent in its sole discretion) to furnish to the Administrative Agent, each Lender Agent and the Collateral Agent within 120 days following the end of each fiscal year of the Servicer, commencing with the fiscal year ending on December 31, 2017, a report covering such fiscal year to the effect that such accountants or other third party have applied certain agreed-upon procedures (a copy of which procedures are attached hereto as Schedule III, it being understood that the Servicer and the Administrative Agent will provide an updated Schedule III reflecting any further amendments to such Schedule III prior to the issuance of the first such agreed-upon procedures report, a copy of which shall replace the then existing Schedule III) to

certain documents and records relating to the Collateral Portfolio under any Transaction Document, compared the information contained in the Servicing Reports and the Servicer's Certificates delivered during the period covered by such report with such documents and records and that no matters came to the attention of such accountants or other third party that caused them to believe that such servicing was not conducted in compliance with this Article VI, except for such exceptions as such accountants or other third party shall believe to be immaterial and such other exceptions as shall be set forth in such statement. In the event such firm of independent public accountants or other third party requires the Collateral Agent to agree to the procedures performed by such firm (with respect to any of the reports or certificates of such firm), or sign any other agreement in connection therewith, the Collateral Agent shall, upon direction from the Servicer so agree to the terms and conditions requested by such firm of independent public accountants or other third parties as a condition to receiving documentation required by this Agreement; it being understood and agreed that the Collateral Agent shall deliver such letter of agreement or other agreement in conclusive reliance on such direction and shall make no inquiry or investigation as to, and shall have no obligation or responsibility in respect of, the terms of the engagement of such independent public accountants or other third party by the Servicer or the sufficiency, validity or correctness of the agreed upon procedures in respect of such engagement. Upon direction from the Servicer, the Collateral Agent shall be authorized, without liability on its part, to execute and deliver any acknowledgement or other agreement with such firm of independent public accountants or other third party required for the receipt of the certificates, reports or instructions provided for herein, which acknowledgement or agreement, to the extent so directed by the Servicer, may include, amongst other things, (i) acknowledgement that the Servicer has agreed that the procedures by the independent public accountants or other third party are sufficient for relevant purposes, (ii) releases by the Collateral Agent of any claims, liabilities and expenses arising out of or relating to such independent public accountant or other third party's engagement, agreed-upon procedures or any report issued by such independent public accountants or other third party under any such engagement and acknowledgement of other limitations of liability in favor of the independent public accountants or other third party and (iii) restrictions or prohibitions on the disclosure of any such certificates, reports or other information or documents provided to it by such firm of independent public accountants or other third party.

Section 6.11 The Servicer Not to Resign. The Servicer shall not resign from the obligations and duties hereby imposed on it except upon the Servicer's determination that (i) the performance of its duties hereunder is or becomes impermissible under Applicable Law and (ii) there is no reasonable action that the Servicer could take to make the performance of its duties hereunder permissible under Applicable Law. Any such determination permitting the resignation of the Servicer shall be evidenced as to clause (i) above by an Opinion of Counsel to such effect delivered to the Administrative Agent and each Lender Agent. No such resignation shall become effective until a Replacement Servicer shall have assumed the responsibilities and obligations of the Servicer in accordance with Section 6.02.

ARTICLE VII.

EVENTS OF DEFAULT

Section 7.01 Events of Default. If any of the following events (each, an “Event of Default”) shall occur:

(a) the Borrower or the Transferor defaults in making any payment required to be made under one or more agreements for borrowed money to which it is a party in an aggregate principal amount in excess of \$500,000 with respect to each party and such default is not cured within three Business Days (or if due to administrative error, three Business Days after notice or knowledge thereof by the Borrower or the Transferor, as applicable); or

(b) any failure on the part of the Borrower or the Transferor duly to observe or perform to a material extent any other covenants or agreements of the Borrower or the Transferor set forth in this Agreement or the other Transaction Documents to which the Borrower or the Transferor is a party and the same continues unremedied for a period of 30 days (if such failure can be remedied) after the earlier to occur of (i) the date on which written notice of such failure requiring the same to be remedied shall have been given to the Borrower or the Transferor by the Administrative Agent or Collateral Agent and (ii) the date on which the Borrower or the Transferor acquires knowledge thereof; or

(c) the occurrence of a Bankruptcy Event relating to the Transferor, ~~the Equity holder~~ or the Borrower; or

(d) the occurrence of a Servicer Termination Event; or

(e) (1) the rendering of one or more final judgments, decrees or orders by a court or arbitrator of competent jurisdiction for the payment of money in excess, individually or in the aggregate, of \$500,000, against the Borrower and the Borrower shall not have either (i) discharged or provided for the discharge of any such judgment, decree or order in accordance with its terms or (ii) perfected a timely appeal of such judgment, decree or order and caused the execution of same to be stayed during the pendency of the appeal or (2) the Borrower shall have made payments of amounts in excess of \$500,000 in the settlement of any litigation, claim or dispute; or

(f) the Borrower shall fail to qualify as a bankruptcy-remote entity based upon customary criteria such that reputable counsel could no longer render a substantive nonconsolidation opinion with respect to the Borrower and the Transferor; or

(g) (1) any material provision of any Transaction Document, or any lien or security interest granted thereunder, shall (in each case, except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of the Borrower, the Transferor, or the Servicer,

(2) the Borrower, the Transferor or the Servicer shall, directly or indirectly, contest in any manner the effectiveness, validity, binding nature or enforceability of any Transaction Document or any lien or security interest thereunder, or

(3) any security interest securing any obligation under any Transaction Document shall, in whole or in part, cease to be a first priority perfected security interest (subject to Permitted Liens) except as otherwise expressly permitted to be released in accordance with the applicable Transaction Document; or

(h) a Borrowing Base Deficiency exists and has not been remedied in accordance with Section 2.06; provided that, during the period of time that such event remains unremedied, any payments required to be made on a Payment Date shall be made under Section 2.04(c); or

(i) failure on the part of the Borrower, the Transferor or the Servicer to make any payment or deposit (including, without limitation, with respect to bifurcation and remittance of Interest Collections and Principal Collections or any other payment or deposit required to be made by the terms of the Transaction Documents to any Secured Party, Affected Party or Indemnified Party) or the Borrower, the Servicer or the Transferor fails to observe or perform any covenant, agreement or obligation with respect to the management and distribution of funds received with respect to the Collateral Portfolio, in each case, required by the terms of any Transaction Document (other than Section 2.06) within three Business Days of the day such payment or deposit is required to be made (or if due to administrative error, three Business Days after notice or knowledge thereof by the Borrower or the Transferor, as applicable); or

(j) the Borrower shall become required to register as an “investment company” within the meaning of the 1940 Act or the Collateral Portfolio shall require registration as an “investment company” within the meaning of the 1940 Act; or

(k) the Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Code with regard to any assets of the Borrower or the Transferor and such lien shall not have been released within five Business Days, or the Pension Benefit Guaranty Corporation shall file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the assets of the Borrower or the Transferor and such lien shall not have been released within five Business Days; or

(l) any Change of Control shall occur; or

(m) any representation, warranty or certification made by the Borrower or the Transferor in any Transaction Document or in any certificate delivered pursuant to any Transaction Document shall prove to have been incorrect when made, which has a Material Adverse Effect on the Secured Parties, and continues to be unremedied for a period of 30 days after the earlier to occur of (i) the date on which written notice of such incorrectness requiring the same to be remedied shall have been given to the Borrower or the Transferor by the Administrative Agent or the Collateral Agent (which shall be given at the direction of the Administrative Agent) and (ii) the date on which a Responsible Officer of the Borrower or the Transferor acquires knowledge thereof; or

- (n) failure of the Borrower to pay, on the Facility Maturity Date, all accrued and unpaid Obligations; or
- (o) without limiting the generality of Section 7.01(i) above, failure of the Borrower to pay Yield or the Non-Usage Fee within three Business Days of any Payment Date or within three Business Days of any date otherwise due; or
- (p) the Borrower ceases to have a valid, perfected ownership interest in all of the Collateral Portfolio; or
- (q) the Transferor fails to transfer to the Borrower the applicable Loan Assets and the related Portfolio Assets set forth in a Notice of Borrowing on an Advance Date; or
- (r) the Borrower makes any assignment or attempted assignment of its rights or obligations under this Agreement or any other Transaction Document without first obtaining the specific written consent of each of the Lenders and the Administrative Agent, which consent may be withheld by any Lender or the Administrative Agent in the exercise of its sole and absolute discretion; or
- (s) (i) failure of the Borrower to maintain at least one Independent Director, (ii) the removal of any Independent Director of the Borrower without “cause” (as such term is defined in the limited liability company agreement of the Borrower) or without giving prior written notice to the Administrative Agent, each as required in the organizational documents of the Borrower or (iii) an Independent Director of the Borrower which is not provided by CT Corporation, Corporation Service Company, Wilmington Trust Company, Lord Securities Corporation or Puglisi & Associates or, if none of those companies is then providing professional Independent Directors, another nationally recognized service reasonably acceptable to the Administrative Agent shall be appointed without the consent of the Administrative Agent; or
- (t) the Servicer fails to maintain a minimum of \$10,000,000 of unencumbered liquidity, which may be maintained as a combination of (i) cash or cash equivalents held by the Servicer (exclusive of any cash or cash equivalents held by the Borrower) and (ii) amounts actually available to be drawn by the Servicer on the applicable date of determination under its consolidated committed debt facilities; or
- (u) the occurrence of a BDC Asset Coverage Event.

then the Administrative Agent (so long as the Administrative Agent is Wells Fargo Bank, National Association) or all of the Lenders may, by notice to the Borrower, declare the Facility Maturity Date to have occurred; provided that, in the case of any event described in Section 7.01(c) above, the Facility Maturity Date shall be deemed to have occurred automatically upon the occurrence of such event. Upon any such declaration or automatic occurrence, (i) the Borrower shall cease purchasing Loan Assets from the Transferor under the Purchase and Sale Agreement or from any other third party and shall cease originating Loan Assets, (ii) the

Administrative Agent (so long as the Administrative Agent is Wells Fargo Bank, National Association) or all of the Lenders may declare any Obligations to be immediately due and payable, and (iii) all proceeds and distributions in respect of the Portfolio Assets shall be distributed by the Collateral Agent (at the direction of the Administrative Agent) as described in Section 2.04(c) (provided that the Borrower shall in any event remain liable to pay such Advances and all such amounts and Obligations immediately in accordance with Section 2.04(e) hereof). In addition, upon any such declaration or upon any such automatic occurrence, the Collateral Agent, on behalf of the Secured Parties and at the direction of the Administrative Agent, shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of the applicable jurisdiction and other Applicable Law, which rights shall be cumulative. Without limiting any obligation of the Servicer hereunder, the Borrower confirms and agrees that the Collateral Agent, on behalf of the Secured Parties and at the direction of the Administrative Agent, (or any designee thereof, including, without limitation, the Servicer), during the existence of an Event of Default, shall, at its option, have the sole right to enforce the Borrower's rights and remedies under each Assigned Document, but without any obligation on the part of the Administrative Agent, the Lenders, the Lender Agents or any of their respective Affiliates to perform any of the obligations of the Borrower under any such Assigned Document. If any Event of Default shall have occurred and be continuing, the Yield Rate shall be increased pursuant to the increase set forth in the definition of "Applicable Spread", effective as of the date of the occurrence of such Event of Default, and shall apply after the occurrence of such Event of Default until such time as such Event of Default is cured or waived in writing by the Administrative Agent.

Section 7.02 Additional Remedies of the Administrative Agent.

(a) If, (i) upon the Administrative Agent's or the Lenders' declaration that the Advances made to the Borrower hereunder are immediately due and payable pursuant to Section 7.01 upon the occurrence of an Event of Default, or (ii) on the Facility Maturity Date (other than a Facility Maturity Date occurring pursuant to clause (iv) of the definition thereof prior to an Event of Default), the aggregate outstanding principal amount of the Advances, all accrued and unpaid Fees and Yield and any other Obligations are not immediately paid in full, then the Collateral Agent (acting as directed by the Administrative Agent) or the Administrative Agent, in addition to all other rights specified hereunder, shall have the right, in its own name and as agent for the Lenders and Lender Agents, to immediately sell (at the Borrower's expense) in a commercially reasonable manner, in a recognized market (if one exists) at such price or prices as the Administrative Agent may reasonably deem satisfactory, any or all of the Collateral Portfolio and apply the proceeds thereof to the Obligations; provided that the Borrower, or its Affiliates, may exercise its right of first refusal to repurchase the Collateral Portfolio, in whole but not in part, prior to such sale at a purchase price that is not less than the amount of the Obligations (other than contingent indemnification and reimbursement obligations which are unknown, unmatured and/or for which no claim giving rise thereto has been asserted), which right of first refusal shall terminate not later than 5:00 p.m. on the tenth Business Day following the Facility Maturity Date.

(b) The parties recognize that it may not be possible to sell all of the Collateral Portfolio on a particular Business Day, or in a transaction with the same purchaser, or in the same manner because the market for the assets constituting the Collateral Portfolio may

not be liquid. Accordingly, the Administrative Agent may elect, in its sole discretion, the time and manner of liquidating any of the Collateral Portfolio, and nothing contained herein shall obligate the Administrative Agent to liquidate any of the Collateral Portfolio on the date the Administrative Agent or all of the Lender Agents declares the Advances made to the Borrower hereunder to be immediately due and payable pursuant to Section 7.01 or to liquidate all of the Collateral Portfolio in the same manner or on the same Business Day.

(c) If the Collateral Agent (acting as directed by the Administrative Agent) or the Administrative Agent proposes to sell the Collateral Portfolio or any part thereof in one or more parcels at a public or private sale, at the request of the Collateral Agent or the Administrative Agent, as applicable, the Borrower and the Servicer shall make available to (i) the Administrative Agent, on a timely basis, all information (including any information that the Borrower and the Servicer is required by contract to be kept confidential), to the extent such information can be provided without violation of any Applicable Law; provided that (A) notwithstanding the foregoing, neither the Borrower nor the Servicer shall intentionally act or fail to act in a manner that causes a confidentiality restriction to exist or otherwise arise on any such information, (B) to the extent otherwise permissible under Applicable Law or contract, the Borrower and the Servicer shall provide the Administrative Agent written notice promptly (and in any event within one Business Day) after the earlier of obtaining actual knowledge or receiving written notice of the existence of a confidentiality restriction which would preclude delivery of any information with respect to the Collateral Portfolio, and (C) the Borrower and the Servicer shall undertake commercially reasonable efforts to remove any such confidentiality restrictions so that such information can be made available to the Administrative Agent) relating to the Collateral Portfolio subject to sale, including, without limitation, copies of any disclosure documents, contracts, financial statements of the applicable Obligors, covenant certificates and any other materials requested by the Administrative Agent, and (ii) each prospective bidder, on a timely basis, all reasonable information relating to the Collateral Portfolio subject to sale, including, without limitation, copies of any disclosure documents, contracts, financial statements of the applicable Obligors, covenant certificates and any other materials reasonably requested by each such bidder.

(d) Each of the Borrower and the Servicer agrees, to the full extent that it may lawfully so agree, that neither it nor anyone claiming through or under it will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption law now or hereafter in force in any locality where any Collateral Portfolio may be situated in order to prevent, hinder or delay the enforcement or foreclosure of this Agreement, or the absolute sale of any of the Collateral Portfolio or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof, and each of the Borrower and the Servicer, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may be lawful so to do, the benefit of all such laws, and any and all right to have any of the properties or assets constituting the Collateral Portfolio marshaled upon any such sale, and agrees that the Collateral Agent, or the Administrative Agent on its behalf, or any court having jurisdiction to foreclose the security interests granted in this Agreement may sell the Collateral Portfolio as an entirety or in such parcels as the Collateral Agent (acting at the direction of the Administrative Agent) or such court may determine.

(e) Any amounts received from any sale or liquidation of the Collateral Portfolio pursuant to this Section 7.02 in excess of the Obligations will be applied by the Collateral Agent (as directed by the Administrative Agent) in accordance with the provisions of Section 2.04(c), or as a court of competent jurisdiction may otherwise direct.

(f) The Administrative Agent, the Lender Agents and the Lenders shall have, in addition to all the rights and remedies provided herein and provided by applicable federal, state, foreign, and local laws (including, without limitation, the rights and remedies of a secured party under the UCC of any applicable state, to the extent that the UCC is applicable, and the right to offset any mutual debt and claim), all rights and remedies available to the Lenders at law, in equity or under any other agreement between any Lender and the Borrower.

(g) Except as otherwise expressly provided in this Agreement, no remedy provided for by this Agreement shall be exclusive of any other remedy, each and every remedy shall be cumulative and in addition to any other remedy, and no delay or omission to exercise any right or remedy shall impair any such right or remedy or shall be deemed to be a waiver of any Event of Default.

(h) Each of the Borrower and the Servicer hereby irrevocably appoints each of the Collateral Agent and the Administrative Agent its true and lawful attorney (with full power of substitution) in its name, place and stead and at its own expense, in connection with the enforcement of the rights and remedies after the occurrence of an Event of Default provided for in this Agreement, including without limitation the following powers: (a) to give any necessary receipts or acquittance for amounts collected or received hereunder, (b) to make all necessary transfers of the Collateral Portfolio in connection with any such sale or other disposition made pursuant hereto, (c) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale or other disposition, the Borrower and the Servicer hereby ratifying and confirming all that such attorney (or any substitute) shall lawfully do hereunder and pursuant hereto, and (d) to sign any agreements, orders or other documents in connection with or pursuant to any Transaction Document. Nevertheless, if so requested by the Collateral Agent or the Administrative Agent, the Borrower shall ratify and confirm any such sale or other disposition by executing and delivering to the Collateral Agent or the Administrative Agent or all proper bills of sale, assignments, releases and other instruments as may be designated in any such request; provided that, for the avoidance of doubt, no right under any power of attorney furnished under this Section 7.02(h) may be exercised until after the occurrence of an Event of Default.

ARTICLE VIII.

INDEMNIFICATION

Section 8.01 Indemnities by the Borrower.

(a) Without limiting any other rights which the Affected Parties, the Secured Parties, the Administrative Agent, the Lenders, the Lender Agents, the Collateral Agent, the Account Bank, the Collateral Custodian or any of their respective Affiliates may have hereunder

or under Applicable Law, the Borrower hereby agrees to indemnify the Affected Parties, the Secured Parties, Administrative Agent, the Lenders, the Lender Agents, the Collateral Agent, the Account Bank, the Collateral Custodian and each of their respective Affiliates, assigns, officers, directors, employees and agents (each, an “Indemnified Party” for purposes of this Agreement) from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable and documented attorneys’ fees and disbursements, but excluding Taxes, which are addressed in Section 2.11 (all of the foregoing being collectively referred to as “Indemnified Amounts”), awarded against or actually incurred by such Indemnified Party or other non-monetary damages of any such Indemnified Party arising out of or as a result of this Agreement or in respect of any of the Collateral Portfolio, excluding, however, Indemnified Amounts to the extent resulting solely from gross negligence or willful misconduct on the part of an Indemnified Party. Without limiting the foregoing, the Borrower shall indemnify each Indemnified Party for Indemnified Amounts relating to or resulting from any of the following:

(i) any Loan Asset treated as or represented by the Borrower to be an Eligible Loan Asset which is not at the applicable time an Eligible Loan Asset, or the purchase by any party or origination of any Loan Asset which violates Applicable Law;

(ii) reliance on any representation or warranty made or deemed made by the Borrower, the Servicer (if Solar or one of its Affiliates is the Servicer) or any of their respective officers under or in connection with this Agreement or any Transaction Document, which shall have been false or incorrect in any material respect when made or deemed made or delivered;

(iii) the failure by the Borrower or the Servicer (if Solar or one of its Affiliates is the Servicer) to comply with any term, provision or covenant contained in this Agreement or any agreement executed in connection with this Agreement, or with any Applicable Law with respect to any item of Collateral Portfolio, or the nonconformity of any item of Collateral Portfolio with any such Applicable Law;

(iv) the failure to vest and maintain vested in the Collateral Agent, for the benefit of the Secured Parties, a first priority perfected security interest in the Collateral Portfolio, free and clear of any Lien, whether existing at the time of the related Advance or at any time thereafter;

(v) on each Business Day prior to the Collection Date, the occurrence of a Borrowing Base Deficiency and the same has not been remedied in accordance with Section 2.06;

(vi) the failure to file, or any delay in filing, financing statements, continuation statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other Applicable Law with respect to any Loan Assets included in the Collateral Portfolio or the other Portfolio Assets related thereto, whether at the time of any Advance or at any subsequent time;

(vii) any dispute, claim, offset or defense (other than the discharge in bankruptcy of an Obligor) to the payment of any Loan Asset included in the Collateral Portfolio (including, without limitation, a defense based on such Loan Asset (or the Loan Agreement evidencing such Loan Asset) not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the Collateral Portfolio;

(viii) any failure of the Borrower or the Servicer (if Solar or one of its Affiliates is the Servicer) to perform its duties or obligations in accordance with the provisions of the Transaction Documents to which it is a party or any failure by Solar, the Borrower or any Affiliate thereof to perform its respective duties under any Collateral Portfolio;

(ix) any inability to obtain any judgment in, or utilize the court or other adjudication system of, any state in which an Obligor may be located as a result of the failure of the Borrower or the Transferor to qualify to do business or file any notice or business activity report or any similar report;

(x) any action taken by the Borrower or the Servicer in the enforcement or collection of the Collateral Portfolio which results in any claim, suit or action of any kind pertaining to the Collateral Portfolio or which reduces or impairs the rights of the Administrative Agent, Lender Agent or Lender with respect to any Loan Asset or the value of any such Loan Asset;

(xi) any products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort arising out of or in connection with the Underlying Collateral or services that are the subject of any Collateral Portfolio;

(xii) any claim, suit or action of any kind arising out of or in connection with Environmental Laws relating to the Borrower or the Collateral Portfolio, including any vicarious liability;

(xiii) the failure by the Borrower to pay when due any Taxes for which the Borrower is liable, including, without limitation, sales, excise or personal property Taxes payable in connection with the Collateral Portfolio;

(xiv) any repayment by the Administrative Agent, the Lender Agents, the Lenders or a Secured Party of any amount previously distributed in payment of Advances or payment of Yield or Fees or any other amount due hereunder, in each case which amount the Administrative Agent, the Lender Agents, the Lenders or a Secured Party believes in good faith is required to be repaid;

(xv) the commingling by the Borrower or the Servicer of payments and collections required to be remitted to the Collection Account or the Unfunded Exposure Account with other funds;

(xvi) any investigation, litigation or proceeding related to this Agreement (or the Transaction Documents), or the use of proceeds of Advances or the Collateral Portfolio, or the administration of the Loan Assets by the Borrower or the Servicer (unless such administration is carried out by any Servicer other than Solar, if applicable);

(xvii) any failure by the Borrower to give reasonably equivalent value to the Transferor or any third party seller in consideration for the transfer by the Transferor or such third party seller to the Borrower of any item of Collateral Portfolio or any attempt by any Person to void or otherwise avoid any such transfer under any statutory provision or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code;

(xviii) the use of the proceeds of any Advance in a manner other than as provided in this Agreement and the Transaction Documents; and/or

(xix) any failure of the Borrower, the Servicer or any of their respective agents or representatives to remit to the Collection Account within two Business Days of receipt, payments and collections with respect to the Collateral Portfolio remitted to the Borrower, the Servicer or any such agent or representative (unless such administration is carried out by any Servicer other than Solar, if applicable).

(b) Any amounts subject to the indemnification provisions of this Section 8.01 shall be paid by the Borrower to the Administrative Agent on behalf of the applicable Indemnified Party within five Business Days following the receipt by the Borrower of the Administrative Agent's written demand therefor on behalf of the applicable Indemnified Party (and the Administrative Agent shall pay such amounts to the applicable Indemnified Party promptly after the receipt by the Administrative Agent of such amounts). The Administrative Agent, on behalf of any Indemnified Party making a request for indemnification under this Section 8.01, shall submit to the Borrower a certificate setting forth in reasonable detail the basis for and the computations of the Indemnified Amounts with respect to which such indemnification is requested, which certificate shall be conclusive absent demonstrable error.

(c) If for any reason the indemnification provided above in this Section 8.01 is unavailable to the Indemnified Party or is insufficient to hold an Indemnified Party harmless in respect of any losses, claims, damages or liabilities, then the Borrower shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Borrower on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

(d) If the Borrower has made any payments in respect of Indemnified Amounts to the Administrative Agent on behalf of an Indemnified Party pursuant to this Section 8.01 and such Indemnified Party thereafter collects any of such amounts from others, such Indemnified Party will promptly repay such amounts collected to the Borrower, without interest.

(e) The obligations of the Borrower under this Section 8.01 shall survive the resignation or removal of the Administrative Agent, the Lenders, the Lender Agents, the Servicer, the Collateral Agent, the Account Bank or the Collateral Custodian and the termination of this Agreement.

Section 8.02 Indemnities by Servicer.

(a) Without limiting any other rights which any Indemnified Party may have hereunder or under Applicable Law, the Servicer hereby agrees to indemnify each Indemnified Party from and against any and all Indemnified Amounts, awarded against or incurred by any Indemnified Party as a consequence of any of the following, excluding, however, Indemnified Amounts to the extent resulting primarily from (a) gross negligence or willful misconduct on the part of any Indemnified Party claiming indemnification hereunder or (b) Loan Assets which are uncollectible due to the Obligor's financial inability to pay:

(i) the inclusion, in any computations made by it in connection with any Borrowing Base Certificate or other report prepared by it hereunder, of any Loan Assets which were not Eligible Loan Assets as of the date of any such computation;

(ii) reliance on any representation or warranty made or deemed made by the Servicer or any of its officers under or in connection with this Agreement or any other Transaction Document, any Servicing Report, Servicer's Certificate or any other information or report delivered by or on behalf of the Servicer pursuant hereto, which shall have been false, incorrect or misleading in any material respect when made or deemed made or delivered;

(iii) the failure by the Servicer to comply with (A) any term, provision or covenant contained in this Agreement or any other Transaction Document, or any other agreement executed in connection with this Agreement, or (B) any Applicable Law applicable to it with respect to any Portfolio Assets;

(iv) any litigation, proceedings or investigation against the Servicer;

(v) any action or inaction by the Servicer that causes the Collateral Agent, for the benefit of the Secured Parties, not to have a first priority perfected security interest in the Collateral Portfolio, free and clear of any Lien, whether existing at the time of the related Advance or any time thereafter;

(vi) except as permitted by this Agreement, the commingling by the Servicer of payments and collections required to be remitted to the Collection Account or the Unfunded Exposure Account with other funds;

(vii) any failure of the Servicer or any of its agents or representatives (including, without limitation, agents, representatives and employees of such Servicer acting pursuant to authority granted under Section 6.01 hereof) to remit to Collection Account, payments and collections with respect to Loan Assets remitted to the Servicer or any such agent or representative within two Business Days of receipt;

(viii) the failure by the Servicer to perform any of its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document or errors or omissions related to such duties;

(ix) failure or unreasonable delay in assisting a successor Servicer in assuming each and all of the Servicer's obligations to service and administer the Collateral Portfolio, or failure or unreasonable delay in complying with instructions from the Administrative Agent with respect thereto; and/or

(x) any of the events or facts giving rise to a breach of any of the Servicer's representations, warranties, agreements and/or covenants set forth in Article IV, Article V or Article VI or this Agreement.

(b) Any Indemnified Amounts subject to the indemnification provisions of this Section 8.02 shall be paid by the Servicer to the Administrative Agent, for the benefit of the applicable Indemnified Party, within five Business Days following receipt by the Servicer of the Administrative Agent's written demand therefor (and the Administrative Agent shall pay such amounts to the applicable Indemnified Party promptly after the receipt by the Administrative Agent of such amounts). The Agent, on behalf of any Indemnified Party making a request for indemnification under this Section 8.02, shall submit to the Servicer a certificate setting forth in reasonable detail the basis for and the computations of the Indemnified Amounts with respect to which such indemnification is requested, which certificate shall be conclusive absent demonstrable error.

(c) If for any reason the indemnification provided above in this Section 8.02 is unavailable to the Indemnified Party or is insufficient to hold an Indemnified Party harmless in respect of any losses, claims, damages or liabilities, then the Servicer shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Servicer on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

(d) If the Servicer has made any indemnity payments to the Administrative Agent, on behalf of an Indemnified Party pursuant to this Section 8.02 and such Indemnified Party thereafter collects any of such amounts from others, such Indemnified Party will promptly repay such amounts collected to the Servicer, without interest.

(e) The Servicer shall have no liability for making indemnification hereunder to the extent any such indemnification constitutes recourse for uncollectible or uncollected Loan Assets.

(f) The obligations of the Servicer under this Section 8.02 shall survive the resignation or removal of the Administrative Agent, the Lenders, the Lender Agents, the Collateral Agent, the Account Bank or the Collateral Custodian and the termination of this Agreement.

(g) Any indemnification pursuant to this Section 8.02 shall not be payable from the Collateral Portfolio.

Each applicable Indemnified Party shall deliver to the Indemnifying Party under Section 8.01 and Section 8.02, within a reasonable time after such Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by such Indemnified Party relating to the claim giving rise to the Indemnified Amounts.

Section 8.03 Legal Proceedings. In the event an Indemnified Party becomes involved in any action, claim, or legal, governmental or administrative proceeding (an "Action") for which it seeks indemnification hereunder, the Indemnified Party shall promptly notify the other party or parties against whom it seeks indemnification (the "Indemnifying Party") in writing of the nature and particulars of the Action; provided that its failure to do so shall not relieve the Indemnifying Party of its obligations hereunder except to the extent such failure has a material adverse effect on the Indemnifying Party. Upon written notice to the Indemnified Party acknowledging in writing that the indemnification provided hereunder applies to the Indemnified Party in connection with the Action (subject to the exclusion in the first sentence of Section 8.01, the first sentence of Section 8.02 or Section 8.02(d), as applicable), the Indemnifying Party may assume the defense of the Action at its expense with counsel reasonably acceptable to the Indemnified Party. The Indemnified Party shall have the right to retain separate counsel in connection with the Action, and the Indemnifying Party shall not be liable for the legal fees and expenses of the Indemnified Party after the Indemnifying Party has done so; provided that if the Indemnified Party determines in good faith that there may be a conflict between the positions of the Indemnified Party and the Indemnifying Party in connection with the Action, or that the Indemnifying Party is not conducting the defense of the Action in a manner reasonably protective of the interests of the Indemnified Party, the reasonable legal fees and expenses of the Indemnified Party shall be paid by the Indemnifying Party; provided, further, that the Indemnifying Party shall not, in connection with any one Action or separate but substantially similar or related Actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees or expenses of more than one separate firm of attorneys (and any required local counsel) for such Indemnified Party, which firm (and local counsel, if any) shall be designated in writing to the Indemnifying Party by the Indemnified Party. If the Indemnifying Party elects to assume the defense of the Action, it shall have full control over the conduct of such defense; provided that the Indemnifying Party and its counsel shall, as reasonably requested by the Indemnified Party or its counsel, consult with and keep them informed with respect to the conduct of such defense. The Indemnifying Party shall not settle an Action without the prior written approval of the Indemnified Party unless such settlement provides for the full and unconditional release of the Indemnified Party from all liability in connection with the Action. The Indemnified Party shall reasonably cooperate with the Indemnifying Party in connection with the defense of the Action.

Section 8.04 After-Tax Basis. Indemnification under Section 8.01 and 8.02 shall be in an amount necessary to make the Indemnified Party whole after taking into account any Tax consequences to the Indemnified Party of the receipt of the indemnity provided hereunder, including the effect of such Tax or refund on the amount of Tax measured by net income or profits that is or was payable by the Indemnified Party.

ARTICLE IX.

THE ADMINISTRATIVE AGENT AND LENDER AGENTS

Section 9.01 The Administrative Agent.

(a) Appointment. Each Lender Agent and each Secured Party hereby appoints and authorizes the Administrative Agent as its agent hereunder and hereby further authorizes the Administrative Agent to appoint additional agents to act on its behalf and for the benefit of each Lender Agent and each Secured Party. Each Lender Agent and each Secured Party further authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Transaction Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Transaction Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth in this Agreement, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or Lender Agent, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Transaction Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term “agent” in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any Applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Transaction Document by or through agents, employees or attorneys in fact (other than any Prohibited Transferee) and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney in fact that it selects with reasonable care.

(c) Administrative Agent’s Reliance, Etc. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Administrative Agent under or in connection with this Agreement or any of the other Transaction Documents, except for its or their own gross negligence or willful misconduct. Each Lender, Lender Agent and each Secured Party hereby waives any and all claims against the Administrative Agent or any of its Affiliates for any action taken or omitted to be taken by the Administrative Agent or any of its Affiliates under or in connection with this Agreement or any of the other Transaction Documents, except for its or their own gross negligence or willful misconduct. Without limiting the foregoing, the Administrative Agent: (i) may consult with legal counsel (including counsel for the Borrower or the Transferor), independent public accountants and other experts selected by it and shall not be

liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation and shall not be responsible for any statements, warranties or representations made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any of the other Transaction Documents on the part of the Borrower, the Transferor, or the Servicer or to inspect the property (including the books and records) of the Borrower, the Transferor, or the Servicer; (iv) shall not be responsible for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any of the other Transaction Documents or any other instrument or document furnished pursuant hereto or thereto; and (v) shall incur no liability under or in respect of this Agreement or any of the other Transaction Documents by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by facsimile) believed by it to be genuine and signed or sent by the proper party or parties.

(d) Actions by Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of the Lender Agents as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders and Lender Agents against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Transaction Document in accordance with a request or consent of the Lender Agents; provided that, notwithstanding anything to the contrary herein, the Administrative Agent shall not be required to take any action hereunder if the taking of such action, in the reasonable determination of the Administrative Agent, shall be in violation of any Applicable Law or contrary to any provision of this Agreement or shall expose the Administrative Agent to liability hereunder or otherwise. In the event the Administrative Agent requests the consent of a Lender Agent pursuant to the foregoing provisions and the Administrative Agent does not receive a consent (either positive or negative) from such Person within ten Business Days of such Person's receipt of such request, then such Lender or Lender Agent shall be deemed to have declined to consent to the relevant action.

(e) Notice of Event of Default, Unmatured Event of Default or Servicer Termination Event. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of an Event of Default, Unmatured Event of Default or Servicer Termination Event, unless the Administrative Agent has received written notice from a Lender, Lender Agent, the Borrower or the Servicer referring to this Agreement, describing such Event of Default, Unmatured Event of Default or Servicer Termination Event and stating that such notice is a "Notice of Event of Default," "Notice of Unmatured Event of Default" or "Notice of Servicer Termination Event," as applicable. The Administrative Agent shall (subject to Section 9.01(c)) take such action with respect to such Event of Default, Unmatured Event of Default or Servicer Termination Event as may be requested by the Lender Agents acting jointly or as the Administrative Agent shall deem advisable or in the best interest of the Lender Agents.

(f) Credit Decision with Respect to the Administrative Agent. Each Lender Agent and each Secured Party acknowledges that none of the Administrative Agent or any of its

Affiliates has made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Borrower, the Servicer, the Transferor or any of their respective Affiliates or review or approval of any of the Collateral Portfolio, shall be deemed to constitute any representation or warranty by any of the Administrative Agent or its Affiliates to any Lender Agent as to any matter, including whether the Administrative Agent has disclosed material information in its possession. Each Lender Agent and each Secured Party acknowledges that it has, independently and without reliance upon the Administrative Agent, or any of the Administrative Agent's Affiliates, and based upon such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and the other Transaction Documents to which it is a party. Each Lender Agent and each Secured Party also acknowledges that it will, independently and without reliance upon the Administrative Agent, or any of the Administrative Agent's Affiliates, and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement and the other Transaction Documents to which it is a party. Each Lender Agent and each Secured Party hereby agrees that the Administrative Agent shall not have any duty or responsibility to provide any Lender Agent with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower, the Servicer, the Transferor or their respective Affiliates which may come into the possession of the Administrative Agent or any of its Affiliates.

(g) Indemnification of the Administrative Agent. Each Lender Agent agrees to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower or the Servicer), ratably in accordance with the Pro Rata Share of its related Lender, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any of the other Transaction Documents, or any action taken or omitted by the Administrative Agent hereunder or thereunder; provided that the Lender Agents shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct; provided, further, that no action taken in accordance with the directions of the Lender Agents shall be deemed to constitute gross negligence or willful misconduct for purposes of this Article IX. Without limitation of the foregoing, each Lender Agent agrees to reimburse the Administrative Agent, ratably in accordance with the Pro Rata Share of its related Lender, promptly upon demand for any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and the other Transaction Documents, to the extent that such expenses are incurred in the interests of or otherwise in respect of the Lender Agents or Lenders hereunder and/or thereunder and to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower or the Servicer.

(h) Successor Administrative Agent. The Administrative Agent may resign at any time, effective upon the appointment and acceptance of a successor Administrative Agent as

provided below, by giving at least five days' written notice thereof to each Lender Agent. The Administrative Agent may be removed at any time with cause by the Lender Agents and the Borrower acting jointly. Upon any such resignation or removal, the Lender Agents acting jointly shall appoint a successor Administrative Agent with the consent of the Borrower. Each Lender Agent agrees that it shall not unreasonably withhold or delay its approval of the appointment of a successor Administrative Agent. If no such successor Administrative Agent shall have been so appointed, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Secured Parties, appoint a successor Administrative Agent which successor Administrative Agent shall be either (i) a commercial bank organized under the laws of the United States or of any state thereof and have a combined capital and surplus of at least \$50,000,000 or (ii) an Affiliate of such a bank. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

(i) Payments by the Administrative Agent. Unless specifically allocated to a specific Lender Agent pursuant to the terms of this Agreement, all amounts received by the Administrative Agent on behalf of the Lender Agents shall be paid by the Administrative Agent to the Lender Agents in accordance with their related Lender's respective Pro Rata Shares in the applicable Advances Outstanding, or if there are no Advances Outstanding in accordance with their related Lender's most recent Commitments, on the Business Day received by the Administrative Agent, unless such amounts are received after 12:00 noon on such Business Day, in which case the Administrative Agent shall use its reasonable efforts to pay such amounts to each Lender Agent on such Business Day, but, in any event, shall pay such amounts to such Lender Agent not later than the following Business Day.

Section 9.02 The Lender Agents.

(a) Authorization and Action. Each Lender, respectively, hereby designates and appoints its applicable Lender Agent to act as its agent hereunder and under each other Transaction Document, and authorizes such Lender Agent to take such actions as agent on its behalf and to exercise such powers as are delegated to such Lender Agent by the terms of this Agreement and the other Transaction Documents, together with such powers as are reasonably incidental thereto. No Lender Agent shall have any duties or responsibilities, except those expressly set forth herein or in any other Transaction Document, or any fiduciary relationship with its related Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of such Lender Agent shall be read into this Agreement or any other Transaction Document or otherwise exist for such Lender Agent. In performing its functions and duties hereunder and under the other Transaction Documents, each Lender Agent shall act solely as agent for its related Lender and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Borrower or the Servicer or any of the

Borrower's or the Servicer's successors or assigns. No Lender Agent shall be required to take any action that exposes such Lender Agent to personal liability or that is contrary to this Agreement, any other Transaction Document or Applicable Law. The appointment and authority of each Lender Agent hereunder shall terminate upon the indefeasible payment in full of all Obligations. Each Lender Agent hereby authorizes the Administrative Agent to file any UCC financing statement deemed necessary by the Administrative Agent on behalf of such Lender Agent (the terms of which shall be binding on such Lender Agent).

(b) Delegation of Duties. Each Lender Agent may execute any of its duties under this Agreement and each other Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Lender Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

(c) Exculpatory Provisions. Neither any Lender Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement or any other Transaction Document (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to its related Lender for any recitals, statements, representations or warranties made by the Borrower or the Servicer contained in Article IV, any other Transaction Document or any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement or any other Transaction Document, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any other Transaction Document or any other document furnished in connection herewith or therewith, or for any failure of the Borrower or the Servicer to perform its obligations hereunder or thereunder, or for the satisfaction of any condition specified in this Agreement, or for the perfection, priority, condition, value or sufficiency of any collateral pledged in connection herewith. No Lender Agent shall be under any obligation to its related Lender to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Borrower or the Servicer. No Lender Agent shall be deemed to have knowledge of any Event of Default or Unmatured Event of Default unless such Lender Agent has received notice from the Borrower or its related Lender.

(d) Reliance by Lender Agent. Each Lender Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by such Lender Agent. Each Lender Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other Transaction Document unless it shall first receive such advice or concurrence of its related Lender as it deems appropriate and it shall first be indemnified to its satisfaction by its related Lender; provided that, unless and until such Lender Agent shall have received such advice, such Lender Agent may take or refrain from taking any action, as the Lender Agent shall deem advisable and in the best interests of its related Lender. Each Lender Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of its related Lender, and such request and any action taken or failure to act pursuant thereto shall be binding upon its related Lender.

(e) Non-Reliance on Lender Agent. Each Lender expressly acknowledges that neither its related Lender Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by such Lender Agent hereafter taken, including, without limitation, any review of the affairs of the Borrower or the Servicer, shall be deemed to constitute any representation or warranty by such Lender Agent. Each Lender represents and warrants to its related Lender Agent that it has and will, independently and without reliance upon its related Lender Agent, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Borrower and made its own decision to enter into this Agreement, the other Transaction Documents and all other documents related hereto or thereto.

(f) Lender Agents are in their Respective Individual Capacities. Each Lender Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as though such Lender Agent were not a Lender Agent hereunder. With respect to Advances pursuant to this Agreement, each Lender Agent shall have the same rights and powers under this Agreement in its individual capacity as any Lender and may exercise the same as though it were not a Lender Agent, and the terms "Lender," and "Lenders," shall include the Lender Agent in its individual capacity.

(g) Successor Lender Agent. Each Lender Agent may, upon five days' notice to the Borrower and its related Lender, and such Lender Agent will, upon the direction of its related Lender resign as the Lender Agent for such Lender. If any Lender Agent shall resign, then its related Lender during such five day period shall appoint a successor agent. If for any reason no successor agent is appointed by such Lender during such five day period, then effective upon the termination of such five day period, and the Borrower shall make all payments in respect of the Obligations due to such Lender directly to such Lender, and for all purposes shall deal directly with such Lender. After any retiring Lender Agent's resignation hereunder as a Lender Agent, the provisions of Articles VIII and IX shall inure to its benefit with respect to any actions taken or omitted to be taken by it while it was a Lender Agent under this Agreement.

ARTICLE X.

COLLATERAL AGENT

Section 10.01 Designation of Collateral Agent.

(a) Initial Collateral Agent. Each of the Borrower, the Lender Agents and the Administrative Agent hereby designate and appoint the Collateral Agent to act as its agent for the purposes of perfection of a security interest in the Collateral Portfolio and hereby authorizes the Collateral Agent to take such actions on its behalf and on behalf of each of the Secured Parties and to exercise such powers and perform such duties as are expressly granted to the Collateral Agent by this Agreement. The Collateral Agent hereby accepts such agency appointment to act as Collateral Agent pursuant to the terms of this Agreement, until its resignation or removal as Collateral Agent pursuant to the terms hereof.

(b) Successor Collateral Agent. Upon the Collateral Agent's receipt of a Collateral Agent Termination Notice from the Administrative Agent of the designation of a successor Collateral Agent pursuant to the provisions of Section 10.05, the Collateral Agent agrees that it will terminate its activities as Collateral Agent hereunder.

(c) Secured Party. The Administrative Agent, the Lender Agents and the Lenders hereby appoint WFBNA, in its capacity as Collateral Agent hereunder, as their agent for the purposes of perfection of a security interest in the Collateral Portfolio. WFBNA, in its capacity as Collateral Agent hereunder, hereby accepts such appointment and agrees to perform the duties set forth in Section 10.02(b).

Section 10.02 Duties of Collateral Agent.

(a) Appointment. The Borrower, the Lender Agents and the Administrative Agent each hereby appoints WFBNA to act as Collateral Agent, for the benefit of the Secured Parties. The Collateral Agent hereby accepts such appointment and agrees to perform the duties and obligations with respect thereto set forth herein.

(b) Duties. On or before the initial Advance Date, and until its removal pursuant to Section 10.05, the Collateral Agent shall perform, on behalf of the Secured Parties, the following duties and obligations:

(i) The Collateral Agent shall, promptly upon its actual receipt of a Borrowing Base Certificate from the Servicer on behalf of the Borrower, calculate the Borrowing Base and, if the Collateral Agent's calculation does not correspond with the calculation provided by the Servicer on such Borrowing Base Certificate, deliver such calculation to each of the Administrative Agent, Borrower and Servicer within one (1) Business Day of receipt by the Collateral Agent of such Borrowing Base Certificate. The Collateral Agent shall calculate amounts to be remitted pursuant to Section 2.04 to the applicable parties and notify the Servicer and the Administrative Agent in the event of any discrepancy between the Collateral Agent's calculations and the Servicing Report (such dispute to be resolved in accordance with Section 2.05);

(ii) The Collateral Agent shall make payments pursuant to the terms of the Servicing Report or as otherwise directed in accordance with Sections 2.04 or 2.05 (the "Payment Duties").

(iii) The Collateral Agent shall provide to the Servicer a copy of all written notices and communications identified as being sent to it in connection with the Loan Assets and the other Collateral Portfolio held hereunder which it receives from the related Obligor, participating bank and/or agent bank. In no instance shall the Collateral Agent be under any duty or obligation to take any action on behalf of the Servicer in respect of the exercise of any voting or consent

rights, or similar actions, unless it receives specific written instructions from the Servicer, prior to the occurrence of an Event of Default or the Administrative Agent, after the occurrence and during the continuance of Event of Default, in which event the Collateral Agent shall vote, consent or take such other action in accordance with such instructions.

(c) (i) The Administrative Agent, each Lender Agent and each Secured Party further authorizes the Collateral Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Transaction Documents as are expressly delegated to the Collateral Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. In furtherance, and without limiting the generality of the foregoing, each Secured Party hereby appoints the Collateral Agent (acting at the direction of the Administrative Agent) as its agent to execute and deliver all further instruments and documents, and take all further action that the Administrative Agent deems necessary or desirable in order to perfect, protect or more fully evidence the security interests granted by the Borrower hereunder, or to enable any of them to exercise or enforce any of their respective rights hereunder, including, without limitation, the execution by the Collateral Agent as secured party/assignee of such financing or continuation statements, or amendments thereto or assignments thereof, relative to all or any of the Loan Assets now existing or hereafter arising, and such other instruments or notices, as may be necessary or appropriate for the purposes stated hereinabove. Nothing in this Section 10.02(c) shall be deemed to relieve the Borrower or the Servicer of their respective obligations to protect the interest of the Collateral Agent (for the benefit of the Secured Parties) in the Collateral Portfolio, including to file financing and continuation statements in respect of the Collateral Portfolio in accordance with Section 5.01(r).

(ii) The Administrative Agent may direct the Collateral Agent to take any such incidental action hereunder. With respect to other actions which are incidental to the actions specifically delegated to the Collateral Agent hereunder, the Collateral Agent shall not be required to take any such incidental action hereunder, but shall be required to act or to refrain from acting (and shall be fully protected in acting or refraining from acting) upon the direction of the Administrative Agent; provided that the Collateral Agent shall not be required to take any action hereunder at the request of the Administrative Agent, any Secured Party or otherwise if the taking of such action, in the reasonable determination of the Collateral Agent, (x) shall be in violation of any Applicable Law or contrary to any provisions of this Agreement or (y) shall expose the Collateral Agent to liability hereunder or otherwise (unless it has received indemnity which it reasonably deems to be satisfactory with respect thereto). In the event the Collateral Agent requests the consent of the Administrative Agent and the Collateral Agent does not receive a consent (either positive or negative) from the Administrative Agent within 10 Business Days of its receipt of such request, then the Administrative Agent shall be deemed to have declined to consent to the relevant action.

(iii) Except as expressly provided herein, the Collateral Agent shall not be under any duty or obligation to take any affirmative action to exercise or enforce any power, right or remedy available to it under this Agreement (x) unless

and until (and to the extent) expressly so directed by the Administrative Agent or (y) prior to the Facility Maturity Date (and upon such occurrence, the Collateral Agent shall act in accordance with the written instructions of the Administrative Agent pursuant to clause (x)). The Collateral Agent shall not be liable for any action taken, suffered or omitted by it in accordance with the request or direction of any Secured Party, to the extent that this Agreement provides such Secured Party the right to so direct the Collateral Agent, or the Administrative Agent. The Collateral Agent shall not be deemed to have notice or knowledge of any matter hereunder, including an Event of Default, unless a Responsible Officer of the Collateral Agent has actual knowledge of such matter or written notice thereof is received by the Collateral Agent. Notice or knowledge of any matter by Wells Fargo in its capacity as Administrative Agent or Lender and other publically available information shall not constitute notice or knowledge of the Collateral Agent.

(d) If, in performing its duties under this Agreement, the Collateral Agent is required to decide between alternative courses of action, the Collateral Agent may request written instructions from the Administrative Agent as to the course of action desired by it. If the Collateral Agent does not receive such instructions within two Business Days after it has requested them, the Collateral Agent may, but shall be under no duty to, take or refrain from taking any such courses of action. The Collateral Agent shall act in accordance with instructions received after such two Business Day period except to the extent it has already, in good faith, taken or committed itself to take, action inconsistent with such instructions. The Collateral Agent shall be entitled to rely on the advice of legal counsel and independent accountants in performing its duties hereunder and shall be deemed to have acted in good faith if it acts in accordance with such advice.

(e) The parties acknowledge that in accordance with the Customer Identification Program (CIP) requirements under the USA PATRIOT Act and its implementing regulations, the Collateral Agent in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Collateral Agent. The Borrower hereby agrees that it shall provide the Collateral Agent with such information as it may reasonably request including, but not limited to, the Borrower's name, physical address, tax identification number and other information that will help the Collateral Agent to identify and verify the Borrower's identity (and in certain circumstances, the beneficial owners thereof) such as organizational documents, certificate of good standing, license to do business, or other pertinent identifying information.

(f) Concurrently herewith, the Administrative Agent directs the Collateral Agent and the Collateral Agent is hereby authorized to enter into the Control Agreement. For the avoidance of doubt, all of the Collateral Agent's rights, protections and immunities provided herein shall apply to the Collateral Agent for any actions taken or omitted to be taken under the Control Agreement in such capacity.

Section 10.03 Merger or Consolidation.

Any Person (i) into which the Collateral Agent may be merged or consolidated, (ii) that may result from any merger or consolidation to which the Collateral Agent shall be a party, or (iii) that may succeed to the properties and assets of the Collateral Agent substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Collateral Agent hereunder, shall be the successor to the Collateral Agent under this Agreement without further act of any of the parties to this Agreement; provided that such Person is organized under the laws of the United States or any one of the States thereof or the District of Columbia (or any domestic branch of a foreign bank), and (a) has either (1) a long-term unsecured debt rating of "A" or better by S&P and "A2" or better by Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating of "A-1" or better by S&P or "P-1" or better by Moody's, (b) the parent corporation which has either (1) a long-term unsecured debt rating of "A" or better by S&P and "A2" or better by Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating of "A-1" or better by S&P and "P-1" or better by Moody's or (c) is otherwise acceptable to the Administrative Agent.

Section 10.04 Collateral Agent Compensation.

As compensation for its Collateral Agent activities hereunder, the Collateral Agent shall be entitled to the Collateral Agent Fees and Collateral Agent Expenses from the Borrower as set forth in the WFBNA Fee Letter, payable to the extent of funds available therefor pursuant to the provisions of Section 2.04. The Collateral Agent's entitlement to receive the Collateral Agent Fees shall cease on the earlier to occur of: (i) its removal as Collateral Agent pursuant to Section 10.05 or (ii) the termination of this Agreement.

Section 10.05 Collateral Agent Removal.

The Collateral Agent may be removed, with or without cause, by the Administrative Agent by 30 days' notice given in writing to the Collateral Agent and the Borrower (the "Collateral Agent Termination Notice"); provided that notwithstanding its receipt of a Collateral Agent Termination Notice, the Collateral Agent shall continue to act in such capacity until a successor Collateral Agent has been appointed and has agreed to act as Collateral Agent hereunder; provided that the Collateral Agent shall continue to receive compensation of its fees and expenses in accordance with Section 10.04 above while so serving as the Collateral Agent prior to a successor Collateral Agent being appointed.

Section 10.06 Limitation on Liability.

(a) The Collateral Agent may conclusively rely on and shall be fully protected in acting upon any certificate, instrument, opinion, notice, letter or other document delivered to it and that in good faith it reasonably believes to be genuine and that has been signed by the proper party or parties. The Collateral Agent may rely conclusively on and shall be fully protected in acting upon (i) the written instructions of any designated officer of the Administrative Agent or (ii) the verbal instructions of the Administrative Agent.

(b) The Collateral Agent may consult counsel satisfactory to it and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(c) The Collateral Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it, in good faith, or for any mistakes of fact or law, or for anything that it may do or refrain from doing in connection herewith except in the case of its willful misconduct or grossly negligent performance or omission of its duties.

(d) The Collateral Agent makes no warranty or representation and shall have no responsibility (except as expressly set forth in this Agreement) as to the content, enforceability, completeness, validity, sufficiency, value, genuineness, ownership or transferability of the Collateral Portfolio, and will not be required to and will not make any representations as to the validity or value (except as expressly set forth in this Agreement) of any of the Collateral Portfolio. The Collateral Agent shall not be obligated to take any legal action hereunder that might in its judgment involve any expense or liability unless it has been furnished with an indemnity reasonably satisfactory to it.

(e) The Collateral Agent shall have no duties or responsibilities except such duties and responsibilities as are specifically set forth in this Agreement and no covenants or obligations shall be implied in this Agreement against the Collateral Agent. Notwithstanding any provision to the contrary elsewhere in the Transaction Documents, the Collateral Agent shall not have any fiduciary relationship with any party hereto or any Secured Party in its capacity as such, and no implied covenants, functions, obligations or responsibilities shall be read into this Agreement, the other Transaction Documents or otherwise exist against the Collateral Agent. Without limiting the generality of the foregoing, it is hereby expressly agreed and stipulated by the other parties hereto that the Collateral Agent shall not be required to exercise any discretion hereunder and shall have no investment or management responsibility.

(f) The Collateral Agent shall not be required to expend or risk its own funds in the performance of its duties hereunder.

(g) It is expressly agreed and acknowledged that the Collateral Agent is not guaranteeing performance of or assuming any liability for the obligations of the other parties hereto or any parties to the Collateral Portfolio.

(h) Subject in all cases to the last sentence of Section 2.05, in case any reasonable question arises as to its duties hereunder, the Collateral Agent may, prior to the occurrence of an Event of Default or the Facility Maturity Date, request instructions from the Servicer and may, after the occurrence of an Event of Default or the Facility Maturity Date, request instructions from the Administrative Agent, and shall be entitled at all times to refrain from taking any action unless it has received instructions from the Servicer or the Administrative Agent, as applicable. The Collateral Agent shall in all events have no liability, risk or cost for any action taken pursuant to and in compliance with the instruction of the Administrative Agent. In no event shall the Collateral Agent be liable for special, indirect or consequential loss or

damage of any kind whatsoever (including but not limited to lost profits), even if the Collateral Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(i) The Collateral Agent shall not be liable for the acts or omissions of the Collateral Custodian under this Agreement and shall not be required to monitor the performance of the Collateral Custodian. Notwithstanding anything herein to the contrary, the Collateral Agent shall have no duty to perform any of the duties of the Collateral Custodian under this Agreement.

(j) It is expressly acknowledged by the parties hereto that application and performance by the Collateral Agent of its various duties hereunder (including, recalculations to be performed in respect of the matters contemplated hereby) shall be based upon, and in reliance upon, data, information and notice provided to it by the Servicer, the Administrative Agent, the Borrower and/or any related bank agent, obligor or similar party, and the Collateral Agent shall have no responsibility for the accuracy of any such information or data provided to it by such persons and shall be entitled to update its records (as it may deem necessary or appropriate).

(k) In no event shall the Collateral Agent be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond its control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, government action (including any laws, ordinances, regulations) or the like that delay, restrict or prohibit the providing of services by the Collateral Agent as contemplated by this Agreement.

Section 10.07 Collateral Agent Resignation.

The Collateral Agent may resign at any time by giving not less than 90 days written notice thereof to the Administrative Agent and with the consent of the Administrative Agent, which consent shall not be unreasonably withheld. Upon receiving such notice of resignation, the Administrative Agent shall promptly appoint a successor collateral agent or collateral agents by written instrument, in duplicate, executed by the Administrative Agent, one copy of which shall be delivered to the Collateral Agent so resigning and one copy to the successor collateral agent or collateral agents, together with a copy to the Borrower, Servicer and Collateral Custodian. If no successor collateral agent shall have been appointed and an instrument of acceptance by a successor Collateral Agent shall not have been delivered to the Collateral Agent within 45 days after the giving of such notice of resignation, the resigning Collateral Agent may petition any court of competent jurisdiction for the appointment of a successor Collateral Agent. Notwithstanding anything herein to the contrary, the Collateral Agent may not resign prior to a successor Collateral Agent being appointed.

ARTICLE XI.

MISCELLANEOUS

Section 11.01 Amendments and Waivers.

(a) (i) No amendment or modification of any provision of this Agreement shall be effective without the written agreement of the Borrower, the Servicer, the Required Lenders, the Administrative Agent and, solely if such amendment or modification would adversely affect the rights and obligations of the Collateral Agent, the Account Bank or the Collateral Custodian, the written agreement of the Collateral Agent, the Account Bank or the Collateral Custodian, as applicable, and (ii) no termination or waiver of any provision of this Agreement or consent to any departure therefrom by the Borrower or the Servicer shall be effective without the written concurrence of the Administrative Agent and the Required Lenders. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) Notwithstanding the provisions of Section 11.01(a), the written consent of all of the Lenders shall be required for any amendment, modification or waiver (i) reducing any outstanding Advances, or the Yield thereon, (ii) postponing any date for any payment of any Advance, or the Yield thereon, (iii) modifying the provisions of this Section 11.01 or (iv) extending the Stated Maturity Date or clause (i) of the definition of "Reinvestment Period".

(c) Notwithstanding the provisions of Section 11.01(a) and (b), (i) any amendment of this Agreement that is solely for the purpose of adding a Lender may be effected with the consent of the Administrative Agent, but without the written consent of any Lender and (ii) the Administrative Agent and the Borrower shall be permitted to amend any provision of the Transaction Documents (and such amendment shall become effective without any further action or consent of any other party to any Transaction Document) if the Administrative Agent and the Borrower shall have jointly identified an obvious error or any error or omission of a technical or immaterial nature in any such provision. For the avoidance of doubt, in the event that an Event of Default has occurred but has been waived unconditionally and in its entirety in accordance with the terms hereof, such Event of Default shall be deemed to have not "occurred" and references to "after the occurrence of an Event of Default" shall be inapplicable for all purposes in this Agreement or any of the Transaction Documents, except to the extent otherwise provided for in the relevant waiver; provided that any waiver which by its terms becomes effective upon certain conditions precedent being met will not be considered a conditional waiver solely due to the existence of such conditions precedent if all such conditions precedent to effectiveness have been satisfied. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

Section 11.02 Notices, Etc. All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (which shall include facsimile communication and communication by e-mail) and faxed, e-mailed or delivered, to each party hereto, at its address set forth below:

BORROWER: SSLP 2016-1, LLC
500 Park Avenue,
New York, New York 10022
Attention: Chief Financial Officer
Facsimile: 212-994-8545
Phone: 212-993-1660

SERVICER: Solar Capital Ltd.
500 Park Avenue,
New York, New York 10022
Attention: Chief Financial Officer
Facsimile: 212-994-8545
Phone: 212-993-1660

TRANSFEROR: ~~Senior Secured Unitranche Loan Program LLC~~
~~e/o~~ Solar Capital Ltd.
500 Park Avenue,
New York, New York 10022
Attention: Chief Financial Officer
Facsimile: 212-994-8545
Phone: 212-993-1660

ADMINISTRATIVE AGENT: Wells Fargo Bank, National Association
Duke Energy Center
550 South Tryon Street, 5th Floor
Charlotte, North Carolina 28202
Attention: Corporate Debt Finance
Facsimile No.: (704) 715-0089
Confirmation No: (704) 410-2431

INSTITUTIONAL LENDER: Wells Fargo Bank, National Association
Duke Energy Center
550 South Tryon Street, 5th Floor
Charlotte, North Carolina 28202
Attention: Corporate Debt Finance
Facsimile No.: (704) 715-0067
Confirmation No: (704) 410-2431

COLLATERAL AGENT: Wells Fargo Bank, National Association
Corporate Trust Services Division
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services – SSLP 2016-1,
LLC
Facsimile: (281) 667-3933
Phone: (410) 884-2000

COLLATERAL CUSTODIAN: Wells Fargo Bank, National Association
Corporate Trust Services Division
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services – SSLP 2016-1,
LLC
Facsimile: (281) 667-3933
Phone: (410) 884-2000

ACCOUNT BANK: Wells Fargo Bank, National Association
Corporate Trust Services Division
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services – SSLP 2016-1,
LLC
Facsimile: (281) 667-3933
Phone: (410) 884-2000

or at such other address as shall be designated by such party in a written notice to the other parties hereto. Notices and communications by facsimile and e-mail shall be effective when sent (and, upon request, shall be followed by hard copy sent by regular mail), and notices and communications sent by other means shall be effective when received.

Section 11.03 No Waiver; Remedies. No failure on the part of the Administrative Agent, the Collateral Agent, any Lender or any Lender Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 11.04 Binding Effect; Assignability; Multiple Lenders.

(a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Servicer, the Administrative Agent, each Lender, the Lender Agents, the Collateral Agent, the Account Bank, the Collateral Custodian and their respective successors and permitted assigns. Subject to the prior consent of the Borrower (such consent not to be unreasonably withheld, delayed or conditioned), each Lender and their respective successors and

assigns may assign, or grant a security interest or sell a participation interest in, (i) this Agreement and such Lender's rights and obligations hereunder and interest herein in whole or in part (including by way of the sale of participation interests therein) and/or (ii) any Advance (or portion thereof) to any Person other than the Borrower or an Affiliate thereof; provided that, (w) subject to the following clauses (x), (y) and (z), unless the Borrower shall otherwise consent, a Lender may only assign, grant a security interest or sell a participation in, its rights and obligations hereunder to an Affiliate or a Permitted Assignee who is not a Prohibited Transferee, (x) after an Event of Default has occurred, a Lender may assign its rights and obligations hereunder to any Person without the consent of the Borrower, but with the consent of the Administrative Agent, (y) a Lender may assign its rights and obligations hereunder to any Person without the consent of the Borrower if such Lender makes a good faith determination based on advice of counsel that such assignment is required by Applicable Law and gives prior written notice of such assignment to the Borrower identifying the reasons necessitating such assignment and (z) any Conduit Lender shall not need prior consent to at any time assign, or grant a security interest or sell a participation interest in, any Advance (or portion thereof) to a Liquidity Bank or any commercial paper conduit sponsored by a Liquidity Bank or an Affiliate of its related Lender Agent. Any such assignee shall execute and deliver to the Servicer, the Borrower and the Administrative Agent a fully-executed Joinder Supplement. The parties to any such assignment, grant or sale of a participation interest shall execute and deliver to the related Lender Agent for its acceptance and recording in its books and records, such agreement or document as may be satisfactory to such parties and the applicable Lender Agent. None of the Borrower, the Transferor or the Servicer may assign, or permit any Lien (other than Permitted Liens) to exist upon, any of its rights or obligations hereunder or under any Transaction Document or any interest herein or in any Transaction Document without the prior written consent of each Lender Agent and the Administrative Agent, which consent may be withheld by any Lender Agent or the Administrative Agent in the exercise of its sole and absolute discretion. Notwithstanding anything to the contrary herein, if any Lender becomes a Defaulting Lender, unless such Lender shall have been deemed to no longer be a Defaulting Lender pursuant to Section 2.22(b), the Administrative Agent shall have the right to cause such Person to assign its entire interest in the Advances under this Agreement to a transferee (other than a Prohibited Transferee) selected by the Administrative Agent, in an assignment that satisfies the conditions set forth in this Section 11.04.

(b) Notwithstanding any other provision of this Section 11.04, any Lender may at any time pledge or grant a security interest in all or any portion of its rights (including, without limitation, rights to payment of principal and interest) under this Agreement to secure obligations of such Lender to a Federal Reserve Bank, without notice to or consent of the Borrower or the Administrative Agent; provided that no such pledge or grant of a security interest shall release such Lender from any of its obligations hereunder, or substitute any such pledgee or grantee for such Lender as a party hereto.

(c) Each Affected Party and each Indemnified Party shall be an express third party beneficiary of this Agreement.

(d) The Borrower agrees that each participant shall be entitled to the benefits of Sections 2.10 and 2.11 (subject to the requirements and limitations therein, including the requirements under Section 2.11(g)) (it being understood that the documentation required under

Section 2.11(g) shall be delivered to the participating Lender) to the same extent as if it were a Lender and had acquired its interest by assignment; provided that such participant shall not be entitled to receive any greater payment under Sections 2.10 or 2.11, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a change in Applicable Law that occurs after the participant acquired the applicable participation. Each Lender that sells a participation shall give the Borrower notice of such participation and agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 2.11(i) with respect to any participant.

(e) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Obligations under the Transaction Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any Obligations) to any Person except to the Borrower as set forth in Section 11.04(d) and to the extent that such disclosure is necessary to establish that such Obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

Section 11.05 Term of This Agreement. This Agreement, including, without limitation, the Borrower's representations and covenants set forth in Articles IV and V and the Servicer's representations, covenants and duties set forth in Articles IV, V and VI, shall remain in full force and effect until the Collection Date; provided that the rights and remedies with respect to any breach of any representation and warranty made or deemed made by the Borrower or the Servicer pursuant to Articles III and IV and the indemnification and payment provisions of Article VIII, IX and Article XI and the provisions of Section 2.10, Section 2.11, Section 11.07, Section 11.08 and Section 11.09 shall be continuing and shall survive any termination of this Agreement.

Section 11.06 GOVERNING LAW; JURY WAIVER. THIS AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING DIRECTLY OR INDIRECTLY OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREUNDER.

Section 11.07 Costs, Expenses and Taxes.

(a) In addition to the rights of indemnification granted to the Collateral Agent, the Account Bank, the Administrative Agent, the Lenders, the Lender Agents, the Collateral Custodian and their respective Affiliates under Section 8.01 and Section 8.02 hereof, each of the Borrower, the Servicer and the Transferor agrees to pay on demand all reasonable and documented out-of-pocket costs and expenses of the Administrative Agent, the Lenders, the Lender Agents, the Collateral Agent, the Account Bank and the Collateral Custodian incurred in connection with the preparation, execution, delivery, administration (including periodic auditing), syndication, renewal, amendment or modification of, or any waiver or consent issued in connection with, this Agreement, the Transaction Documents and the other documents to be delivered hereunder or in connection herewith, including, without limitation, the reasonable fees and reasonable and documented out-of-pocket expenses of counsel for the Administrative Agent, the Lenders, the Lender Agents, the Collateral Agent, the Account Bank and the Collateral Custodian with respect thereto and with respect to advising the Administrative Agent, the Lenders, the Lender Agents, the Collateral Agent, the Account Bank and the Collateral Custodian as to their respective rights and remedies under this Agreement and the other documents to be delivered hereunder or in connection herewith, and all invoiced out-of-pocket costs and expenses, if any (including reasonable counsel fees and expenses), incurred by the Administrative Agent, the Lenders, the Lender Agents, the Collateral Agent, the Account Bank or the Collateral Custodian in connection with the enforcement or potential enforcement of this Agreement or any Transaction Document by such Person and the other documents to be delivered hereunder or in connection herewith. Notwithstanding the foregoing, unless an Event of Default has occurred and is continuing, the Borrower shall only be obligated to reimburse any Lender or Lender Agent pursuant to this Section 11.07(a) to the extent such Lender or Lender Agent is Wells Fargo or an Affiliate thereof.

(b) The Borrower, the Servicer and the Transferor shall pay on demand any and all stamp, sales, excise and other Taxes and fees payable or determined to be payable to any Governmental Authority in connection with the execution, delivery, filing and recording of this Agreement, the other Transaction Documents or any other document providing liquidity support, credit enhancement or other similar support to the Lenders in connection with this Agreement or the funding or maintenance of Advances hereunder.

(c) The Servicer and the Transferor shall pay on demand all other reasonable and documented out-of-pocket costs, expenses and Taxes (excluding Taxes imposed on or measured by net income) incurred by the Administrative Agent, the Lenders, the Lender Agents, the Collateral Agent, the Collateral Custodian and the Account Bank, including, without limitation, all costs and expenses incurred by the Administrative Agent, the Lender Agents and the Lenders in connection with periodic audits of the Borrower's, the Transferor's or the Servicer's books and records.

Section 11.08 No Proceedings.

(a) Each of the parties hereto (other than the Administrative Agent with the consent of the Lender Agents) agree that it will not institute against, or join any other Person in

instituting against, the Borrower any proceedings of the type referred to in the definition of "Bankruptcy Event" so long as there shall not have elapsed one year (or such longer preference period as shall then be in effect) and one day since the Collection Date.

(b) Each of the parties hereto (other than any Conduit Lender) hereby agrees that it will not institute against, or join any other Person in instituting against, any Conduit Lender, the Administrative Agent, or any Liquidity Banks any Bankruptcy Proceeding so long as any commercial paper issued by such Conduit Lender shall be outstanding and there shall not have elapsed one year (or such longer preference period as shall then be in effect) and one day since the last day on which any such commercial paper shall have been outstanding.

(c) The provisions of this Section 11.08 are a material inducement for the Administrative Agent, the Collateral Agent and the Lenders to enter into this Agreement and the transactions contemplated hereby and are an essential term hereof. The Collateral Agent (acting as directed by the Administrative Agent) with the consent of the Lenders may seek and obtain specific performance of such provisions (including injunctive relief), including without limitation in any bankruptcy, reorganization, arrangement, winding-up, insolvency, moratorium or liquidation proceedings, or other proceedings under United States federal or state bankruptcy laws or any similar laws.

Section 11.09 Recourse Against Certain Parties.

(a) No recourse under or with respect to any obligation, covenant or agreement (including, without limitation, the payment of any fees or any other obligations) of the Administrative Agent, the Lenders, the Lender Agents or any Secured Party as contained in this Agreement or any other agreement, instrument or document entered into by the Administrative Agent, the Lenders, the Lender Agents or any Secured Party pursuant hereto or in connection herewith shall be had against any administrator of the Administrative Agent, the Lenders, the Lender Agents or any Secured Party or any incorporator, affiliate, stockholder, officer, employee or director of the Administrative Agent, the Lenders, the Lender Agents or any Secured Party or of any such administrator, as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the agreements of each party hereto contained in this Agreement and all of the other agreements, instruments and documents entered into by the Administrative Agent, the Lenders, the Lender Agents or any Secured Party pursuant hereto or in connection herewith are, in each case, solely the corporate obligations of such party (and nothing in this Section 11.09 shall be construed to diminish in any way such corporate obligations of such party), and that no personal liability whatsoever shall attach to or be incurred by any administrator of the Administrative Agent, the Lenders, the Lender Agents or any Secured Party or any incorporator, stockholder, affiliate, officer, employee or director of the Lenders, the Lender Agents or the Administrative Agent or of any such administrator, as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Administrative Agent, the Lenders, the Lender Agents or any Secured Party contained in this Agreement or in any other such instruments, documents or agreements, or are implied therefrom, and that any and all personal liability of every such administrator of the Administrative Agent, the Lenders, the Lender Agents or any Secured Party and each incorporator, stockholder, affiliate, officer, employee or director of the Administrative Agent, the Lenders, the Lender Agents or any Secured Party or of any such

administrator, or any of them, for breaches by the Administrative Agent, the Lenders, the Lender Agents or any Secured Party of any such obligations, covenants or agreements, which liability may arise either at common law or in equity, by statute or constitution, or otherwise, is hereby expressly waived as a condition of and in consideration for the execution of this Agreement.

(b) Notwithstanding any contrary provision set forth herein, no claim may be made by the Borrower, the Transferor or the Servicer or any other Person against the Administrative Agent, the Lenders, the Lender Agents or any Secured Party or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect to any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Borrower, the Transferor and the Servicer each hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected.

(c) No obligation or liability to any Obligor under any of the Loan Assets is intended to be assumed by the Administrative Agent, the Lenders, the Lender Agents or any Secured Party under or as a result of this Agreement and the transactions contemplated hereby.

(d) Notwithstanding anything in this Agreement to the contrary, no Conduit Lender shall have any obligation to pay any amount required to be paid by it hereunder in excess of any amount available to such Conduit Lender after paying or making provision for the payment of its Commercial Paper Notes. All payment obligations of each Conduit Lender hereunder are contingent on the availability of funds in excess of the amounts necessary to pay its Commercial Paper Notes; and each of the other parties hereto agrees that it will not have a claim under Section 101(5) of the Bankruptcy Code if and to the extent that any such payment obligation owed to it by a Conduit Lender exceeds the amount available to such Conduit Lender to pay such amount after paying or making provision for the payment of its Commercial Paper Notes.

(e) The provisions of this Section 11.09 shall survive the termination of this Agreement.

Section 11.10 Execution in Counterparts; Severability; Integration. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by e-mail in portable document format (.pdf) or facsimile shall be effective as delivery of a manually executed counterpart of this Agreement. In the event that any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby. This Agreement, the other Transaction Documents and any agreements or letters (including fee letters) executed in connection herewith contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings other than any fee letter delivered by the Servicer to the Administrative Agent and the Lender Agents.

Section 11.11 Consent to Jurisdiction; Service of Process.

(a) Each party hereto hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to the Transaction Documents, and each party hereto hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. The parties hereto hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The parties hereto agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the Borrower and the Servicer agrees that service of process may be effected by mailing a copy thereof by registered or certified mail, postage prepaid, to the Borrower or the Servicer, as applicable, at its address specified in Section 11.02 or at such other address as the Administrative Agent shall have been notified in accordance herewith. Nothing in this Section 11.11 shall affect the right of the Lenders, the Lender Agents or the Administrative Agent to serve legal process in any other manner permitted by law.

Section 11.12 Characterization of Conveyances Pursuant to the Purchase and Sale Agreement.

(a) It is the express intent of the parties hereto that the conveyance of the Eligible Loan Assets by the Transferor to the Borrower as contemplated by the Purchase and Sale Agreement be, and be treated for all purposes (other than accounting purposes and subject to the tax characterization of the Borrower and the Advances described in Section 5.01(y) hereof) as, a sale by the Transferor of such Eligible Loan Assets. It is, further, not the intention of the parties that such conveyance be deemed a pledge of the Eligible Loan Assets by the Transferor to the Borrower to secure a debt or other obligation of the Transferor. However, in the event that, notwithstanding the intent of the parties, the Eligible Loan Assets are held to continue to be property of the Transferor, then the parties hereto agree that: (i) the Purchase and Sale Agreement shall also be deemed to be a security agreement under Applicable Law; (ii) as set forth in the Purchase and Sale Agreement, the transfer of the Eligible Loan Assets provided for in the Purchase and Sale Agreement shall be deemed to be a grant by the Transferor to the Borrower of a first priority security interest (subject only to Permitted Liens) in all of the Transferor's right, title and interest in and to the Eligible Loan Assets and all amounts payable to the holders of the Eligible Loan Assets in accordance with the terms thereof and all proceeds of the conversion, voluntary or involuntary, of the foregoing into cash, instruments, securities or other property, including, without limitation, all amounts from time to time held or invested in the Controlled Accounts, whether in the form of cash, instruments, securities or other property; (iii) the possession by the Borrower (or the Collateral Custodian on behalf of the Secured Parties) of Loan Assets and such other items of property as constitute instruments, money, negotiable documents or chattel paper shall be, subject to clause (iv), for purposes of perfecting

the security interest pursuant to the UCC; and (iv) acknowledgements from Persons holding such property shall be deemed acknowledgements from custodians, bailees or agents (as applicable) of the Borrower for the purpose of perfecting such security interest under Applicable Law. The parties further agree that any assignment of the interest of the Borrower pursuant to any provision hereof shall also be deemed to be an assignment of any security interest created pursuant to the terms of the Purchase and Sale Agreement. The Borrower shall, to the extent consistent with this Agreement and the other Transaction Documents, take such actions as may be necessary to ensure that, if the Purchase and Sale Agreement was deemed to create a security interest in the Eligible Loan Assets, such security interest would be deemed to be a perfected security interest of first priority (subject only to Permitted Liens) under Applicable Law and will be maintained as such throughout the term of this Agreement.

(b) It is the intention of each of the parties hereto that the Eligible Loan Assets conveyed by the Transferor to the Borrower pursuant to the Purchase and Sale Agreement shall constitute assets owned by the Borrower and shall not be part of the Transferor's estate in the event of the filing of a bankruptcy petition by or against the Transferor under any bankruptcy or similar law.

Section 11.13 Confidentiality.

(a) Each of the Administrative Agent, the Lenders, the Lender Agents, the Servicer, the Collateral Agent, the Borrower, the Account Bank, the Transferor and the Collateral Custodian shall maintain and shall cause each of its employees and officers to maintain the confidentiality of this Agreement, the Collateral Portfolio, the Obligors and all information with respect to the other parties, including all information regarding the business of the Borrower, the Transferor and the Servicer hereto and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that each such party and its officers and employees may (i) disclose such information to its external accountants, investigators, auditors, attorneys or other agents, including any valuation firm engaged by such party in connection with any due diligence or comparable activities with respect to the transactions and Loan Assets contemplated herein and the agents of such Persons ("Excepted Persons"); provided that each Excepted Person shall, as a condition to any such disclosure, agree for the benefit of the Administrative Agent, the Lenders, the Lender Agents, the Servicer, the Collateral Agent, the Borrower, the Account Bank, the Transferor and the Collateral Custodian that such information shall be used solely in connection with such Excepted Person's evaluation of, or relationship with, the Borrower and its affiliates, (ii) disclose the existence of the Agreement, but not the financial terms thereof, (iii) disclose such information as is required by Applicable Law and (iv) disclose the Agreement and such information in any suit, action, proceeding or investigation (whether in law or in equity or pursuant to arbitration) involving any of the Transaction Documents for the purpose of defending itself, reducing its liability, or protecting or exercising any of its claims, rights, remedies, or interests under or in connection with any of the Transaction Documents. Notwithstanding the foregoing provisions of this Section 11.13(a), the Servicer may, subject to Applicable Law and the terms of any Loan Agreements, make available copies of the documents in the Servicing Files and such other documents it holds in its capacity as Servicer pursuant to the terms of this Agreement, to any of its creditors. It is understood that the financial terms that may not be disclosed except in compliance with this Section 11.13(a) include, without limitation, all fees and other pricing terms, and all Events of Default, Servicer Termination Events, and priority of payment provisions.

(b) Anything herein to the contrary notwithstanding, the Borrower and the Servicer each hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Administrative Agent, the Lenders, the Lender Agents, the Account Bank, the Collateral Agent or the Collateral Custodian by each other, (ii) by the Administrative Agent, the Lenders, the Lender Agents, the Account Bank, the Collateral Agent and the Collateral Custodian to any prospective or actual assignee or participant of any of them provided that (A) such Person would be permitted to be an assignee or participant pursuant to the terms hereof and (B) such Person agrees to hold such information confidential in accordance with the terms of this Agreement, or (iii) by the Administrative Agent, the Lenders, the Lender Agents, the Account Bank, the Collateral Agent and the Collateral Custodian to any commercial paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to any Lender or any Person providing financing to, or holding equity interests in, any Conduit Lender, as applicable, and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each such Person is informed of the confidential nature of such information. In addition, the Lenders, the Lender Agents, the Administrative Agent, the Collateral Agent, the Account Bank and the Collateral Custodian may disclose any such nonpublic information as required pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(c) Notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known; (ii) disclosure of any and all information (a) if required to do so by any applicable statute, law, rule or regulation, (b) to any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of the Lenders', the Lender Agents', the Administrative Agent's, the Collateral Agent's, the Account Bank's or the Collateral Custodian's business or that of their affiliates, (c) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which the Administrative Agent, any Lender, any Lender Agent, the Collateral Agent, the Collateral Custodian or the Account Bank or an officer, director, employer, shareholder or affiliate of any of the foregoing is a party, (d) in any preliminary or final offering circular, registration statement or contract or other document approved in advance by the Borrower, the Servicer or the Transferor or (e) to any affiliate, independent or internal auditor, agent, employee or attorney of the Collateral Agent or the Collateral Custodian having a need to know the same; provided that the disclosing party advises such recipient of the confidential nature of the information being disclosed; or (iii) any other disclosure authorized by the Borrower, Servicer or the Transferor.

Section 11.14 Non-Confidentiality of Tax Treatment

All parties hereto agree that each of them and each of their employees, representatives, and other agents may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including, without limitation, opinions or other tax analyses) that are provided to any of them

relating to such tax treatment and tax structure. "Tax treatment" and "tax structure" shall have the same meaning as such terms have for purposes of Treasury Regulation Section 1.6011-4; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, the provisions of this Section 11.14 shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the transactions contemplated hereby.

Section 11.15 Waiver of Set Off.

Each of the parties hereto hereby waives any right of setoff it may have or to which it may be entitled under this Agreement from time to time against the Administrative Agent, the Lenders, the Lender Agents or their respective assets.

Section 11.16 Headings and Exhibits.

The headings herein are for purposes of references only and shall not otherwise affect the meaning or interpretation of any provision hereof. The schedules and exhibits attached hereto and referred to herein shall constitute a part of this Agreement and are incorporated into this Agreement for all purposes.

Section 11.17 Ratable Payments.

If any Lender, whether by setoff or otherwise, shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of Advances owing to it (other than pursuant to Breakage Fees, Section 2.10 or Section 2.11) in excess of its ratable share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Advances owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided that, if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered.

Section 11.18 Failure of Borrower or Servicer to Perform Certain Obligations.

If the Borrower or the Servicer, as applicable, fails to perform any of its agreements or obligations under Section 5.01(r), Section 5.02(p) or Section 5.03(e), the Administrative Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the documented expenses of the Administrative Agent incurred in connection therewith shall be payable by the Borrower or the Servicer (on behalf of the Borrower), as applicable, upon the Administrative Agent's demand therefor.

Section 11.19 Power of Attorney. The Borrower irrevocably authorizes the Administrative Agent and appoints the Administrative Agent as its attorney-in-fact to act on

behalf of the Borrower (i) to file financing statements necessary or desirable in the Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Secured Parties in the Collateral Portfolio and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Collateral Portfolio as a financing statement in such offices as the Administrative Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the interests of the Secured Parties in the Collateral Portfolio. This appointment is coupled with an interest and is irrevocable until the Collection Date.

Section 11.20 Delivery of Termination Statements, Releases, etc. Upon payment in full of all of the Obligations (other than unmatured contingent indemnification obligations) and the termination of this Agreement, the Administrative Agent and the Collateral Agent shall deliver to the Borrower termination statements, reconveyances, releases and other documents necessary or appropriate to evidence the termination of the Pledge and other Liens securing the Obligations, all at the expense of the Borrower.

Section 11.21 Intent of the Parties. It is the intent and understanding of each party hereto that the Advances are loans from the Lenders to the Borrower and do not constitute a "security" within the meaning of Section 8-102(15) of the UCC.

ARTICLE XII.

COLLATERAL CUSTODIAN

Section 12.01 Designation of Collateral Custodian.

(a) Initial Collateral Custodian. The role of Collateral Custodian with respect to the Required Loan Documents shall be conducted by the Person designated as Collateral Custodian hereunder from time to time in accordance with this Section 12.01. Each of the Borrower, the Lender Agents and the Administrative Agent hereby designate and appoint the Collateral Custodian to act as agent on behalf of the Secured Parties and hereby authorizes the Collateral Custodian to take such actions on its behalf and to exercise such powers and perform such duties as are expressly granted to the Collateral Custodian by this Agreement. The Collateral Custodian hereby accepts such agency appointment to act as Collateral Custodian pursuant to the terms of this Agreement, until its resignation or removal as Collateral Custodian pursuant to the terms hereof.

(b) Successor Collateral Custodian. Upon the Collateral Custodian's receipt of a Collateral Custodian Termination Notice from the Administrative Agent of the designation of a successor Collateral Custodian pursuant to the provisions of Section 12.05, the Collateral Custodian agrees that it will terminate its activities as Collateral Custodian hereunder.

Section 12.02 Duties of Collateral Custodian.

(a) Appointment. The Borrower, the Lender Agents and the Administrative Agent each hereby appoints WFBNA to act as Collateral Custodian, for the benefit of the Secured Parties. The Collateral Custodian hereby accepts such appointment and agrees to perform the duties and obligations with respect thereto set forth herein.

(b) Duties. From the Closing Date until its removal pursuant to Section 12.05, the Collateral Custodian shall perform, on behalf of the Secured Parties, the following duties and obligations:

(i) The Collateral Custodian shall take and retain custody of the Required Loan Documents delivered by the Borrower pursuant to Sections 3.02(a) and 3.04(b) in accordance with the terms and conditions of this Agreement, all for the benefit of the Secured Parties. Within five Business Days of its receipt of any Required Loan Documents and the related Loan Asset Checklist, the Collateral Custodian shall review the Required Loan Documents to confirm that (A) the Obligor name matches the Loan Asset Checklist, (B) such Required Loan Documents have been executed by each party thereto and have no missing or mutilated pages, (C) each item listed in the Loan Asset Checklist has been provided to the Collateral Custodian (D) the related original balance (based on a comparison to the note or assignment agreement, as applicable) is greater than or equal to the loan balance listed on the related Loan Tape (such items (A) through (D) collectively, the "Review Criteria"). In order to facilitate the foregoing review by the Collateral Custodian, in connection with each delivery of Required Loan Documents hereunder to the Collateral Custodian, the Servicer shall provide to the Collateral Custodian a hard copy (which may be preceded by an electronic copy, as applicable) of the related Loan Asset Checklist which contains the Loan Asset information with respect to the Required Loan Documents being delivered, identification number and the name of the Obligor with respect to such Loan Asset. Notwithstanding anything herein to the contrary, the Collateral Custodian's obligation to review the Required Loan Documents shall be limited to reviewing such Required Loan Documents based on the information provided on the Loan Asset Checklist. If, at the conclusion of such review, the Collateral Custodian is unable to confirm clauses (A) or (D) of the Review Criteria, the Collateral Custodian shall notify the Administrative Agent and the Servicer of such discrepancy within one Business Day, or (ii) any other Review Criteria is not satisfied, the Collateral Custodian shall within one Business Day notify the Servicer and the Administrative Agent of such determination and provide the Servicer and the Administrative Agent with a list of the non-complying Loan Assets and the applicable Review Criteria that they fail to satisfy. The Servicer shall have five Business Days after notice or knowledge thereof to correct any non-compliance with any Review Criteria. To the extent such non-compliance has not been cured within such time period and the Administrative Agent has provided the Servicer with written confirmation of such non-compliance, such Loan Asset shall be deemed to be a Warranty Loan Asset and shall no longer be included in the calculation of any Borrowing Base hereunder until such deficiency is cured. In addition, if requested in writing (in the form of Exhibit J) by the Servicer and approved by the Administrative Agent within 10 Business Days of the Collateral Custodian's delivery of such report, the Collateral Custodian shall return any Loan Asset which fails to satisfy a Review Criteria to the Borrower. Other than the foregoing, the Collateral Custodian shall not have any responsibility for reviewing any Required Loan Documents.

(ii) In taking and retaining custody of the Required Loan Documents, the Collateral Custodian shall be deemed to be acting as the agent of the Secured Parties; provided that the Collateral Custodian makes no representations as to the existence, perfection or priority of any Lien on the Required Loan Documents or the instruments therein; and provided, further, that, the Collateral Custodian's duties shall be limited to those expressly contemplated herein.

(iii) All Required Loan Documents shall be kept in fire resistant vaults, rooms or cabinets at the locations specified in Section 5.06(c) or at such other office as shall be specified to the Administrative Agent and the Servicer by the Collateral Custodian in a written notice delivered at least 30 days (or such shorter notice period as consented to by the Administrative Agent) prior to such change. All Required Loan Documents shall be placed together with an appropriate identifying label and maintained in such a manner so as to permit retrieval and access. The Collateral Custodian shall segregate the Required Loan Documents on its inventory system and will not commingle the physical Required Loan Documents with any other files of the Collateral Custodian other than those, if any, relating to Solar and its Affiliates and subsidiaries; provided, however, the Collateral Custodian shall segregate any commingled files upon written request of the Administrative Agent and the Borrower.

(iv) On the 12th calendar day of every month (or if such day is not a Business Day, the next succeeding Business Day), commencing in July 2016, the Collateral Custodian shall provide a written report to the Administrative Agent and the Servicer (in a form mutually agreeable to the Administrative Agent and the Collateral Custodian) identifying each Loan Asset for which it holds Required Loan Documents and the applicable Review Criteria that any Loan Asset fails to satisfy. The Servicer shall have 20 Business Days after notice or knowledge thereof to correct any non-compliance with any Review Criteria. To the extent such non-compliance has not been cured within such time period and the Administrative Agent has provided the Servicer with written confirmation of such non-compliance, such Loan Asset shall be deemed to be a Warranty Loan Asset and shall no longer be included in the calculation of any Borrowing Base hereunder until such deficiency is cured.

(v) Notwithstanding any provision to the contrary elsewhere in the Transaction Documents, the Collateral Custodian shall not have any fiduciary relationship with any party hereto or any Secured Party in its capacity as such, and no implied covenants, functions, obligations or responsibilities shall be read into this Agreement, the other Transaction Documents or otherwise exist against the Collateral Custodian. Without limiting the generality of the foregoing, it is hereby expressly agreed and stipulated by the other parties hereto that the Collateral Custodian shall not be required to exercise any discretion hereunder and shall have no investment or management responsibility.

(c) (i) The Collateral Custodian agrees to cooperate with the Administrative Agent and the Collateral Agent and deliver any Required Loan Documents to the Collateral Agent or Administrative Agent (pursuant to a written request in the form of Exhibit J), as applicable, as requested in order to take any action that the Administrative Agent deems necessary or desirable in order to perfect, protect or more fully evidence the security interests granted by the Borrower hereunder, or to enable any of them to exercise or enforce any of their respective rights hereunder, including any rights arising with respect to Article VII. In the event the Collateral Custodian receives instructions from the Collateral Agent, the Servicer or the Borrower which conflict with any instructions received by the Administrative Agent, the Collateral Custodian shall rely on and follow the instructions given by the Administrative Agent.

(ii) The Administrative Agent may direct the Collateral Custodian to take any such incidental action hereunder. With respect to other actions which are incidental to the actions specifically delegated to the Collateral Custodian hereunder, the Collateral Custodian shall not be required to take any such incidental action hereunder, but shall be required to act or to refrain from acting (and shall be fully protected in acting or refraining from acting) upon the direction of the Administrative Agent; provided that the Collateral Custodian shall not be required to take any action hereunder at the request of the Administrative Agent, any Secured Party or otherwise if the taking of such action, in the reasonable determination of the Collateral Custodian, (x) shall be in violation of any Applicable Law or contrary to any provisions of this Agreement or (y) shall expose the Collateral Custodian to liability hereunder or otherwise (unless it has received indemnity which it reasonably deems to be satisfactory with respect thereto). In the event the Collateral Custodian requests the consent of the Administrative Agent and the Collateral Custodian does not receive a consent (either positive or negative) from the Administrative Agent within 10 Business Days of its receipt of such request, then the Administrative Agent shall be deemed to have declined to consent to the relevant action.

(iii) The Collateral Custodian shall not be liable for any action taken, suffered or omitted by it in accordance with the request or direction of any Secured Party, to the extent that this Agreement provides such Secured Party the right to so direct the Collateral Custodian, or the Administrative Agent. The Collateral Custodian shall not be deemed to have notice or knowledge of any matter hereunder, including an Event of Default, unless a Responsible Officer of the Collateral Custodian has actual knowledge of such matter or written notice thereof is received by the Collateral Custodian. Notice or knowledge of any matter by Wells Fargo in its capacity as Administrative Agent or Lender and other publically available information shall not constitute notice or knowledge of the Collateral Custodian.

(iv) The parties acknowledge that in accordance with the Customer Identification Program (CIP) requirements under the USA PATRIOT Act and its implementing regulations, the Collateral Custodian in order to help fight the funding of terrorism and money laundering, is required to obtain, verify and

record information that identifies each person or legal entity that establishes a relationship with the Collateral Custodian. The Borrower hereby agrees that it shall provide the Collateral Custodian with such information as it may reasonably request including, but not limited to, the Borrower's name, physical address, tax identification number and other information that will help the Collateral Custodian to identify and verify the Borrower's identity (and in certain circumstances, the beneficial owners thereof) such as organizational documents, certificate of good standing, license to do business, or other pertinent identifying information.

Section 12.03 Merger or Consolidation.

Any Person (i) into which the Collateral Custodian may be merged or consolidated, (ii) that may result from any merger or consolidation to which the Collateral Custodian shall be a party, or (iii) that may succeed to the properties and assets of the Collateral Custodian substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Collateral Custodian hereunder, shall be the successor to the Collateral Custodian under this Agreement without further act of any of the parties to this Agreement.

Section 12.04 Collateral Custodian Compensation.

As compensation for its Collateral Custodian activities hereunder, the Collateral Custodian shall be entitled to the Collateral Custodian Fees from the Borrower as set forth in the WFBNA Fee Letter, payable pursuant to the extent of funds available therefor pursuant to the provisions of Section 2.04. The Collateral Custodian's entitlement to receive the Collateral Custodian Fees shall cease on the earlier to occur of: (i) its removal as Collateral Custodian pursuant to Section 12.05, (ii) its resignation as Collateral Custodian pursuant to Section 12.07 of this Agreement or (iii) the termination of this Agreement.

Section 12.05 Collateral Custodian Removal.

The Collateral Custodian may be removed, with or without cause, by the Administrative Agent by 30 days' notice given in writing to the Collateral Custodian (the "Collateral Custodian Termination Notice"); provided that notwithstanding its receipt of a Collateral Custodian Termination Notice, the Collateral Custodian shall continue to act in such capacity until a successor Collateral Custodian has been appointed and has agreed to act as Collateral Custodian hereunder.

Section 12.06 Limitation on Liability.

(a) The Collateral Custodian may conclusively rely on and shall be fully protected in acting upon any certificate, instrument, opinion, notice, letter or other document delivered to it and that in good faith it reasonably believes to be genuine and that has been signed by the proper party or parties. The Collateral Custodian may rely conclusively on and shall be fully protected in acting upon the written instructions of the Administrative Agent.

(b) The Collateral Custodian may consult counsel satisfactory to it and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(c) The Collateral Custodian shall not be liable for any error of judgment, or for any act done or step taken or omitted by it, in good faith, or for any mistakes of fact or law, or for anything that it may do or refrain from doing in connection herewith except in the case of its willful misconduct or grossly negligent performance or omission of its duties.

(d) The Collateral Custodian makes no warranty or representation and shall have no responsibility (except as expressly set forth in this Agreement) as to the content, enforceability, completeness, validity, sufficiency, value, genuineness, ownership or transferability of the Collateral Portfolio, and will not be required to and will not make any representations as to the validity or value (except as expressly set forth in this Agreement) of any of the Collateral Portfolio. The Collateral Custodian shall not be obligated to take any legal action hereunder that might in its judgment involve any expense or liability unless it has been furnished with an indemnity reasonably satisfactory to it.

(e) The Collateral Custodian shall have no duties or responsibilities except such duties and responsibilities as are specifically set forth in this Agreement and no covenants or obligations shall be implied in this Agreement against the Collateral Custodian.

(f) The Collateral Custodian shall not be required to expend or risk its own funds in the performance of its duties hereunder.

(g) It is expressly agreed and acknowledged that the Collateral Custodian is not guaranteeing performance of or assuming any liability for the obligations of the other parties hereto or any parties to the Collateral Portfolio.

(h) Subject in all cases to the last sentence of Section 12.02(c)(i), in case any reasonable question arises as to its duties hereunder, the Collateral Custodian may, prior to the occurrence of an Event of Default or the Facility Maturity Date, request instructions from the Servicer and may, after the occurrence and during the continuance of an Event of Default or the Facility Maturity Date, request instructions from the Administrative Agent, and shall be entitled at all times to refrain from taking any action unless it has received instructions from the Servicer or the Administrative Agent, as applicable. The Collateral Custodian shall in all events have no liability, risk or cost for any action taken pursuant to and in compliance with the instruction of the Administrative Agent. In no event shall the Collateral Custodian be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Collateral Custodian has been advised of the likelihood of such loss or damage and regardless of the form of action.

(i) It is expressly acknowledged by the parties hereto that application and performance by the Collateral Custodian of its various duties hereunder (including, recalculation to be performed in respect of the matters contemplated hereby) shall be based upon, and in

reliance upon, data, information and notice provided to it by the Servicer, the Administrative Agent, the Borrower and/or any related bank agent, obligor or similar party, and the Collateral Custodian shall have no responsibility for the accuracy of any such information or data provided to it by such persons and shall be entitled to update its records (as it may deem necessary or appropriate).

(j) In no event shall the Collateral Custodian be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond its control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, government action (including any laws, ordinances, regulations) or the like that delay, restrict or prohibit the providing of services by the Collateral Custodian as contemplated by this Agreement.

Section 12.07 Collateral Custodian Resignation.

Collateral Custodian may resign and be discharged from its duties or obligations hereunder, not earlier than 90 days after delivery to the Administrative Agent and the Borrower of written notice of such resignation specifying a date when such resignation shall take effect. Upon the effective date of such resignation, or if the Administrative Agent gives Collateral Custodian written notice of an earlier termination hereof, Collateral Custodian shall (i) be reimbursed for any costs and expenses Collateral Custodian shall incur in connection with the termination of its duties under this Agreement and (ii) deliver all of the Required Loan Documents in the possession of Collateral Custodian to the Administrative Agent or to such Person as the Administrative Agent may designate to Collateral Custodian in writing upon the receipt of a request in the form of Exhibit J; provided that the Borrower shall consent to any successor Collateral Custodian appointed by the Administrative Agent (such consent not to be unreasonably withheld). If no successor collateral custodian shall have been appointed and an instrument of acceptance by a successor Collateral Custodian shall not have been delivered to the Collateral Custodian within 45 days after the giving of such notice of resignation, the resigning Collateral Custodian may petition any court of competent jurisdiction for the appointment of a successor Collateral Custodian. Notwithstanding anything herein to the contrary, the Collateral Custodian may not resign prior to a successor Collateral Custodian being appointed.

Section 12.08 Release of Documents.

(a) Release for Servicing. From time to time and as appropriate for the enforcement or servicing of any of the Collateral Portfolio, the Collateral Custodian is hereby authorized (unless and until such authorization is revoked by the Administrative Agent), upon written receipt from the Servicer of a request for release of documents and receipt in the form annexed hereto as Exhibit J, to release to the Servicer within two Business Days of receipt of such request, the related Required Loan Documents or the documents set forth in such request and receipt to the Servicer. All documents so released to the Servicer shall be held by the Servicer in trust for the benefit of the Collateral Agent, on behalf of the Secured Parties in accordance with the terms of this Agreement. The Servicer shall return to the Collateral Custodian the Required Loan Documents or other such documents (i) promptly upon the request of the Administrative Agent, or (ii) when the Servicer's need therefor in connection with such foreclosure or servicing no longer exists, unless the Loan Asset shall be liquidated, in which

case, the Servicer shall deliver an additional request for release of documents to the Collateral Custodian and receipt certifying such liquidation from the Servicer to the Collateral Agent, all in the form annexed hereto as Exhibit J.

(b) Limitation on Release. The foregoing provision with respect to the release to the Servicer of the Required Loan Documents and documents by the Collateral Custodian upon request by the Servicer shall be operative only to the extent that the Administrative Agent has consented to such release. Promptly after delivery to the Collateral Custodian of any request for release of documents, the Servicer shall provide notice of the same to the Administrative Agent. Any additional Required Loan Documents or documents requested to be released by the Servicer may be released only upon written authorization of the Administrative Agent. The limitations of this paragraph shall not apply to the release of Required Loan Documents to the Servicer pursuant to the immediately succeeding subsection.

(c) Release for Payment. Upon receipt by the Collateral Custodian of the Servicer's request for release of documents and receipt in the form annexed hereto as Exhibit J (which certification shall include a statement to the effect that all amounts received in connection with such payment or repurchase have been credited to the Collection Account as provided in this Agreement), the Collateral Custodian shall promptly release the related Required Loan Documents to the Servicer.

Section 12.09 Return of Required Loan Documents.

The Borrower may, with the prior written consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed), require that the Collateral Custodian return each Required Loan Document (a) delivered to the Collateral Custodian in error or (b) released from the Lien of the Collateral Agent hereunder pursuant to Section 2.16, in each case by submitting to the Collateral Custodian and the Administrative Agent a written request in the form of Exhibit J hereto (signed by both the Borrower and the Administrative Agent) specifying the Collateral Portfolio to be so returned and reciting that the conditions to such release have been met (and specifying the Section or Sections of this Agreement being relied upon for such release). The Collateral Custodian shall upon its receipt of each such request for return executed by the Borrower and the Administrative Agent promptly, but in any event within five Business Days, return the Required Loan Documents so requested to the Borrower.

Section 12.10 Access to Certain Documentation and Information Regarding the Collateral Portfolio; Audits of Servicer.

The Collateral Custodian shall provide to the Administrative Agent and each Lender Agent access to the Required Loan Documents and all other documentation regarding the Collateral Portfolio including in such cases where the Administrative Agent and each Lender Agent is required in connection with the enforcement of the rights or interests of the Secured Parties, or by applicable statutes or regulations, to review such documentation, such access being afforded without charge but only (i) upon two Business Days prior written request, (ii) during normal business hours and (iii) subject to the Servicer's and the Collateral Custodian's normal security and confidentiality procedures. Prior to the Closing Date and periodically thereafter at the discretion of the Administrative Agent and each Lender Agent, the Administrative Agent and

each Lender Agent may review the Servicer's collection and administration of the Collateral Portfolio in order to assess compliance by the Servicer with the Servicing Standard, as well as with this Agreement and may conduct an audit of the Collateral Portfolio, and Required Loan Documents in conjunction with such a review. Such review shall be (subject to Section 5.03(d)(ii)) reasonable in scope and shall be completed in a reasonable period of time. Without limiting the foregoing provisions of this Section 12.10, from time to time upon reasonable request of the Administrative Agent, the Collateral Custodian shall, at least twice each fiscal year of the Servicer, permit certified public accountants or other auditors acceptable to the Administrative Agent to conduct, at the expense of the Servicer (on behalf of the Borrower), a review of the Required Loan Documents and all other documentation regarding the Collateral Portfolio.

Section 12.11 Bailment.

The Collateral Custodian agrees that, with respect to any original promissory notes and original certificated securities at any time or times held by the Collateral Custodian (or on its behalf) in physical form or held in its name, the Collateral Custodian shall be the agent and bailee of the Collateral Agent, for the benefit of the Secured Parties, for purposes of perfecting (to the extent not otherwise perfected) the Collateral Agent's security interest in the Collateral Portfolio and for the purpose of ensuring that such security interest is entitled to first priority status under the UCC.

[Signature pages to follow.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

THE BORROWER:

SSLP 2016-1, LLC

By: _____
Name:
Title:

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THE SERVICER:

SOLAR CAPITAL LTD.

By: _____
Name:
Title:

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THE TRANSFEROR:

~~SENIOR SECURED UNITRANCHE LOAN~~
~~PROGRAM LLC~~SOLAR CAPITAL LTD.

By: _____

Name:

Title:

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THE ADMINISTRATIVE AGENT:

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**

By: _____

Name:

Title:

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

INSTITUTIONAL LENDER:

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**

By: _____

Name:

Title:

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

THE COLLATERAL AGENT, THE
COLLATERAL CUSTODIAN AND
THE ACCOUNT BANK:

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**

By: _____
Name:
Title:

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

CONDITIONS PRECEDENT DOCUMENTS

As required by Section 3.01 of the Agreement, each of the following items must be delivered to the Administrative Agent and the Lender Agents prior to the effectiveness of the Agreement:

(a) A copy of this Agreement duly executed by each of the parties hereto;

(b) A certificate of the Secretary, Assistant Secretary or managing member, as applicable, of each of the Borrower, the Transferor and the Servicer, dated the date of this Agreement, certifying (i) the names and true signatures of the incumbent officers of such Person authorized to sign on behalf of such Person the Transaction Documents to which it is a party (on which certificate the Administrative Agent, the Lenders and the Lender Agents may conclusively rely until such time as the Administrative Agent and the Lender Agents shall receive from the Borrower, the Transferor and the Servicer, as applicable, a revised certificate meeting the requirements of this paragraph (b)(i)), (ii) that the copy of the certificate of formation or articles of incorporation of such Person, as applicable, is a complete and correct copy and that such certificate of formation or articles of incorporation have not been amended, modified or supplemented and are in full force and effect, (iii) that the copy of the limited liability company agreement or by-laws, as applicable, of such Person are a complete and correct copy, and that such limited liability company agreement or by-laws have not been amended, modified or supplemented and are in full force and effect, and (iv) the resolutions of the board of directors or the written consent of the members of such Person, as applicable, approving and authorizing the execution, delivery and performance by such Person of the Transaction Documents to which it is a party;

(c) A good standing certificate, dated as of a recent date for each of the Borrower, the Transferor and the Servicer, issued by the Secretary of State of such Person's State of formation or organization, as applicable;

(d) Duly executed powers of attorney from the Borrower and the Servicer substantially in the form of Exhibit L or Exhibit M, as applicable;

(e) Financing statements describing the Collateral Portfolio (or applicable subset thereof), and (i) naming the Borrower as debtor and the Collateral Agent, on behalf of the Secured Parties, as secured party, (ii) naming the Transferor as debtor, the Borrower as assignor and the Collateral Agent, on behalf of the Secured Parties, as secured party/total assignee, and (iii) other, similar instruments or documents, as may be necessary or, in the opinion of the Administrative Agent, desirable under the UCC of all appropriate jurisdictions or any comparable law to perfect the Collateral Agent's, on behalf of the Secured Parties, interests in all of the Collateral Portfolio, in each case, in form and substance appropriate for filing in the applicable jurisdiction in which such filing is required in order to perfect a security interest in the Collateral Portfolio (or applicable subset thereof);

(f) Financing statements, if any, necessary to release all security interests and other rights of any Person in the Collateral Portfolio previously granted by the Transferor;

(g) Copies of tax and judgment lien searches in all jurisdictions reasonably requested by the Administrative Agent and requests for information (or a similar UCC search report certified by a party acceptable to the Administrative Agent), dated a date reasonably near to the Closing Date, and with respect to such requests for information or UCC searches, listing all effective financing statements which name the Borrower (under its present name and any previous name) and Transferor (under its present name and any previous name) as debtor(s) and which are filed in the jurisdiction of Delaware, as applicable, together with copies of such financing statements (none of which shall cover any of the Collateral Portfolio);

(h) One or more favorable Opinions of Counsel to the Borrower, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders, the Lender Agents and the Collateral Agent, with respect to such matters as the Administrative Agent may reasonably request (including an opinion, with respect to the perfected security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral Portfolio under the UCC laws of the State of New York);

(i) One or more favorable Opinions of Counsel to the Borrower, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders, the Lender Agents and the Collateral Agent, with respect to the true sale of the Collateral Portfolio under the Purchase and Sale Agreement and providing that the Borrower would not be substantively consolidated with the Transferor in a proceeding under the Bankruptcy Code;

(j) One or more favorable Opinions of Counsel to the Borrower, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders, the Lender Agents and the Collateral Agent, with respect to, among other things, no conflicts and the due authorization, execution and delivery of, and enforceability of, the Transaction Documents;

(k) One or more favorable Opinions of Counsel to Transferor ~~and Equityholder~~, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders, the Lender Agents and the Collateral Agent, with respect to, among other things, no conflicts and the due authorization, execution and delivery of, and enforceability of, the Transaction Documents to which ~~Transferor and Equityholder are each~~ is a party;

(l) One or more favorable Opinions of Counsel to Servicer, acceptable to the Administrative Agent and addressed to the Administrative Agent, the Lenders, the Lender Agents and the Collateral Agent, with respect to, among other things, no conflicts and the due authorization, execution and delivery of, and enforceability of, the Transaction Documents to which Servicer is a party;

(m) Duly completed copies of any tax documentation required under Section 2.11(g); and

(n) A copy of each of the Transaction Documents duly executed by the parties thereto.

Sch. I-3

PRIOR NAMES, TRADENAMES, FICTITIOUS NAMES
AND "DOING BUSINESS AS" NAMES

Borrower: None

Sch. II-1

AGREED-UPON PROCEDURES FOR
INDEPENDENT PUBLIC ACCOUNTANTS OR OTHER THIRD PARTIES

In accordance with Section 6.10 of the Agreement, the Servicer will cause a firm of nationally recognized independent public accountants or other third party to furnish in accordance with attestation standards established by the American Institute of Certified Public Accountants a report to the effect that such accountants have either verified, compared, or recalculated each of the following accounts in the Servicing Report to applicable system or records of the Servicer:

- Loan Asset List:
 - Index, spread, PIK
 - Loan Asset scheduled maturity date
 - Industry classification
 - Loan Asset type
 - Fixed/Floating
 - Days delinquent
 - Cut-Off Date
 - Net Senior Leverage Ratio as of the applicable Cut-Off Date for such Loan Asset
 - Net Senior Leverage Ratio as of the most recent Relevant Test Period for such Loan Asset
 - Total Net Senior Leverage Ratio as of the applicable Cut-Off Date for such Loan Asset
 - Total Net Senior Leverage Ratio as of the most recent Relevant Test Period for such Loan Asset
 - Interest Coverage Ratio as of the applicable Cut-Off Date for such Loan Asset
 - Interest Coverage Ratio as of the most recent Relevant Test Period for such Loan Asset
 - Facility Attachment Ratio as of the applicable Cut-Off Date for such Loan Asset
 - Facility Attachment Ratio as of the most recent Relevant Test Period for such Loan Asset
 - Outstanding Balance
 - Par amount
 - Adjusted Borrowing Value
 - Trailing 12 month revenue for the most recent Relevant Test Period for such Loan Asset
 - Trailing 12 month EBITDA for the most recent Relevant Test Period for such Loan Asset
 - The Cut-Off Date for each of the statistics in the foregoing two bullet points
 - Whether such Loan Asset is a Designated Loan Asset
- Borrowing Base

-
- Weighted average Applicable Percentage
 - Maximum availability under the facility
 - Advances Outstanding
 - Cash reconciliation report
 - Discretionary Sales Calculations, Repurchase/Substitution Calculations
 - Compare Principal Collections and Interest Collections to the actual balances reflected by the Account Bank

At the discretion of the Administrative Agent and the nationally recognized independent public accountant or other third party, three random Servicing Reports from the fiscal year will be chosen and reviewed.

The report provided by the accountants may be in a format such typically utilized for a report of this nature; however, it will consist of at a minimum, (i) a list of deviations from the Servicing Report and (ii) discuss with the Servicer the reason for such deviations, and set forth the findings in such report.

LOAN TAPE

The Borrower shall provide, with respect to each Loan Asset, as applicable, the following information:

- (a) Loan Asset number
- (b) Obligor name
- (c) Whether such Obligor is an Affiliate of the Servicer or Transferor
- (d) Loan Asset type (First Lien Loan Asset or First Lien Last-Out Loan Asset)
- (e) Whether such Loan Asset is a Designated Loan Asset
- (f) Original Loan Asset amount (par amount)
- (g) Purchase Price
- (h) Domicile
- (i) Initial tranche size
- (j) Calculation of the Net Senior Leverage Ratio as of the applicable Cut-Off Date for such Loan Asset and for the most recent Relevant Test Period
- (k) Calculation of the Total Net Leverage Ratio as of the applicable Cut-Off Date for such Loan Asset and for the most recent Relevant Test Period
- (l) Calculation of the Interest Coverage Ratio as of the applicable Cut-Off Date for such Loan Asset and for the most recent Relevant Test Period
- (m) Trailing twelve month EBITDA as of the applicable Cut-Off Date for such Loan Asset and for the most recent Relevant Test Period
- (n) Trailing twelve month revenue as of the applicable Cut-Off Date for such Loan Asset and for the most recent Relevant Test Period
- (o) Loan Asset status (whether in default or on nonaccrual status)
- (p) Fixed/Floating
- (q) Days delinquent
- (r) Scheduled maturity date

-
- (s) Rate of interest (and reference rate)
 - (t) LIBOR floor (if applicable)
 - (u) Outstanding Balance
 - (v) Assigned Value
 - (w) Adjusted Borrowing Value
 - (x) Industry classification
 - (y) Whether such Loan Asset has been subject to a Value Adjustment Event (and of what type)
 - (z) Whether such Loan Asset has been subject to a Material Modification
 - (aa) The Cut-Off Date for such Loan Asset
 - (bb) PIK percentage
 - (cc) Applicable Percentage
 - (dd) Maintenance capital expenditure or if unavailable, a good faith approximation by the Servicer of the maintenance capital expenditure
 - (ee) Cash taxes

Sch. IV-2

Conduit Lender

N/A

Commitment

N/A

Institutional Lender

Wells Fargo Bank, National Association

Commitment

\$200,000,000

Annex A

EXHIBITS

TO

LOAN AND SERVICING AGREEMENT

Dated as of June 30, 2016

(SSLP 2016-1, LLC)

EXHIBITS

EXHIBIT A	Form of Approval Notice
EXHIBIT B	Form of Borrowing Base Certificate
EXHIBIT C	Form of Disbursement Request
EXHIBIT D	Form of Joinder Supplement
EXHIBIT E	Form of Notice of Borrowing
EXHIBIT F	Form of Notice of Reduction (Reduction of Advances Outstanding)
EXHIBIT G	[Reserved]
EXHIBIT H	Form of Certificate of Closing Attorneys
EXHIBIT I	Form of Servicer's Certificate (Servicing Report)
EXHIBIT J	Form of Release of Required Loan Documents
EXHIBIT K	[Reserved]
EXHIBIT L	Form of Power of Attorney for Servicer
EXHIBIT M	Form of Power of Attorney for Borrower
EXHIBIT N	Form of Loan Asset Checklist
EXHIBIT O	Form of Notice of Lien Release Dividend
EXHIBIT P-1	Form of U.S. Tax Compliance Certificate (For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT P-2	Form of U.S. Tax Compliance Certificate (For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT P-3	Form of U.S. Tax Compliance Certificate (For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)
EXHIBIT P-4	Form of U.S. Tax Compliance Certificate (For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

LOAN ASSET
APPROVAL NOTICE

DATE _____

ELIGIBLE LOAN ASSET INFORMATION

Obligor Name _____

Par Amount of Loan Asset _____

Tranche _____

Pricing _____

Remaining Maturity _____

Net Senior Leverage Ratio _____

Interest Coverage Ratio _____

ASSIGNED VALUE

Assigned Value _____

Applicable Percentage _____

Purchase Price _____

Designated Loan Asset [Yes][No]

WELLS FARGO BANK, NATIONAL ASSOCIATION APPROVAL

Approval Good Until _____

Approval Conditioned Upon _____

SUPPORTING CALCULATIONS/MISCELLANEOUS NOTES

Reviewed by _____

Telephone No. _____

FORM OF BORROWING BASE CERTIFICATE

[] [], 20[]

In connection with that certain Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), Senior Secured Unitranche Loan Program LLC Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), and Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

As of the date hereof, the undersigned each certify that (i) all of the information set forth in Annex I attached hereto is true, correct and complete in all material respects, (ii) except as otherwise disclosed to the Administrative Agent and as detailed further below, no Event of Default has occurred and no Unmatured Event of Default exists under the Loan and Servicing Agreement; and (iii) solely with respect to itself, each of the representations and warranties contained in the Loan and Servicing Agreement is true, correct and complete in all respects.

EXISTING EVENT(S) OF DEFAULT

Four horizontal lines for text entry.

[Remainder of Page Intentionally Left Blank]

Certified as of the date first written above.

SSLP 2016-1, LLC,
as the Borrower

By: _____
Name:
Title:

SOLAR CAPITAL LTD.,
as the Servicer

By: _____
Name:
Title:

~~SENIOR SECURED UNITRANCHE LOAN
PROGRAM LLC~~
**SOLAR CAPITAL
LTD.**, as the Transferor

By: _____
Name:
Title:

Ex. B-2

BORROWING BASE REPORT

SEE ATTACHED

Ex. B-3

FORM OF DISBURSEMENT REQUEST

(Disbursements from Unfunded Exposure Account and for Reinvestment of Principal Collections)

[Date]

(SSLP 2016-1, LLC)

Wells Fargo Bank, National Association
 as the Collateral Agent
 9062 Old Annapolis Road
 Columbia, Maryland 21045
 Attention: CDO Trust Services – SSLP 2016-1, LLC
 Facsimile No: (281) 667-3933
 Phone No: (410) 884-2000

With a copy to:

Wells Fargo Bank, National Association
 as the Administrative Agent
 Duke Energy Center
 550 South Tryon Street, 5th Floor
 Charlotte, North Carolina 28202
 Attention: Corporate Debt Finance
 Facsimile No.: (704) 715-0089
 Confirmation No: (704) 715-8582

[Lender Agent Name and Address]

Re: Loan and Servicing Agreement dated as of June 30, 2016

Ladies and Gentlemen:

This Disbursement Request is delivered to you pursuant to Section 2.04(d) and Section 2.20 of that certain Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), and Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such

Ex. C-1

capacity, the “Collateral Custodian”) and as the account bank (in such capacity, the “Account Bank”). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

Each of the undersigned, being a duly elected Responsible Officer of the Borrower and of the Servicer, respectively, and holding the office set forth below such officer’s name, hereby certifies as follows:

[1. Pursuant to Section 2.04(d) of the Loan and Servicing Agreement, the Servicer on behalf of the Borrower hereby requests a disbursement (a “Disbursement”) from the Unfunded Exposure Account in the amount of \$ _____ to [applicable Obligor], such Disbursement to be paid as follows:

Bank Name:

ABA No.:

Account Name: Account No.:

Reference:]

[2. Pursuant to Section 2.20(a) of the Loan and Servicing Agreement, the Servicer on behalf of the Borrower hereby requests a disbursement of Principal Collections (a “Disbursement”) from the Principal Collection Account in the amount of \$ _____ to reinvest in additional Eligible Loan Assets to be Pledged under the Loan and Servicing Agreement.]

[3. Pursuant to Section 2.20(b) of the Loan and Servicing Agreement, the Servicer on behalf of the Borrower hereby requests a disbursement of Principal Collections (a “Disbursement”) from the Principal Collection Account in the amount of \$ _____ to make payments in respect of the Advances Outstanding in accordance with and subject to the terms of Section 2.18 of the Loan and Servicing Agreement.]

4. The Servicer on behalf of the Borrower hereby requests that such Disbursement be made on the following date: _____.

5. In connection with a Disbursement pursuant to Section [2.20][2.04(d)] of the Loan and Servicing Agreement, attached to this Disbursement Request is a true, correct and complete calculation of the Borrowing Base and all components thereof.

6. [Other than any Disbursements from the Unfunded Exposure Account after the occurrence of an Event of Default, all] [All] of the conditions applicable to the Disbursement as set forth in the Loan and Servicing Agreement have been satisfied as of the date hereof and will remain satisfied to the date of such Disbursement including the following:

(i) The representations and warranties of each of the Servicer and the Borrower, respectively, set forth in the Loan and Servicing Agreement are true and correct in all respects on and as of such date, before and after giving effect to the Disbursement and to the application of the proceeds therefrom, as though made on and as of such date, except to the extent relating to an earlier date;

(ii) No Servicer Termination Event or Event of Default has occurred, or would result from such Disbursement or from the application of the proceeds therefrom, and no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such Disbursement or from the application of the proceeds therefrom; and

(iii) Each of the Servicer and the Borrower is in compliance with each of its covenants set forth in the Transaction Documents.

[7. The Servicer on behalf of the Borrower hereby represents that in connection with a Disbursement pursuant to Section 2.04(d), such Disbursement shall be used solely for the purpose of funding the Unfunded Exposure Amount(s) of one or more Delayed Draw Loan Asset included in the Collateral Portfolio.]

Each of the undersigned certify that all information contained herein and in the attached Borrowing Base Certificate, as applicable, is true, correct and complete in all material respects as of the date hereof.

[ATTACH BORROWING BASE CERTIFICATE [AND LOAN TAPE]]

[Remainder of Page Intentionally Left Blank]

Ex. C-3

IN WITNESS WHEREOF, the undersigned have executed this Disbursement Request as of the date first written above.

SSLP 2016-1, LLC,
as the Borrower

By: _____
Name:
Title:

SOLAR CAPITAL LTD.,
as the Servicer

By: _____
Name:
Title:

Ex. C-4

**FORM OF
JOINDER SUPPLEMENT**

JOINDER SUPPLEMENT, dated as of the date set forth in Item 1 of Schedule I hereto, among the financial institution identified in Item 2 of Schedule I hereto, SSLP 2016-1, LLC, as the borrower (the "Borrower"), the Lender Agent named in Item 5 of Schedule I hereto (the "Lender Agent") and Wells Fargo Bank, National Association, as the administrative agent (the "Administrative Agent").

WITNESSETH:

WHEREAS, this Joinder Supplement is being executed and delivered under Sections 2.21 or 11.04 of the Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement; and

WHEREAS, the party set forth in Item 2 of Schedule I hereto (the "Proposed Lender") wishes to become a Lender designated as a[n] [Conduit Lender] [Institutional Lender] party to the Loan and Servicing Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

(a) Upon receipt by the Administrative Agent of an executed counterpart of this Joinder Supplement, to which is attached a fully completed Schedule I and Schedule II, each of which has been executed by the Proposed Lender, the Borrower, the Lender Agent, the Administrative Agent and the Collateral Agent, the Administrative Agent will transmit to the Proposed Lender, the Borrower, the Collateral Agent and the Lender Agent, a Joinder Effective Notice, substantially in the form of Schedule III to this Joinder Supplement (a "Joinder Effective Notice"). Such Joinder Effective Notice shall be executed by the Administrative Agent and shall set forth, *inter alia*, the date on which the joinder effected by this Joinder Supplement shall become effective (the "Joinder Effective Date"). From and after the Joinder Effective Date, the Proposed Lender shall be a Lender designated as a[n] [Conduit Lender][Institutional Lender] party to the Loan and Servicing Agreement for all purposes thereof.

(b) Each of the parties to this Joinder Supplement agrees and acknowledges that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Joinder Supplement.

(c) By executing and delivering this Joinder Supplement, the Proposed Lender confirms to and agrees with the Administrative Agent, the Collateral Agent, the Lender Agents and the other Lender(s) as follows: (i) none of the Administrative Agent, the Collateral Agent, the Lender Agents and the other Lender(s) makes any representation or warranty or assumes any responsibility with respect to any statements, warranties or representations made in or in connection with the Loan and Servicing Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan and Servicing Agreement or any other instrument or document furnished pursuant thereto or the Collateral Portfolio or the financial condition of the Transferor, the Servicer or the Borrower, or the performance or observance by the Transferor, the Servicer or the Borrower of any of their respective obligations under the Loan and Servicing Agreement, any other Transaction Document or any other instrument or document furnished pursuant thereto; (ii) the Proposed Lender confirms that it has received a copy of such documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Joinder Supplement; (iii) the Proposed Lender will, independently and without reliance upon the Administrative Agent, the Collateral Agent, the Lender Agents or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan and Servicing Agreement; (iv) the Proposed Lender appoints and authorizes the Lender Agent to take such action as agent on its behalf and to exercise such powers under the Loan and Servicing Agreement as are delegated to the Lender Agent by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Article IX of the Loan and Servicing Agreement; (v) the Proposed Lender appoints and authorizes the Administrative Agent, the Collateral Custodian and the Collateral Agent, as applicable, to take such action as agent on its behalf and to exercise such powers under the Loan and Servicing Agreement as are delegated to the Administrative Agent, the Collateral Custodian and Collateral Agent, as applicable, by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with the Loan and Servicing Agreement; and (vi) the Proposed Lender agrees (for the benefit of the parties hereto and the other Lender(s)) that it will perform in accordance with their terms all of the obligations which by the terms of the Loan and Servicing Agreement are required to be performed by it as a Lender designated as a[n] [Conduit Lender][Institutional Lender].

(d) By executing and delivering this Joinder Supplement, the Proposed Lender certifies that we are a “qualified purchaser” under the 1940 Act, and have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of investments herein.

(e) Schedule II hereto sets forth administrative information with respect to the Proposed Lender.

(f) This Joinder Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Joinder Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

Ex. D-3

COMPLETION OF INFORMATION AND
SIGNATURES FOR JOINDER SUPPLEMENT

Re: Loan and Servicing Agreement, dated as of June 30, 2016, among SSLP 2016-1, LLC, as Borrower, the other parties thereto and Wells Fargo Bank, National Association, as Administrative Agent.

Item 1: Date of Joinder Supplement: _____

Item 2: Proposed Lender: _____

Item 3: Type of Lender: _____ Conduit Lender

_____ Institutional Lender

Item 4: Commitment: _____

Commitment Termination Date: _____

Item 5: Name of Lender Agent (if a Conduit Lender): _____

Item 6: Signatures of Parties to Agreement:

as Proposed Lender

By: _____
Name: _____
Title: _____

as Proposed Lender Agent

By: _____
Name: _____
Title: _____

SSLP 2016-1, LLC,
as Borrower

By: _____
Name:
Title:

**WELLS FARGO BANK, NATIONAL
ASSOCIATION,**
as Administrative Agent

By: _____
Name:
Title:

**WELLS FARGO BANK, NATIONAL
ASSOCIATION,**
as Collateral Agent

By: _____
Name:
Title:

**[NAME OF LENDER AGENT][NAME OF
INSTITUTIONAL LENDER],**
as [Lender Agent][Institutional Lender]

By: _____
Name:
Title:

[NAME OF CONDUIT LENDER], as
[Conduit Lender]

By: _____

Name:

Title:

Ex. D-6

ADDRESS FOR NOTICES
AND
WIRE INSTRUCTIONS

Address for Notices:

Telephone: _____

Facsimile: _____

email: _____

With a copy to:

Telephone: _____

Facsimile: _____

email: _____

Wire Instructions:

Name of Bank: _____

A/C No.: _____

ABA No.: _____

Reference: _____

FORM OF
JOINDER EFFECTIVE NOTICE

To: [Name and address of the Borrower, Collateral Agent, Lender Agent and Proposed Lender]

The undersigned, as Administrative Agent under the Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). [Note: attach copies of Schedules I and II from such Joinder Supplement.] Terms defined in such Joinder Supplement are used herein as therein defined.

Pursuant to such Joinder Supplement, you are advised that the Joinder Effective Date for [Name of Proposed Lender] will be _____ and such Proposed Lender will be a Lender designated as a[n] [Conduit Lender] [Institutional Lender] with a Commitment of _____.

Very truly yours,

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**, as Administrative Agent

By: _____
Name:
Title:

Ex. D-8

FORM OF NOTICE OF BORROWING

NOTICE OF BORROWING

[Date]

(SSLP 2016-1, LLC)

To: Wells Fargo Bank, National Association
as the Administrative Agent

Duke Energy Center
550 South Tryon Street, 5th Floor
Charlotte, North Carolina 28202
Attention: Corporate Debt Finance
Facsimile No: (704) 715-0089
Confirmation No: (704) 715-8582

[Lender Agent Name and Address]

With a copy to:

Wells Fargo Bank, National Association
as the Collateral Agent

9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services –
SSLP 2016-1, LLC
Facsimile No: (281) 667-3933
Phone No: (410) 884-2000

Wells Fargo Bank, National Association
as the Collateral Custodian

9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services –
SSLP 2016-1, LLC
Facsimile No: (281) 667-3933
Phone No: (410) 884-2000

With a copy to:

Wells Fargo Bank, National Association as the
Account Bank

9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services –
SSLP 2016-1, LLC
Facsimile No: (281) 667-3933
Phone No: (410) 884-2000

Re: Loan and Servicing Agreement, dated as of June 30, 2016

Ladies and Gentlemen:

This Notice of Borrowing is delivered to you pursuant to Sections 2.02 and 3.02 of that certain Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified,

Ex. E-1

waived, supplemented or restated from time to time, the "Loan and Servicing Agreement") by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

Each of the undersigned, being a duly elected Responsible Officer of the Borrower and of the Servicer, respectively, and holding the office set forth below such officer's name, hereby certifies as follows:

1. [The Borrower hereby requests an Advance in the principal amount of \$_____to purchase Eligible Loan Assets.

(i) Wells Fargo's Pro Rata Share of such requested Advance is _____.

(ii) [Conduit/Institutional Lender's] Pro Rata Share of such requested Advance is \$____.]

2. [The Borrower hereby requests an Advance in the principal amount of \$_____(such amount not to exceed the limits noted in Section 2.04(d) of the Loan and Servicing Agreement) to deposit in the Unfunded Exposure Account. Such Advance shall be deposited in the Unfunded Exposure Account as follows:

Bank Name:

ABA No.:

Account Name:

Account No.: Reference:

(i) Wells Fargo's Pro Rata Share of such requested Advance is \$_____.

(ii) [Conduit/Institutional Lender's] Pro Rata Share of such requested Advance is \$____.]

3. [Pursuant to Section 2.02(f) of the Loan and Servicing Agreement, the Borrower hereby requests an Advance in the principal amount of \$_____(such amount, the "Unfunded Exposure Amount Shortfall"). The Unfunded Exposure Amount Shortfall shall be deposited in the Unfunded Exposure Account as follows:

Bank Name:

ABA No.:

Account Name:

Account No.: Reference:

(i) Wells Fargo's Pro Rata Share of such requested Advance is \$_____.

(ii) [Conduit/Institutional Lender's] Pro Rata Share of such requested Advance is \$_____.]

4. The Borrower hereby requests that such Advance be made on the following date: _____.

5. Attached to this Notice of Borrowing is a true, correct and complete calculation of the Borrowing Base and all components thereof.

6. Attached to this Notice of Borrowing is a true, correct and complete list of all Loan Assets which will become part of the Collateral Portfolio on the date hereof, each Loan Asset reflected thereon being an Eligible Loan Asset.

[7. In connection with such Advance, the Transferor shall deposit \$_____ into the Unfunded Exposure Account in connection with any Delayed Draw Loan Asset funded by such Advance.]

8. All of the conditions applicable to the Advance requested herein as set forth in the Loan and Servicing Agreement have been satisfied as of the date hereof and will remain satisfied to the date of such Advance, including those set forth in Article III of the Loan and Servicing Agreement, and the following:

(i) The representations and warranties of each of the Servicer and the Borrower, respectively, set forth in the Loan and Servicing Agreement are true and correct in all respects on and as of such date, before and after giving effect to such Advance and to the application of the proceeds therefrom, as though made on and as of such date (other than any representation or warranty that is made as of a specific date);

(ii) No Event of Default has occurred, or would result from such Advance, and no Unmatured Event of Default or Borrowing Base Deficiency exists or would result from such Advance;

(iii) No event has occurred and is continuing, or would result from such Advance, which constitutes a Servicer Termination Event or any event

which, if it continues uncured, will, with notice or lapse of time, constitute a Servicer Termination Event; and

(iv) Each of the Servicer and the Borrower, respectively, is in compliance with each of its covenants set forth in the Transaction Documents.

(v) No Liens (other than Permitted Liens) exist in respect of Taxes which are prior to the lien of the Collateral Agent on the Eligible Loan Assets to be Pledged on such Advance Date.

9. Each of the undersigned certify that all information contained herein and in the attached Borrowing Base Certificate is true, correct and complete as of the date hereof.

[ATTACH BORROWING BASE CERTIFICATE AND LOAN TAPE]

Ex. E-4

IN WITNESS WHEREOF, the undersigned have executed this Notice of Borrowing as of the date first written above.

SSLP 2016-1, LLC,
as the Borrower

By: _____
Name:
Title:

SOLAR CAPITAL LTD.,
as the Servicer

By: _____
Name:
Title:

FORM OF NOTICE OF REDUCTION

(Reduction of Advances Outstanding)

[Date]

(SSLP 2016-1, LLC)

Wells Fargo Bank, National Association,
as the Administrative Agent
Duke Energy Center
550 South Tryon Street, 5th Floor
Charlotte, North Carolina 28202
Attention: Corporate Debt Finance
Facsimile No.: (704) 715-0089
Confirmation No: (704) 715-8582
[Lender Agent Name and Address]

Wells Fargo Bank, National Association,
as the Collateral Agent
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services – SSLP 2016-1, LLC
Facsimile No: (281) 667-3933
Phone No: (410) 884-2000

Re: Loan and Servicing Agreement, dated as of June 30, 2016

Ladies and Gentlemen:

This Notice of Reduction is delivered to you pursuant to Section 2.18 of that certain Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

EX.F-1

Each of the undersigned, being a duly elected Responsible Officer of the Borrower and of the Servicer, respectively, and holding the office set forth below such officer's name, hereby certifies as follows:

1[(a)]. [Pursuant to Section 2.18(a) of the Loan and Servicing Agreement, the Servicer on behalf of the Borrower desires to reduce the Advances Outstanding (an "Advance Reduction") by the amount of \$_____ as follows:

- (i) Wells Fargo's portion (reduction is pro rata based on Advances Outstanding) of such requested Advance Reduction is \$_____.
- (ii) [Conduit/Institutional Lender's] portion (reduction is pro rata based on Advances Outstanding) of such requested Advance Reduction is \$_____.]

[[b)]. Pursuant to Section 2.18(b) of the Loan and Servicing Agreement, the Servicer on behalf of the Borrower desires to reduce the Maximum Facility Amount (a "Facility Reduction") by the amount of \$_____ as follows:

- (i) Wells Fargo's portion (reduction is pro rata based on Maximum Facility Amount) of such requested Facility Reduction is \$_____.
- (ii) [Conduit/Institutional Lender's] portion (reduction is pro rata based on Maximum Facility Amount) of such requested Facility Reduction is \$_____.]

2. The Servicer on behalf of the Borrower hereby requests that [such Advance Reduction] [and] [such Facility Reduction] be made on the following date: _____

3. Attached to this Notice of Reduction is a true, correct and complete calculation of the Borrowing Base and all components thereof.

4. The Servicer, on behalf of the Borrower, hereby represents that no event would result from [such Advance Reduction] [and] [such Facility Reduction], which constitutes an Event of Default or Unmatured Event of Default.

Each of the undersigned certify that all information contained herein and in the attached Borrowing Base Certificate is true and correct as of the date hereof.

[ATTACH BORROWING BASE CERTIFICATE]

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Notice of Reduction as of the date first written above.

SSLP 2016-1, LLC,
as the Borrower

By: _____
Name:
Title:

SOLAR CAPITAL LTD.,
as the Servicer

By: _____
Name:
Title:

Ex. F-3

[RESERVED]

Ex. G-1

FORM OF CERTIFICATE OF CLOSING ATTORNEYS

[] [], 20[]

Wells Fargo Bank, National Association
as the Collateral Custodian
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services – SSLP 2016-1, LLC
Facsimile No: (281) 667-3933
Phone No: (410) 884-2000

With a copy to:

Wells Fargo Bank, National Association
as the Administrative Agent
Duke Energy Center
550 South Tryon Street, 5th Floor
Charlotte, North Carolina 28202
Attention: Corporate Debt Finance
Facsimile No.: (704) 715-0089
Confirmation No: (704) 715-8582

Re: Loan Assets in the aggregate principal amount of \$_____ (collectively, the "Loan Assets") made to [Name of Obligor] (the "Obligor")

To Whom It May Concern:

In connection with the Loan Assets, the undersigned (i) acknowledges that SSLP 2016-1, LLC, has granted a security interest to Wells Fargo Bank, National Association (the "Collateral Agent"), for the benefit of the Secured Parties, in each of the items indicated on the closing checklist attached hereto (the "Checklist"), and (ii) certifies to you as of the day of funding the Loan Assets as to the matters set forth below. Reference is made herein to the Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and

Ex. H-1

as the account bank (in such capacity, the "Account Bank"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

A. It has received and reviewed the Checklist items, in the form and subject to those exceptions or matters indicated on the Checklist in connection with acting as closing counsel for the Loan Assets;

B. If a promissory note was executed in connection with the Loan Asset, a copy of the executed promissory note has been faxed to the Collateral Custodian. The original promissory note(s) is/are in our possession and will be forwarded to the Collateral Custodian or as otherwise directed in writing to _____ (hereinafter referred to as "Outside Counsel") by the Collateral Custodian or the Administrative Agent on its behalf, for receipt within five Business Days after the funding date of the transaction;

C. Within five Business Days after the closing, all remaining Required Loan Documents (under and as defined in the Loan and Servicing Agreement) which are in our possession and are indicated on Schedule 1 attached hereto, will be forwarded to the Collateral Custodian; and

D. Notwithstanding any contrary instruction from [the Transferor][,] [*insert other applicable assignor(s)*] or the Borrower, in the event the Loan Asset is funded, it will follow the written direction of the Collateral Custodian or the Administrative Agent on its behalf, with regard to the original promissory note(s) in its possession, provided that in the event it reasonably believes that a dispute exists as to custody of any Required Loan Documents, it may deposit them with a court of competent jurisdiction and be relieved of its obligations hereunder with respect to any and all documents so deposited.

The Collateral Custodian, the Collateral Agent, the Administrative Agent, [the Transferor][,] [*insert other applicable assignor(s)*], the Borrower and Outside Counsel acknowledge and agree that:

1. The security interest and the rights in the Required Loan Documents granted to the Collateral Agent, for the benefit of the Secured Parties, are paramount and superior to the rights of [the Transferor][,] [*insert other applicable assignor(s)*] and the Borrower.

2. Outside Counsel shall not be required to perform any duties other than the duties expressly set forth in this letter. No implied obligations or duties shall be inferred by any other agreement, written or verbal, or any representation made by any party.

3. Outside Counsel is authorized to comply with and obey laws, orders, judgments, decrees and regulations of any governmental authority, court, tribunal or arbitrator. If Outside Counsel complies with any such law, order, judgment, decree or regulation Outside Counsel shall not be liable to the Collateral Custodian, the Collateral Agent, the Administrative Agent, [the Transferor][,] [*insert other applicable assignor(s)*] or the Borrower or to any other person even if such law, order, judgment, decree or regulation is subsequently reversed,

modified, annulled, set aside, vacated, found to have been entered without jurisdiction, or found to be in violation or beyond the scope of the law.

4. Outside Counsel shall be responsible hereunder solely to hold the original promissory note(s) for the account of the Collateral Agent, on behalf of the Secured Parties and to deliver the original promissory note(s) and the other relevant documents to the Collateral Custodian in accordance with the terms of this letter.

5. Outside Counsel may act relative hereto upon the advice of counsel in reference to any matter in connection herewith and shall not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind unless caused by its own willful misconduct or gross negligence.

6. Outside Counsel shall be entitled to rely or act upon any notice, direction, instrument or document believed by Outside Counsel to be genuine and to be executed and delivered by the proper person and shall have no obligation to verify any statements contained in any notice, instrument or document or the accuracy or due authorization of the execution of any notice, instrument or document.

7. Outside Counsel shall not be responsible or liable in any manner whatsoever for (a) the sufficiency, correctness, genuineness or validity of any document, agreement or instrument delivered to it, (b) the form of execution of any such document, agreement or instrument, (c) the identity, authority or rights of any person executing or delivering any such document, agreement or instrument, or (d) the terms and conditions of any instrument pursuant to which the parties may act.

8. Outside Counsel may serve and shall continue to serve as counsel to [the Transferor][,] [*insert other applicable assignor(s)*] in connection with the transactions contemplated by the Collateral Portfolio and other matters, and notwithstanding anything herein to the contrary, may represent [the Transferor][,] [*insert other applicable assignor(s)*] (or any affiliate) as its counsel in any action, suit or other proceeding in which the Collateral Custodian, the Collateral Agent, the Administrative Agent or [the Transferor][,] [*insert other applicable assignor(s)*] (or any affiliate) may be involved.

9. Outside Counsel shall be deemed to have satisfied any delivery requirement set forth herein if it shall have deposited the relevant documents for uninsured overnight delivery (properly addressed) with FedEx, UPS or other overnight courier of national standing.

Very truly yours,

By: _____
Name:
Title:

ACCEPTED AND AGREED:

SOLAR CAPITAL LTD.,
as the Servicer

By: _____

Name:

Title:

~~SENIOR SECURED UNITRANCHE LOAN~~
~~PROGRAM LLC~~ **SOLAR CAPITAL**
LTD.,
as the Transferor

By: _____

Name:

Title:

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as the Collateral Agent,
the Collateral Custodian and as the Account
Bank

By: _____

Name:

Title:

WELLS FARGO BANK, NATIONAL
ASSOCIATION,
as the Administrative Agent

By: _____

Name:

Title:

SSLP 2016-1, LLC,
as the Borrower

By: _____
Name:
Title:

[insert other applicable assignor(s)],
as an assignor

By: _____
Name:
Title:

Ex. H-5

LIST OF REQUIRED LOAN DOCUMENTS

Ex. H-6

**FORM OF SERVICER'S CERTIFICATE
(SERVICING REPORT)**

SERVICER'S CERTIFICATE
(SERVICING REPORT)

[] [], 20[]

This Servicer's Certificate is delivered pursuant to the provisions of Section 6.08(c) of the Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Loan and Servicing Agreement. This Servicer's Certificate relates to the Servicing Report set forth on the attached Schedule A.

A. Solar Capital Ltd. is the Servicer under the Loan and Servicing Agreement.

B. The undersigned hereby certifies to the Administrative Agent, the Collateral Agent, the Lenders, the Lender Agents and the other Secured Parties that, as of the date hereof, no Event of Default has occurred and no Unmatured Event of Default exists (other than any Event of Default or Unmatured Event of Default which has been previously disclosed to the Administrative Agent as such).

C. The undersigned hereby certifies to the Administrative Agent, the Collateral Agent, the Lenders, the Lender Agents and the other Secured Parties that, as of the date hereof, each of the representations and warranties by the Servicer contained in the Loan and Servicing Agreement is true, correct and complete in all respects (other than any representation or warranty that is made as of a specific date).

D. The undersigned hereby certifies to the Administrative Agent, the Collateral Agent, the Lenders, the Lender Agents and the other Secured Parties that all of the foregoing information and all of the information set forth on the attached Schedule A is accurate, true and correct in all material respects as of the date hereof; provided that, solely with respect to information provided to the Servicer from an Obligor with respect to a Loan Asset, such information is accurate, true and correct in all material respects to

Ex. I-1

the knowledge of the Servicer; provided further that the foregoing proviso shall not apply except to the extent the information is derived from information provided to the Servicer from an Obligor with respect to a Loan Asset.

[Remainder of Page Left Intentionally Blank]

Ex. I-2

IN WITNESS WHEREOF, the undersigned has caused this Servicer's Certificate to be duly executed as of the date first written above.

SOLAR CAPITAL LTD.,
as the Servicer

By: _____
Name:
Title:

Ex. I-3

SERVICING REPORT

(See attached)

Ex. I-4

FORM OF RELEASE OF REQUIRED LOAN DOCUMENTS

[Delivery Date]

Wells Fargo Bank, National Association
as the Collateral Custodian
9062 Old Annapolis Road
Columbia, Maryland 21045
Attention: CDO Trust Services – SSLP 2016-1, LLC
Facsimile No: (281) 667-3933
Phone No: (410) 884-2000

With a copy to:

Wells Fargo Bank, National Association
as the Administrative Agent
Duke Energy Center
550 South Tryon Street, 5th Floor
Charlotte, North Carolina 28202
Attention: Corporate Debt Finance
Facsimile No.: (704) 715-0089
Confirmation No: (704) 715-8582

Re: Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank").

Ladies and Gentlemen:

In connection with the administration of the Required Loan Documents held by Wells Fargo Bank, National Association as the Collateral Custodian, for the benefit of the Secured Parties, under the Loan and Servicing Agreement, we request the release of the Required Loan Documents (or such documents as specified below) for the Loan Assets described

Ex. J-5

below, for the reason indicated. All capitalized terms used but not defined herein shall have the meaning provided in the Loan and Servicing Agreement.

Obligor's Name, Address & Zip Code:

Loan Asset Number:

Loan Asset File:

Reason for Requesting Documents (check one)

- 1. Loan Asset paid in full. (The Servicer hereby certifies that all amounts received in connection with such Loan Asset have been credited to the Collection Account.)
- 2. Loan Asset liquidated by _____. (The Servicer hereby certifies that all proceeds of foreclosure, insurance, condemnation or other liquidation have been finally received and credited to the Collection Account.)
- 3. Loan Asset in foreclosure.
- 4. Loan Asset released pursuant to a Lien Release Dividend or sold or substituted in accordance with the applicable provisions of Section 2.07.
- 5. Loan Asset returned due to a failure to satisfy the Review Criteria pursuant to Section 12.02(b)(i).
- 6. Other (explain).

If box 1 or 2 above is checked, and if all or part of the Required Loan Documents were previously released to us, please release to us the Required Loan Documents, requested in our previous request and receipt on file with you, as well as any additional documents in your possession relating to the specified Loan Asset.

[Remainder of Page Left Intentionally Blank]

SOLAR CAPITAL LTD.,
as the Servicer

By: _____

Name:

Title:

Date:

Ex. J-7

[RESERVED]

Ex. K-1

FORM OF POWER OF ATTORNEY

SOLAR CAPITAL LTD.

This Power of Attorney (the "Power of Attorney") is executed and delivered by Solar Capital Ltd., as the Transferor and as the Servicer under the Loan and Servicing Agreement (each as defined below), to Wells Fargo Bank, National Association, as the [Collateral Agent]/[Administrative Agent] under the Loan and Servicing Agreement (in such capacity, the "Attorney"), pursuant to that certain Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall inquire into or seek confirmation from Servicer as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Servicer irrevocably waives any right to commence any suit or action, in law or equity, against any person or entity that acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest and may not be revoked or canceled by Servicer until all obligations of the Borrower under the Transaction Documents have been indefeasibly paid in full and Attorney has provided its written consent thereto (which consent shall not be unreasonably withheld or delayed).

Solar Capital Ltd., as the Servicer, hereby irrevocably constitutes and appoints Attorney (and all officers, employees or agents designated by Attorney), solely in connection with the enforcement of the rights and remedies of the Administrative Agent, the Collateral Agent, the Lenders, the Lender Agents and the other Secured Parties under the Loan and Servicing Agreement and in connection with notifying Obligors of the Secured Parties' interest in the Collateral Portfolio pursuant to Section 5.01(aa) of the Loan and Servicing Agreement, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the Servicer's place and stead and at the Servicer's expense and in the Servicer's name or in Attorney's own name, from time to time in Attorney's discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments that may be

necessary or desirable to exercise the rights of the Servicer under the Loan and Servicing Agreement and the other Transaction Documents, and, without limiting the generality of the foregoing, hereby grants to Attorney the power and right, on its behalf, without notice to or assent by it, to do the following in connection with exercising the rights of the Servicer under the Loan and Servicing Agreement: (a) open mail for Servicer, and ask, demand, collect, give acquittances and receipts for, take possession of, or endorse and receive payment of, any checks, drafts, notes, acceptances, or other instruments for the payment of moneys due, and sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices, in each case in connection with the Collateral Portfolio; (b) effect any repairs to any of the Collateral Portfolio, or continue or obtain any insurance with respect to the Collateral Portfolio and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies; (c) pay or discharge any taxes, Liens, or other encumbrances levied or placed on or threatened against the Collateral Portfolio; (d) to the extent related to the Collateral Portfolio and the transactions contemplated by the Transaction Documents, defend any suit, action or proceeding brought against Servicer with respect to the Collateral Portfolio if Servicer does not defend such suit, action or proceeding or if Attorney reasonably believes that it is not pursuing such defense in a manner that will maximize the recovery to Attorney with respect to the Collateral Portfolio, and settle, compromise or adjust any suit, action, or proceeding described above and, in connection therewith, give such discharges or releases as Attorney may deem appropriate; (e) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to Servicer with respect to the Collateral Portfolio whenever payable and to enforce any other right in respect of the Collateral Portfolio; (f) sell, transfer, pledge, make any agreement with respect to, or otherwise deal with the Collateral Portfolio, and execute, in connection with such sale or action, any endorsements, assignments or other instruments of conveyance or transfer in connection therewith; (g) to give any necessary receipts or acquittance for amounts collected or received under the Loan and Servicing Agreement; (h) to make all necessary transfers of the Collateral Portfolio in connection with any such sale or other disposition made pursuant to the Loan and Servicing Agreement; (i) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale or other disposition of the Collateral Portfolio, the Servicer hereby ratifying and confirming all that such Attorney (or any substitute) shall lawfully do or cause to be done hereunder and pursuant hereto; (j) to send such notification forms as the Attorney deems appropriate to give notice to Obligors of the Secured Parties' interest in the Collateral Portfolio; (k) to sign any agreements, orders or other documents in connection with or pursuant to any Transaction Document; and (l) to cause the certified public accountants then engaged by the Servicer to prepare and deliver to the Attorney at any time and from time to time, promptly upon Attorney's request, any reports required to be prepared by or on behalf of the Servicer or Borrower under the Transaction Documents, all as though Attorney were the absolute owner of the Collateral Portfolio for all purposes, and to do, at Attorney's option and Servicer's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve or realize upon the Collateral Portfolio and the Liens of the Collateral Agent, for benefit of the Secured Parties, thereon (including without limitation the execution and filing of UCC financing statements and continuation

statements), all as fully and effectively as Servicer might do. Servicer hereby ratifies, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof.

[Remainder of Page Left Intentionally Blank]

EX L-3

IN WITNESS WHEREOF, this Power of Attorney is executed by the Servicer, and the Servicer has caused its seal to be affixed pursuant to the authority of its managers and/or members as of the date first written above.

SOLAR CAPITAL LTD.

By: _____
Name:
Title:

Sworn to and subscribed before
me this June 30, 2016:

Notary Public

EX L-4

FORM OF POWER OF ATTORNEY

SSLP 2016-1, LLC

This Power of Attorney (the "Power of Attorney") is executed and delivered by SSLP 2016-1, LLC, as the Borrower under the Loan and Servicing Agreement (each as defined below), to Wells Fargo Bank, National Association, as the [Collateral Agent]/[Administrative Agent] under the Loan and Servicing Agreement (in such capacity, the "Attorney"), pursuant to that certain Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall inquire into or seek confirmation from Borrower as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Borrower irrevocably waives any right to commence any suit or action, in law or equity, against any person or entity that acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest and may not be revoked or canceled by Borrower until all obligations of the Borrower under the Transaction Documents have been indefeasibly paid in full and Attorney has provided its written consent thereto (which consent shall not be unreasonably withheld or delayed).

SSLP 2016-1, LLC hereby irrevocably constitutes and appoints Attorney (and all officers, employees or agents designated by Attorney), solely in connection with the enforcement of the rights and remedies of the Administrative Agent, the Collateral Agent, the Lenders, the Lender Agents and the other Secured Parties under the Loan and Servicing Agreement and in connection with notifying Obligors of the Secured Parties' interest in the Collateral Portfolio pursuant to Section 5.01(y) of the Loan and Servicing Agreement, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the Borrower's place and stead and at the Borrower's expense and in the Borrower's name or in Attorney's own name, from time to time in Attorney's discretion, to take any and all appropriate action and to execute and deliver any and all documents and instruments that may be necessary or desirable to accomplish the purposes of the Loan and Servicing Agreement and the other

Transaction Documents, and, without limiting the generality of the foregoing, hereby grants to Attorney the power and right, on its behalf, without notice to or assent by it, to do the following: (a) open mail for Borrower, and ask, demand, collect, give acquittances and receipts for, take possession of, or endorse and receive payment of, any checks, drafts, notes, acceptances, or other instruments for the payment of moneys due, and sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices; (b) effect any repairs to any of the Borrower's assets, or continue or obtain any insurance and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies; (c) pay or discharge any taxes, Liens, or other encumbrances levied or placed on or threatened against the Borrower or the Borrower's property; (d) to the extent related to the Collateral Portfolio and the transactions contemplated by the Transaction Documents, defend any suit, action or proceeding brought against Borrower if Borrower does not defend such suit, action or proceeding or if Attorney reasonably believes that it is not pursuing such defense in a manner that will maximize the recovery to Attorney, and settle, compromise or adjust any suit, action, or proceeding described above and, in connection therewith, give such discharges or releases as Attorney may deem appropriate; (e) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to Borrower whenever payable and to enforce any other right in respect of the Borrower's property; (f) sell, transfer, pledge, make any agreement with respect to, or otherwise deal with, any of the Borrower's property, and execute, in connection with such sale or action, any endorsements, assignments or other instruments of conveyance or transfer in connection therewith; (g) to give any necessary receipts or acquittance for amounts collected or received under the Loan and Servicing Agreement; (h) to make all necessary transfers of the Collateral Portfolio in connection with any such sale or other disposition made pursuant to the Loan and Servicing Agreement; (i) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale or other disposition of the Collateral Portfolio, the Borrower hereby ratifying and confirming all that such Attorney (or any substitute) shall lawfully do or cause to be done hereunder and pursuant hereto; (j) to send such notification forms as the Attorney deems appropriate to give notice to Obligor of the Secured Parties' interest in the Collateral Portfolio; (k) to sign any agreements, orders or other documents in connection with or pursuant to any Transaction Document; and (l) to cause the certified public accountants then engaged by the Borrower to prepare and deliver to the Attorney at any time and from time to time, promptly upon Attorney's request, any reports required to be prepared by or on behalf of the Borrower under the Transaction Documents, all as though Attorney were the absolute owner of the Borrower's property for all purposes, and to do, at Attorney's option and Borrower's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve or realize upon the Collateral Portfolio and the Liens of the Collateral Agent, for the benefit of the Secured Parties, thereon (including without limitation the execution and filing of UCC financing statements and continuation statements), all as fully and effectively as Borrower might do. Borrower hereby ratifies, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof.

[Remainder of Page Left Intentionally Blank]

EX M-2

IN WITNESS WHEREOF, this Power of Attorney is executed by the Borrower, and the Borrower has caused its seal to be affixed pursuant to the authority of its managers and/or members as of the date first written above.

SSLP 2016-1, LLC

By: _____
Name:
Title:

Sworn to and subscribed before
me this June 30, 2016:

Notary Public

EX M-3

FORM OF LOAN ASSET CHECKLIST

To be Attached

EX N-1

FORM OF NOTICE OF LIEN RELEASE DIVIDEND

[] [], 20[]

SSLP 2016-1, LLC

To: Administrative Agent, with a copy to the Collateral Agent and the Collateral Custodian

Re: Loan and Servicing Agreement dated as of June 30, 2016

Ladies and Gentlemen:

This Notice of Lien Release Dividend (this "Notice") is delivered to you under Section 2.07(g) of that certain Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank"). Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Servicing Agreement.

Each of the undersigned, each being a duly elected Responsible Officer of the Borrower and the ~~Seller~~ Transferor, respectively, holding the office set forth below such officer's name, hereby certifies as follows:

1. Pursuant to Section 2.07(g) of the Loan and Servicing Agreement, the Borrower and the ~~Seller~~ Transferor request that (i) the Collateral Agent, on behalf of the Secured Parties, releases the lien on the Loan Assets or portions thereof set forth on Annex 1 (together with, in the case of a transfer of the Loan Assets but not portions thereof, any related Portfolio Assets) and distributes such Loan Assets and portions thereof as a dividend from the Borrower to the Transferor and (ii) the Collateral Custodian releases the Required Loan Documents related thereto.

2. Pursuant to Section 2.07(g) of the Loan and Servicing Agreement, the Borrower and the Transferor hereby request that such Lien Release Dividend be made on the following date: [] (the "Lien Release Dividend Date") which date is at least five Business Days after this Notice is received by the Administrative Agent, the Collateral Agent and the Collateral Custodian.

EX O-1

3. The Borrower and the Transferor represent and warrant, as of the date hereof and as of the requested Lien Release Dividend Date, as follows:

(a) On any Lien Release Dividend Date, no more than four Lien Release Dividends shall have been made during the 12-month period immediately preceding the proposed Lien Release Dividend Date;

(b) After giving effect to the Lien Release Dividend on the Lien Release Dividend Date, (i) no Borrowing Base Deficiency, Event of Default or Unmatured Event of Default shall exist, (ii) the representations and warranties contained in Sections 4.01, 4.02 and 4.03 of the Loan and Servicing Agreement shall continue to be correct in all respects, except to the extent relating to an earlier date, (iii) the eligibility of any Loan Asset remaining as part of the Collateral Portfolio after the Lien Release Dividend will be redetermined as of the Lien Release Dividend Date, (iv) no claim shall have been asserted or proceeding commenced challenging the enforceability or validity of any of the Required Loan Documents and (v) there shall have been no material adverse change as to the Servicer or the Borrower;

(c) Such Lien Release Dividend must be in compliance with Applicable Law and may not (i) be made with the intent to hinder, delay or defraud any creditor of the Borrower or (ii) leave the Borrower, immediately after giving effect to the Lien Release Dividend, (A) insolvent, (B) with insufficient funds to pay its obligations as and when they become due or (C) with inadequate capital for its present and anticipated business and transactions;

(d) On or prior to the Lien Release Dividend Date, the Borrower shall have delivered to the Administrative Agent, with a copy to the Collateral Agent and the Collateral Custodian, a list specifying all Loan Assets or portions thereof to be transferred pursuant to such Lien Release Dividend;

(e) A portion of a Loan Asset may be transferred pursuant to a Lien Release Dividend; provided that (i) such transfer does not have an adverse effect on the portion of such Loan Asset remaining as a part of the Collateral Portfolio, any other aspect of the Collateral Portfolio, the Lenders, the Lender Agents, the Administrative Agent or any other Secured Party and (ii) a new promissory note (other than with respect to a Noteless Loan Asset) for the portion of the Loan Asset remaining as a part of the Collateral Portfolio has been executed, and the original thereof has been endorsed to the Collateral Agent and delivered to the Collateral Custodian;

(f) Each Loan Asset, or portion thereof, as applicable, shall be transferred at a value equal to, or greater than, the Adjusted Borrowing Value thereof;

(g) The Borrower shall deliver a Borrowing Base Certificate (including a calculation of the Borrowing Base after giving effect to such Lien Release Dividend) to the Administrative Agent;

(h) The Borrower shall have paid in full an aggregate amount equal to the sum of all amounts due and owing to the Administrative Agent, the Lenders, the Collateral Agent or the Collateral Custodian, as applicable, under this Agreement and the other Transaction Documents, if any, to the extent accrued to such date (including, without limitation, Breakage Fees) with respect to the Loan Assets to be transferred pursuant to such Lien Release Dividend and incurred in connection with the transfer of such Loan Assets pursuant to such Lien Release Dividend; and

(i) The Borrower and the Servicer (on behalf of the Borrower) shall pay the reasonable and documented legal fees and expenses of the Administrative Agent, the Collateral Agent and the Collateral Custodian in connection with any Lien Release Dividend (including, but not limited to, reasonable and documented expenses incurred in connection with the release of the Lien of the Collateral Agent, on behalf of the Secured Parties, and any other party having an interest in the Loan Asset in connection with such Lien Release Dividend).

4. Attached to this Notice is a Borrowing Base Certificate, including a calculation of the Borrowing Base after giving effect to such Lien Release Dividend.

This Notice shall not be effective unless all of the conditions applicable to the Lien Release Dividend requested herein set forth in the Loan and Servicing Agreement have been satisfied within the time periods set forth in Section 2.07(g) of the Loan and Servicing Agreement.

[ATTACH BORROWING BASE CERTIFICATE]

[The Remainder Of This Page Is Intentionally Left Blank]

EX O-3

IN WITNESS WHEREOF, the undersigned has executed the Notice of Lien Release Dividend as of the date first written above.

SSLP 2016-1, LLC, as the Borrower

By: _____
Name:
Title:

~~SENIOR SECURED UNITRANCHE LOAN~~
~~PROGRAM LLC~~ **SOLAR CAPITAL**
LTD., as the Transferor

By: _____
Name:
Title:

EX O-4

Loan Assets to be Released by Collateral Agent and Transferred by Borrower to Transferor

EX O-5

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), and Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank").

Pursuant to the provisions of Section 2.11 of the Loan and Servicing Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Obligations (as well as any Note(s) evidencing such Obligations) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan and Servicing Agreement and used herein shall have the meanings given to them in the Loan and Servicing Agreement.

EX P-2-1

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

EX P-1-2

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank").

Pursuant to the provisions of Section 2.11 of the Loan and Servicing Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable). By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan and Servicing Agreement and used herein shall have the meanings given to them in the Loan and Servicing Agreement.

EX P-2-1

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

EX P-2-2

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank").

Pursuant to the provisions of Section 2.11 of the Loan and Servicing Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable) or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable) from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Loan and Servicing Agreement and used herein shall have the meanings given to them in the Loan and Servicing Agreement.

EX P-3-1

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

EX P-3-2

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Loan and Servicing Agreement, dated as of June 30, 2016 (as amended, modified, waived, supplemented or restated from time to time, the "Loan and Servicing Agreement"), by and among SSLP 2016-1, LLC, as the borrower (in such capacity, the "Borrower"), ~~Senior Secured Unitranche Loan Program LLC~~ Solar Capital Ltd., as the transferor (in such capacity, the "Transferor"), Solar Capital Ltd., as the servicer (in such capacity, the "Servicer"), Wells Fargo Bank, National Association, as the administrative agent (in such capacity, the "Administrative Agent"), each of the Conduit Lenders and Institutional Lenders from time to time party thereto (the "Lenders"), each of the Lender Agents from time to time party thereto (the "Lender Agents"), Wells Fargo Bank, National Association, as the collateral agent (in such capacity, the "Collateral Agent"), as the collateral custodian (in such capacity, the "Collateral Custodian") and as the account bank (in such capacity, the "Account Bank").

Pursuant to the provisions of Section 2.11 of the Loan and Servicing Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Obligations (as well as any Note(s) evidencing such Obligations) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Obligations (as well as any Note(s) evidencing such Obligations), (iii) with respect to the extension of credit pursuant to this Loan and Servicing Agreement or any other Transaction Documents, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable) or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E (as applicable) from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

EX P-4-1

Unless otherwise defined herein, terms defined in the Loan and Servicing Agreement and used herein shall have the meanings given to them in the Loan and Servicing Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

EX P-4-2

Subsidiaries of Solar Capital Ltd.

The following list sets forth our consolidated subsidiaries, the state or country under whose laws the subsidiaries are organized, and the percentage of voting securities or membership interests owned by us in each such subsidiary:

NEFCORP LLC (Delaware) – 100%

NEFPASS LLC (Delaware) – 100%

SLRC ADI Corp. (Delaware) – 100%

SSLP 2016-1, LLC (Delaware) – 100%

The subsidiaries listed above are consolidated for financial reporting purposes. We may also be deemed to control certain portfolio companies.

Certification Pursuant to Section 302**Certification of Chief Executive Officer**

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

1. I have reviewed this annual report on Form 10-K 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 officers 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 officers 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 21st day of February 2019.

By: /s/ MICHAEL S. GROSS
Michael S. Gross
Chief Executive Officer

Certification of Chief Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Annual Report on Form 10-K for the year ended December 31, 2018 (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 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: **February 21, 2019**

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 Annual Report on Form 10-K for the year ended December 31, 2018 (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: **February 21, 2019**

Crystal Financial LLC
(A Delaware Limited Liability Company)
Consolidated Financial Statements
Years Ended December 31, 2018 and December 31, 2017

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Independent Auditor's Report

RSM US LLP

To the Board of Directors and Member of
Crystal Financial LLC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Crystal Financial LLC and its subsidiary (the "Company") which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ RSM US LLP

Boston, Massachusetts
February 13, 2019

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Crystal Financial LLC
(A Delaware Limited Liability Company)
Consolidated Balance Sheets
Years Ended December 31, 2018 and December 31, 2017

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 20,506,906	\$109,133,330
Restricted cash	9,967,576	3,014,347
Loan interest and fees receivable	2,939,698	1,801,045
Loans	413,918,584	300,594,941
Less: Unearned fee income	(6,359,566)	(4,775,168)
Allowance for loan losses	(7,783,068)	(5,664,442)
Total loans, net	399,775,950	290,155,331
Investment in equity securities	8,984,205	—
Fixed assets, net	48,316	70,138
Tradenname	3,700,000	3,700,000
Goodwill	5,156,542	5,156,542
Investment in Crystal Financial SBIC LP	32,139,735	31,308,731
Loan to Crystal Financial SBIC LP	—	1,025,000
Other assets	3,200,659	3,100,558
Total assets	<u>\$486,419,587</u>	<u>\$448,465,022</u>
Liabilities:		
Revolving credit facility	\$205,990,202	\$176,454,049
Accrued expenses	12,288,608	11,061,381
Distributions payable	7,500,000	7,900,000
Other liabilities	3,099,787	1,444,227
Collateral held for borrower obligations	4,273,937	1,144,186
Total liabilities	<u>233,152,534</u>	<u>198,003,843</u>
Commitments and Contingencies (Note 6)		
Member's equity:		
Class A units	279,191,400	279,191,400
Accumulated deficit	(25,924,347)	(28,730,221)
Total member's equity	<u>253,267,053</u>	<u>250,461,179</u>
Total liabilities and member's equity	<u>\$486,419,587</u>	<u>\$448,465,022</u>

The accompanying notes are an integral part of these consolidated financial statements.

Crystal Financial LLC
(A Delaware Limited Liability Company)
Consolidated Statements of Operations
Years Ended December 31, 2018 and December 31, 2017

	2018	2017
Net interest income:		
Interest income	\$48,521,345	\$ 50,886,443
Interest expense	10,144,031	9,348,138
Net interest income	38,377,314	41,538,305
Provision (credit) for loan losses	2,438,767	(1,712,817)
Net interest income after provision for loan losses	35,938,547	43,251,122
Operating expenses:		
Compensation and benefits	10,657,015	11,040,654
Occupancy and equipment	901,541	872,372
General and administrative expenses	1,577,534	2,042,947
Total operating expenses	13,136,090	13,955,973
Other income (expense):		
Interest in earnings of equity method investee	6,458,627	1,859,739
Unrealized gain on investment in equity securities	3,777,593	—
Tradename impairment	—	(10,820,000)
Total other income (expense), net	10,236,220	(8,960,261)
Realized gain (loss) from foreign currency transactions, net	90,395	(2,789,448)
Realized loss from hedging, net	—	(534,582)
Unrealized gain (loss) from foreign currency translations, net	(103,198)	3,740,410
Unrealized loss from hedging, net	—	(360,313)
Net income	\$33,025,874	\$ 20,390,955

The accompanying notes are an integral part of these consolidated financial statements.

Crystal Financial LLC
(A Delaware Limited Liability Company)
Consolidated Statements of Changes in Member's Equity
Years Ended December 31, 2018 and December 31, 2017

	Class A Units	Accumulated Deficit	Total Member's Equity
Balance, December 31, 2016	<u>\$279,191,400</u>	<u>\$ (17,521,176)</u>	<u>\$261,670,224</u>
Distributions	—	(31,600,000)	(31,600,000)
Net income	—	20,390,955	20,390,955
Balance, December 31, 2017	<u>279,191,400</u>	<u>(28,730,221)</u>	<u>250,461,179</u>
Distributions	—	(30,220,000)	(30,220,000)
Net income	—	33,025,874	33,025,874
Balance, December 31, 2018	<u>\$279,191,400</u>	<u>\$ (25,924,347)</u>	<u>\$253,267,053</u>

The accompanying notes are an integral part of these consolidated financial statements.

Crystal Financial LLC
(A Delaware Limited Liability Company)
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and December 31, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Net income	\$ 33,025,874	\$ 20,390,955
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (credit) for loan losses	2,438,767	(1,712,817)
Accretion of original issue discount	(797,509)	(92,084)
Amortization of deferred financing costs	627,157	611,883
Tradename impairment	—	10,820,000
Depreciation and amortization	66,112	104,489
Paid-in-kind interest and fee income	(81,913)	(339,053)
Interest in earnings of equity method investee	(6,458,627)	(1,859,739)
Unrealized (gain) loss on foreign currency transactions	103,198	(3,739,805)
Realized (gain) loss on foreign currency transactions	(1,255)	4,111,180
Unrealized loss on hedging transactions	—	360,313
Realized loss on hedging transactions	—	534,582
Unrealized gain on investment in equity securities	(3,777,593)	—
Proceeds received at termination of hedge contracts	—	471,574
Payments made at settlement of hedge contracts	—	(1,006,156)
Net change in loan interest and fees receivable	(1,120,078)	985,328
Net change in other assets	984,204	1,229,786
Net change in unearned fees	1,613,372	(2,134,188)
Net change in accrued expenses	1,227,227	731,912
Net change in other liabilities	1,375,154	(1,628,420)
Net cash provided by operating activities	<u>29,224,090</u>	<u>27,839,740</u>
Cash flows from investing activities:		
Purchases of fixed assets	(28,848)	(26,131)
Investment in term loans	(309,542,296)	(178,482,853)
Repayment of term loans	191,405,834	255,427,731
Investment in equity securities	(5,206,612)	—
Lending on revolving lines of credit, net	3,318,373	(5,996,458)
Repayment of (lending on) loan to Crystal Financial SBIC LP, net	1,025,000	(405,000)
Investment in Crystal Financial SBIC LP	—	(7,447,344)
Distributions received from Crystal Financial SBIC LP	5,627,623	3,979,195
Net change in collateral held for borrower obligations	3,129,751	(891,739)
Net cash (used in) provided by investing activities	<u>(110,271,175)</u>	<u>66,157,401</u>
Cash flows from financing activities:		
Net borrowings (paydowns) on revolving credit facility	31,750,718	(2,764,265)
Distributions to members	(30,620,000)	(31,600,000)
Payment of debt issue costs	(1,751,020)	(7,527)
Payment of capital lease obligations	(5,808)	(5,614)
Net cash used in financing activities	<u>(626,110)</u>	<u>(34,377,406)</u>
Net change in cash, cash equivalents, and restricted cash	<u>(81,673,195)</u>	<u>59,619,735</u>
Cash, cash equivalents, and restricted cash at beginning of year	112,147,677	52,527,942
Cash, cash equivalents and restricted cash at end of year	<u>\$ 30,474,482</u>	<u>\$ 112,147,677</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 9,388,441</u>	<u>\$ 8,651,493</u>

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

Crystal Financial LLC (“Crystal Financial” or the “Company”), along with its wholly owned subsidiary, Crystal Financial SPV LLC (“Crystal Financial SPV”), is a commercial finance company that primarily originates, underwrites, and manages secured debt to middle market companies within various industries. The Company was formed in the state of Delaware on March 18, 2010.

At December 31, 2018 and December 31, 2017, Solar Capital Ltd. (“Solar”) owns 100% of the outstanding ownership units of the Company.

The Company is based in Boston, Massachusetts with an office and employees in Atlanta, Georgia.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies adopted by the Company:

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Principles of Consolidation

The consolidated financial statements include the accounts of Crystal Financial and its wholly-owned subsidiary Crystal Financial SPV. All inter-company investments, accounts and transactions have been eliminated in these consolidated financial statements.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates most susceptible to change include the allowance for loan losses, the valuation of the Company’s investment in equity securities, and the valuation of intangible assets as determined during impairment testing. Actual results could differ materially from those estimates.

Reclassification

Certain prior period amounts may have been reclassified to conform to the current period presentation.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company held no cash equivalents at December 31, 2018 or December 31, 2017. Cash includes all deposits held at banks. Deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”) are exposed to loss in the event of nonperformance by the institution. The Company has had cash deposits in excess of the FDIC insurance coverage and has not experienced any losses on such accounts.

Restricted cash consists of interest and fees collected on those loans held within Crystal Financial SPV that serve as collateral against the Company’s outstanding line of credit. Upon receipt, these funds are restricted from the Company’s access until the fifteenth of the following month. Also included in restricted cash may be funds that serve as collateral against loans outstanding to certain borrowers as well as funds that serve as collateral to outstanding letters of credit.

The Company adopted ASU 2016-18, *Statement of Cash Flows (Topic 230)* effective December 31, 2018. The guidance requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. Accordingly, amounts generally described as restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash

2. Summary of Significant Accounting Policies...continued

Cash, Cash Equivalents, and Restricted Cash...continued

flows. ASU 2016-18 must be applied using a retrospective transition method. Upon adoption of ASU 2016-18, for the year ended December 31, 2017, the Company recorded an increase of \$1,322,337 in Net cash provided by operating activities and a decrease of \$4,431,921 in Net cash provided by investing activities related to reclassifying the changes in the restricted cash balance and its impact on foreign currency gain/loss from operating and investing activities to the cash and cash equivalent balances within the Consolidated Statement of Cash Flows.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows.

	December 31,	
	2018	2017
Cash and cash equivalents	\$20,506,906	\$109,133,330
Restricted cash	9,967,576	3,014,347
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$30,474,482</u>	<u>\$112,147,677</u>

Loans

The Company typically classifies all loans as held to maturity. Loans funded by the Company are recorded at the amount of unpaid principal, net of unearned fees, discounts and the allowance for loan losses in the Company's consolidated balance sheets.

Interest income is recorded on the accrual basis in accordance with the terms of the respective loan. Generally, interest is not accrued on loans with interest or principal payments 90 days or greater past due or on other loans when management believes collection is doubtful. Loans considered impaired, as defined below, are non-accruing. When a loan is placed on nonaccrual status, all interest previously accrued, but not collected, is reversed against current interest income and all future proceeds received will generally be applied against principal or interest, in the judgment of management. Interest on loans classified as nonaccrual is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual status. Loans are generally returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured. At December 31, 2018 and December 31, 2017, there are two loans on nonaccrual status. The two loans on nonaccrual status are the same two loans classified as Criticized in the "Allowance for Loan Losses" note below. At December 31, 2018 and December 31, 2017, there are no interest or principal payments considered to be past due.

Allowance for Loan Losses

The allowance for loan losses is maintained at the amount estimated to be sufficient to absorb probable losses, net of recoveries, inherent in the loan portfolio at year end. Internal credit ratings assigned to the loans are periodically evaluated and adjusted to reflect the current credit risk of the loan. In accordance with applicable guidance, for loans not deemed to be impaired, management assigns a general loan allowance based on the borrower's overall risk rating. All loans in the Company's portfolio are individually evaluated when determining the overall risk rating. The risk ratings are derived upon consideration of a number of factors related to both the borrower and the borrower's facility, with those factors related to the borrower's facility being the key determinant of the overall risk rating. Risk factors of the borrower that are considered include asset and earnings quality, historical and projected financial performance, borrowing liquidity and/or access to capital. Risk factors of the facility that are considered include collateral coverage and the facility's position within the overall capital structure. Upon consideration of each of the aforementioned factors, among others, the Company assigns each loan a

2. Summary of Significant Accounting Policies...continued

Allowance for Loan Losses...continued

borrower risk rating and a facility risk rating, which are then collectively used in developing the overall risk rating. The overall risk rating corresponds with an applicable reserve percentage which is applied to the face value of the loan in order to determine the Company's allowance for loan losses. In establishing the applicable reserve percentages, the Company considers various factors including historical industry loss experience, the credit profile of the Company's borrowers, as well as economic trends and conditions.

Specific allowances for loan losses are generally applied to impaired loans and are typically measured based on a comparison of the recorded carrying value of the loan to the present value of the loan's expected cash flow using the loan's effective interest rate, the loan's estimated market price, or the estimated fair value of the underlying collateral, if the loan is collateral-dependent. Loans are charged off against the allowance at the earlier of either the substantial completion of the liquidation of assets securing the loan, or when senior management deems the loan to be permanently impaired.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. All loans are individually evaluated for impairment according to the Company's normal loan review process, including overall credit evaluation, nonaccrual status and payment experience. Loans identified as impaired are further evaluated to determine the estimated extent of impairment.

At December 31, 2018, two loans, with aggregate principal balances outstanding of \$4,671,278, are deemed to be impaired. Reserves totaling \$374,094 have been applied against these loans at December 31, 2018. As one of the borrowers continues to pay contractual cash-pay interest when due, interest payments totaling \$193,801 were applied against the outstanding loan balance during the year. The other loan outstanding only had paid-in-kind interest obligations during the year, so no cash interest payments were applied against the outstanding principal balance.

At December 31, 2017, management deemed two loans, with aggregate principal balances outstanding of \$4,997,842, to be impaired. Reserves totaling \$404,230 were applied against these two loans during 2017, of which \$6,966 relates to the unfunded commitment on one of the impaired loans. Both borrowers continued to pay contractual interest payments when due throughout 2017. Accordingly, \$193,519 of interest payments received during the year were applied against the outstanding loan balances.

The Company's average recorded investment in the impaired loans totaled \$4,817,589 and \$5,093,983 during the year ended December 31, 2018 and December 31, 2017, respectively.

Depending on the assigned internal risk rating, loans are classified as either Pass or Criticized. Generally, once a loan is classified as Criticized, a specific reserve analysis is required. Two loans, totaling \$4,671,278 and \$4,997,842 at December 31, 2018 and December 31, 2017, respectively, are classified as Criticized.

The Company also maintains an allowance on unfunded revolver and delayed draw term loan commitments. At December 31, 2018 and December 31, 2017, an allowance of \$406,669 and \$139,949, respectively, was recorded relating to these commitments. This amount is recorded as a component of other liabilities on the Company's consolidated balance sheets with changes recorded in the provision for loan losses on the Company's consolidated statements of operations. The methodology for determining the allowance for unfunded revolver and delayed draw term loan commitments is consistent with the methodology used for determining the allowance for loan losses, with the exception that only the portion of the outstanding commitment expected to be drawn is applied against the unfunded commitments.

2. Summary of Significant Accounting Policies...continued

Allowance for Loan Losses...continued

The summary of changes in the allowance for loan losses relating to funded commitments for the years ended December 31, 2018 and December 31, 2017 is as follows:

	Year Ended December 31, 2018		
	Revolvers	Term Loans	Total
Balance, beginning of period	\$ 192,188	\$ 5,472,254	\$ 5,664,442
Provision (credit) for loan losses-general	(98,594)	2,293,811	2,195,217
Provision for loan losses-specific	1,348	(24,518)	(23,170)
Charge-offs, net of recoveries	—	(53,421)	(53,421)
Balance, end of period	\$ 94,942	\$ 7,688,126	\$ 7,783,068
Balance, end of period- general	\$ 52,018	\$ 7,356,956	\$ 7,408,974
Balance, end of period- specific	\$ 42,924	\$ 331,170	\$ 374,094

Loans

Loans collectively evaluated with general allowance	\$2,747,228	\$406,500,078	\$409,247,306
Loans individually evaluated with specific allowance	858,479	3,812,799	4,671,278
Total loans	\$3,605,707	\$410,312,877	\$413,918,584

	Year Ended December 31, 2017		
	Revolvers	Term Loans	Total
Balance, beginning of period	\$ 29,599	\$ 7,243,257	\$ 7,272,856
Provision (credit) for loan losses-general	121,013	(2,126,691)	(2,005,678)
Provision for loan losses-specific	41,576	355,688	397,264
Charge-offs, net of recoveries	—	—	—
Balance, end of period	\$ 192,188	\$ 5,472,254	\$ 5,664,442
Balance, end of period-general	\$ 150,612	\$ 5,116,566	\$ 5,267,178
Balance, end of period-specific	\$ 41,576	\$ 355,688	\$ 397,264

Loans

Loans collectively evaluated with general allowance	\$6,092,215	\$289,504,884	\$295,597,099
Loans individually evaluated with specific allowance	831,525	4,166,317	4,997,842
Total loans	\$6,923,740	\$293,671,201	\$300,594,941

Deferred Financing Fees

Deferred financing fees represent fees and other direct incremental costs incurred in connection with the Company's borrowings against its revolving credit facility (see Note 3). These amounts are amortized using the straight-line method into earnings as interest expense ratably over the contractual term of the facility. Net deferred financing fees totaled \$2,652,654 and \$1,509,299 at December 31, 2018 and December 31, 2017 and are included as a component of other assets on the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies...continued

Tradename Intangible Asset

The Company was purchased by Solar and various employees of the Company on December 28, 2012 (the "Acquisition Date"). On the Acquisition Date, identified intangible assets included \$14,520,000 related to the Crystal Financial tradename. The tradename has an indefinite life and therefore is not amortized. The Company reviews its intangible assets for impairment on an annual basis, at the end of the third quarter, or whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. When considering whether or not the tradename is impaired, the Company utilizes both qualitative and quantitative factors. The qualitative assessment involves determining whether events or circumstances exist that indicate that it is more likely than not that the intangible asset is impaired. If the qualitative assessment indicates that it is more likely than not that the intangible asset is impaired, or if the Company elects to not perform a qualitative assessment, then a quantitative assessment is performed, in which the Company is required to perform a recoverability test. An intangible asset is considered impaired if the carrying value of the asset exceeds the estimated fair value of the asset.

To estimate fair value, management primarily utilizes the relief from royalty method, which is an income approach. The income approach states that the value of an intangible asset is the present value of the future economic benefits that are generated by its ownership. Based on factors such as the projected revenue stream associated with the tradename, the estimated royalty rate, estimated long term growth rates, and discount rates, the fair value of the tradename is estimated to be \$3,700,000 at December 31, 2017. Accordingly, an impairment charge totaling \$10,820,000 was recorded during 2017. No further impairment was recorded during the year ended December 31, 2018 as the fair value was determined to be in excess of the carrying value.

Goodwill

In connection with the acquisition, the Company recorded goodwill equal to the excess of the purchase price over the fair value of assets acquired and liabilities assumed. Goodwill recognized on the Acquisition Date totaled \$5,156,542. The Company assesses the realizability of goodwill annually at the end of the third quarter, or more frequently if events or circumstances indicate that impairment may exist.

The Company adopted ASU 2017-04, *Intangibles- Goodwill and Other (Topic 350)* ("ASU 2017-04"), during the year ended December 31, 2017. ASU 2017-04 eliminates the requirement of a Company to perform a two-step impairment test when determining the amount, if any, of goodwill impairment. In accordance with ASU 2017-04, the Company performed step one of the goodwill impairment test during both the years ended December 31, 2018 and December 31, 2017, which indicated that the fair value of the reporting entity was in excess of its carrying value. As such, no impairment was recorded.

As part of the step one testing for goodwill impairment, the fair value of the reporting unit is estimated by applying weighted percentages to the calculated fair values of the Company derived using both the income and market approaches. Under the income approach, the fair value is determined using a discounted cash flow analysis, which involves significant estimates and assumptions, including market conditions, discount rates, and projections of future cash flows. Using the market approach, the fair value is estimated by using comparable publicly traded companies, whose values are known, as a benchmark to establish an estimate of a multiple that is then applied to the Company. In accordance with ASU 2017-04, if it is determined during step one testing that the carrying value of the reporting entity exceeds the fair value, the Company would record an impairment charge equal to the amount by which the carrying value exceeds its fair value.

In accordance with the updated guidance, the Company continues to have the option to perform a qualitative goodwill impairment assessment before determining whether to proceed to step one of the impairment test. Further, the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment is eliminated.

2. Summary of Significant Accounting Policies...continued

Interest Income

Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. In accordance with the Company's policy, accrued interest is evaluated periodically for collectability. The Company stops accruing interest on loans when it is determined that all amounts contractually owed to the Company are unlikely to be collected. The Company stopped accruing interest on two loans in the portfolio at both December 31, 2018 and December 31, 2017. All other accrued interest recognized is deemed to be collectible at both December 31, 2018 and December 31, 2017.

Fee Income Recognition

Certain loans in the Company's portfolio have been issued at a discount. Others have been issued with equity securities, such as warrants, which require the Company to allocate a portion of the cost of the loan to the initial value of the warrants, as discussed further in the Investment in Equity Securities Section of this footnote. This allocation of value to the warrants creates a discount on the loan. Both the discounts on issuance and the discounts created as a result of allocating value to the Company's warrants are accreted into income and added to the value of the respective loan over its contractual life using the effective interest method. Income related to the accretion of these discounts totals \$797,509 and \$92,084 during 2018 and 2017, respectively.

Nonrefundable loan fees and costs associated with the origination or purchase of loans are deferred and included in loans, net, in the consolidated balance sheets. These commitment fees, as well as certain other fees charged to borrowers, such as amendment and prepayment fees, are recorded in interest income, after receipt, over the remaining life of the loan using a method which approximates the interest method. Unused line fees are recorded in interest income when received. Unamortized fees totaling \$6,359,566 and \$4,775,168 are recorded as a component of unearned fee income on the accompanying consolidated balance sheets at December 31, 2018 and December 31, 2017.

Property and Equipment

Property and equipment includes furniture and fixtures, computer equipment and software, which are carried at cost. Such items are depreciated or amortized on a straight-line basis over the following useful lives:

Furniture and fixtures	5-7 years
Computer equipment	3-5 years
Computer software	3 years
Leasehold improvements	shorter of remaining lease term or the asset's estimated useful life

2. Summary of Significant Accounting Policies...continued

Property and Equipment...continued

The cost basis of the Company's property and equipment as well as the accumulated depreciation at December 31, 2018 and December 31, 2017, is as follows:

	December 31,	
	2018	2017
Capital leases	\$ 21,989	\$ 21,989
Furniture and fixtures	26,954	26,954
Computer equipment	185,746	156,900
Computer software	42,499	42,499
Leasehold improvements	145,080	145,080
	<u>\$ 422,268</u>	<u>\$ 393,422</u>
Less: Accumulated depreciation	(373,952)	(323,284)
	<u>\$ 48,316</u>	<u>\$ 70,138</u>

Depreciation expense of \$50,668 and \$88,772 was recognized during the years ended December 31, 2018 and December 31, 2017, and is included as a component of occupancy and equipment expenses on the accompanying consolidated statements of operations.

Investment in Equity Securities

At times, the Company may receive equity securities such as warrants in conjunction with a loan funding. Upon the receipt of such securities, the Company allocates a value to the securities equal to their fair value on the date of issuance, which creates an original issue discount on the corresponding loan. This discount is accreted into interest income over the life of the loan using the effective interest method. The initial value of warrants obtained during the year ended December 31, 2018 totaled \$5,206,612. The Company did not obtain any equity securities during 2017 and did not have any outstanding equity securities at December 31, 2017.

The Company accounts for equity securities in accordance with the guidance set forth in FASB ASC 825, *Financial Instruments*. At December 31, 2018, the Company has equity securities outstanding from two different borrowers, neither of which have readily determinable fair values, as defined in the applicable guidance. During the year ended December 31, 2018, the Company adopted the guidance set forth in ASU No. 2016-01, *Financial Instruments- Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01)*. In accordance with ASU 2016-01, the Company has elected to account for the securities issued from one of the borrowers at fair value, with changes in fair value being recorded in earnings. The initial value of these securities totaled \$5,154,407. During the year ended December 31, 2018, unrealized gains totaling \$3,777,593 have been recorded on these securities and are recorded as a component of unrealized gain on investment in equity securities in the accompanying consolidated statement of operations.

The Company elected the measurement alternative, as set forth in the guidance, on those equity securities issued by the second borrower, thereby maintaining the securities at cost, less impairment, until an observable price change occurs. The total value of securities for which the measurement alternative was elected equals \$52,205. No observable price changes have occurred, and therefore these securities continue to be carried at their initial value in the consolidated balance sheet at December 31, 2018.

2. **Summary of Significant Accounting Policies...**continued

Foreign Currency

The functional currency of the Company is the US Dollar. At December 31, 2018, the Company had three loans denominated in foreign currencies in its portfolio. At December 31, 2017, the Company had one loan in its portfolio denominated in a foreign currency. The Company also has the ability to borrow foreign currency denominated funds under its revolving line of credit (see Note 3). Gains and losses arising from exchange rate fluctuations on transactions denominated in currencies other than the US Dollar are included in earnings as incurred. The Company recorded unrealized losses on foreign currency translations totaling \$103,198 and realized gains of \$90,395 during the year ended December 31, 2018. Unrealized gains on foreign currency translations totaling \$3,740,410 and realized losses of \$2,789,448 were recognized during the year ended December 31, 2017.

Distributions

Distributions to members are recorded as of the date of declaration and are approved by the Company's Board of Managers. Distributions totaling \$7,500,000 and \$7,900,000 have been declared by the Company at December 31, 2018 and December 31, 2017, respectively, but were not paid until the following year.

Income Taxes

The Company is a single member LLC treated as a disregarded entity for tax purposes. The sole member of Crystal Financial is individually liable for the taxes, if any, on its share of Crystal Financial's income and expenses.

The Company applies the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification 740-10 ("ASC 740-10"), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Accounting Standard Codification 740*. ASC 740-10 provides a comprehensive model for the recognition, measurement and disclosure of uncertain income tax positions. The Company recognizes the tax effect of certain tax positions when it is more likely than not that the tax position will sustain upon examination, based solely on the technical merits of the tax position. As of December 31, 2018 and December 31, 2017, the Company does not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740-10.

As a disregarded entity, the Company has no obligation to file a U.S. federal return for tax periods beginning after July 28, 2016, the date the Company became a disregarded entity for tax purposes. The Company does however continue to file certain state tax returns. As of December 31, 2018, the Company is subject to examination by various state tax authorities for tax years beginning after December 31, 2015 and by the Internal Revenue Service for tax years beginning after December 31, 2015 and through July 28, 2016. The return filed for the period ended December 31, 2014 is also subject to examination by one state tax authority.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 provides a framework that replaces existing revenue recognition guidance and became effective for the Company during the fiscal year ended December 31, 2018. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step process to achieve this core principle. The majority of the Company's revenue streams, including interest and fee income associated with the origination or purchase of loans, are outside the scope of the new guidance and will therefore not be impacted with the implementation of the new standard. Agency fees, which are annual fees earned by the Company in exchange for providing administrative and collateral monitoring services, and unused line fees are within the scope of ASU 2014-09. The Company recognizes income on agency fees ratably over the one-year period as administrative and monitoring services are performed, in accordance with the updated guidance. The Company recognizes income on unused line fees ratably over the period that the unfunded commitment exists, which is also in accordance with the updated guidance. As such, the adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements.

2. **Summary of Significant Accounting Policies...**continued

Recently Issued Accounting Pronouncements...continued

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 amends existing guidance related to the accounting for leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than twelve months, regardless of their classification. Leases with a term of twelve months or less will be accounted for in a manner similar to existing guidance for operating leases today. ASU 2016-02 will be effective for the Company for its fiscal year beginning after December 15, 2019. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses (Topic 326)*. ASU 2016-13 sets forth a current expected credit loss ("CECL") model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. ASU 2016-13 will be effective for the Company for its fiscal year beginning after December 15, 2020. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 improves the effectiveness of disclosure requirements on fair value measurement by eliminating certain disclosure requirements for fair value measurements for all entities, requiring public entities to disclose certain new information and modifying some of the existing disclosure requirements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements.

3. **Debt Obligations and Financings**

Revolving Credit Facility

On May 12, 2011, the Company entered into a Loan Financing and Servicing Agreement (the "Credit Agreement") with Deutsche Bank AG (the "Lender") in the form of a revolving credit facility. After various amendments, the lender group was expanded and includes both Citibank, N.A. and Citizens Business Capital (together with Deutsche Bank AG, the "Lenders") at December 31, 2018.

The Company has the ability to borrow funds denominated in certain foreign currencies under the facility. The maximum amount available to be borrowed in foreign denominated currencies is the USD equivalent of \$99,000,000. During 2018 and 2017, the Company incurred fees and expenses totaling \$1,770,514 and \$7,527 in connection with certain amendments to the credit facility.

At December 31, 2018, the amount available to be borrowed under the facility is the lesser of (a) \$330,000,000 or (b) the amount calculated and available per the Borrowing Base, as defined in the amended Credit Agreement. Borrowings on the facility bear interest at a rate of 2.85% plus the Lenders' cost of funds, as defined in the Credit Agreement. The applicable cost of funds varies depending on the currency in which the funds are borrowed. At December 31, 2018, the effective rates were between 2.85% and 5.53%. The Company also pays an undrawn fee on unfunded commitments and an administrative agent fee. At December 31, 2018 and December 31, 2017, the USD equivalent of all borrowings outstanding under the facility totaled \$205,990,202 and \$176,454,049, respectively.

3. Debt Obligations and Financings...continued

Revolving Credit Facility...continued

The remaining capacity under the facility at December 31, 2018, subject to borrowing base constraints, totals \$124,009,798. The facility terminates on the earlier of September 20, 2022 or upon the occurrence of a Facility Termination Event, as defined in the amended Credit Agreement.

Commencing on March 20, 2021 and continuing every three months until the facility's termination date, the Company may be required to make principal pay-downs on certain amounts outstanding. The amount to be paid down is contingent upon the future amount outstanding as well as the amount of future non-mandatory prepayments made on the credit facility.

Cash, as well as those of the Company's loans that are held within Crystal Financial SPV, serve as collateral against the facility. At December 31, 2018 and 2017, the amount of cash and the face value of loans pledged as collateral were \$25,541,882 and \$407,253,844, and \$52,541,818 and \$291,157,396, respectively. The Company has made certain customary representations and warranties under the facility, and is required to comply with various covenants, reporting requirements, and other customary requirements for similar credit facilities. The Credit Agreement includes usual and customary events of default for credit facilities of this nature. The Company is in compliance with all covenants at December 31, 2018 and December 31, 2017.

Operating and Capital Leases

The Company leases office space and equipment under various operating and capital lease agreements. Future minimum lease commitments under these leases are as follows:

	Operating Leases	Capital Leases
2019	\$ 814,970	2,500
2020	468,212	—
	<u>\$1,283,182</u>	<u>2,500</u>
Less: Amount representing interest		21
Present value of minimum capital lease payments		<u>21</u>
Including current maturities of \$2,479		<u>\$2,479</u>

4. Related Party Activity

On March 15, 2013, Crystal Financial committed \$50,750,000 of capital to Crystal Financial SBIC LP (the "Fund") in exchange for a 65.91% limited partner interest. Crystal Financial SBIC LP was established to operate as a small business investment company under the Small Business Investment Company ("SBIC") Act. Of the total amount committed, \$21,883,314 remains unfunded at both December 31, 2018 and December 31, 2017.

Certain of the managing members of the Fund's general partner, Crystal SBIC GP LLC (the "General Partner"), are also members of Crystal Financial's management team. Crystal Financial and the General Partner have entered into a Services Agreement whereby Crystal Financial provides certain administrative services to the General Partner in exchange for a waiver of the quarterly management fee that it owes to the General Partner. Crystal Financial has also entered into a Loan Agreement with the Fund in order to meet short term capital needs. The total commitment of the Loan Agreement is \$30,000,000 at both December 31, 2018 and December 31, 2017. There are no amounts outstanding under the Loan Agreement at December 31, 2018. At December 31, 2017, \$1,025,000 remained outstanding under the Loan Agreement. Amounts outstanding on the Loan Agreement accrue interest at Prime plus 0.50%, unless such amount is less than 4.00%, in which case interest accrues at Libor plus 4.00%, up to a maximum of 5.00%. At December 31, 2018, borrowings on the facility accrue interest at 5.00%. Crystal Financial earned interest income on this facility totaling \$48,304 and \$114,130 during 2018 and 2017, respectively. The Loan Agreement, which was renewed during 2018, expires on June 18, 2019 and may be extended or renewed at the sole discretion of the Company.

4. Related Party Activity...continued

The Company accounts for its limited partner interest in the Fund as an equity method investment in the accompanying consolidated financial statements (see Note 7). Crystal Financial did not make any contributions to the Fund during 2018 and contributed \$7,447,344 to the Fund during 2017. Cash distributions from the Fund totaled \$5,627,623 and \$3,979,195 during 2018 and 2017, respectively. In accordance with the equity method of accounting, the Company was allocated net income from the Fund totaling \$6,458,627 and \$1,859,739 for the years ended December 31, 2018 and December 31, 2017. These amounts represent the Company's allocation of the Fund's net income in accordance with the Fund's Limited Partnership Agreement. Crystal Financial's investment in the Fund is recorded as Investment in Crystal Financial SBIC LP in the accompanying consolidated balance sheets and its share of earnings and losses are recorded as Interest in earnings of equity method investee on the consolidated statements of operations.

5. Member's Capital

Crystal Financial has issued limited liability company interests, referred to as Class A Units. Each unit entitles its holder to one vote on all matters submitted to a vote of the members. At December 31, 2018 and December 31, 2017, the Company has 280,303 outstanding Class A Units, all of which are owned by Solar.

6. Commitments and Contingencies

The Company is party to financial instruments with off-balance sheet risk including unfunded revolver and delayed draw term loan commitments to certain borrowers.

Under the revolving credit and delayed draw term loans, aggregate unfunded commitments total \$61,357,090 and \$16,460,726 at December 31, 2018 and December 31, 2017. These agreements have fixed expiration dates. The revolving credit agreements typically require payment of a monthly fee equal to a certain percentage times the unused portion of the revolving line of credit. As the unfunded commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of credit that can be extended under each of the revolving credit agreements and delayed draw term loan agreements is typically limited to the borrower's available collateral, which is used in calculating the borrower's borrowing base at the time of a respective draw.

Effective January 1, 2013, certain employees of Crystal Financial, including members of management, entered into a long-term incentive plan agreement ("LTIP Agreement"). In accordance with the terms of the LTIP Agreement, a bonus pool is calculated each calendar year, beginning with the amount calculated in 2014 with respect to results for the year ended December 31, 2013 and is based upon the achievement of certain operating results during the year. The bonus pool calculated and earned for each calendar year will be paid out two years after the year in which the bonus pool is calculated and earned. The calculated bonus pool is subject to a look-back calculation which could cause the amount that is ultimately paid out to be less than the amount originally calculated. Amounts recorded pursuant to the LTIP Agreement during the years ended December 31, 2018 and December 31, 2017, are included as a component of accrued expenses on the accompanying consolidated balance sheets and as a component of compensation and benefits expense on the accompanying consolidated statements of operations.

7. Variable Interest Entity

In accordance with the consolidation guidance, the Company evaluates (a) whether it holds a variable interest in an entity, (b) whether the entity is a variable interest entity (“VIE”) and (c) whether the Company is the primary beneficiary of the VIE. The granting of substantive kick-out rights is a key consideration in determining whether a limited partnership is a VIE and whether or not that entity should be consolidated. In evaluating whether or not Crystal Financial SBIC LP is a VIE of the Company, it is noted that the Limited Partnership Agreement of Crystal Financial SBIC LP does not permit a simple majority of the limited partners to exercise kick-out rights, and therefore these rights are deemed to not be substantive. Accordingly, Crystal Financial SBIC LP is deemed to be a VIE. In assessing whether or not the VIE should be consolidated, it was determined that substantially all of the VIE’s activities are not conducted on behalf of Crystal Financial or its de facto agents. Accordingly, the Company does not consolidate Crystal Financial SBIC LP in the accompanying financial statements.

The following table sets forth the information with respect to the unconsolidated variable interest entity in which the Company holds a variable interest as of December 31, 2018 and December 31, 2017.

	December 31, 2018	December 31, 2017
Bridge loan with the VIE included on the Consolidated Balance Sheets	\$ —	\$ 1,025,000
Equity interest included on the Consolidated Balance Sheets	32,139,735	31,308,731
Maximum risk of loss (1)	54,023,049	54,217,045

- (1) includes the equity investment the Company has made, or could be required to make, and amounts outstanding under the Loan Agreement with Crystal Financial SBIC LP.

8. Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements* (“ASC 820”) establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present recorded amounts of financial assets measured at fair value on a recurring basis at December 31, 2018. There were no financial assets or liabilities measured at fair value on a recurring basis outstanding at December 31, 2017.

December 31, 2018:

	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value in Consolidated Balance Sheet
Assets:				
Investment in equity securities	\$ —	\$ —	\$ 8,932,000	\$8,932,000
Total assets recorded at fair value on a recurring basis	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,932,000</u>	<u>\$8,932,000</u>

8. Fair Value of Financial Instruments...continued

The fair values of the Company's investments in equity securities are determined using widely accepted valuation techniques. The initial values of the Company's equity securities were determined using the market approach combined with the option-pricing model. Both observable and unobservable inputs, including expected term and implied volatilities were utilized in the valuation of these securities. At December 31, 2018, the Company adjusted the fair value of the equity securities obtained from one of its borrowers as a result of a recent transaction. Accordingly, an unrealized gain totaling \$3,777,593 was recorded to the accompanying consolidated statement of operations.

The table below illustrates the change in balance sheet amounts during the years ended December 31, 2018 and December 31, 2017, for financial instruments measured on a recurring basis and classified by the Company as level 3 in the valuation hierarchy. When a determination is made to classify a financial instrument as level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. Level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components. As the fair value of the Company's investment in equity securities is based on a recent transaction price, the fair value calculation at December 31, 2018 did not use significant unobservable inputs developed by the Company.

	Forward contracts	Investment in Equity Securities
Fair value, December 31, 2016	\$ 360,313	\$ —
Total gains or losses included in earnings:		
Net realized loss	(534,582)	—
Net change in unrealized loss	(360,313)	—
Net proceeds paid at settlement	(471,574)	—
Net payments made at settlement	1,006,156	—
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Fair value, December 31, 2017	—	—
Investment in equity securities		5,154,407
Total gains or losses included in earnings:		
Net change in unrealized gain	—	3,777,593
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Fair value, December 31, 2018	\$ —	\$ 8,932,000

Financial instruments that are not recorded at fair value on a recurring basis consist of cash, restricted cash, interest receivable, loans receivable, its investment in Crystal Financial SBIC LP, derivative instruments, collateral held for borrower obligations and the revolving credit facility. Due to the short-term nature of the Company's cash, restricted cash, interest receivable, and collateral held for borrower obligations, the carrying value approximates fair value.

The Company's loans receivable are recorded at outstanding principal, net of any deferred fees and costs, unamortized purchase discounts and the allowance for loan losses. If the Company elected the fair value option, the estimated fair value of the Company's loans receivable would be derived using among other things, a discounted cash flow methodology, that considers various factors including the type of loan and related collateral, current market yields for similar debt investments, estimated cash flows, as well as a discount rate that reflects the Company's assessment of risk inherent in the cash flow estimates.

8. Fair Value of Financial Instruments...continued

If the Company elected the fair value option, the estimated fair value of the Company's revolving credit facility at December 31, 2018 and December 31, 2017, would approximate the carrying value. The fair value is estimated based on consideration of current market interest rates for similar debt instruments.

The following table presents the carrying amounts, estimated fair values, and placement in the fair value hierarchy of the Company's long-term financial instruments, at December 31, 2018 and December 31, 2017.

December 31, 2018

	Carrying Amount	Estimated Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	\$ 413,918,584	\$ 413,587,414	\$ —	\$ —	\$413,587,414
Investment in Crystal Financial SBIC LP	32,139,735	32,139,735	—	—	32,139,735
Financial liabilities:					
Revolving credit facility	205,990,202	205,990,202	—	—	205,990,202

December 31, 2017

	Carrying Amount	Estimated Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	\$ 300,594,941	\$ 300,239,240	\$ —	\$ —	\$300,239,240
Investment in Crystal Financial SBIC LP	31,308,731	\$ 31,308,731	—	—	31,308,731
Financial liabilities:					
Revolving credit facility	176,454,049	176,454,049	—	—	176,454,049

9. Subsequent Events

The Company has evaluated subsequent events through February 13, 2019, the date which the financial statements were available to be issued. Other than those described in the preceding notes, no material subsequent events have occurred through this date.

CONSOLIDATED FINANCIAL STATEMENTS

NEF Holdings, LLC and Subsidiaries

(A Limited Liability Company)

Year ended December 31, 2018 and

period from August 1, 2017 to December 31, 2017 (the "Period")

With Independent Auditors' Report

Consolidated Financial Statements

Year Ended December 31, 2018 and Period Ended December 31, 2017

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Independent Auditors' Report

Board of Managers

NEF Holdings, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of NEF Holdings, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in members' capital, and cash flows for the year ended December 31, 2018 and the period from August 1, 2017 to December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

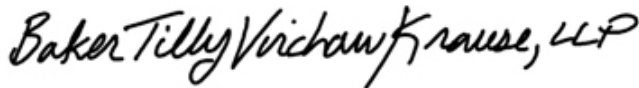
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NEF Holdings, LLC and Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the year ended December 31, 2018 and the period from August 1, 2017 to December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.



Philadelphia, Pennsylvania
February 15, 2019

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NEF Holdings, LLC and Subsidiaries

Consolidated Balance Sheets

At December 31, 2018 and December 31, 2017
(In Thousands)

	2018	2017
Assets		
Cash	\$ 6,411	\$ 15,128
Restricted cash	120	5,627
Financing receivables:		
Net investment in direct finance leases	196,883	173,403
Secured loans, net	45,783	56,712
Total financing receivables, gross	242,666	230,115
Allowance for losses on financing receivables	(5,445)	(7,143)
Total financing receivables, net	237,221	222,972
Equipment on lease, net	4,584	5,031
Fixed assets, net	3,030	227
Equipment off lease - held-for-sale	572	1,816
Goodwill	29,832	29,832
Other assets	11,415	8,850
Total assets	<u>\$293,185</u>	<u>\$289,483</u>
Liabilities and Members' Capital		
Liabilities:		
Senior secured credit facility	\$ 118,823	\$ 69,852
Notes payable	—	69,962
Loan from affiliate	32,968	—
Accrued expenses	2,871	4,870
Good faith deposits	1,043	1,071
Accounts payable	236	407
Other liabilities	3,970	5,134
Total liabilities	<u>159,911</u>	<u>151,296</u>
Members' capital:		
Members' capital	133,274	138,187
Total members' capital	<u>133,274</u>	<u>138,187</u>
Total liabilities & members' capital	<u>\$293,185</u>	<u>\$289,483</u>

See accompanying notes to the consolidated financial statements.

NEF Holdings, LLC and Subsidiaries

Consolidated Statements of Operations

For the Year Ended December 31, 2018 and
the Period Ended December 31, 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Income:		
Interest income from direct finance leases	\$19,025	\$ 8,374
Interest income from secured loans	5,367	2,868
Operating lease income	1,395	599
Other income	4,281	3,727
Total income	<u>30,068</u>	<u>15,568</u>
Expenses:		
Interest expense	9,971	3,243
Compensation and benefits	8,273	3,600
Provision for losses	2,979	1,678
Occupancy and office expenses	1,114	464
Lease and loan restructuring costs	992	547
Professional fees	602	594
Unrealized loss on equity investment	568	—
Depreciation	540	208
Impairments of equipment off lease	489	183
Other expenses	1,114	348
Total expenses	<u>26,642</u>	<u>10,865</u>
Net income	<u>\$ 3,426</u>	<u>\$ 4,703</u>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the Year Ended December 31, 2018 and the Period Ended December 31, 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Net income	\$3,426	\$4,703
Other comprehensive loss:		
Derivative instruments designated and qualifying as cash flow hedges:		
Change in unrealized holding losses arising during the year	—	(7)
Total other comprehensive loss	<u>—</u>	<u>(7)</u>
Total comprehensive income	<u>\$3,426</u>	<u>\$4,696</u>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Members' Capital

For the Year Ended December 31, 2018 and the Period Ended December 31, 2017
(In Thousands)

Members' capital at August 1, 2017	\$ 139,572
Capital distributions	(6,081)
Other comprehensive loss	(7)
Net income	4,703
Members' capital at December 31, 2017	138,187
Capital distributions	(8,339)
Net income	3,426
Members' capital at December 31, 2018	<u>\$ 133,274</u>

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2018 and the Period Ended December 31, 2017
(In Thousands)

	2018	2017
Cash flows from operating activities		
Net income	\$ 3,426	\$ 4,703
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment of equipment off lease	489	183
Provision for losses	2,979	1,678
Amortization of deferred financing costs	994	533
Amortization of upfront fees received and initial direct costs paid	716	65
Depreciation	540	208
Amortization of notes payable discounts	1,174	81
Unrealized loss on equity investment	568	—
Changes in operating assets and liabilities:		
(Increase)/Decrease in other assets	1,734	(4,008)
(Increase)/Decrease in interest receivable	(242)	(54)
Increase/(Decrease) in interest payable	276	210
Increase/(Decrease) in accrued expenses	(1,999)	3,061
Increase/(Decrease) in good faith deposits	(28)	29
Increase/(Decrease) in accounts payable	(171)	241
Increase/(Decrease) in other liabilities	(1,164)	3,489
Net cash provided by operating activities	<u>9,292</u>	<u>10,419</u>
Cash flows from investing activities		
Sales of secured loans and direct finance leases to an affiliate	26,417	64,456
Investments in secured loans and direct finance leases	(139,752)	(11,041)
Collections of principal on secured loans and direct finance leases	88,264	38,387
Non-refundable upfront fees received	201	19
Initial direct costs paid	(666)	(108)
Proceeds from sales of equipment on lease	51	—
Proceeds from sales of equipment off lease	1,127	2,219
(Purchases)/Proceeds from sales of fixed assets	(134)	(42)
Cash paid for acquisition, net	(218)	—
Net cash provided by/(used in) investing activities	<u>(24,710)</u>	<u>93,890</u>
Cash flows from financing activities		
Borrowings on credit facility	134,394	35,192
Repayments on credit facility	(86,086)	(103,075)
Repayments of notes principal	(71,657)	(24,185)
Borrowings on loan from affiliate	34,511	—
Repayment on loan from affiliate	(1,629)	—
Capital distributions	(8,339)	(6,081)
Net cash provided by/(used in) financing activities	<u>1,194</u>	<u>(98,149)</u>
Net increase/(decrease) in cash and restricted cash	(14,224)	6,160
Cash and restricted cash at the beginning of period	20,755	14,595
Cash and restricted cash at the end of period	<u>\$ 6,531</u>	<u>\$ 20,755</u>
Supplemental disclosures of cash flow information		
Interest paid	<u>\$ 7,568</u>	<u>\$ 2,476</u>
Non-cash consideration paid for acquisition	<u>\$ 6,832</u>	<u>\$ —</u>

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2018 and the Period Ended December 31, 2017
(In Thousands)

1. Organization and Business

NEF Holdings, Inc. was organized on June 7, 2013 as a Delaware corporation and commenced its operations in June 2013. Effective January 1, 2014, NEF Holdings, Inc. converted from a corporation to a limited liability company (“LLC”), NEF Holdings, LLC (“NEF Holdings”), pursuant to Section 18-214 of the Limited Liability Act in the State of Delaware. Subsequent to the close of business on July 31, 2017, NEF Holdings was acquired by Solar Capital Ltd. (“Solar”) (see note 4).

As of December 31, 2018, NEF Holdings had five wholly-owned subsidiaries: Nations Fund I, LLC (“Fund I”), Nations Equipment Finance Funding III, LLC (“Issuer III”), Nations Equipment Finance, LLC (“NEF”), Equipment Operating Leases, LLC (“EOL”), formerly NEF Investments, LLC (“NEF Investments”) and NEF Auto Transport, LLC (“NEF Auto Transport”) (collectively, the “Company”). The Company is headquartered in Norwalk, Connecticut.

Nations Fund I, Inc. was organized on September 17, 2010 as a Delaware corporation. Effective January 1, 2014, Nations Fund I, Inc. converted from a corporation to a LLC, Nations Fund I, LLC, pursuant to Section 18-214 of the Limited Liability Act in the State of Delaware. Fund I is a commercial equipment finance company that provides term loans and leases primarily to middle market and privately held companies. Fund I focuses on direct origination of loans and equipment leases secured by equipment collateral, such as trailers, trucks, transportation and construction equipment.

NEF was organized as a LLC under the laws of the State of Delaware and commenced operations on August 24, 2010. NEF was formed for the purposes of serving as the investment manager for Fund I and later as the servicer for the Company’s securitization entities. Services provided by NEF include, among other things, identifying, structuring and negotiating transactions, monitoring, advising and managing investments, exercising control rights, options or warrants, liquidating investments, cash management, accounting, tax, compliance and legal services.

NEF Investments, a wholly owned subsidiary of NEF Holdings, was organized as a Delaware LLC on January 22, 2018. On April 18, 2018, NEF Investments’ LLC agreement was amended which changed the company’s name from NEF Investments, LLC to Equipment Operating Leases, LLC. EOL is a commercial equipment finance company that provides term loans and leases primarily to middle market and privately held companies.

NEF Auto Transport was organized as a LLC under the laws of the State of Delaware and commenced operations in December 2018 through the acquisition of a former customer (see note 4). NEF Auto Transport is an auto transport carrier providing direct auto-hauling services.

During August 2014, NEF Holdings formed Nations Equipment Finance Funding II, LLC (“Issuer II”) as a Delaware LLC. Issuer II, formerly a wholly owned subsidiary of NEF Holdings, was formed as a bankruptcy remote vehicle with the intention to acquire net financing receivables from NEF Holdings in order to leverage these assets through a term securitization and take advantage of a low interest rate market environment. In 2018, Issuer II executed the clean-up call provisions associated with the outstanding notes payable, and on November 5, 2018 was dissolved.

1. Organization and Business (continued)

During November 2015, NEF Holdings formed Issuer III as a Delaware LLC. Issuer III, a wholly owned subsidiary of NEF Holdings, was formed as a bankruptcy remote vehicle with the intention to acquire net financing receivables from NEF Holdings in order to leverage these assets through a term securitization and take advantage of a lower interest rate market environment. In 2018, Issuer III executed the clean-up call provisions associated with the outstanding notes payable and ceased operations.

Nations Tioga, LLC (“Nations Tioga”), a wholly owned subsidiary of NEF Holdings, was organized as a Delaware LLC in December 2016. On November 1, 2018, Nations Tioga executed a certificate of cancellation and was dissolved.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These consolidated financial statements include the accounts of NEF Holdings and its wholly owned subsidiaries, Fund I, Issuer II, Issuer III, NEF, EOL, Nations Tioga and NEF Auto Transport. All significant intercompany balances and transactions are eliminated in consolidation. Certain amounts in the prior period financial statements have been reclassified to conform to the current year’s presentation.

Use of Estimates

The presentation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that impact the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to change in the future as additional information becomes available or as circumstances are modified. Actual results could differ materially from these estimates. Management’s estimates and assumptions are used in estimating an allowance for losses on financing receivables, impairments of equipment off lease, useful lives of leasing equipment and fixed assets, fair values of unguaranteed residual values, intangible assets and fair values of assets acquired and liabilities assumed.

Cash

At December 31, 2018 and December 31, 2017, the Company’s cash balance totaled \$6,531, and \$20,755, of which \$120 and \$5,627, respectively, was restricted. The restricted cash balance as of December 31, 2018 is maintained in connection with the lease of the Company’s office space in Norwalk, Connecticut. A substantial portion of the restricted cash balance as of December 31, 2017 was maintained for the benefit of the note holders in connection with the Company’s securitizations.

Secured Loans

Secured loans, net are reported at the principal amount outstanding, net of non-refundable fees, initial direct costs and accrued interest. Interest income on secured loans is recorded on the accrual basis in accordance with the terms of the respective loan.

Non-refundable loan fees and initial direct costs associated with the origination of loans are deferred and included in secured loans, net in the consolidated balance sheets. These fees are recognized as an adjustment to interest income over the contractual life of the loans using the interest method.

2. Summary of Significant Accounting Policies (continued)

Direct Finance Leases

Net investment in direct finance leases is reported net of unearned income, deferred non-refundable fees and initial direct costs associated with their origination, and inclusive of guaranteed and unguaranteed residual values. Direct finance leases are usually long-term in nature, typically ranging for a period of three to seven years and include either a nominal or fair market value purchase option at the end of the lease term.

Non-refundable fees received and initial direct costs incurred associated with the origination of direct finance leases are deferred and are recognized as an adjustment to interest income over the contractual life of the direct finance leases using the interest method.

Recognition of Earned Income on Direct Finance Leases

The difference between the cost of the equipment and the total finance lease receivable plus, where applicable, the unguaranteed or guaranteed residual value is recorded as unearned income. Unearned income is amortized as earned income over the term of the transaction using the interest method.

Fixed Assets

Fixed assets consist of furniture and fixtures, software, computers, leasehold improvements, automobiles, telephone and office equipment and auto hauling trucks, and are stated at cost less accumulated depreciation and amortization. Expenditures for repairs and maintenance are expensed as incurred and are included in other expenses in the Company's consolidated statement of operations.

Depreciation and amortization of fixed assets are calculated using the straight-line method over their respective useful lives as follows, and recorded in depreciation and amortization in the consolidated statements of operations:

	Useful Life (Years)
Furniture and fixtures	7
Telephone	7
Computers	5
Office equipment	5
Software	5
Automobile	5
Auto Hauling Trucks	5
Leasehold improvements	Lesser of the life of the asset or the life of the lease

Good Faith Deposits

Good faith deposits represent cash received from the Company's customers, when the proposal for a potential transaction is signed. These deposits are used to pay expenses such as third party appraisals, document fees and travel and related costs incurred by the Company in connection with the origination of the transaction. If the deposit exceeds the expenses incurred by the Company, the excess amount is refundable to the customer. If the expenses incurred exceed the deposits received, the Company's customers are liable for the overage. Such overages are included in other assets on the consolidated balance sheets. In the event the Company approves a transaction with a customer and the customer elects not to pursue the transaction, the Company recognizes any remaining good faith deposit into income, as allowed by the agreed upon terms of the signed proposal. Such amounts are included in other income in the consolidated statements of operations.

2. Summary of Significant Accounting Policies (continued)

Other Income

Amounts in other income in the consolidated statements of operations primarily include gains on sales of equipment, fees charged for early terminations of financing arrangements, other miscellaneous fees earned in connection with the administration of such financing arrangements and foreign currency translation gains.

Other Expenses

Included in other expenses in the consolidated statements of operations are losses on sales of equipment, foreign currency translation losses and other expenses incurred in connection with the administration of financing arrangements. Also included in other expenses in 2018 is the net loss (excluding depreciation expense) of \$166 from the operations of NEF Auto Transport (see note 4).

Allowance for Losses on Financing Receivables

The Company maintains an allowance for losses on financing receivables at a level sufficient to absorb probable losses related to its financing receivables as of the date of the consolidated financial statements. In determining its allowance for losses on financing receivables, the Company considers the creditworthiness of the receivables in the portfolio based on internal customer risk ratings, collateral coverage and remaining term to maturity, which are reviewed and updated, as appropriate, on an ongoing basis.

Individually identified non-performing secured loans and direct finance leases are measured based on the specific circumstances of the transaction and a specific allowance is established, if necessary. Amounts determined to be uncollectible are charged directly to provision for losses in the consolidated statements of operations. During the year ended December 31, 2018 and the Period ended December 31, 2017, charge-offs of financing receivables totaled \$2,421 and \$300 respectively.

The Company classifies a financing receivable as past due when it is overdue by more than 60 days. As of December 31, 2018, financing receivables with an outstanding balance of \$4,921, \$20,790, and \$6,412 were between 61-90 days past due, 91-120 days past due and greater than 120 days past due, respectively. As of December 31, 2017, financing receivables with an outstanding balance of \$951, \$5,756 and \$7,671 were between 61-90 days past due, 91-120 days past due and greater than 120 days past due, respectively.

Non-Accrual Financing Receivables

Income recognition is generally suspended for financing receivables after 90 days of non-payment, or if full recovery becomes doubtful based on the assessment by the Company. Income recognition is resumed when financing receivables are less than 90 days past due. At December 31, 2018 and December 31, 2017, financing receivables with an outstanding balance of \$15,030 and \$18,637, respectively, were on non-accrual of income.

Equipment on Lease

Leasing equipment is comprised of equipment under operating leases. Leasing equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful life of the equipment. Income is recorded on a straight-line basis over the term of the lease as operating lease income in the consolidated statement of operations.

2. Summary of Significant Accounting Policies (continued)

Equipment on Lease (continued)

The estimated useful lives and residual values of the Company's leasing equipment are based on independent third party appraisals and management's judgment. The Company reviews its depreciation policies on a regular basis to determine whether changes have taken place that would suggest that a change in its depreciation policies, useful lives of its equipment or the assigned residual values is warranted. The estimated useful lives of the Company's leasing equipment at December 31, 2018 and December 31, 2017 are as follows:

	Useful Lives (Years)
Truck cranes	11
Drill units	15
Rail cars	30

Leasing equipment is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recovered. Key indicators of impairment on leasing equipment include, among other factors, a sustained decrease in operating profitability, a sustained decrease in utilization, or indications of technological obsolescence.

Equipment off Lease

Equipment off lease arises when the Company repossesses collateral that secured a financing receivable in a customer default scenario. A write-down of the financing receivable is recorded as a charge-off when the carrying amount exceeds the fair value and the difference relates to credit quality. At the time of repossession, the financing receivable is transferred to equipment off lease at the lower of cost or fair value. During the year ended December 31, 2018 and the Period ended December 31, 2017, the Company recorded \$579 and \$5, respectively, in charge offs, which are included in provisions for losses in the consolidated statements of operations.

A review for impairment of equipment off lease is performed at least annually or when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During the year ended December 31, 2018 and the Period ended December 31, 2017, the Company recorded impairment charges of \$489 and \$183, respectively.

At December 31, 2018 and December 31, 2017, equipment off lease totaled \$572 and \$1,816, respectively, in the consolidated balance sheets. The Company intends to sell such assets, and has classified these assets as held for sale, in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, *Property, Plant & Equipment*.

Other Assets

Included in other assets in the consolidated balance sheets at December 31, 2018 is an equity investment in a customer's parent company stock, obtained to improve collateral coverage on an existing financing receivable. The Company values equity investments that are traded on a public securities exchange at the reported value at year end. Included in the consolidated statements of operations is a \$568 charge which represents the fair value decline for the year ended December 31, 2018.

2. Summary of Significant Accounting Policies (continued)

Derivative Instruments

The Company manages exposure to interest rate through the use of interest rate caps traded in the over-the-counter markets with other financial institutions. The Company does not enter into derivative financial instruments for speculative purposes. Derivative instruments are recognized at fair value and included in other assets in the consolidated balance sheets.

Interest rate caps are used to manage the Company's interest rate exposure on its senior secured credit facility. At December 31, 2018 and December 31, 2017, such derivatives had a notional amount of \$85,000 and \$65,000, respectively, and a fair value of \$185 and \$199, respectively, which are included in other assets in the consolidated balance sheets. For the year ended December 31, 2018 and the Period ended December 31, 2017, increases in fair value of the interest rate caps totaled \$41 and \$57, respectively, and are included in interest expense in the consolidated statements of operations.

During the Period ended December 31, 2017, the Company held foreign currency derivative instruments, specifically cross-currency swaps, as a hedge of the variability of forecasted cash flows associated with certain financing receivables financed with US dollars. On the date the derivative contract is entered into, the Company formally documents all relationships between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking various hedge transactions. Hedge effectiveness is measured at the hedge's inception and, on an on-going basis, to determine whether the derivatives are highly effective in offsetting the changes in cash flows of the hedged item. Changes in fair value of foreign currency derivatives that are designated and qualify as cash flow hedges, which are highly effective, are recorded in the consolidated statements of comprehensive income until earnings are affected by the variability in cash flows of the designated hedged item.

At December 31, 2018 and December 31, 2017, the Company did not hold any cross currency swaps. Changes in unrealized holding losses of cross currency swaps, which were deemed highly effective, totaled \$0 and (\$7) during the year ended December 31, 2018 and Period ended December 31, 2017, respectively, and are included in other comprehensive loss in the consolidated statements of comprehensive income.

Deferred Financing Costs

Deferred financing costs represent fees and other incremental costs incurred in connection with the financing of the Company's senior secured credit facility and notes payable. Deferred financing costs for its senior secured credit facility are amortized using the straight-line method into earnings over the contractual term of the facility. Deferred financing costs for notes payable are amortized into earnings using the effective interest rate method over the contractual terms of the respective notes. In 2018, \$609 of deferred financing costs associated with the notes payable were fully amortized during the year as a result of the Issuer II and Issuer II notes being fully repaid.

Debt

Senior secured credit facility represents the Company's borrowings under its long-term revolver, which are carried at amortized cost, along with the related accrued interest payable and unamortized deferred financing costs.

Notes payable represent the Company's unpaid secured note balance, which are carried at amortized cost, net of discounts, along with the related accrued interest payable and unamortized deferred financing costs.

2. Summary of Significant Accounting Policies (continued)

Debt (continued)

Certain secured notes were originally issued at discounts. These discounts are amortized using the straight-line method over the lives of the secured notes. The secured notes were fully repaid during 2018 and, as such, \$1,174 of unamortized discounts were fully expensed during the year and included in interest expense in the consolidated statements of operations.

Financial Asset Transfers

The Company accounts for transfers of financial assets under FASB ASC 860, *Transfers and Servicing*, utilizing a control oriented, financial components approach to financial asset transfer transactions whereby the Company: (1) recognizes the financial and servicing assets it controls and the liabilities it has incurred; (2) derecognizes financial assets when control has been surrendered; and (3) derecognizes liabilities once they are extinguished. Control is considered to have been surrendered only if: (i) the transferred assets have been isolated from the Company and its creditors, even in the event of bankruptcy or other receivership; (ii) the purchaser has the right to pledge or exchange the transferred assets, or, is a qualifying special purpose entity (as defined) and the holders of beneficial interests in that entity have the right to pledge or exchange those interests; and (iii) the Company does not maintain effective control over the transferred assets through an agreement which both entitles and obligates it to repurchase or redeem those assets prior to maturity, or through an agreement which both entitles or obligates it to repurchase or redeem those assets if they were not readily obtainable elsewhere. If any of these conditions are not met, the Company accounts for the transfer as a secured borrowing.

Foreign Currencies

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the date of the consolidated balance sheets. Income and expenses are translated at average rates of exchange prevailing during the year. Translation adjustments resulting from this process, which totaled (\$18) and (\$6) for the year ended December 31, 2018 and the Period ended December 31, 2017, respectively, are recorded in other expenses in the consolidated statements of operations. At December 31, 2018 and December 31, 2017, the Company had cash, financing receivables and debt denominated in the Canadian dollar.

Income Taxes

The Company is a LLC and has elected to be taxed as a partnership. Accordingly, the Company is not subject to federal or state income taxes. Taxable income, losses and deductions flow through to the Company's members.

Contingencies and Commitments

The Company may be subject to various legal proceedings, claims, and litigation, either asserted or unasserted that arise in the ordinary course of business. Professional legal fees are expensed as incurred. The Company records accruals for contingent losses when such losses are probable and reasonably estimable. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction at the measurement date. In determining fair value of financial instruments and intangibles, the Company uses various valuation approaches, which often utilize certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. The inputs can be readily observable, market corroborated or generally unobservable internal inputs. The Company utilizes valuation techniques that rely primarily on observable inputs.

Goodwill and Intangible Asset

Goodwill, which represents the excess of consideration paid for the Company over the fair value of the related assets acquired, liabilities assumed and contractual rights arising from the acquisition of the Company on July 31, 2017 as discussed in note 1. As discussed in note 4, in connection with the acquisition of one of its former customers, the Company acquired an intangible asset related to customer relationships with a five year useful life. The intangible asset was acquired in December of 2018 and therefore no amortization expense was recorded for the year ended December 31, 2018. Estimated future amortization expense is \$790 for each of the years from 2019 through 2023.

The Company assesses goodwill and intangible assets for impairment, annually or more frequently if events or changes in circumstance occur, by comparing the carrying value to its fair value. If the fair value is less than the carrying value, an impairment charge is recorded in that period. The Company adopted FASB Accounting Standards Update ("ASU") 2017-04 – *Intangibles—Goodwill and Other (Topic 350)*, which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. As part of the step one testing for goodwill impairment, the fair value of the reporting unit is estimated by applying the weighted percentages to the calculated fair values of the Company derived using both the income and market approaches. Under the income approach, the fair value is determined using a discounted cash flow analysis, which involves significant estimates and assumptions, including market conditions, discount rates, and projections of future cash flows. Using the market approach, the fair value is estimated by using comparable publicly traded companies, whose values are known, as a benchmark to establish an estimate of a multiple that is then applied to the Company. In accordance with ASU 2017-04, the Company performed step one of the goodwill impairment test, which indicated no impairment charge was warranted on either goodwill or its intangible asset.

3. New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This guidance provides a single comprehensive revenue recognition framework and supersedes existing revenue recognition guidance. Included in the new principles-based revenue recognition model are changes to the basis for deciding on the timing for revenue recognition. In addition, the standard expands and improves revenue disclosures. In August 2015, the FASB subsequently issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09. After the deferral, ASU 2014-09 is effective retroactively for annual or interim reporting periods beginning after December 15, 2017. In accordance with the new revenue recognition standard, the Company must identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation.

The Company adopted this guidance in 2018. The majority of the Company's revenue streams, including interest and fee income associated with the origination of leases and loans are outside the scope of the new guidance and as such had no impact on the Company's consolidated financial statements. Income earned by the Company for providing administrative and collateral monitoring services, which are in the scope of the ASU, are earned ratably over the period in which the services are provided, which is consistent with the updated guidance.

3. New Accounting Pronouncements (continued)

The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the consolidated statements of operations was not necessary. Accordingly, the adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance is intended to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. Among other things, this guidance requires entities to measure equity investments (except those accounted for under the equity method) at fair value and recognize any changes in fair value in net income. The Company adopted this guidance during the year ended December 31, 2018. Included in other assets is an equity investment, which is recorded at fair value based on an observable market price, and changes in its fair value for the year ended December 31, 2018 were recorded as a charge to income in the consolidated statement of operations.

In February 2016, the FASB issued ASU 2016-02 – *Leases*. This amendment will require companies that lease assets to recognize on the consolidated statement of financial condition the assets and liabilities for the rights and obligations created by those leases. This amendment is effective for the Company for the fiscal year beginning after December 15, 2018. The Company is currently evaluating the potential impact the new standard will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 – *Financial Instruments – Credit Losses*. This amendment will require companies to broaden the information considered in developing its expected credit loss estimates on financing receivables measured either individually or collectively. This amendment is effective for the Company for the fiscal year beginning after December 15, 2019. The Company is currently evaluating the potential impact the new standard will have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18 – *Statement of Cash Flows (Restricted Cash)*. This amendment requires the statement of cash flows explain the change in the total of cash, cash equivalents and restricted cash. The Company early adopted this guidance during the Period ended December 31, 2017, as permitted, and has made the required disclosures in these consolidated financial statements.

4. Business Combinations

As discussed in Note 1, immediately following the close of business on July 31, 2017, Solar, through its wholly owned subsidiaries, NEFCORP, LLC (“NEFCORP”) and NEFPASS, LLC (“NEFPASS”), acquired all the equity interests in the Company. The assets acquired and liabilities assumed in the acquisition were recorded at their respective fair values. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill.

NEF Holdings, LLC and Subsidiaries
Notes to the Consolidated Financial Statements (continued)
(In Thousands)

4. Business Combinations (continued)

The allocation of the purchase price to the assets acquired and liabilities assumed at the date of acquisition is as follows:

Total consideration	\$ 139,565
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	14,595
Financing receivables	252,695
Financing receivables – held for sale	64,456
Equipment on lease	5,196
Equipment off lease	3,189
Fixed assets	228
Prepaid assets	112
Other assets	4,982
Account payable and accrued expenses	(1,975)
Senior secured debt facility	(137,350)
Notes payable	(93,708)
Other liabilities	(2,687)
Total identifiable net assets	<u>109,733</u>
Goodwill	<u>\$ 29,832</u>

In accordance with the provisions of FASB Topic 805, *Business Combinations*, the fair value of financing receivables and other assets, was determined based on an independent valuation that considered industry risk, as well as interest rate, liquidity, credit and event risks. The fair value of tangible property, including equipment on lease and equipment off lease, was also based on an independent valuation, which utilized a combination of desktop valuations as well a market approach, given a portion of the assets were sold subsequent to acquisition date. The total fair value discount on all identifiable net assets totaled \$8,157. As a result of the acquisition, goodwill of \$29,832 was recorded in the consolidated balance sheets.

Immediately following the acquisition of the equity interest of the Company by two wholly owned subsidiaries of Solar on July 31, 2017, the Company entered into a purchase and sale agreement with NEFPASS to sell financing receivables of \$64,456, which represented the July 31, 2017 fair value of these assets. The financing receivables were sold, without recourse, at their fair value and there was no gain or loss recorded as a result of the sale.

On December 11, 2018, the Company, through its wholly owned subsidiary NEF Auto Transport, acquired a privately held auto transport hauler. The entity, which was one of the Company's former customers, was acquired out of bankruptcy in satisfaction of all of the amounts due the Company. Total consideration of \$7,082 (of which \$250 was in the form of cash) was allocated to the fair value of the identifiable assets acquired and liabilities assumed, which included cash of \$32, receivables of \$287, fixed assets of \$2,813 and a customer relationship related intangible asset of \$3,950, which is included in other assets in the consolidated balance sheet at December 31, 2018. Given the proximity of the acquisition to December 31, 2018, the fair value of the intangible asset associated with customer relationships has been measured provisionally, pending completion of an independent valuation. As permitted under the provisions of FASB Topic 805, if new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the fair value of intangible asset, then the accounting for the acquisition will be adjusted.

NEF Holdings, LLC and Subsidiaries
Notes to the Consolidated Financial Statements (continued)
(In Thousands)

5. Financing Receivables

Net investment in direct finance leases consists of the following at December 31, 2018 and December 31, 2017:

	<u>2018</u>	<u>2017</u>
Gross finance lease receivables	\$173,819	\$172,200
Guaranteed residuals	36,258	21,281
Unguaranteed residuals	33,109	23,279
Unearned Income	(46,710)	(40,224)
Deferred non-refundable fees collected	(171)	(341)
Deferred initial direct costs paid	2,097	757
	<u>198,402</u>	<u>176,952</u>
Purchase accounting valuation discount (see note 4)	(1,519)	(3,549)
Total net investment in direct finance leases	<u>\$196,883</u>	<u>\$173,403</u>

Secured loans, net, consist of the following at December 31, 2018 and December 31, 2017:

	<u>2018</u>	<u>2017</u>
Secured loans, principal	\$48,175	\$59,640
Accrued interest receivable	993	751
Total secured loans, gross	49,168	60,391
Deferred non-refundable fees collected	(467)	(736)
Deferred initial direct costs paid	199	413
	<u>48,900</u>	<u>60,068</u>
Purchase accounting valuation discount (see note 4)	(3,117)	(3,356)
Total secured loans, net	<u>\$45,783</u>	<u>\$56,712</u>

Aggregate scheduled payments, contractual maturities including guaranteed residuals and unguaranteed residuals by year on the fixed and floating-rate secured loans and direct finance leases, are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>	<u>Total</u>
Secured loans:							
Fixed rate	\$13,003	\$ 6,651	\$ 3,941	\$ 4,251	\$ 1,161	\$ —	\$ 29,007
Floating rate	14,094	5,074	—	—	—	—	19,168
Direct finance leases	69,155	48,083	45,844	35,287	22,037	22,780	243,186
Total	<u>\$96,252</u>	<u>\$59,808</u>	<u>\$49,785</u>	<u>\$39,538</u>	<u>\$23,198</u>	<u>\$ 22,780</u>	<u>\$291,361</u>

6. Allowance for Losses on Financing Receivables

A financing receivable is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the agreement. As of December 31, 2018 and December 31, 2017, the Company maintained a specific allowance for losses of \$2,514 and \$4,169 on financing receivables of \$3,667 and \$13,329, respectively, and a general allowance for losses of \$2,931 and \$2,974, respectively, on the remaining portfolio of financing receivables.

6. Allowance for Losses on Financing Receivables (continued)

The Company monitors the internal risk rating of each customer. The internal risk rating was developed by the Company and is fully described in the Company's credit policies and procedures. The internal risk rating gives heavy weighting to collateral coverage and fixed charge coverage of the customer. It also takes into account the customer's leverage as well as subjective factors including industry cyclicality, quality of management and liquidity. The internal risk ratings range from 1 to 8, with 1 being the best and 8 being the worst.

Customer's risk ratings are computed quarterly during a quarterly portfolio review process. If during the life of a transaction, a customer's risk rating is downgraded to a risk rating of 4 or beyond, the Company's credit team follows more stringent procedures for monitoring the credit, as specified in the Company's credit policies and procedures.

7. Equipment on Lease, net

At December 31, 2018, equipment under operating leases consists of a cost basis of \$5,736, net of accumulated depreciation of \$558 and a purchase accounting valuation discount of \$594 for a net balance of \$4,584. At December 31, 2017, equipment under operating leases consists of a cost basis of \$5,790, net of accumulated depreciation of \$165 and a purchase accounting valuation discount of \$594 for a net balance of \$5,031. Total depreciation expense relating to equipment under operating leases for the year ended December 31, 2018 and the Period ended December 31, 2017 was \$396 and \$165, respectively, and recorded as depreciation expense on the consolidated statement of operations.

Aggregate scheduled contractual payments to be received by year on equipment under operating leases are as follows:

Year	Total Rental Payments
2019	\$ 620
2020	155
	<u>\$ 775</u>

8. Fixed Assets, net

At December 31, 2018 and December 31, 2017, fixed assets, net consists of the following:

	2018	2017
Auto hauling trucks	\$2,776	\$—
Leasehold improvements	112	59
Furniture and fixtures	97	94
Computers	77	59
Automobiles	96	21
Office equipment	14	17
Software	12	11
Telephone	6	9
Fixed assets, gross	<u>3,190</u>	<u>270</u>
Accumulated depreciation	(160)	(43)
Fixed assets, net	<u>\$3,030</u>	<u>\$227</u>

Depreciation and amortization expense related to fixed assets totaled \$144 and \$43 for the year ended December 31, 2018 and for the Period ended December 31, 2017, respectively. For the years ending 2019, 2020 and thereafter, the Company will recognize annual amortization expense related to software of \$3, \$1 and \$1, respectively.

NEF Holdings, LLC and Subsidiaries
Notes to the Consolidated Financial Statements (continued)
(In Thousands)

9. Senior Secured Credit Facility

Senior secured credit facility consists of the following at December 31, 2018 and December 31, 2017:

	<u>2018</u>	<u>2017</u>
Senior secured credit facility, principal	\$119,316	\$71,010
Accrued interest payable	503	224
Unamortized deferred financing costs	(996)	(1,382)
Total senior secured credit facility	<u>\$118,823</u>	<u>\$69,852</u>

At December 31, 2018 and December 31, 2017, Fund I maintains a revolving credit facility (the “Facility”) with total availability of \$150,000. Interest is based on the London Interbank Offering Rate (“LIBOR”), plus an applicable margin. The applicable margin ranges from 2.50% to 2.75% based on Fund I’s leverage ratio. The leverage ratio represents the ratio of the outstanding balance of the Facility to Fund I’s total member’s capital, as described in the Facility agreement. All assets of Fund I are pledged as collateral under the Facility. Fund I is also required to pay a 0.375% per annum unused line fee. Included in the total availability is a sublimit of \$50,000 that is reserved to fund transactions in Canadian dollars (“CAD”). The Company provides a limited guaranty to the Facility for all interest, fees and expenses that cannot otherwise be charged to Fund I. The Facility is set to mature on July 31, 2021, with the principal payable in full at maturity.

The Facility requires Fund I and the Company to maintain certain periodic financial covenants surrounding capitalization, cash flow and default, delinquency and charge-off ratios. As of December 31, 2018 and December 31, 2017, Fund I and the Company were in full compliance with all the requirements of the Facility.

10. Notes Payable

Notes payable at December 31, 2018 were fully paid off. Notes payable at December 31, 2017 were as follows:

	<u>Total</u>
Class A note principal	\$29,080
Class B note principal	23,062
Class C note principal	19,514
Unamortized discount on Class B notes	(307)
Unamortized discount on Class C notes	(866)
Unamortized deferred financing costs	(609)
Accrued interest payable	88
Total notes payable	<u>\$69,962</u>

Issuer II and Issuer III issued two equipment contract backed notes on October 10, 2014 and February 19, 2016, respectively. Each issuance of equipment contract backed notes entered into indentures with US Bank National Association, as Trustee and Custodian (collectively, the “Indentures”), and issued Class A, Class B and Class C notes (collectively “Notes Payable”). The Indentures define the terms of the transaction whereby equipment backed term loans and leases were pledged as collateral to secure the note holders. NEF was engaged to act as servicer (the “Servicer”) of the Notes Payable based on servicing agreements executed at issuance of the Notes Payable.

10. Notes Payable (continued)

Upon issuance, the Notes Payable of Issuer II and Issuer III were rated by DBRS and Moody's. As of December 31, 2017, Moody's ratings for Issuer II Class A, Class B and Class C notes were A2, Baa1 and Ba2, respectively, while Class A was rated AAA by DBRS. As of December 31, 2017, Moody's ratings for Issuer III Class A, Class B and Class C notes were A3, Baa3 and Ba2, respectively, while the Class A was rated AA by DBRS.

Interest on the Issuer II Notes Payable was fixed at 1.558%, 3.276% and 5.227% on the Class A, Class B and Class C notes, respectively. Interest on the Issuer III Notes Payable was fixed at 3.61%, 4.75% and 5.00% on the Class A, Class B and Class C notes, respectively. All contractual payments, excluding residuals, on leases and all principal and interest payments on loans are pledged as collateral. Issuer II Class A Notes Payable were set to mature in July 2018, the Class B notes in January 2019 and the Class C notes in September 2019. Issuer III Class A Notes Payable were set to mature in February 2021, and the Class B and Class C notes in January 2025.

Under the terms of indentures, the Issuers were required to maintain certain financial covenants surrounding net losses and delinquencies. As of December 31, 2017, and throughout 2018, while the notes were outstanding, both Issuer II and Issuer III were in full compliance with all covenants.

During 2018, Issuer II and Issuer III elected to redeem all of the then outstanding Notes Payable pursuant to the clean up call provisions of the Indentures. Accordingly, the lien on the underlying collateral was then released by the trustee.

11. Financial Asset Transfers and Securitizations

In connection with the repayment of the Issuer II and Issuer III notes discussed above, the Company entered into an assignment agreement with NEFPASS to transfer, convey and assign the net investment of certain financing receivables as of February 28, 2018 for Issuer II and July 31, 2018 for Issuer III. The purchase price for the Issuer II and Issuer III financing receivables was \$12,440 and \$13,977, respectively, which was paid in cash. The purchase price was equivalent to the net investment of the financing receivables at the time of purchase; therefore, no gain or loss was recorded on the transaction.

12. Employee Compensation and Benefit Plans

As of December 31, 2018, the Company employed personnel at its headquarters in Norwalk, Connecticut and its sales offices in Florida, Ohio, Texas, and California. Employee compensation and benefits are comprised of base salaries, discretionary bonuses, health care benefits, employer 401(k) contributions and payroll taxes. As a part of their employment agreements, certain members of senior management are eligible for an annual bonus amount, which is calculated as a percentage of their annual salaries, based on the performance of NEF Holdings, as described in their employment agreements.

Effective August 1, 2017, the Company formed a Long Term Incentive Plan ("LTIP") that provides for an annual bonus pool to certain members of senior management based on the Company achieving certain performance criteria. For the year ended December 31, 2018 and the Period ended December 31, 2017, the Company has not accrued or expensed any amount for the LTIP.

The Company sponsors a 401(k) plan, where the Company contributes 3% of employees' annual earnings up to the maximum annual contribution amount as determined by the Internal Revenue Service.

13. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements* (“ASC 820”), establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect management’s market assumptions.

These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, such as interest rates and foreign exchange rates that are observable at commonly quoted intervals. Financial assets utilizing Level 2 inputs include currency swaps and interest rate caps.

Level 3 – Unobservable inputs.

As of December 31, 2018 and December 31, 2017, the Company measured its interest rate caps, at fair value on a recurring basis. Total fair value of such derivative instruments as of December 31, 2018 and December 31, 2017 was \$185 and \$199, respectively, which was classified as Level 2 in the fair value hierarchy by the Company. The fair value of interest rate caps are measured using discounted cash flow calculations based on observable inputs from the relevant interest/exchange rate curves in effect at December 31, 2018 and December 31, 2017.

ASC 820 also requires that the Company disclose estimated fair values for its financial instruments. No quoted market exists for the Company’s financial instruments. Therefore, fair market estimates are based on judgments, risk characteristics of various financial instruments and other factors. Changes in these assumptions could significantly affect the estimates.

The Company estimates the carrying amounts of cash approximated its fair values as of December 31, 2018 and December 31, 2017. Since there is no liquid secondary market for the Company’s financing receivables, the Company estimates the fair value of its secured loans and net investment in direct finance leases by comparing the average yield of the portfolio to recent issuances of similar loans and leases. Based on the Company’s review of the Facility and valuation from its lender, management determined that the carrying value of its senior secured credit facility approximated fair value. The Company examined the pricing of notes payable at December 31, 2017 and determined that current market conditions would slightly impact the fair value of the existing Notes.

The carrying amount and estimated fair values of the Company’s financial instruments at December 31, 2018 and December 31, 2017 were as follows:

	2018		2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash	\$ 6,531	\$ 6,531	\$ 20,755	\$ 20,755
Net investment in direct finance leases	192,537	192,520	168,353	172,366
Secured loans, net	44,684	44,590	54,619	55,057
Total financing receivables, net of allowances	237,221	237,110	222,972	227,423
Financial liabilities:				
Senior secured credit facility	\$ 118,823	\$ 118,823	\$ 69,852	\$ 69,852
Notes Payable	—	—	69,962	70,223

14. Concentration of Credit Risk

Financing receivables subject the Company to credit risk. The Company monitors its portfolios by evaluating each of the customer's financial condition and collateral. The Company's maximum exposure to credit risk at December 31, 2018 and December 31, 2017, without considering the underlying collateral, is represented by the carrying value of the financing receivables in the consolidated balance sheets. The Company monitors its financing receivables for geographic concentrations. The following table reflects such concentrations as of December 31, 2018 and December 31, 2017:

Geographic Concentration

	<u>2018</u>		<u>2017</u>
Texas	\$ 48,348	Texas	\$ 51,272
Washington	28,816	Kansas	22,298
Kansas	17,352	Alberta (Canada)	18,248
Colorado	17,233	California	15,140
Alberta (Canada)	12,455	Colorado	9,878
Pennsylvania	12,332	Ohio	9,626
Ohio	8,388	Tennessee	9,512
Oregon	8,002	Connecticut	8,115
Indiana	7,792	Florida	7,616
Quebec (Canada)	6,933	North Carolina	7,126
Florida	6,356	Pennsylvania	6,733
Tennessee	5,714	Maine	6,313
Maine	5,659	New York	5,396
Michigan	5,514	Nevada	5,341
Connecticut	4,919	Louisiana	5,188
Louisiana	4,294	Kentucky	4,609
Other U.S. states / Canada	42,559	Other U.S. states / Canada	37,704
Total financing receivables, gross	<u>\$242,666</u>	Total financing receivables, gross	<u>\$230,115</u>

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. Typically, the Company obtains access to collateral either through direct ownership or by a first lien security interest.

The Company also monitors its financing receivables for collateral concentrations. The following tables reflects such concentrations as of December 31, 2018 and December 31, 2017:

Collateral Concentrations

	<u>2018</u>		<u>2017</u>
Tow boats	\$ 36,350	Aircraft	\$ 27,813
Tractors	30,026	Tractors	25,293
Aircrafts	19,612	Barge Rigs	16,116
Cranes	17,979	Trailers	15,892
Barge rigs	16,487	Trucks	14,033
Trailers	16,026	Busses	13,235
Trucks	13,025	Construction equipment	12,444
All other	93,161	All other	105,289
Total financing receivables, gross	<u>\$242,666</u>	Total financing receivables, gross	<u>\$230,115</u>

At December 31, 2018, the Company had financing receivables outstanding to one customer that approximated 12% of total financing receivables.

15. Contingencies and Commitments

As of December 31, 2018, the Company had one U.S. and one Canadian revolver financing arrangements with a total outstanding balance of \$2,548 and CAD\$2,497 respectively, which are included in secured loans, net in the consolidated balance sheets. As of December 31, 2017, the Company had three U.S. and one Canadian revolver financing arrangements with a total outstanding balance of \$9,122 and CAD\$2,221 respectively, which are included in secured loans, net in the consolidated balance sheets. The Company's maximum commitments under the U.S. and Canadian revolvers were \$3,500 and CAD\$4,000, respectively, as of December 31, 2018. The Company's maximum commitments under the U.S. and Canadian revolvers were \$10,000 and CAD\$3,000, respectively, as of December 31, 2017.

16. Member's Capital

At December 31, 2018 and December 31, 2017, NEFCORP owns 100 Class A units and NEFPASS owns 100 Class B units, which represent the entire capital of the Company.

17. Subsequent Events

The Company has evaluated subsequent events through February 15, 2019, the issuing date of the consolidated financial statements.

On January 17, 2019, NEF Auto Transport acquired a privately owned auto transport carrier based in Enumclaw, Washington for \$975.