

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended September 30, 2014

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 814-00754

SOLAR CAPITAL LTD.

(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

26-1381340
(I.R.S. Employer
Identification No.)

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

10022
(Zip Code)

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

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 and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting company	<input type="checkbox"/>

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

The number of shares of the registrant's Common Stock, \$.01 par value, outstanding as of November 3, 2014 was 42,465,162.

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

Item 1. Financial Statements

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

	September 30, 2014 <u>(unaudited)</u>	December 31, 2013
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: \$766,404 and \$688,685, respectively)	\$ 759,557	\$ 680,720
Companies 5% to 25% owned (cost: \$8,511 and \$7,789, respectively)	7,235	7,789
Companies more than 25% owned (cost: \$341,202 and \$394,285, respectively)	367,775	399,890
Total investments (cost: \$1,116,117 and \$1,090,759, respectively)	1,134,567	1,088,399
Cash and cash equivalents	557,164	585,278
Foreign currency (cost: \$68 and \$1,702, respectively)	66	1,701
Interest receivable	5,372	5,623
Dividends receivable	8,153	8,605
Deferred financing costs	3,273	3,300
Derivatives (see note 7)	—	—
Receivable for investments sold	7,714	14,870
Prepaid expenses and other assets	933	666
Total assets	\$ 1,717,242	\$ 1,708,442
Liabilities		
Revolving credit facilities (see note 6 and 8)	\$ —	\$ —
Unsecured senior notes (see note 8)	100,000	100,000
Senior secured notes (see note 6 and 8)	75,000	75,000
Term loan (see note 6 and 8)	50,000	50,000
Distributions payable	16,986	17,698
Payable for investments and cash equivalents purchased	514,684	454,887
Management fee payable (see note 3)	6,159	5,780
Performance-based incentive fee payable (see note 3)	—	4,633
Administrative services expense payable (see note 3)	1,622	2,085
Interest payable (see note 8)	2,595	1,499
Other liabilities and accrued expenses	1,492	1,223
Total liabilities	\$ 768,538	\$ 712,805
Commitments and contingencies (see note 12)		
Net Assets		
Common stock, par value \$0.01 per share, 200,000,000 and 200,000,000 common shares authorized, respectively, and 42,465,162 and 44,244,195 shares issued and outstanding, respectively	\$ 425	\$ 442
Paid-in capital in excess of par	1,071,484	1,110,545
Distributions in excess of net investment income	(18,885)	(17,344)
Accumulated net realized loss	(122,767)	(92,706)
Net unrealized appreciation (depreciation)	18,447	(5,300)
Total net assets	\$ 948,704	\$ 995,637
Net Asset Value Per Share	\$ 22.34	\$ 22.50

See notes to consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
INVESTMENT INCOME:				
Interest:				
Companies less than 5% owned	\$ 18,897	\$ 28,128	\$ 60,932	\$ 83,081
Companies 5% to 25% owned	253	3,189	733	6,085
Companies more than 25% owned	817	3,184	2,594	7,736
Dividends:				
Companies 5% to 25% owned	—	—	—	5,565
Companies more than 25% owned	8,391	8,485	24,733	25,761
Total investment income	<u>28,358</u>	<u>42,986</u>	<u>88,992</u>	<u>128,228</u>
EXPENSES:				
Management fees (see note 3)	\$ 6,159	\$ 6,613	\$ 18,542	\$ 21,014
Performance-based incentive fees (see note 3)	—	5,407	3,213	16,601
Interest and other credit facility expenses (see note 8)	3,630	6,755	10,843	16,397
Administrative services expense (see note 3)	1,268	1,196	3,879	3,452
Other general and administrative expenses	941	1,387	2,599	4,361
Total expenses	<u>11,998</u>	<u>21,358</u>	<u>39,076</u>	<u>61,825</u>
Net investment income	<u>\$ 16,360</u>	<u>\$ 21,628</u>	<u>\$ 49,916</u>	<u>\$ 66,403</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS, FOREIGN CURRENCIES AND DERIVATIVES:				
Net realized gain (loss) on investments and cash equivalents:				
Companies less than 5% owned	\$ —	\$ 2,185	\$ 6	\$ 794
Companies 5% to 25% owned	—	(17,728)	1,176	(17,728)
Companies more than 25% owned	51	—	(25,233)	472
Net realized gain (loss) on investments and cash equivalents	<u>51</u>	<u>(15,543)</u>	<u>(24,051)</u>	<u>(16,462)</u>
Net realized loss on foreign currencies and derivatives:				
Net realized loss	<u>(3,016)</u>	<u>(110)</u>	<u>(6,010)</u>	<u>(414)</u>
Net change in unrealized gain (loss) on investments and cash equivalents	(609)	5,904	20,810	(3,791)
Net change in unrealized gain (loss) on foreign currencies and derivatives	(18)	(1,309)	2,937	627
Net change in unrealized gain (loss)	<u>(627)</u>	<u>4,595</u>	<u>23,747</u>	<u>(3,164)</u>
Net realized and unrealized gain (loss) on investments, cash equivalents, foreign currencies and derivatives	<u>(3,592)</u>	<u>(11,058)</u>	<u>(6,314)</u>	<u>(20,040)</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 12,768</u>	<u>\$ 10,570</u>	<u>\$ 43,602</u>	<u>\$ 46,363</u>
EARNINGS PER SHARE (see note 5)	<u>\$ 0.30</u>	<u>\$ 0.24</u>	<u>\$ 1.01</u>	<u>\$ 1.04</u>

See notes to consolidated financial statements.

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

	Nine months ended September 30, 2014 (unaudited)	Year ended December 31, 2013
Increase in net assets resulting from operations:		
Net investment income	\$ 49,916	\$ 84,935
Net realized loss	(30,061)	(44,425)
Net change in unrealized gain (loss)	23,747	34,800
Net increase in net assets resulting from operations	<u>43,602</u>	<u>75,310</u>
Distributions to stockholders:		
From net investment income	(51,457)	(68,796)
From net realized gains	—	(20,652)
Net distributions to stockholders	<u>(51,457)</u>	<u>(89,448)</u>
Capital transactions:		
Net proceeds from common stock sold	—	146,857
Repurchases of common stock	(39,078)	(17,508)
Less offering costs	—	(61)
Reinvestment of distributions	—	2,214
Net increase (decrease) in net assets resulting from capital transactions	<u>(39,078)</u>	<u>131,502</u>
Total increase (decrease) in net assets	(46,933)	117,364
Net assets at beginning of period	995,637	878,273
Net assets at end of period ⁽¹⁾	<u>\$ 948,704</u>	<u>\$ 995,637</u>
Capital stock activity:		
Common stock sold	—	6,253,226
Common stock repurchased	(1,779,033)	(796,418)
Common stock issued from reinvestment of distributions	—	93,327
Net increase (decrease) from capital stock activity	<u>(1,779,033)</u>	<u>5,550,135</u>

(1) Includes undistributed (overdistributed) net investment income of (\$18,885) and (\$17,344), respectively.

See notes to consolidated financial statements.

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

	Nine months ended	
	September 30, 2014	September 30, 2013
Cash Flows from Operating Activities:		
Net increase in net assets from operations	\$ 43,602	\$ 46,363
Adjustments to reconcile net increase in net assets from operations:		
Net realized loss on investments and cash equivalents	24,051	16,462
Net realized loss on foreign currencies and derivatives	6,010	414
Net change in unrealized (gain) loss on investments and cash equivalents	(20,810)	3,791
Net change in unrealized (gain) loss on foreign currencies and derivatives	(2,937)	(627)
(Increase) decrease in operating assets:		
Purchase of investments	(579,059)	(227,497)
Proceeds from disposition of investments	529,394	446,542
Capitalization of payment-in-kind interest	(3,169)	(10,427)
Collections of payment-in-kind interest	352	33,508
Receivable for investments sold	7,156	(15,969)
Interest receivable	251	4,816
Dividend receivable	452	(8,080)
Prepaid expenses and other assets	(267)	(232)
Increase (decrease) in operating liabilities:		
Payable for investments and cash equivalents purchased	59,797	(11,981)
Management fee payable	379	1
Performance-based incentive fees payable	(4,633)	(643)
Administrative services expense payable	(463)	392
Interest payable	1,096	184
Other liabilities and accrued expenses	269	(796)
Net Cash Provided by Operating Activities	<u>61,471</u>	<u>276,221</u>
Cash Flows from Financing Activities:		
Cash distributions paid	(52,169)	(74,991)
Common stock offering costs	—	(60)
Deferred financing costs	27	919
Net proceeds from common stock sold	—	146,857
Repurchase of common stock	(39,078)	(15,489)
Proceeds from borrowings	—	513,592
Repayments of borrowings	—	(778,044)
Net Cash Used In Financing Activities	<u>(91,220)</u>	<u>(207,216)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,749)	69,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	586,979	15,039
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 557,230</u>	<u>\$ 84,044</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 9,747	\$ 16,213
Cash paid for income taxes	\$ —	\$ 690

Non-cash financing activities consist of the reinvestment of distributions of \$0 and \$2,214 for the nine months ended September 30, 2014 and 2013, respectively.

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)
September 30, 2014
(in thousands)

Description	Industry	Interest (1)	Maturity	Acquisition Date	Par Amount	Cost	Fair Value
Bank Debt/Senior Secured Loans — 64.0%							
Aegis Toxicology Sciences Corporation	Health Care Providers & Services	9.50%	8/24/2021	2/20/2014	\$ 25,000	\$ 24,702	\$ 25,000
Asurion, LLC	Insurance	8.50%	3/3/2021	2/27/2014	10,000	9,859	10,137
Argo Turboserve Corporation & Argo Tech, LLC	Air Freight & Logistics	8.49%	5/2/2016	5/2/2014	10,725	10,725	10,725
AviatorCap SII, LLC I (3)	Aerospace & Defense	12.00%	12/31/2014	5/31/2011	1,642	1,640	1,642
AviatorCap SII, LLC II (3)	Aerospace & Defense	11.00%	12/31/2014	8/23/2011	1,771	1,769	1,771
Bishop Lifting Products, Inc. (10)	Trading Companies & Distributors	9.00%	3/27/2022	3/24/2014	25,000	24,762	25,000
Blue Coat Systems, Inc.	Internet Software & Services	9.50%	6/28/2020	6/28/2013	20,500	20,322	20,500
Body Central Stores, Inc	Specialty Retail	8.24%	2/6/2017	2/6/2014	7,059	6,981	7,059
CAMP International Holding Company	Aerospace & Defense	8.25%	11/30/2019	12/2/2013	5,000	5,000	5,053
CT Technologies Intermediate Holdings, Inc	Health Care Technology	9.25%	10/5/2020	10/2/2013	9,500	9,378	9,500
Datapipe, Inc	IT Services	8.50%	9/15/2019	8/14/2014	22,000	21,566	21,560
Direct Buy Inc. (4)	Multiline Retail	12.00% PIK	10/31/2019	11/5/2012	8,511	8,511	7,235
Easyfinancial Services, Inc. (6)(7).	Consumer Finance	8.49%	10/4/2018	9/27/2012	C\$ 10,000	9,261	9,019
Emerging Markets Communications, LLC	Wireless Telecommunication Services	9.50%	11/20/2020	5/20/2014	\$ 27,000	26,547	26,527
Filtration Group Corp	Industrial Conglomerates	8.25%	11/21/2021	11/15/2013	6,000	5,945	6,022
Global Tel*Link Corporation	Communications Equipment	9.00%	11/23/2020	5/21/2013	13,500	13,266	13,428
Grakon, LLC (2)	Machinery	12.00%	12/31/2015	3/21/2011	9,524	8,709	9,524
Greystone Select Holdings LLC & Greystone & Co., Inc	Thriffs & Mortgage Finance	9.00%	3/26/2021	3/25/2014	9,950	9,896	9,950
Ikaria, Inc	Health Care Technology	8.75%	2/12/2022	2/4/2014	19,000	18,865	19,285
Inmar Acquisition Sub., Inc	Professional Services	8.00%	1/27/2022	1/27/2014	10,000	9,906	9,850
K2 Pure Solutions NoCal, L.P	Chemicals	10.00%	8/19/2019	8/19/2013	11,428	11,232	11,428
Kore Wireless Group Inc	Wireless Telecommunication Services	9.25%	3/12/2021	9/12/2014	45,500	44,595	44,590
Landslide Holdings, Inc	Software	8.25%	2/25/2021	2/25/2014	16,300	16,276	16,300
Pharmedium Healthcare Corp.	Health Care Providers & Services	7.75%	1/28/2022	1/28/2014	5,000	4,977	5,000
Pronutria, Inc.	Pharmaceuticals	9.66%	5/15/2018	5/15/2014	7,000	6,953	6,930
Quantum Foods, LLC**	Food Products	14.73%	8/20/2014	2/20/2014	8,961	7,198	2,600
Radius Health, Inc. (7)	Pharmaceuticals	10.01%	5/30/2018	5/30/2014	12,500	12,324	12,500
Rug Doctor, LLC (3)	Diversified Consumer Services	11.25%	6/30/2017	12/23/2013	9,111	8,650	8,929
Syndax Pharmaceuticals, Inc	Pharmaceuticals	8.95%	6/13/2018	9/25/2014	5,000	4,953	4,953
Southern Auto Finance Company (7)(8)	Consumer Finance	11.00%	12/4/2018	10/19/2011	25,000	24,589	25,500
SOINT, LLC (3)	Aerospace & Defense	15.00%	6/30/2016	6/8/2012	9,976	9,872	9,976
T2 Biosystems, Inc	Health Care Equipment & Supplies	7.21%	7/1/2019	7/11/2014	8,333	8,311	8,292
Tecomet, Inc	Health Care Equipment & Supplies	9.75%	6/19/2020	12/19/2013	61,400	59,896	62,014
TMK Hawk Parent, Corp. (TriMark)	Trading Companies and Distributors	8.50%	10/1/2022	9/26/2014	20,000	19,800	19,800
The Robbins Company TLA	Construction & Engineering	11.74%	5/31/2017	5/31/2013	12,704	13,129	13,129
The Robbins Company TLB	Construction & Engineering	11.74%	4/25/2015	5/31/2013	4,193	4,138	4,277
U.S. Anesthesia Partners, Inc TL	Health Care Providers & Services	6.00%	12/31/2019	9/24/2014	20,000	19,900	19,900
U.S. Anesthesia Partners, Inc TLB	Health Care Providers & Services	9.00%	9/24/2020	9/24/2014	30,000	29,700	29,700
Varilease Finance, Inc	Multi-Sector Holdings	9.25%	8/24/2020	8/22/2014	28,000	27,517	27,510
Xand Operations, LLC	IT Services	8.50%	5/13/2020	5/13/2014	25,500	25,255	25,500
Total Bank Debt/Senior Secured Loans						<u>\$606,875</u>	<u>\$607,615</u>

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)
September 30, 2014
(in thousands except share/unit amounts)

Description	Industry	Interest (1)	Maturity	Acquisition Date	Par Amount	Cost	Fair Value
Subordinated Debt/Corporate Notes — 16.5%							
Adams Outdoor Advertising	Media	17.00%	12/8/2015	12/8/2010	\$ 42,500	\$ 42,274	\$ 42,500
Alegeus Technologies Holdings Corp.	Health Care Technology	12.00%	2/15/2019	6/24/2012	28,200	27,722	27,354
Grakon Holdings LLC Sr (2)	Machinery	14.00% PIK	12/31/2015	3/21/2011	2,319	2,319	2,319
Grakon Holdings LLC Jr (2)	Machinery	12.00% PIK	12/31/2015	3/21/2011	11,414	10,906	11,414
Richelieu Foods, Inc.	Food Products	13.75%(12% Cash & 1.75%PIK)(5)	5/18/2016	11/18/2010	23,843	23,613	23,843
WireCo. Worldgroup Inc.	Building Products	9.00%	5/15/2017	6/28/2012	48,000	47,708	48,720
Total Subordinated Debt/Corporate Notes						\$ 154,542	\$ 156,150
Shares/Units							
Preferred Equity — 2.4%							
SOAGG LLC (3)(7)(9)	Aerospace & Defense	8.27%(5)	6/30/2018	12/14/2010	12,913	\$ 12,913	\$ 13,204
SOINT, LLC (3)(7)(9)	Aerospace & Defense	15.00%	6/30/2018	6/8/2012	86,667	8,667	9,533
Wyle Laboratories*	Aerospace & Defense	8.00%	7/17/2015	6/26/2009	387	39	56
Total Preferred Equity						\$ 21,619	\$ 22,793
Common Equity/Partnership Interests/Warrants — 36.7%							
Ark Real Estate Partners LP (2)(3)*	Diversified Real Estate Activities			3/12/2007	2,059,476	\$ 1,389	\$ 914
Ark Real Estate Partners II LP (2)(3)*	Diversified Real Estate Activities			10/23/2012	48,034	22	22
Crystal Financial LLC (3)(7)(11)	Diversified Financial Services			12/28/2012	—	275,000	300,000
Direct Buy Inc. (4)*	Multiline Retail			11/5/2012	76,999	—	—
Grakon, LLC (2)*	Machinery			3/21/2011	1,714,286	1,714	339
Grakon, LLC Warrants (2)*	Machinery			3/21/2011	3,518,001	—	696
Great American Group Inc. (7)*	Research & Consulting Services			3/16/2007	38,015	2,684	304
Nuveen Investments, Inc. (MDCP Co-Investors, L.P.)*	Asset Management & Custody Banks			11/13/2007	—	30,884	23,476
RD Holdco Inc. (Rug Doctor) (3)*	Diversified Consumer Services			12/23/2013	231,177	15,683	16,263
RD Holdco Inc. (Rug Doctor) Class B (3)*	Diversified Consumer Services			12/23/2013	522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants (3)*	Diversified Consumer Services			12/23/2013	30,370	381	305
Radius Health, Inc.*	Pharmaceuticals			5/30/2014	20,435	98	429
Radius Health, Inc. Warrants (7)*	Pharmaceuticals			7/10/2014	4,706	10	45
Total Common Equity/Partnership Interests/Warrants						\$ 333,081	\$ 348,009
Total Investments — 119.6%						\$1,116,117	\$1,134,567
Par Amount							
Cash Equivalents — 51.6%							
U.S. Treasury Bill	Government	0.01%	10/30/2014	9/30/2014	490,000	489,996	489,996
Total Investments & Cash Equivalents 171.2%						1,606,113	1,624,563
Liabilities in Excess of Other Assets — (71.2%)							(675,859)
Net Assets — 100.0%							\$ 948,704

- (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 interest rate in effect as of September 30, 2014.
- (2) Investments are held in taxable subsidiaries. Ark Real Estate Partners is held through SLRC ADI Corp. and our equity investments in Grakon LLC are held through Grakon TL Holding, Inc.

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)
September 30, 2014
(in thousands)

(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 nine months ended September 30, 2014 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2013	Gross Additions	Gross Reductions	Realized Gain (Loss)	Interest/Dividend Income	Fair Value at September 30, 2014
ARK Real Estate Partners LP	\$ 19,565	\$ —	\$ 18,579	\$ (25,190)	\$ —	\$ 914
ARK Real Estate Partners II LP	456	—	433	(43)	—	22
AviatorCap SII, LLC I	2,272	—	630	—	183	1,642
AviatorCap SII, LLC II	2,945	—	1,173	—	206	1,771
AviatorCap SII, LLC III	696	—	696	—	16	—
Crystal Financial LLC	305,000	—	—	—	22,900	300,000
RD Holdco Inc. (Rug Doctor, common equity)	15,683	—	—	—	—	16,263
RD Holdco Inc. (Rug Doctor, class B)	5,216	—	—	—	—	5,216
RD Holdco Inc. (Rug Doctor, warrants)	381	—	—	—	—	305
Rug Doctor LLC	8,747	—	—	—	896	8,929
SOAGG LLC	16,719	382	4,129	—	863	13,204
SOINT, LLC	11,592	—	1,617	—	1,260	9,976
SOINT, LLC (preferred equity)	9,533	—	—	—	970	9,533
USAW 767	1,085	—	1,085	—	33	—
	<u>\$ 399,890</u>	<u>\$ 382</u>	<u>\$ 28,342</u>	<u>\$ (25,233)</u>	<u>\$ 27,327</u>	<u>\$ 367,775</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 nine months ended September 30, 2014 in these affiliated investments are as follows:

Name of Issuer	Fair Value at December 31, 2013	Gross Additions	Gross Reductions	Realized Gain (Loss)	Interest/Dividend Income	Fair Value at September 30, 2014
Direct Buy Inc. (common equity)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Direct Buy Inc. (senior secured loan)	7,789	722	—	—	733	7,235
DSW Group Holdings LLC	—	—	—	928	—	—
National Interest Security Corporation	—	—	—	248	—	—
	<u>\$ 7,789</u>	<u>\$ 722</u>	<u>\$ —</u>	<u>\$ 1,176</u>	<u>\$ 733</u>	<u>\$ 7,235</u>

- (5) A portion of the coupon may be payable in kind (PIK).
(6) The following entity is domiciled outside the United States and the investments are denominated in Canadian Dollars: Easyfinancial Services, Inc. in Canada.
(7) Indicates assets that the Company believes may not represent "qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended.
(8) Includes an unfunded commitment of \$4,888.
(9) Solar Capital Ltd.'s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.
(10) Bishop Lifting Products, Inc., SEI Holding I Corporation, Singer Equities, Inc. & Hampton Rubber Company are co-borrowers.
(11) Investment represents the operating company after consolidation of the holding company Crystal Capital Financial Holdings LLC.
* Non-income producing security.
** Investment is on non-accrual status.

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)
September 30, 2014

<u>Industry Classification</u>	<u>Percentage of Total Investments (at fair value) as of September 30, 2014</u>
Diversified Financial Services	26.4%
Health Care Providers & Services	7.0%
Wireless Telecommunications Services	6.3%
Health Care Equipment & Supplies	6.2%
Health Care Technology	5.0%
Building Products	4.3%
IT Services	4.2%
Trading Companies & Distributors	4.0%
Media	3.8%
Aerospace & Defense	3.6%
Consumer Finance	3.0%
Diversified Consumer Services	2.7%
Multi-Sector Holdings	2.4%
Food Products	2.3%
Pharmaceuticals	2.2%
Machinery	2.1%
Asset Management & Custody Banks	2.1%
Internet Software & Services	1.8%
Construction & Engineering	1.5%
Software	1.4%
Communications Equipment	1.2%
Chemicals	1.0%
Air Freight & Logistics	1.0%
Insurance	0.9%
Thrifts & Mortgage Finance	0.9%
Professional Services	0.9%
Multiline Retail	0.6%
Specialty Retail	0.6%
Industrial Conglomerates	0.5%
Diversified Real Estate Activities	0.1%
Research & Consulting Services	0.0%
Total Investments	<u><u>100.0%</u></u>

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2013
(in thousands)

Description ⁽¹⁾	Industry	Interest ⁽²⁾	Maturity	Acquisition Date	Par Amount	Cost	Fair Value
Bank Debt/Senior Secured Loans — 44.6%							
Active Media Services, Inc	Media	9.74%	2/1/2018	9/6/2013	\$ 10,000	\$ 9,741	\$ 10,000
AviatorCap SII, LLC I ⁽⁴⁾	Aerospace & Defense	12.00%	12/31/2014	5/31/2011	2,272	2,262	2,272
AviatorCap SII, LLC II ⁽⁴⁾	Aerospace & Defense	11.00%	12/31/2014	8/23/2011	2,945	2,929	2,945
AviatorCap SII, LLC III ⁽⁴⁾	Aerospace & Defense	13.00%	12/31/2014	7/19/2011	696	691	696
Blue Coat Systems, Inc.	Internet Software & Services	9.50%	6/28/2020	6/28/2013	20,500	20,305	20,910
CAMP International Holding Company	Aerospace & Defense	8.25%	11/30/2019	12/2/2013	5,000	5,000	5,109
CT Technologies Intermediate Holdings, Inc	Healthcare Technology	9.25%	10/5/2020	10/2/2013	9,500	9,362	9,500
Direct Buy Inc. ⁽⁵⁾	Multiline Retail	12.00% PIK	10/31/2019	11/5/2012	7,789	7,789	7,789
Easyfinancial Services, Inc. ⁽⁷⁾⁽⁸⁾	Consumer Finance	9.98%	10/4/2017	9/27/2012	C\$ 10,000	9,737	9,415
Filtration Group Corp	Industrial Conglomerates	8.25%	11/21/2021	11/15/2013	\$ 6,000	5,940	6,150
Genex Services, Inc	Insurance	9.25%	1/26/2019	7/26/2013	15,000	14,862	15,000
Global Tel*Link Corporation	Communications Equipment	9.00%	11/23/2020	5/21/2013	13,500	13,245	12,926
Grakon, LLC ⁽³⁾	Machinery	12.00%	12/31/2015	3/21/2011	9,524	8,304	9,524
Interactive Health Solutions, Inc.	Health Care Services	11.50%	10/4/2016	10/4/2011	17,813	17,544	17,813
Isotoner Corporation	Specialty Retail	10.75%	1/8/2018	7/8/2011	45,000	44,126	45,000
K2 Pure Solutions NoCal, L.P	Chemicals	10.00%	8/19/2019	8/19/2013	11,500	11,280	11,270
MYI Acquiror Corporation ⁽⁸⁾	Insurance	13% (12% Cash & 1% PIK) ⁽⁶⁾	3/13/2017	9/13/2011	26,035	25,702	26,296
Quantum Foods, LLC	Food Products	11.74%	2/6/2018	2/1/2013	32,813	32,813	32,813
Renaissance Learning, Inc	Education Services	8.75%	5/14/2021	10/16/2013	8,000	7,881	8,095
Rug Doctor, LLC ⁽⁴⁾	Diversified Consumer Services	11.25%	6/30/2017	6/7/2012	9,111	8,551	8,747
SMG	Commercial Services & Supplies	10.75%	12/7/2018	10/19/2011	25,000	24,618	25,000
Southern Auto Finance Company ⁽⁸⁾⁽⁹⁾	Consumer Finance	11.00%	12/4/2018	12/4/2018	25,000	24,551	25,000
SOINT, LLC ⁽⁴⁾	Aerospace & Defense	15.00%	6/30/2016	6/8/2012	11,592	11,430	11,592
Spencer Spirit Holdings, Inc.	Specialty Retail	11.00%	5/1/2017	4/11/2011	10,000	10,000	10,825
Tecomet, Inc	Health Care Equipment & Supplies	9.75%	6/19/2020	12/19/2013	45,000	43,767	43,762
The Robbins Company TLA	Construction & Engineering	11.74%	5/31/2017	5/31/2013	15,057	14,897	15,057
The Robbins Company TLB	Construction & Engineering	11.74%	4/25/2015	5/31/2013	4,561	4,429	4,561
TravelClick, Inc.	Hotels, Restaurants & Leisure	9.75%	3/26/2018	3/25/2013	20,000	19,831	20,000
Trinet HR Corporation	Professional Services	8.75%	2/20/2021	8/14/2013	25,000	24,514	25,250
USAW 767 ⁽⁴⁾	Aerospace & Defense	14.50%	6/30/2014	12/14/2010	1,085	1,083	1,085
Total Bank Debt/Senior Secured Loans						\$437,184	\$444,402
Subordinated Debt/Corporate Notes — 25.5%							
Adams Outdoor Advertising	Media	17.00%	12/8/2015	12/8/2010	\$ 42,500	\$ 42,153	\$ 44,200
Alegeus Technologies Holdings Corp.	Health Care Technology	12.00%	2/15/2019	6/24/2012	28,200	27,663	28,200
Asurion Holdco	Insurance	11.00%	3/2/2019	2/16/2012	12,000	11,713	12,390
Earthbound Farm	Food Products	14.25%	6/21/2017	12/21/2010	58,947	58,137	60,127
Grakon Holdings LLC Sr ⁽³⁾	Machinery	14.00% PIK	12/31/2015	3/21/2011	2,091	2,091	2,091
Grakon Holdings LLC Jr ⁽³⁾	Machinery	12.00% PIK	12/31/2015	3/21/2011	13,693	12,544	11,639
Granite Global Solutions Corp. ⁽⁷⁾⁽⁸⁾	Insurance	13.50%	11/30/2016	5/31/2011	C\$ 25,714	25,833	24,210
Richelieu Foods, Inc.	Food Products	13.75%(12% Cash & 1.75%PIK) ⁽⁶⁾	5/18/2016	11/18/2010	\$ 23,470	23,149	23,235
WireCo. Worldgroup Inc.	Building Products	11.75%	5/15/2017	6/28/2012	48,000	47,640	48,000
Total Subordinated Debt/Corporate Notes						\$250,923	\$254,092

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2013
(in thousands, except share/unit amounts)

Description ⁽¹⁾	Industry	Interest ⁽²⁾	Maturity	Acquisition Date	Shares/ Units	Cost	Fair Value
Preferred Equity — 2.7%							
SOAGG LLC ⁽⁴⁾⁽⁸⁾⁽¹⁰⁾	Aerospace & Defense	8.53% ⁽⁶⁾	6/30/2018	12/14/2010	16,659	\$ 16,659	\$ 16,719
SOINT, LLC ⁽⁴⁾⁽⁸⁾⁽¹⁰⁾	Aerospace & Defense	15.00%	6/30/2018	6/8/2012	86,667	8,667	9,533
Wyle Laboratories*	Aerospace & Defense	8.00%	7/17/2015	6/26/2009	387	39	55
Total Preferred Equity						\$ 25,365	\$ 26,307
Common Equity/Partnership Interests/Warrants — 36.5%							
Ark Real Estate Partners LP ^{(3)(4)*}	Diversified Real Estate Activities			3/12/2007	45,905,653	\$ 45,235	\$ 19,565
Ark Real Estate Partners II LP ^{(3)(4)*}	Diversified Real Estate Activities			10/23/2012	1,070,679	498	456
Crystal Financial LLC ⁽⁴⁾⁽⁸⁾⁽¹¹⁾	Diversified Financial Services			12/28/2012	—	275,000	305,000
Direct Buy Inc. ^{(5)*}	Multiline Retail			11/5/2012	76,999	—	—
Grakon, LLC ^{(3)*}	Machinery			3/21/2011	1,714,286	1,714	—
Grakon, LLC Warrants ^{(3)*}	Machinery			3/21/2011	3,518,001	—	—
Great American Group Inc. ^{(8)*}	Research & Consulting Services			3/16/2007	572,800	2,681	160
Great American Group Inc. ^{(8)(12)*}	Research & Consulting Services			3/16/2007	187,500	3	53
Nuveen Investments, Inc (MDCP Co-Investors, L.P.)*	Asset Management & Custody Banks			11/13/2007	—	30,876	17,084
RD Holdco Inc. (Rug Doctor) ^{(4)*}	Diversified Consumer Services			12/23/2013	231,177	15,683	15,683
RD Holdco Inc. (Rug Doctor) Class B ^{(4)*}	Diversified Consumer Services			12/23/2013	522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants ^{(4)*}	Diversified Consumer Services			12/23/2013	30,370	381	381
Total Common Equity/Partnership Interests/Warrants						\$ 377,287	\$ 363,598
Total Investments — 109.3%						\$1,090,759	\$1,088,399
Par Amount							
Cash Equivalents — 45.2%							
U.S. Treasury Bill	Government	0.000%	1/09/2014	12/23/2013	\$ 200,000	\$ 200,000	\$ 200,000
U.S. Treasury Bill	Government	0.005%	1/23/2014	12/23/2013	250,000	249,999	249,999
Total Cash Equivalents						\$ 449,999	\$ 449,999
Total Investments & Cash Equivalents — 154.5%						\$1,540,758	\$1,538,398
Liabilities in Excess of Other Assets — (54.5%)							(542,761)
Net Assets — 100.0%							\$ 995,637

- (1) We generally acquire our investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). Our investments are therefore generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.
- (2) 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 interest rate in effect as of December 31, 2013.
- (3) Investments are held in taxable subsidiaries. Ark Real Estate Partners LP is held through SLRC ADI Corp. and our equity investment in Grakon LLC is held through Grakon TL Holding, Inc.

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2013
(in thousands)

(4) 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, 2013 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2012	Gross Additions	Gross Reductions	Realized Gain (Loss)	Interest/ Dividend Income	Fair Value at December 31, 2013
AREP Embassy Row LLC	\$ —	\$ 37,442	\$ 37,820	\$ —	\$ 2,045	\$ —
AREP Fifty-Seventh LLC	24,215	3,965	29,248	—	3,676	—
ARK Real Estate Partners II LP	7,866	—	8,187	—	1,366	—
ARK Real Estate Partners LP	35,095	—	—	—	—	19,565
ARK Real Estate Partners II LP (common equity)	824	—	—	—	—	456
AviatorCap SII, LLC I	3,044	—	771	—	335	2,272
AviatorCap SII, LLC II	4,390	—	1,446	—	432	2,945
AviatorCap SII, LLC III	4,006	—	3,310	—	302	696
Crystal Financial LLC	275,000	—	—	—	31,750	305,000
National Specialty Alloys, LLC	—	—	—	472	—	—
RD Holdco Inc. (Rug Doctor, common equity)	—	15,683	—	—	—	15,683
RD Holdco Inc. (Rug Doctor, Class B)	—	5,216	—	—	—	5,216
RD Holdco Inc. (Rug Doctor, warrants)	—	381	—	—	—	381
Rug Doctor LLC	—	8,548	—	—	30	8,747
SOAGG LLC	—	16,659	—	—	397	16,719
SOCAY Limited	14,490	412	14,327	—	866	—
SODO Corp	2,371	58	2,208	—	131	—
SOINT, LLC	15,766	—	4,496	—	2,227	11,592
SOINT, LLC (preferred equity)	8,667	—	—	—	1,300	9,533
USAW 767	3,076	—	1,991	—	315	1,085
	<u>\$ 398,810</u>	<u>\$ 88,364</u>	<u>\$ 103,804</u>	<u>\$ 472</u>	<u>\$ 45,172</u>	<u>\$ 399,890</u>

(5) 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, 2013 in these affiliated investments are as follows:

Name of Issuer	Fair Value at December 31, 2012	Gross Additions	Gross Reductions	Realized Gain (Loss)	Interest/ Dividend Income	Fair Value at December 31, 2013
Direct Buy Inc. (common equity)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Direct Buy Inc.	7,700	955	866	—	976	7,789
DS Waters of America, Inc.	32,095	737	33,016	(14,273)	5,357	—
Participating Preferred Units of DSW Group Holdings LLC	—	—	—	—	—	—
Senior Preferred 15% Units of DSW Group Holdings LLC	125,611	5,628	121,149	—	5,565	—
	<u>\$ 165,406</u>	<u>\$ 7,320</u>	<u>\$ 155,031</u>	<u>\$ (14,273)</u>	<u>\$ 11,898</u>	<u>\$ 7,789</u>

- (6) A portion of the coupon may be payable in kind (PIK).
(7) The following entities are domiciled outside the United States and the investments are denominated in Canadian Dollars: Granite Global Solutions Corp. and Easyfinancial Services, Inc. in Canada.
(8) Indicates assets that the Company believes may not represent "qualifying assets" under Section 55(a) of the Investment Company Act of 1940, as amended.
(9) Includes an unfunded commitment of \$4,888.
(10) Solar Capital Ltd.'s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.
(11) Investment represents the operating company after consolidation of the holding company Crystal Capital Financial Holdings LLC.
(12) Founders' Shares.
* Non-income producing security.

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2013

<u>Industry Classification</u>	<u>Percentage of Total Investments (at fair value) as of December 31, 2013</u>
Diversified Financial Services	28.0%
Food Products	10.7%
Insurance	7.2%
Specialty Retail	5.1%
Media	5.0%
Aerospace & Defense	4.6%
Building Products	4.4%
Health Care Equipment & Supplies	4.0%
Health Care Technology	3.5%
Consumer Finance	3.2%
Diversified Consumer Services	2.8%
Professional Services	2.3%
Commercial Services & Supplies	2.3%
Machinery	2.1%
Internet Software & Services	1.9%
Diversified Real Estate Activities	1.8%
Hotels, Restaurants & Leisure	1.8%
Construction & Engineering	1.8%
Health Care Services	1.6%
Asset Management & Custody Banks	1.6%
Communications Equipment	1.2%
Chemicals	1.0%
Education Services	0.8%
Multiline Retail	0.7%
Industrial Conglomerates	0.6%
Research & Consulting Services	0.0%
Total Investments	<u>100.0%</u>

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
September 30, 2014
(in thousands, except share amounts)

Note 1. Organization

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

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

Solar Capital Ltd. ("Solar Capital", the "Company" or "we"), a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated 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 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, management purchased an additional 600,000 shares through a private placement, also at \$18.50 per share.

The Company's investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company invests primarily in middle-market companies in the form of mezzanine and senior secured loans, each of which may include an equity component, and, to a lesser extent, by making direct equity investments in such companies.

Note 2. Significant Accounting Policies

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

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X, as appropriate. Accordingly, they may not include all of the information and notes required by GAAP for annual financial statements. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)
September 30, 2014
(in thousands, except share amounts)

periods. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending on December 31, 2014.

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 typically utilize independent third party valuation firms to assist us in determining fair value. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations. Debt investments with remaining 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;
- (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 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 and the audit committee.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)
September 30, 2014
(in thousands, except share amounts)

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. 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 techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the nine months ended September 30, 2014, there has been no change to the Company's valuation 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 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 prepayment premiums on loans and other investments as interest income when we receive such amounts. Capital structuring and other fees for services rendered are recorded as income when earned.
- (e) The Company intends to comply with the applicable provisions of the Internal Revenue Code pertaining to regulated investment companies to make distributions of taxable income sufficient to relieve it of substantially all 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. As of September 30, 2014 the accrual for excise tax was \$0.

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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 annually. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP.
- (g) Distributions to common stockholders are recorded as of the record date. The amount to be paid out as a distribution is determined by the Board. Net realized capital gains, if any, are generally distributed or deemed distributed at least annually.
- (h) In accordance with Regulation S-X and ASC Topic 810—*Consolidation*, the Company will generally consolidate its interest in 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 an irrevocable election to apply the fair value option of accounting to its senior secured credit facility (the "Credit Facility") and its senior secured notes (the "Senior Secured Notes"), in accordance with ASC 825-10. The Company uses an independent third-party valuation firm to assist in measuring their fair value.
- (k) The Company records origination and other expenses related to its other debt issuances as prepaid assets. 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 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 filings and applicable equity offering costs as prepaid assets. These expenses are charged as a reduction of capital upon utilization, in accordance with ASC 946-20-25.
- (n) Investments that are expected to pay regularly scheduled interest in cash are generally placed on non-accrual status when principal or interest cash payments are past due 30 days or more 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 investments may be recognized as income or applied to principal depending on management's judgment.

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- (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 from the date of issue 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.

Note 3. Agreements

Solar Capital has an Investment Advisory and Management 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 an incentive fee. The base management fee is determined by taking the average value of Solar Capital's gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, 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 incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital 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). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. Solar Capital pays the Investment Adviser an incentive fee with respect to Solar Capital's pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Solar Capital's pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of Solar Capital's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of Solar Capital's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro-rated for any period of less than three months.

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 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 incentive fee is accrued based upon 20% of cumulative net realized gains and net unrealized capital appreciation. No accrual was required for the three and nine months ended September 30, 2014 and 2013.

For the three and nine months ended September 30, 2014, the Company recognized \$6,159 and \$18,542, respectively, in base management fees and \$0 and \$3,213, respectively, in performance-based incentive fees. For the three and nine months ended September 30, 2013, the Company recognized \$6,613 and \$21,014, respectively, in base management fees and \$5,407 and \$16,601, respectively, in performance-based incentive fees.

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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.

For the three and nine months ended September 30, 2014, the Company recognized expenses under the Administration Agreement of \$1,268 and \$3,879, respectively. For the three and nine months ended September 30, 2013, the Company recognized expenses under the Administration Agreement of \$1,196 and \$3,452, respectively. No managerial assistance fees were accrued or collected for the three and nine months ended September 30, 2014 and 2013.

Note 4. Net Asset Value Per Share

At September 30, 2014, the Company’s total net assets and net asset value per share were \$948,704 and \$22.34, respectively. This compares to total net assets and net asset value per share at December 31, 2013 of \$995,637 and \$22.50, 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 three and nine months ended September 30, 2014 and 2013:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	2014	2013	2014	2013
<u>Earnings per share (basic & diluted)</u>				
Numerator — net increase in net assets resulting from operations:	\$ 12,768	\$ 10,570	\$ 43,602	\$ 46,363
Denominator — weighted average shares:	42,465,162	44,741,537	43,030,805	44,676,970
Earnings per share:	\$ 0.30	\$ 0.24	\$ 1.01	\$ 1.04

Note 6. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques 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.

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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.

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis, as of September 30, 2014 and December 31, 2013:

Fair Value Measurements
As of September 30, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Bank Debt/Senior Secured Loans	\$ —	\$74,425	\$ 533,190	\$ 607,615
Subordinated Debt/Corporate Notes	—	—	156,150	156,150
Preferred Equity	—	—	22,793	22,793
Common Equity/Partnership Interests/Warrants	733	—	347,276	348,009
Total Investments	<u>733</u>	<u>74,425</u>	<u>1,059,409</u>	<u>1,134,567</u>
Liabilities:				
Credit Facility and Senior Secured Notes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>

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Fair Value Measurements
As of December 31, 2013

	Level 1	Level 2	Level 3	Total
Assets:				
Bank Debt/Senior Secured Loans	\$ —	\$ 87,940	\$356,462	\$ 444,402
Subordinated Debt/Corporate Notes	—	12,390	241,702	254,092
Preferred Equity	—	—	26,307	26,307
Common Equity/Partnership Interests/Warrants	213	—	363,385	363,598
Total Investments	213	100,330	987,856	1,088,399
Derivative assets - interest rate caps and foreign exchange contracts	—	—	—	—
Liabilities:				
Credit Facility and Senior Secured Notes	\$ —	\$ —	\$125,000	\$ 125,000

The following tables provide a summary of the changes in fair value of Level 3 assets and liabilities for the nine months ended September 30, 2014 and the year ended December 31, 2013 as well as the portion of gains or losses included in income attributable to unrealized gains or losses related to those assets and liabilities still held at September 30, 2014 and December 31, 2013:

Fair Value Measurements Using Level 3 Inputs

	Bank Debt/ Senior Secured Loans	Subordinated Debt/ Corporate Notes	Preferred Equity	Common Equity/ Partnership Interests/ Warrants
Fair value, December 31, 2013	\$ 356,462	\$ 241,702	\$ 26,307	\$363,385
Total gains or losses included in earnings:				
Net realized gain (loss)	(468)	—	—	(25,310)
Net change in unrealized gain (loss)	(6,363)	(3,375)	232	28,194
Purchase of investment securities	415,695	2,678	383	19
Proceeds from dispositions of investment securities	(249,796)	(84,855)	(4,129)	(19,012)
Transfers in/out of Level 3	17,660	—	—	—
Fair value, September 30, 2014	\$ 533,190	\$ 156,150	\$ 22,793	\$347,276
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held by the Company at the end of the period:				
Net change in unrealized gain (loss):	\$ (1,296)	\$ (519)	\$ 232	\$ 26,917

During the nine months ended September 30, 2014, investments with a fair value of \$17,660 were transferred from Level 2 to Level 3. These transfers were a result of changes in the quantity and quality of information used as valuation inputs by the Investment Adviser. There were no other transfers between levels.

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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 nine months ended September 30, 2014:

Beginning fair value at December 31, 2013	\$ 125,000
Net realized (gain) loss	—
Net change in unrealized (gain) loss	—
Borrowings	—
Repayments	—
Transfers in/out of Level 3	—
Ending fair value at September 30, 2014	<u>\$ 125,000</u>

The Company has made an irrevocable election to apply the fair value option of accounting to the Credit Facility and the Senior Secured Notes, in accordance with ASC 825-10. On September 30, 2014, there were borrowings of \$50,000 and \$75,000, respectively, on the Credit Facility and the Senior Secured Notes. The Company used an independent third-party valuation firm to assist in measuring the fair value of the Credit Facility and Senior Secured Notes.

Fair Value Measurements Using Level 3 Inputs

	Bank Debt/ Senior Secured Loans	Subordinated Debt/ Corporate Notes	Preferred Equity	Common Equity/ Partnership Interests/ Warrants
Fair value, December 31, 2012	\$ 444,568	\$ 413,752	\$ 151,190	\$ 321,378
Total gains or losses included in earnings:				
Net realized gain (loss)	(3,185)	(29,153)	(14,273)	—
Net change in unrealized gain (loss)	(3,605)	10,654	4,318	20,727
Purchase of investment securities	232,819	4,130	22,756	21,280
Proceeds from dispositions of investment securities	(314,135)	(157,681)	(137,684)	—
Transfers in/out of Level 3	—	—	—	—
Fair value, December 31, 2013	<u>\$ 356,462</u>	<u>\$ 241,702</u>	<u>\$ 26,307</u>	<u>\$ 363,385</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>\$ (342)</u>	<u>\$ 4,457</u>	<u>\$ 930</u>	<u>\$ 20,727</u>

During the fiscal year December 31, 2013, there were no transfers in and out of Levels 1 and 2.

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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, 2013:

Beginning fair value at December 31, 2012	\$ 389,452
Net realized (gain) loss	(517)
Net change in unrealized (gain) loss	517
Borrowings	513,592
Repayments	(778,044)
Transfers in/out of Level 3	—
Ending fair value at December 31, 2013	<u>\$ 125,000</u>

The Company has made an irrevocable election to apply the fair value option of accounting to the Credit Facility and the Senior Secured Notes, in accordance with ASC 825-10. On December 31, 2013, there were borrowings of \$50,000 and \$75,000, respectively, on the Credit Facility and the Senior Secured Notes. The Company used an independent third-party valuation firm to assist in measuring the fair value of the Credit Facility and Senior Secured 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 and earnings before income taxes, depreciation and amortization ("EBITDA") multiples of similar companies, and comparable market transactions for equity securities.

Quantitative information about the Company's Level 3 asset and liability fair value measurements as of September 30, 2014 is summarized in the table below:

	Asset or Liability	Fair Value at September 30, 2014	Principal Valuation Technique/Methodology	Unobservable Input	Range (Weighted Average)
Bank Debt/Senior Secured Loans	Asset	\$ 530,590	Yield Analysis	Market Yield	6.2% – 16.1% (10.3%)
		\$ 2,600	Collateral Analysis	Collateral Value	NA
Subordinated Debt/Corporate Note	Asset	\$ 156,150	Yield Analysis	Market Yield	9.5% – 17.0% (13.4%)
Preferred Equity	Asset	\$ 22,793	Yield Analysis	Market Yield	8.0% – 15.0%(11.1%)
Common Equity/Partnership Interests/Warrants	Asset	\$ 47,276	Enterprise Value	EBITDA Multiple	3.8x – 16.0x (8.3x)
		\$ 300,000	Enterprise Value	Return on Equity	5.5% – 9.9% (11.3%)
Credit Facility	Liability	\$ 50,000	Yield Analysis	Market Yield	L+0.5% – L+5.5% (L+2.6%)
Senior Secured Notes	Liability	\$ 75,000	Yield Analysis	Market Yield	5.8% – 6.0%(5.9%)

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Quantitative information about the Company's Level 3 asset and liability fair value measurements as of December 31, 2013 is summarized in the table below:

	Asset or Liability	Fair Value at December 31, 2013	Principal Valuation Technique/Methodology	Unobservable Input	Range (Weighted Average)
Bank Debt/Senior Secured Loans	Asset	\$ 356,462	Yield Analysis	Market Yield	9.2% – 16.1% (11.9%)
Subordinated Debt/Corporate Note	Asset	\$ 241,702	Yield Analysis	Market Yield	12.0% – 15.4% (13.6%)
Preferred Equity	Asset	\$ 26,307	Yield Analysis	Market Yield	8.0% – 15.0%(10.9%)
Common Equity/Partnership Interests/Warrants	Asset	\$ 58,385	Enterprise Value	Enterprise Value	6.8x – 16.8x (9.4x)
		\$ 305,000	Enterprise Value	Return on Equity	5.1% – 10.4%(12.3%)
Credit Facility	Liability	\$ 50,000	Yield Analysis	Market Yield	L+0.5% – L+5.5% (L+2.6%)
Senior Secured Notes	Liability	\$ 75,000	Yield Analysis	Market Yield	4.1% – 8.2%(6.2%)

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. Derivatives

The Company is exposed to interest rate risk both as a lender and a borrower. The Company's borrowing facilities and term loan bear interest at a floating rate, which means that rising interest rates would increase our cost of borrowing. To partially mitigate this risk, in 2011, the Company purchased two interest rate cap contracts with Wells Fargo as the counterparty, which effectively limited the interest rate payable on \$150,000 of LIBOR based borrowings. On January 13, 2014, the \$100,000 interest rate cap contract expired. On May 4, 2014, the \$50,000 interest rate cap contract expired.

There are no interest rate caps outstanding as of September 30, 2014. The following table highlights the interest rate caps outstanding as of December 31, 2013:

Index Rate	Cap Rate	Notional Amount	Expiration	Cost	Fair Value	Unrealized Depreciation
3 Month Libor	1.0%	\$100,000	1/13/2014	\$1,950	\$ —	\$ (1,950)
3 Month Libor	1.0%	50,000	5/4/2014	988	—	(988)
		<u>\$150,000</u>		<u>\$2,938</u>	<u>\$ —</u>	<u>\$ (2,938)</u>

The Company is also exposed to foreign exchange risk through its investments denominated in foreign currencies. The Company may mitigate this risk through the use of foreign currency forward contracts, borrowing in local currency under its Credit Facility, or similar. As an investment company, all changes in the fair value of assets, including changes caused by foreign currency fluctuation, flow through current earnings.

As of September 30, 2014 and December 31, 2013, there were no open forward foreign currency contracts outstanding. The Company also had no derivatives designated as hedging instruments at September 30, 2014 and December 31, 2013.

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Note 8. Debt

Unsecured Senior Notes

On November 16, 2012, the Company and U.S. Bank National Association entered into an Indenture and a First Supplemental Indenture relating to the Company's issuance, offer and sale of \$100,000 aggregate principal amount of its 6.75% Unsecured Senior Notes due 2042 (the "Unsecured Notes"). The Unsecured Notes will mature on November 15, 2042 and may be redeemed in whole or in part at the Company's option at any time or from time to time on or after November 15, 2017 at a redemption price of \$25 per security plus accrued and unpaid interest. The Unsecured Notes bear interest at a rate of 6.75% per year payable quarterly on February 15, May 15, August 15 and November 15 of each year, commencing on February 15, 2013. The Unsecured Notes are direct senior unsecured obligations of the Company.

Revolving and Term Loan Facility

In July 2013, the Company amended its Credit Facility, composed of \$440,000 of revolving credit and \$50,000 in term loans. Subsequently, in December 2013, a commitment increase was executed providing an additional \$50,000 of revolving credit, bringing the total revolving credit capacity to \$490,000. Borrowings generally bear interest at a rate per annum equal to the base rate plus 2.25% or the alternate base rate plus 1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in June 2018 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. At September 30, 2014, outstanding USD equivalent borrowings under the Credit Facility totaled \$50,000 in term loans.

Senior Secured Notes

On May 10, 2012, the Company closed a private offering of \$75,000 of Senior Secured Notes with a fixed interest rate of 5.875% and a maturity date of May 10, 2017. Interest on the Senior Secured Notes is due semi-annually on May 10 and November 10. The Senior Secured Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

Certain covenants on our issued debt may restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC under Subchapter M of the Code.

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

The average annualized interest cost for all borrowings for the nine months ended September 30, 2014 and the year ended December 31, 2013 was 5.53% and 4.83%, 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 Unsecured Notes, and the Senior Secured Notes (collectively the "Credit Facilities"), if any. The maximum amounts borrowed on the Credit Facilities during the nine months ended September 30, 2014 and the year ended December 31, 2013 were \$225,000 and \$503,888, respectively.

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Note 9. Financial Highlights and Senior Securities Table

The following is a schedule of financial highlights for the nine months ended September 30, 2014 and for the year ended December 31, 2013:

	Nine months ended September 30, 2014 (unaudited)	Year ended December 31, 2013
Per Share Data ^(a):		
Net asset value, beginning of year	\$ 22.50	\$ 22.70
Net investment income	1.16	1.91
Net realized and unrealized loss	(0.14)	(0.22)
Net increase in net assets resulting from operations	1.02	1.69
Distributions to stockholders from net investment income.	(1.20)	(1.55)
Distributions to stockholders from net realized gains.	—	(0.46)
Anti-dilution	0.02	0.12
Net asset value, end of period	<u>\$ 22.34</u>	<u>\$ 22.50</u>
Per share market value, end of period	\$ 18.68	\$ 22.55
Total Return ^(b,c)	(12.27)%	2.82%
Net assets, end of period	\$ 948,704	\$ 995,637
Shares outstanding, end of period	42,465,162	44,244,195
Ratios to average net assets ^(c):		
Net investment income	5.16%	8.43%
Operating expenses	2.92%	5.82%
Interest and other credit facility expenses	1.12%	1.99%
Total expenses	<u>4.04%</u>	<u>7.81%</u>
Average debt outstanding	\$ 225,000	\$ 318,186
Portfolio turnover ratio	33.8%	25.6%

(a) Calculated using the average shares outstanding method.

(b) Total return is based on the change in market price per share during the period and takes into account distributions, if any, reinvested in accordance with the dividend reinvestment plan.

(c) Not annualized for periods less than one year.

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Information about our senior securities is shown in the following table as of each year ended December 31 since the Company commenced operations, 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 Facilities				
Fiscal 2014 (through September 30, 2014)	\$ 0	\$ 0	—	N/A
Fiscal 2013	0	0	—	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
Unsecured Senior Notes				
Fiscal 2014 (through September 30, 2014)	\$ 100,000	\$2,318	—	\$ 936
Fiscal 2013	100,000	2,411	—	934
Fiscal 2012	100,000	571	—	923
Senior Secured Notes				
Fiscal 2014 (through September 30, 2014)	\$ 75,000	\$1,739	—	N/A
Fiscal 2013	75,000	1,808	—	N/A
Fiscal 2012	75,000	428	—	N/A
Term Loans				
Fiscal 2014 (through September 30, 2014)	\$ 50,000	\$1,159	—	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

- (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.
- (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 Unsecured Senior Notes which are 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.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)
September 30, 2014
(in thousands, except share amounts)

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, from SSP Energy Ltd., Quartz Managers LLC and Quantum Strategic Partners Ltd. (the “Crystal Acquisition”) pursuant to a definitive agreement entered into on December 17, 2012. We invested \$275,000 in cash to effect the Crystal Acquisition. Crystal Financial owns approximately 98% of the outstanding ownership interest in Crystal Financial LLC. The remaining financial interest is 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 January 27, 2014 the revolving credit facility was expanded to \$300,000. On March 31, 2014, we exchanged \$137,500 of our equity interest in Crystal Financial in exchange for \$137,500 in floating rate senior secured notes in Crystal Financial bearing interest at LIBOR plus 9.50%, maturing on March 31, 2019. Our financial statements, including our schedule of investments, reflect our investments in Crystal Financial on a consolidated basis.

As of September 30, 2014, Crystal Financial LLC had 29 funded commitments to 25 different issuers with a total par value of approximately \$411,042 on total assets of \$449,385. As of December 31, 2013, total par value and total assets were \$465,496 and \$499,054, respectively. All loans were floating rate with the largest loan outstanding totaling \$30,000. The average exposure per issuer was \$16,442. Crystal Financial LLC’s credit facility, which is non-recourse to Solar Capital, had approximately \$164,437 and \$200,400 of borrowings outstanding at September 30, 2014 and December 31, 2013, respectively. For the three months ended September 30, 2014 and September 30, 2013, Crystal Financial LLC had net income of \$8,345 and \$6,860 on gross income of \$13,738 and \$13,128, respectively. For the nine months ended September 30, 2014 and September 30, 2013, Crystal Financial LLC had net income of \$21,133 and \$22,733 on gross income of \$40,566 and \$39,479, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions.

Note 11. Stock Repurchase Program

On July 31, 2013, the Company’s board of directors authorized a program for the purpose of repurchasing up to \$100,000 of the Company’s common stock. 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 Rule 10b-18 and 10b-5 of the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. On December 5, 2013, the Company’s board of directors 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 have been repurchased. On July 31, 2014, the Company’s stock repurchase program expired. During the fiscal year through July 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 this period is \$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.

Note 12. Commitments and Contingencies

The Company had unfunded equity and debt commitments to various revolving and delayed draw loans. The total amount of these unfunded commitments as of September 30, 2014 and December 31, 2013 is \$120,108 and \$15,000, respectively.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)
September 30, 2014
(in thousands, except share amounts)

Note 13. Senior Secured Unitranche Loan Program

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 total \$600,000, consisting of direct equity investments and co-investment commitments as described below. The joint venture vehicle known as the Senior Secured Unitranche Loan Program (“SSLP”) is structured as an unconsolidated Delaware limited liability company. The Company and the Investor have 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 must 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). As of September 30, 2014, SSLP has not commenced operations.

Note 14. Subsequent Events

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

On November 4, 2014, our Board declared a quarterly distribution of \$0.40 per share payable on January 5, 2015 to holders of record as of December 18, 2014.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Solar Capital Ltd.:

We have reviewed the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Capital Ltd. (the "Company") as of September 30, 2014, the related consolidated statements of operations for the three-month and nine-month periods ended September 30, 2014 and 2013, the consolidated statement of changes in net assets for the nine-month period ended September 30, 2014, and the related consolidated statements of cash flows for the nine month periods ended September 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management.

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

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Capital Ltd., as of December 31, 2013, and the related consolidated statement of changes in net assets for the year ended December 31, 2013; and in our report dated February 25, 2014, we expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
New York, New York
November 4, 2014

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

The information contained in this section should be read in conjunction with our 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;
- 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.

Immediately prior to the 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 million in senior unsecured notes (the “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. As of December 17, 2010, the Senior Unsecured Notes have been repaid from proceeds of a private placement transaction that we completed on November 30, 2010 and from borrowings under a credit facility established in December 2010.

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Solar Capital Ltd. (“Solar Capital”, the “Company” or “we”), a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated 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 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 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, 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 \$20 million and \$100 million each, although we expect that this investment size will vary proportionately with the size of our capital base. We are managed by Solar Capital Partners, LLC (the “Investment Adviser”). Solar Capital Management, LLC (the “Administrator”) provides the administrative services necessary for us to operate.

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

As of September 30, 2014, the Investment Adviser has invested approximately \$4.5 billion in more than 170 different portfolio companies since it was founded in 2006. Over the same period, the Investment Adviser completed transactions with more than 100 different financial sponsors.

Recent Developments

On November 4, 2014, our Board declared a quarterly distribution of \$0.40 per share payable on January 5, 2015 to holders of record as of December 18, 2014.

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.

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Revenue

We generate revenue primarily in the form of interest 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 quarterly but may be 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 staff, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses of that personnel which is allocable to those services are provided and paid for by the Investment Adviser. We bear all other costs and expenses of our operations and transactions, including those relating to:

- investment advisory and management fees;
- expenses incurred by the Investment Adviser payable to third parties, including agents, consultants or other advisors, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- calculation of our net asset value (including the cost and expenses of any independent valuation firm utilized);
- direct costs and expenses of administration, including independent registered public accounting and legal costs;
- costs of preparing and filing reports or other documents with the SEC;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- registration and listing fees;
- fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments;
- transfer agent and custodial fees;
- taxes;
- independent directors’ fees and expenses;
- marketing and distribution-related expenses;
- the costs of any reports, proxy statements or other notices to stockholders, including printing and postage costs;
- our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- organizational costs; and
- all other expenses incurred by us or the Administrator in connection with administering our business, such as our allocable portion of overhead under the administration agreement, including rent and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs.

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

Portfolio and Investment Activity

During the three months ended September 30, 2014, we invested approximately \$207.6 million across 11 portfolio companies. This compares to investing approximately \$66.3 million in 5 portfolio companies for the three months ended September 30, 2013. Investments sold or prepaid during the three months ended September 30, 2014 totaled approximately \$56.8 million versus approximately \$349.8 million for the three months ended September 30, 2013.

At September 30, 2014, our portfolio consisted of 47 portfolio companies and was invested 53.5% in senior secured loans, 13.8% in subordinated debt, 2.0% in preferred equity and 30.7% in common equity and warrants measured at fair value versus 40 portfolio companies invested 42.6% in senior secured loans, 25.8% in subordinated debt, 2.3% in preferred equity and 29.3% in common equity and warrants measured at fair value at September 30, 2013.

The weighted average yields on our portfolio of income producing investments were 10.3% and 11.6%, respectively, at September 30, 2014 and 2013, measured at fair value.

At September 30, 2014, 77.6% or \$841.1 million of our income producing investment portfolio* is floating rate and 22.4% or \$242.8 million is fixed rate, measured at fair value. At September 30, 2013, 56.1% or \$601.1 million of our income producing investment portfolio* was floating rate and 43.9% or \$470.6 million was fixed rate, measured at fair value. As of September 30, 2014 and 2013, we had one and one issuer on non-accrual status, respectively.

Since inception, Solar Capital Ltd. and its predecessor companies have invested approximately \$3.7 billion in 119 portfolio companies. Over the same period, Solar Capital Ltd. has completed transactions with more than 80 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, from SSP Energy Ltd., Quartz Managers LLC and Quantum Strategic Partners Ltd. (the “Crystal Acquisition”) pursuant to a definitive agreement entered into on December 17, 2012. We invested \$275 million in cash to effect the Crystal Acquisition. Crystal Financial owns approximately 98% of the outstanding ownership interest in Crystal Financial LLC. The remaining financial interest is 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 January 27, 2014 the revolving credit facility was expanded to \$300 million. On March 31, 2014, we exchanged \$137.5 million of our equity interest in Crystal Financial in exchange for \$137.5 million in floating rate senior secured notes in Crystal Financial bearing interest at LIBOR plus 9.50%, maturing on March 31, 2019. Our financial statements, including our schedule of investments, reflect our investments in Crystal Financial on a consolidated basis.

As of September 30, 2014, Crystal Financial LLC had 29 funded commitments to 25 different issuers with a total par value of approximately \$411.0 million on total assets of \$449.4 million. As of December 31, 2013, total par value and total assets were \$465.5 million and \$499.1 million, respectively. All loans were floating rate with

* We have included Crystal Financial LLC as 100% floating rate.

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the largest loan outstanding totaling \$30.0 million. The average exposure per issuer was \$16.4 million. Crystal Financial LLC's credit facility, which is non-recourse to Solar Capital, had approximately \$164.4 million and \$200.4 million of borrowings outstanding at September 30, 2014 and December 31, 2013, respectively. For the three months ended September 30, 2014 and September 30, 2013, Crystal Financial LLC had net income of \$8.3 million and \$6.9 million on gross income of \$13.7 million and \$13.1 million, respectively. For the nine months ended September 30, 2014 and September 30, 2013, Crystal Financial LLC had net income of \$21.1 million and \$22.7 million on gross income of \$40.6 million and \$39.5 million, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions.

Stock Repurchase Program

On July 31, 2013, the Company's board of directors authorized a program for the purpose of repurchasing up to \$100 million of the Company's common stock. 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 Rule 10b-18 and 10b-5 of the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. On December 5, 2013, the Company's board of directors 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 have been repurchased. On July 31, 2014, the Company's stock repurchase program expired. During the fiscal year through July 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 this period is \$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.

Senior Secured Unitranche Loan Program

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 total \$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 ("SSLP") is structured as an unconsolidated Delaware limited liability company. The Company and the Investor have initially made equity commitments to the SSLP of \$300 million and \$43.25 million, respectively. All portfolio decisions and generally all other decisions in respect of the SSLP must 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). As of September 30, 2014, SSLP has not commenced operations.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with U.S. 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.

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

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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 typically utilize independent third party valuation firms to assist us in determining fair value. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations. Debt investments with remaining maturities of 60 days or less shall each be valued at cost plus accreted discount, or minus amortized premium, which is expected to approximate fair value, unless such valuation, in the judgment of the Investment Adviser, does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of our Board. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our Board. Such determination of fair values involves subjective judgments and estimates.

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

- (1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of the Investment Adviser responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with senior management of the Investment Adviser;
- (3) independent valuation firms engaged by our Board conduct independent appraisals and review the Investment Adviser's preliminary valuations and make their own independent assessment;
- (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 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 and the audit committee.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. 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 techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the nine months ended September 30, 2014, there has been no change to the Company's valuation techniques and the nature of the related inputs considered in the valuation process.

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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 Senior Secured Credit Facility and Senior Secured Notes

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

Revenue Recognition

The Company records dividend income and interest, adjusted for amortization of premium and accretion of discount, on an accrual basis. Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more 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 is 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.

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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 the Adviser based on non-cash accruals that ultimately may not be realized, but the Adviser will be under no obligation to reimburse the Company for these fees.

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.

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.

Income Taxes

Solar Capital Ltd., a U.S. corporation, has elected to be treated as a RIC under Subchapter M of the Code, as amended. In order to qualify as a RIC, among other things, the Company is required 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. As of September 30, 2014, the accrual for excise tax was \$0.

RESULTS OF OPERATIONS

Results comparisons are for the three and nine months ended September 30, 2014 and 2013:

Investment Income

For the three and nine months ended September 30, 2014, gross investment income totaled \$28.4 million and \$89.0 million, respectively. For the three and nine months ended September 30, 2013, gross investment income totaled \$43.0 million and \$128.2 million, respectively. The decrease in gross investment income year over year was primarily due to a smaller income producing portfolio from the net effect of portfolio repayments, as well as portfolio yield compression.

Expenses

Expenses totaled \$12.0 million and \$39.1 million, respectively, for the three and nine months ended September 30, 2014, of which \$6.2 million and \$21.8 million, respectively, were management fees and performance-based incentive fees and \$3.6 million and \$10.8 million, respectively, were interest and other credit facility expenses. Administrative services and other general and administrative expenses totaled \$2.2 million and \$6.5 million, respectively, for the three and nine months ended September 30, 2014. Expenses totaled \$21.4 million and \$61.8 million, respectively, for the three and nine months ended September 30, 2013, of which \$12.0

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million and \$37.6 million, respectively, were management fees and performance-based incentive fees and \$6.8 million and \$16.4 million, respectively, were interest and other credit facility expenses. Administrative services and other general and administrative expenses totaled \$2.6 million and \$7.8 million, respectively, for the three and nine months ended September 30, 2013. Expenses generally consist of management and performance-based incentive fees, administrative services fees, insurance expenses, legal fees, directors' fees, transfer agency fees, printing and proxy expenses, audit and tax services expenses, and other general and administrative expenses. Interest and other credit facility expenses generally consist of interest, unused fees, agency fees and loan origination fees, if any, among others. The decrease in expenses year over year was primarily due to a decrease in performance-based incentive fees on lower investment income, as well as decreases in debt expenses due to lower average borrowings.

Net Investment Income

The Company's net investment income totaled \$16.4 million and \$49.9 million, or \$0.39 and \$1.16, per average share, respectively, for the three and nine months ended September 30, 2014. The Company's net investment income totaled \$21.6 million and \$66.4 million, or \$0.48 and \$1.49, per average share, respectively, for the three and nine months ended September 30, 2013.

Net Realized Loss

The Company had investment sales and prepayments totaling approximately \$57 million and \$403 million, respectively, for the three and nine months ended September 30, 2014. Net realized losses over the same periods were \$3.0 million and \$30.1 million, respectively. The Company had investment sales and prepayments totaling approximately \$350 million and \$492 million, respectively, for the three and nine months ended September 30, 2013. Net realized losses over the same periods were \$15.7 million and \$16.9 million, respectively. Net realized losses for the three months ended September 30, 2014 were primarily related to the realization of previously unrealized currency losses. Net realized losses for the nine months ended September 30, 2014 were primarily related to the realization of previously recognized unrealized losses on our investment in ARK Real Estate, L.P. Net realized loss for the three and nine months ended September 30, 2013 was primarily related to the exit of our investment in DSW Group, Inc.

Net Change in Unrealized Gain (Loss)

For the three and nine months ended September 30, 2014, net change in unrealized gain (loss) on the Company's assets and liabilities totaled (\$0.6) million and \$23.7 million, respectively. For the three and nine months ended September 30, 2013, net change in unrealized gain (loss) on the Company's assets and liabilities totaled \$4.6 million and (\$3.2) million, respectively. Net unrealized loss for the three months ended September 30, 2014 is primarily due to depreciation in the value of our investments in Nuveen Investments, Direct Buy and Adams Outdoor Advertising, among others, partially offset by appreciation in Crystal Financial LLC and Tecomet, Inc., among others. Net unrealized gain for the nine months ended September 30, 2014 is primarily due to the reversal of unrealized depreciation on our investment in Ark Real Estate, L.P. Net unrealized gain for the three months ended September 30, 2013 was primarily attributable to the realization of previously recognized unrealized losses on exited investments. Net unrealized loss for the nine months ended September 30, 2013 stemmed from depreciation in the value of our investments in ARK Real Estate Partners and Rug Doctor, Inc. as well as modest yield widening on our portfolio, partially offset by the realization of previously recognized unrealized losses on exited investments.

Net Increase (Decrease) in Net Assets From Operations

For the three and nine months ended September 30, 2014, the Company had a net increase in net assets resulting from operations of \$12.8 million and \$43.6 million, respectively. For the same periods, earnings per average share were \$0.30 and \$1.01, respectively. For the three and nine months ended September 30, 2013, the Company had a net increase in net assets resulting from operations of \$10.6 million and \$46.4 million, respectively. For the same periods, earnings per average share were \$0.24 and \$1.04, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resources are generated and generally available through its Credit Facility maturing in June 2018, through cash flows from operations, investment sales, prepayments of senior and subordinated loans, income earned on investments and cash equivalents, and periodic follow-on equity and/or debt offerings. As of September 30, 2014, we had a total of \$490.0 million of unused borrowing capacity under our Credit Facility, 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 shareholders, or for other general corporate purposes.

On January 11, 2013, the Company closed its most recent follow-on public equity offering of 6.3 million shares of common stock at \$24.40 per share 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.

On November 16, 2012, we issued \$100 million in aggregate principal amount of the Unsecured Notes for net proceeds of \$96.9 million. Interest on the Unsecured Notes is paid quarterly on February 15, May 15, August 15 and November 15, at a rate of 6.75% per year, commencing on February 15, 2013. The Unsecured Notes mature on November 15, 2042. The Company may redeem the Unsecured Notes in whole or in part at any time or from time to time on or after November 15, 2017.

On May 10, 2012, the Company closed a private offering of \$75 million of Senior Secured Notes with a fixed interest rate of 5.875% and a maturity date of May 10, 2017. Interest on the Senior Secured Notes is due semi-annually on May 10 and November 10. The Senior Secured Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

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 shareholders 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. 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 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 \$490 million in cash equivalents as of September 30, 2014.

Debt

Unsecured Senior Notes

On November 16, 2012, the Company and U.S. Bank National Association entered into an Indenture and a First Supplemental Indenture relating to the Company's issuance, offer and sale of \$100 million aggregate principal amount of its Unsecured Notes. The Unsecured Notes will mature on November 15, 2042 and may be

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redeemed in whole or in part at the Company's option at any time or from time to time on or after November 15, 2017 at a redemption price of \$25 per security plus accrued and unpaid interest. The Unsecured Notes bear interest at a rate of 6.75% per year payable quarterly on February 15, May 15, August 15 and November 15 of each year, commencing on February 15, 2013. The Unsecured Notes are direct senior unsecured obligations of the Company.

Revolving & Term Loan Facility

In July 2013, the Company amended its Credit Facility, composed of \$440 million of revolving credit and \$50 million in term loans. Subsequently, in December 2013, a commitment increase was executed providing an additional \$50 million of revolving credit, bringing the total revolving credit capacity to \$490 million. Borrowings generally bear interest at a rate per annum equal to the base rate plus 2.25% or the alternate base rate plus 1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in June 2018 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. In conjunction with the establishment of the Credit Facility, the predecessor facility and a term loan were retired, resulting in \$2.3 million of non-recurring charges to expense unamortized costs in the year ended December 31, 2012. Expenses associated with the July 2013 amendment of the Credit Facility, the retirement of our \$100 million revolving credit facility with Wells Fargo Securities, LLC as well as the subsequent December 2013 commitment increase totaled \$2.5 million. At September 30, 2014, outstanding USD equivalent borrowings under the Credit Facility totaled \$50 million in term loans.

Senior Secured Notes

On May 10, 2012, the Company closed a private offering of \$75 million of Senior Secured Notes with a fixed interest rate of 5.875% and a maturity date of May 10, 2017. Interest on the Senior Secured Notes is due semi-annually on May 10 and November 10. The Senior Secured Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

Certain covenants on our issued debt may restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC under Subchapter M of the Code. At September 30, 2014, the Company was in compliance with all financial and operational covenants required by the Credit Facilities.

Contractual Obligations

A summary of our significant contractual payment obligations is as follows as of September 30, 2014:

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 facility ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —
Unsecured senior notes	100.0	—	—	—	100.0
Senior secured notes	75.0	—	75.0	—	—
Term Loans	50.0	—	—	50.0	—

As of September 30, 2014, we had a total of \$490.0 million of unused borrowing capacity under our revolving credit facilities, subject to borrowing base limits.

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Information about our senior securities is shown in the following table as of each year ended December 31 since the Company commenced operations, 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 Facilities				
Fiscal 2014 (through September 30, 2014)	\$ 0	\$ 0	—	N/A
Fiscal 2013	0	0	—	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
Unsecured Senior Notes				
Fiscal 2014 (through September 30, 2014)	\$ 100,000	\$ 2,318	—	\$ 936
Fiscal 2013	100,000	2,411	—	934
Fiscal 2012	100,000	571	—	923
Senior Secured Notes				
Fiscal 2014 (through September 30, 2014)	\$ 75,000	\$ 1,739	—	N/A
Fiscal 2013	75,000	1,808	—	N/A
Fiscal 2012	75,000	428	—	N/A
Term Loans				
Fiscal 2014 (through September 30, 2014)	\$ 50,000	\$ 1,159	—	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

- (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.
- (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 Unsecured Senior Notes which are 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.

We have also entered into two contracts under which we have future commitments: the Investment Advisory and Management 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 Investment Advisory and Management 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,

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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 investment advisory and management agreement and administration agreement without penalty upon 60 days' written notice to the other. See note 3 to our Consolidated Financial Statements.

Off-Balance Sheet Arrangements

The Company had unfunded equity and debt commitments to various revolving and delayed draw loans. The total amount of these unfunded commitments as of September 30, 2014 and December 31, 2013 is \$120.1 million and \$15.0 million, respectively.

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 Statement of Assets and Liabilities.

Distributions

The following table reflects the cash distributions per share on our common stock since our initial public offering:

<u>Date Declared</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
Fiscal 2014			
November 4, 2014	December 18, 2014	January 5, 2015	\$ 0.40
August 4, 2014	September 18, 2014	October 1, 2014	0.40
May 5, 2014	June 19, 2014	July 1, 2014	0.40
February 25, 2014	March 20, 2014	April 1, 2014	0.40
<i>Total 2014</i>			<u>\$ 1.60</u>
Fiscal 2013			
October 30, 2013	December 19, 2013	January 3, 2014	\$ 0.40
July 24, 2013	September 19, 2013	October 2, 2013	0.40
May 7, 2013	June 20, 2013	July 1, 2013	0.60
February 25, 2013	March 21, 2013	April 2, 2013	0.60
<i>Total 2013</i>			<u>\$ 2.00</u>
Fiscal 2012			
November 1, 2012	December 20, 2012	January 3, 2013	\$ 0.60
July 31, 2012	September 20, 2012	October 2, 2012	0.60
May 1, 2012	June 19, 2012	July 3, 2012	0.60
February 22, 2012	March 20, 2012	April 3, 2012	0.60
<i>Total 2012</i>			<u>\$ 2.40</u>
Fiscal 2011			
November 1, 2011	December 15, 2011	December 29, 2011	\$ 0.60
August 2, 2011	September 20, 2011	October 4, 2011	0.60
May 2, 2011	June 17, 2011	July 5, 2011	0.60
March 1, 2011	March 17, 2011	April 4, 2011	0.60
<i>Total 2011</i>			<u>\$ 2.40</u>

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<u>Date Declared</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount</u>
Fiscal 2010			
November 2, 2010	December 17, 2010	December 30, 2010	\$ 0.60
August 3, 2010	September 17, 2010	October 4, 2010	0.60
May 4, 2010	June 17, 2010	July 2, 2010	0.60
January 26, 2010	March 18, 2010	April 1, 2010	0.34*
Total 2010			<u>\$ 2.14</u>

* Partial period distribution of \$0.60 per share pro-rated for the number of days that remained in the quarter after our initial public offering.

Tax characteristics of all distributions will be reported to shareholders 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 status, 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 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, commitment 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 an Investment Advisory and Management Agreement with the Investment Adviser. Mr. Gross, our chairman and chief executive officer, is a managing member and a senior

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investment professional of, and has financial and controlling interests in, the Investment Adviser. In addition, Mr. Spohler, our chief operating officer is a managing member and a senior investment professional of, and has financial interests in, the Investment Adviser.

- 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 any administrative support staff.
- 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 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, the Investment Adviser presently serves as investment adviser 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. 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.

In addition, we have adopted a formal code of ethics that governs the conduct of our officers and directors. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. During the nine months ended September 30, 2014, certain of the investments in our portfolio had floating interest rates. These floating rate investments were primarily based on floating LIBOR and typically have durations of one to three months after which they reset to current market interest rates. Additionally, some of these investments have LIBOR floors. The Company also has revolving credit facilities that are generally based on floating LIBOR. Assuming no changes to our balance sheet as of September 30, 2014, a hypothetical one-quarter of one percent decrease in LIBOR on our floating rate assets and liabilities would approximately have no effect on our net investment income per average share over the next twelve months. Assuming no changes to our balance sheet as of September 30, 2014, a hypothetical one percent increase in LIBOR on our floating rate assets and liabilities would increase our net investment income by approximately three 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 the benefits of lower interest rates with respect to our portfolio of investments. At September 30, 2014, we have no interest rate hedging instruments outstanding.

Increase (Decrease) in LIBOR	(0.25%)	1.00%
Increase (Decrease) in Net Investment Income Per Share Per Year	\$0.00	\$0.03

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We may also have exposure to foreign currencies (e.g., Canadian Dollars) 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 Canadian Dollars under our multi-currency revolving credit facility or enter into forward currency contracts. See Note 8 to our consolidated financial statements.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of September 30, 2014 (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) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financial reporting that occurred during the third quarter of 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART I
I. OTHER INFORMATION

Item 1. Legal Proceedings

We, Solar Capital Management, LLC and Solar Capital Partners, LLC are not currently subject to any material pending legal proceedings threatened against us. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations beyond what has been disclosed within these financial statements.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in “Risk Factors” in the June 17, 2014 filing of our Registration Statement on Form N-2, which could materially affect our business, financial condition and/or operating results. The risks described in our Registration Statement on Form N-2 are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

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

We did not engage in unregistered sales of securities during the quarter ended September 30, 2014.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

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

<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	First Supplemental Indenture, dated November 16, 2012, relating to the 6.75% Senior Notes due 2042, between the Registrant and U.S. Bank National Association as trustee(3)
10.1	Dividend Reinvestment Plan(1)
10.2	Form of Amended and Restated Senior Secured Revolving Credit Agreement by and between the Registrant, the Lenders and Citibank, N.A., as administrative agent(2)
10.3	Amendment No. 1 to the Senior Secured Revolving Credit Agreement by and between the Registrant, the Lenders and Citibank, N.A., as administrative agent(6)
10.4	Investment Advisory and Management Agreement by and between the Registrant and Solar Capital Partners, LLC(4)
10.5	Form of Custodian Agreement(7)
10.6	Amended and Restated Administration Agreement by and between Registrant and Solar Capital Management, LLC(8)
10.7	Form of Indemnification Agreement by and between Registrant and each of its directors(1)
10.8	Registration Rights Agreement by and between Registrant, Solar Cayman Limited, Solar Offshore Limited, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and purchasers in the initial private placement(4)
10.9	First Amendment to the Registration Rights Agreement by and between Registrant, Solar Cayman Limited, Solar Offshore Limited, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and purchasers in the initial private placement(1)
10.10	Registration Rights Agreement by and between Registrant, Magnetar Capital Fund, LP and Solar Offshore Limited(4)
10.11	Trademark License Agreement by and between Registrant and Solar Capital Partners, LLC(1)
10.12	Form of Share Purchase Agreement by and between Registrant and Solar Capital Investors II, LLC(2)
10.13	Form of Registration Rights Agreement(5)
10.14	Form of Subscription Agreement(5)
10.15	Form of Limited Liability Company Agreement, dated as of September 2, 2014, between Solar Capital Ltd. and Senior Secured Unitranche LLC, a Delaware limited liability company*
11.1	Computation of Per Share Earnings (included in the notes to the financial statements contained in this report).

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<u>Exhibit Number</u>	<u>Description</u>
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*
(1)	Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Pre-Effective Amendment No. 7 (File No. 333-148734) filed on January 7, 2010.
(2)	Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 (File No 333-148734) filed on February 9, 2010.
(3)	Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Post-Effective Amendment No. 6 (File No. 333-172968) filed on November 16, 2012.
(4)	Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 (File No. 333-148734) filed on January 18, 2008.
(5)	Previously filed in connection with Solar Capital Ltd.'s report on Form 8-K filed on November 29, 2010.
(6)	Previously filed in connection with Solar Capital Ltd.'s report on Form 10-Q filed on July 31, 2013.
(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 registration statement on Form N-2 Post-Effective Amendment No. 10 (File No. 333-172968) filed on November 12, 2013.
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 4, 2014.

SOLAR CAPITAL LTD.

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

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

SENIOR SECURED UNITRANCHE LOAN PROGRAM LLC
LIMITED LIABILITY COMPANY AGREEMENT

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SENIOR SECURED UNITRANCHE LOAN PROGRAM LLC

LIMITED LIABILITY COMPANY AGREEMENT

This Limited Liability Company Agreement, dated as of September 2, 2014, is entered into by and between Solar Capital Ltd. and Senior Secured Unitranche LLC, a Delaware limited liability company (collectively, the “Members”).

WHEREAS, the Members desire to form a limited liability company under the Act (as defined below) for the purposes and pursuant to the terms set forth herein;

NOW THEREFORE, in consideration of the mutual agreements set forth below, and intending to be legally bound, the Members hereby agree as follows:

ARTICLE 1 DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Act”: the Delaware Limited Liability Company Act, as from time to time in effect.

“Affiliate”: with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, “control,” when used with respect to any specified Person, shall mean the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or partnership or other ownership interests, by contract or otherwise; and the terms “controlling” and “controlled” shall have correlative meanings.

“Agreement”: this Limited Liability Company Agreement, as it may from time to time be amended.

“Allocation Requirements”: the meaning set forth in Section 6.13(b).

“Board”: the meaning set forth in Section 6.1.

“Business Day” means any day other than a Saturday or a Sunday or a weekday on which banks in New York, New York are authorized or required to be closed.

“Capital Account”: as to each Member, the capital account maintained on the books of the Company for such Member in accordance with Section 4.1.

“Capital Commitment”: as to each Member, the total amount set forth in such Member’s Subscription Agreement delivered herewith and on the Member List, which is contributed and agreed to be contributed to the Company by such Member as a Capital Contribution.

“Capital Contribution”: as to each Member, the aggregate amount of (i) cash actually contributed to the equity capital of the Company by such Member and (ii) the principal amount

of Junior Loans made to the Company by such Member. The Capital Contribution of a Member that is an assignee of all or a portion of an equity or Junior Loan interest in the Company shall include the Capital Contribution of the assignor (or a pro rata portion thereof in the case of an assignment of less than the entire equity or Junior Loan interest in the Company of the assignor).

“Cause”: any date on which a “Cause” event has occurred under Section 9(c) of the Servicing Agreement.

“Certificate of Formation”: the certificate of formation for the Company filed under the Act, as from time to time amended.

“Closing”: September 2, 2014.

“Code”: the Internal Revenue Code of 1986, as from time to time amended.

“Company”: the limited liability company created and existing pursuant to the Certificate of Formation and this Agreement.

“Default Date”: the meaning set forth in Section 3.2(a).

“Defaulting Member”: the meaning set forth in Section 3.2(a).

“Dispute”: the meaning set forth in Section 10.1.

“Dividend Committee”: a committee appointed by the Board and having the powers set forth in Section 5.1 and its charter which is anticipated to be approved by the Board promptly after the date hereof, and which shall include one or more of the Solar Managers as a member.

“Excluded Amendments”: amendments which modify or waive the terms of any Investment, other than immaterial, ministerial or administrative amendments which Investor has not provided or withheld its consent with respect to within 48 hours following the receipt of notice by Investor of the terms, conditions and other material information relating to any such proposed amendment.

“Expenses”: all costs and expenses, of whatever nature, directly or indirectly borne by the Company under the Servicing Agreement.

“GAAP”: United States generally accepted accounting principles.

“GAAP Profit or GAAP Loss”: as to any transaction or fiscal period, the net income or loss of the Company under GAAP.

“Investment”: an investment of any type held, directly or indirectly, by the Company from time to time. It is the intention of the Members that the Company only invest in Unitranche Senior Loans to middle market companies predominately owned by private equity sponsors or entrepreneurs.

“Investor”: Senior Secured Unitranche LLC, a Delaware limited liability company, or any Person substituted for Investor as a Member pursuant to the terms of this Agreement.

“Investor Counsel”: the meaning set forth in Section 10.10.

“Investor Entities”: the Company and the SMA.

“Investor Managers”: the individuals designated by Investor to act as Managers hereunder pursuant to Section 6.2.

“JAMS”: the meaning set forth in Section 10.1.

“Junior Loan”: a loan to the Company made as a junior debt tranche with a fixed or floating coupon and the right to receive residual payments, with the form of such loan to be subject to Manager Approval.

“LIBOR Rate”: the one-month London InterBank Offered Rate, which for purposes hereof shall be deemed to equal for each day of a calendar quarter such rate as of the first day of such quarter.

“Loss”: the meaning set forth in Section 6.16(a).

“Manager”: the meaning set forth in Section 6.1.

“Manager Approval”: as to any matter requiring Manager Approval hereunder, the unanimous approval or unanimous subsequent ratification by the Managers.

“Manager Cause Event”: the reasonable determination by a Member that, during a Manager’s tenure as Manager, such Manager (i) committed a felony or a material violation of securities laws, or (ii) committed an act of gross negligence, fraud or willful misconduct in connection with the performance of such Manager’s duties as a Manager which has or reasonably would be expected to have a material adverse effect on the business of the Company; *provided*, that if any of the foregoing events described in clause (ii) is capable of being cured, notice is provided to the Manager describing the nature of such event and the applicable Manager will thereafter have 10 days to cure such event and if such event is cured within such period the applicable event will no longer be a Manager Cause Event.

“Member”: each Person identified as a Member in the first sentence hereof, and any Person that is or becomes a Member of the Company.

“Member Approval”: as to any matter requiring Member Approval hereunder, the unanimous approval or unanimous subsequent ratification by the Members.

“Member List”: the meaning set forth in Section 2.7.

“Offer Period”: the meaning set forth in Section 7.1(b).

“Offer Price”: the lower of (i) the Value of Investor’s equity and Junior Loan investment in the Company or (ii) a price determined by Investor in its sole discretion.

“Person”: shall include an individual, corporation, partnership, association, joint venture, company, limited liability company, trust, governmental authority or other entity.

“Portfolio Company”: with respect to any Investment, any Person that is the issuer of any equity securities, equity-related securities or obligations, debt instruments or debt-related securities or obligations (including senior debt instruments, including investments in senior loans, senior debt securities and any notes or other evidences of indebtedness, preferred equity, warrants, options, subordinated debt, mezzanine securities or similar securities or instruments) that are the subject of such Investment. Portfolio Companies do not include Subsidiaries.

“Proceeding” has the meaning set forth in Section 6.16(a).

“Profit or Loss”: as to any transaction or fiscal period, the GAAP Profit or GAAP Loss with respect to such transaction or period, with such adjustments thereto as may be required by this Agreement.

“SEC”: U.S. Securities and Exchange Commission.

“Reinvestment Period”: the period of time from the date of this Agreement to the third anniversary of the date of this Agreement, unless terminated earlier pursuant to the terms hereof.

“Sale Window”: the meaning set forth in Section 7.1(b).

“SCP”: Solar Capital Partners, LLC.

“Servicer”: Solar Capital Ltd. or an Affiliate thereof approved by Investor, in its sole discretion, and any successor of such Person, retained by the Company to perform administrative and loan services for the Company pursuant to the Servicing Agreement.

“Servicing Agreement”: the Servicing Agreement between the Company and the Servicer, as amended from time to time with Manager Approval.

“SMA”: that certain separate managed account managed by SCP for Investor.

“Solar”: Solar Capital Ltd., or any Person or Persons substituted for Solar Capital Ltd. as a Member pursuant to the terms of this Agreement.

“Solar Counsel”: the meaning set forth in Section 10.09.

“Solar Managers”: the persons designated by Solar to act as Managers hereunder pursuant to Section 6.2.

“Subscription Agreement”: Each of the several subscription agreements entered into between the Company and a Member, in each case in the form attached hereto as Exhibit A.

“Subsidiary”: any investment vehicle or financing vehicle directly or indirectly owned, in whole or in part, by the Company; *provided* that a Subsidiary shall not include any holding company formed for the purpose of making a specific investment in a specific Portfolio Company.

“Supplemental Indemnification Rights”: the meaning set forth in Section 6.16(d).

“Tax Liability”: as to any Member and any fiscal period, the anticipated taxes of such Member on income and gain allocable to such Member pursuant to Section 4.4 with respect to such period, assuming that such Member is subject to the highest combined marginal U.S. federal, state and local income tax rates for individuals or corporations, whichever is greater, in New York on each type of such taxable income and gain, taking into account (i) the non-deductibility of any item for state or local income tax purposes that is deductible for federal income tax purposes, (ii) the deductibility for federal income tax purposes of state or local income taxes, and (iii) the deductibility of any item for state income tax purposes that is not deductible for federal income tax purposes. The Tax Liability for any fiscal period in which such Member was allocated net loss for federal income tax purposes shall be deemed to equal zero.

“Taxable Earnings”: net taxable income recognized by the Company as determined under the Code.

“Tax Matters Member”: the meaning set forth in Section 6.17.

“Transfer Acceptance”: the meaning set forth in Section 7.1(b).

“Transfer Notice”: the meaning set forth in Section 7.1(b).

“Treasury Regulations”: all final and temporary federal income tax regulations, as amended from time to time, issued under the Code by the United States Treasury Department.

“Unitranche Senior Loans”: unitranche credit facilities which are secured by a first lien on some or all of the applicable issuer’s assets where, with respect to a specific transaction, leverage is higher than a traditional bank loan and where the funded investment opportunity at closing that is available to SCP exceeds \$15 million.

“Value”: as of the date of computation with respect to some or all of the assets of the Company or any assets acquired by the Company, the value of such assets determined in accordance with Section 9.5.

Section 1.2 Other Definitional Provisions. Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa. Unless otherwise specified, references herein to applicable statutes or other laws are references to the federal laws of the United States.

ARTICLE 2 GENERAL PROVISIONS

Section 2.1 Formation of the Limited Liability Company. The Company was formed under and pursuant to the Act upon the filing of the Certificate of Formation in the office of the

Secretary of State of the State of Delaware, and the Members hereby agree to continue the Company under and pursuant to the Act. The Members agree that the rights, duties and liabilities of the Members shall be as provided in the Act, except as otherwise provided herein. Each Person being admitted as a Member as of the date hereof shall be admitted as a Member at the time such Person has executed this Agreement or a counterpart of this Agreement.

Section 2.2 Company Name. The name of the Company shall be "Senior Secured Unitranche Loan Program LLC," or such other name as approved by Manager Approval.

Section 2.3 Place of Business; Agent for Service of Process.

(a) The registered office of the Company in the State of Delaware shall be c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808, or such other place as the Members may designate. The principal business office of the Company shall be at 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808, or such other place as may be approved by Manager Approval. The Company may also maintain additional offices at such place or places as may be approved by Manager Approval.

(b) The agent for service of process on the Company pursuant to the Act shall be Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808, or such other Person as the Board may designate with Manager Approval.

Section 2.4 Purpose and Powers of the Company.

(a) The purpose of the Company is to make Investments, either directly or indirectly through Subsidiaries or other Persons.

(b) In furtherance of such purpose, subject to Section 6.10 hereof, the Company, either directly or indirectly, shall have the following powers:

(i) to form, invest in or through, transfer, dispose of or otherwise deal in the interests of, and exercise all rights, powers, privileges and other incidents of ownership with respect to, investment and financing vehicles (formed in the United States or otherwise) which hold one or more Investments, including, without limitation, investment and financing vehicles that are wholly or partially controlled, managed or administered by a Member, the Servicer or any of their Affiliates, and investment and financing vehicles that are partially owned by Persons other than the Company (including but not limited to Persons that may be controlled, managed or administered by a Member, the Servicer or any of their Affiliates), and investment vehicles formed for the purpose of making and administering revolving credit investments;

(ii) to purchase or otherwise acquire, transfer, dispose of or otherwise deal in, and exercise all rights, powers, privileges and other incidents of ownership or possession with respect to, Investments without regard to whether such Investments are publicly traded, readily marketable or restricted as to transfer;

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- (iii) to incur indebtedness for borrowed money, and to pledge, hypothecate, mortgage, collaterally assign, or otherwise grant security interests or liens on any Company assets, including without limitation the Capital Commitments and the power and authority to call the Capital Commitments;
 - (iv) to guarantee, or otherwise become liable for, the obligations of other Persons, including Portfolio Companies;
 - (v) to engage personnel and do such other acts and things as may be necessary or advisable in connection therewith;
 - (vi) to engage and compensate attorneys, accountants, investment advisors, technical advisors, consultants, custodians, contractors and agents;
 - (vii) to pay and incur other expenses and obligations incident to the operation of the Company;
 - (viii) to establish, maintain, and close bank accounts and draw checks or other orders for the payment of money;
 - (ix) to enter into, make and perform all such contracts, agreements and other undertakings, and to take any and all actions and engage in any and all activities, as may be incidental to, or necessary, advisable or appropriate to, the carrying out of the foregoing purpose; and
 - (x) to take any other action permitted to be taken by a limited liability company under the Act.

(c) The Company may enter into and perform under Subscription Agreements among the Company and each Member, without any further act, vote or approval of any Member notwithstanding any other provision of this Agreement, the Act or any other applicable law, rule or regulation.

Section 2.5 Fiscal Year. The fiscal year of the Company shall be the same as the fiscal year of Solar, which, on the date hereof ends on December 31 of each year.

Section 2.6 Liability of Members. Except as expressly provided in this Agreement, a Member shall have such liability for the repayment, satisfaction and discharge of the debts, liabilities and obligations of the Company only as is provided by the Act. A Member that receives a distribution made in violation of the Act shall be liable to the Company for the amount of such distribution to the extent, and only to the extent, required by the Act. The Members shall not otherwise be liable for the repayment, satisfaction or discharge of the Company's debts, liabilities and obligations, except that each Member shall be required to make Capital Contributions in accordance with the terms of this Agreement and shall be required to repay any distributions which are not made in accordance with this Agreement.

Section 2.7 Member List. The Board shall cause to be maintained in the principal office of the Company a list (the "Member List") setting forth, with respect to each Member,

such Member's name, address, Capital Commitment, Capital Contributions and such other information as the Board may deem necessary or desirable or as required by the Act. The Board shall from time to time update the Member List as necessary to reflect accurately the information therein. Any reference in this Agreement to the Member List shall be deemed to be a reference to the Member List as in effect from time to time. No action of the Members shall be required to supplement or amend the Member List. Revisions to the Member List made by the Board as a result of changes to the information set forth therein made in accordance with this Agreement shall not constitute an amendment of this Agreement.

ARTICLE 3 COMPANY CAPITAL AND INTERESTS

Section 3.1 Capital Commitments.

(a) Each Member's Capital Commitment shall be set forth on the Member List and in such Member's Subscription Agreement and shall be payable in cash in U.S. dollars or a foreign currency in which an Investment is to be made with Manager Approval. Subject to Manager Approval, each payment of a Member's Capital Commitment shall be made from time to time within three (3) Business Days after notice from the Board specifying the amount then to be paid, or such later date as may be specified in such notice. Capital Contributions shall be made by all Members pro rata based on their respective Capital Commitments.

(b) Each Member's remaining Capital Commitment shall expire upon the termination of the Reinvestment Period.

(c) Investor may terminate all of its remaining Capital Commitments at any time upon written notice to Solar; *provided*, that Investor may only terminate the remaining Capital Commitment under this Agreement to the extent it terminates its remaining capital commitments to all other Investor Entities. Upon any such termination, (i) the Reinvestment Period shall terminate automatically and (ii) Solar (or one of its Affiliates) or a third party investor acceptable to Solar shall have the right to acquire Investor's membership interest in the Company and Junior Loans at the then current Value (and be required to assume Investor's remaining Capital Commitment). In the event that Solar elects to purchase all of Investor's Junior Loans and interests in the Company pursuant to this Section 3.1(c) and as a result of the procedures set forth in Section 9.5(a)(iii) the valuation for such purchase is increased, Solar shall have the right to revoke its purchase election. To the extent a placement agent is engaged by Investor or its Affiliates, in their respective sole discretion, in connection with the sale contemplated in subsection (ii) above, then such placement agent's fees shall be paid from the proceeds of such sale. To the extent a placement agent is engaged by Solar or its Affiliates, in their respective sole discretion, in connection with the sale contemplated in subsection (ii) above, then such placement agent's fees shall be paid for by Solar or its Affiliates, as applicable.

(d) Solar may terminate all of Investor's remaining Capital Commitments at any time after one year following the date of this Agreement upon written notice to Investor. Upon any such termination, the Reinvestment Period shall terminate automatically.

(e) For the avoidance of doubt, termination of Investor's remaining Capital Commitment pursuant to Sections 3.1(c), 3.1(d) and 8.4 shall not extinguish Investor's obligation to contribute capital to the extent any revolver or delay draw exists on or prior to the date of termination and shall not terminate the remaining Capital Commitment of any other Member.

Section 3.2 Defaulting Members.

(a) Upon the failure of any Member (a "Defaulting Member") to pay in full any portion of such Member's Capital Commitment within ten (10) days after written notice from the other Member (the "Default Date") that such payment is overdue, the other Member, in its sole discretion, shall have the right to pursue one or more of the following remedies on behalf of the Company if such failure has not been cured in full within such ten-day period:

(i) collect such unpaid portion (and all attorneys' fees and other costs incident thereto) by exercising and/or pursuing any legal remedy the Company may have; and

(ii) upon thirty (30) days written notice (which period may commence during the ten-day notice period provided above), and provided that the overdue payment has not been made, either (x) dissolve and wind down the Company in accordance with Article 8 and, in the event the non-defaulting Member is Solar, immediately terminate the Reinvestment Period, or (y) acquire the defaulting Member's membership interest in the Company and Junior Loans at the then current Value (and be required to assume such Member's remaining Capital Commitment). In the event that Solar elects to purchase all of Investor's Junior Loans and interests in the Company pursuant to this Section 3.2(ii) and as a result of the procedures set forth in Section 9.5(a)(iii) the valuation for such purchase is increased, Solar shall have the right to revoke its purchase election. Additionally, in the event the non-defaulting Member is Investor, such event shall constitute "Cause" under the Servicing Agreement.

Except as set forth below, the non-defaulting Member's election to pursue any one of such remedies shall not be deemed to preclude such Member from pursuing any other such remedy, or any other available remedy, simultaneously or subsequently.

(b) Notwithstanding any provision of this Agreement to the contrary,

(i) a Defaulting Member shall remain fully liable to the creditors of the Company to the extent provided by law as if such default had not occurred; and

(ii) a Defaulting Member shall not be entitled to distributions made after the Default Date until the default is cured.

Section 3.3 Interest or Withdrawals. Except for any interest pursuant to any Junior Loans, no Member shall be entitled to receive any interest on any Capital Contribution to the Company. Except as otherwise specifically provided herein, no Member shall be entitled to withdraw any part of its Capital Contributions or Capital Account balance.

ARTICLE 4 ALLOCATIONS

Section 4.1 Capital Accounts.

(a) An individual capital account (a "Capital Account") shall be maintained for each Member consisting of such Member's Capital Contribution, increased or decreased by Profit or Loss allocated to such Member, decreased by the cash or Value of property (giving effect to any liabilities the property is subject to, or which the Member assumes) distributed to such Member, and otherwise maintained consistent with this Agreement. In the event that the Board determines that it is prudent to modify the manner in which Capital Accounts, including all debits and credits thereto, are computed in order to be maintained consistent with this Agreement, the Board is authorized to make such modifications to the extent that they do not result in a material adverse effect to any Member. Capital Accounts shall be maintained in a manner consistent with applicable Treasury Regulations.

(b) Profit or Loss shall be allocated among Members as of the end of each fiscal year of the Company; *provided* that Profit or Loss shall also be allocated at the end of (i) each period terminating on the date of any withdrawal by any Member, (ii) each period terminating immediately before the date of any admission or increase in Capital Commitment of any Member, (iii) the liquidation of the Company, or (iv) any period which is determined by Manager Approval to be appropriate.

Section 4.2 General Allocations. Profit or Loss shall be allocated among the Members as provided by this Section 4.2. Loss shall be allocated among the Members pro rata in accordance with their Capital Accounts. Profit shall be allocated among the Members (i) first, pro rata until the cumulative amount of profit allocated to a Member equals the cumulative amount of loss previously allocated to such Member and (ii) thereafter pro rata in accordance with the Members' Capital Accounts.

Section 4.3 Changes of Interests. For purposes of allocating Profit or Loss for any fiscal year or other fiscal period between any Members whose relative Company interests and Junior Loans have changed during such period, or to any withdrawing Member that is no longer a Member in the Company, the Company shall allocate according to any method allowed by the Code and selected with Manager Approval. Distributions with respect to an interest in the Company shall be payable to the owner of such interest on the date of distribution.

Section 4.4 Income Taxes and Tax Capital Accounts.

(a) Each item of income, gain, loss, deduction or credit shall be allocated in the same manner as such item is allocated pursuant to Section 4.2.

(b) In the event of any variation between the adjusted tax basis and value of any Company property reflected in the Members' capital accounts maintained for federal income tax purposes, such variation shall be taken into account in allocating taxable income or loss for income tax purposes in accordance with, and to the extent consistent with, the principles under Section 704(c) of the Code and applicable Treasury Regulations.

ARTICLE 5 DISTRIBUTIONS

Section 5.1 General.

(a) On the last day of each fiscal quarter, the Dividend Committee shall review the estimated financial results of the Company during the current fiscal quarter, estimate, in good faith, the Taxable Earnings of the Company for such fiscal quarter, if any, and declare a distribution to the Members of such amount, and the Company shall make a distribution of such amount as soon as reasonably practicable, shared among the Members as set forth below; *provided*, that the amount of any such distribution shall be reduced to the extent of net losses of the Company, if any, as determined under the Code, for any prior fiscal quarter in such fiscal year, to the extent such losses have not previously reduced a distribution pursuant to this Section 5.1(a); *provided, further*, that the amount of any such distribution may be reduced as provided by Section 5.3 and Section 5.4, including for the purpose of reinvesting proceeds received from Investments as set forth in Section 5.4; and *provided, further*, that such distributions shall not require Manager Approval. The Company shall not be required to sell or dispose of any Investments to make a distribution pursuant to this Section 5.1(a) and if the Company does not have sufficient funds to pay a distribution that would otherwise be required but for the limitation in this sentence, the Dividend Committee shall declare and the Company shall pay a distribution in the maximum amount that would not be subject to such limitation.

(b) Except as provided in Section 5.3 or Section 8.3, distributions shall be shared among the Members as set forth in this Section 5.1(b). The Members, with Manager Approval, may determine to make a distribution from available cash or cash equivalents received from one or more Investments (whether from principal repayment or otherwise and after reduction as provided by Section 5.3 and Section 5.4), in which event such distribution shall be shared among the Members in respect of their interests in the Company and Junior Loans in proportion to their respective Capital Accounts.

Section 5.2 Tax Distributions. If and to the extent that the Tax Liability of any Member with respect to any fiscal year (other than with respect to the last fiscal year of the Company), but for this Section 5.2, would have exceeded the distributions otherwise made to such Member under Section 5.1(b) during such fiscal year, then, at such Member's request (which shall be made no later than June 1 following the end of such fiscal year) the Company will promptly distribute to all Members, in proportion to their respective Capital Accounts, an amount sufficient so that, together with distributions under Section 5.1(b) during such fiscal year, each Member has received distributions no less than such Member's Tax Liability with respect to such fiscal year; *provided*, that (i) the Company has available cash (without the requirement for borrowings or the sale of assets) to make any such distributions, (ii) the Board may elect to retain and not distribute any amounts determined to be necessary to satisfy the Company's obligations, and (iii) such distributions do not violate the terms and conditions of any credit facilities or other borrowings of the Company.

Section 5.3 Withholding. The Company may withhold from any distribution to any Member any amount which the Company has paid or is obligated to pay in respect of any withholding or other tax, including without limitation, any interest, penalties or additions with respect thereto, imposed on any interest or income of or distributions to such Member, and such withheld amount shall be considered an interest payment or a distribution, as the case may be, to such Member for purposes hereof. If no payment is then being made to such Member in an amount sufficient to pay the Company's withholding obligation, any amount which the Company is obligated to pay shall be deemed an interest-free advance from the Company to such Member, payable by such Member by withholding from subsequent distributions or within ten (10) days after receiving written request for payment from the Company.

Section 5.4 Reinvestment; Certain Limitations; Distributions in Kind.

(a) Amounts constituting a return of Capital Contributions received by the Company during the Reinvestment Period with respect to Investments may, upon Manager Approval, be retained and used, or reserved to be used, to make future Investments. Alternatively, the Members, with Manager Approval, may cause the Company to distribute, in accordance with Section 5.1 through Section 5.3, any amount that could be retained for re-investment as set forth above. To the extent such distributed amount to a Member represents a distribution other than from cumulative undistributed Profit, net of cumulative Loss, allocated to such Member, such amount shall be added to the unfunded Capital Commitment of such Member and may be recalled by the Company under Article 3.

(b) In no event shall the Company be required to make a distribution to the extent that it would (i) render the Company insolvent, or (ii) violate Section 18-607(a) of the Act.

(c) No part of any distribution shall be paid to any Member from which there is due and owing to the Company, at the time of such distribution, any amount required to be paid to the Company pursuant to Article 3. Any such withheld distribution shall be paid to such Member, without interest, when all past due installments of such Member's Capital Commitment have been paid in full by such Member or when such Member's interest in the Company and Junior Loans have been purchased as contemplated by Section 3.1.

(d) Distributions of securities and of other non-cash assets of the Company other than upon the dissolution and liquidation of the Company shall only be made pro rata to all Members (in proportion to their respective shares of the total distribution) with respect to each security or other such asset distributed. Securities listed on a national securities exchange that are not restricted as to transferability and unlisted securities for which an active trading market exists and that are not restricted as to transferability shall be valued in the manner contemplated by Section 9.5 as of the close of business on the day preceding the distribution, and all other securities and non-cash assets shall be valued as determined pursuant to Section 9.5.

ARTICLE 6 MANAGEMENT OF COMPANY

Section 6.1 Establishment of the Board. A board of managers of the Company (the "Board") is hereby established and shall be comprised of natural Persons (each such Person, a "Manager") who shall be appointed in accordance with the provisions of Section 6.2. The business and affairs of the Company shall be managed, operated and controlled by or under the direction of the Board, and the Board shall have, and is hereby granted, the full and complete power, authority and discretion for, on behalf of and in the name of the Company, to take such actions as it may in its sole discretion deem necessary or advisable to carry out any and all of the objectives and purposes of the Company, subject only to the terms of this Agreement.

Section 6.2 Board Composition; Vacancies.

(a) The Company and the Members shall take such actions as may be required to ensure that the number of Managers constituting the Board is at all times four (4). The Board shall be comprised as follows (i) two (2) individuals to be designated in writing by Solar on or promptly after the date hereof and (ii) two (2) individuals designated in writing by Investor on or promptly after the date hereof.

(b) In the event that a vacancy is created on the Board at any time due to the death, disability, retirement, resignation or removal of a Manager, then the Member who appointed such Manager pursuant to the terms of this Section 6.2 shall have the right to designate an individual to fill such vacancy and the Company and each Member hereby agree to take such actions as may be required to ensure the election or appointment of such designee to fill such vacancy on the Board.

Section 6.3 Removal; Resignation.

(a) A Manager may be removed or replaced at any time from the Board, with or without cause, upon, and only upon, the written request of Member that designated the applicable Manager; *provided*, that any Member may remove any Manager upon a Manager Cause Event with respect to such Manager, and upon such removal such Manager shall no longer be permitted to be appointed as a Manager hereunder absent Manager Approval.

(b) A Manager may resign at any time from the Board by delivering his written resignation to the Board. Any such resignation shall be effective upon receipt thereof unless it is specified to be effective at some other time or upon the occurrence of some other event. The Board's acceptance of a resignation shall not be necessary to make it effective.

Section 6.4 Meetings.

(a) The Board shall meet at such time and at such place as the Board may designate. Meetings of the Board may be held either in person or by means of telephone or video conference or other communications device that permits all Managers participating in the meeting to hear each other, at the offices of the Company or such other place (either within or outside the State of Delaware) as may be determined from time to time by the Board. Written notice of each meeting of the Board shall be given to each Manager at least 48 hours prior to each such meeting or upon such shorter notice as may be approved by all the Managers.

(b) Special meetings of the Board shall be held on the call of all Managers upon at least three days written notice (if the meeting is to be held in person) or two days written notice (if the meeting is to be held by telephone communications or video conference) to the Managers, or upon such shorter notice as may be approved by all the Managers. Any Manager may waive such notice as to himself.

(c) Attendance of a Manager at any meeting shall constitute a waiver of notice of such meeting, except where a Manager attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 6.5 Quorum; Manner of Acting.

(a) All Managers serving on the Board shall constitute a quorum for the transaction of business of the Board. At all times when the Board is conducting business at a meeting of the Board, a quorum of the Board must be present at such meeting. If a quorum shall not be present at any meeting of the Board, then the Managers present at the meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(b) Any Manager may participate in a meeting of the Board by means of telephone or video conference or other communications device that permits all Managers participating in the meeting to hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(c) Each Manager shall have one vote on all matters submitted to the Board or any committee thereof. With respect to any matter before the Board except for those requiring Manager Approval, the act of a majority of the Managers constituting a quorum shall be the act of the Board.

Section 6.6 Action By Written Consent. Notwithstanding anything herein to the contrary, any action of the Board (or any committee of the Board) may be taken without a meeting if either (a) a written consent of the number of Managers (or committee members) required to take the applicable action shall approve such action; *provided*, that prior written notice of such action is provided to all Managers at least one day before such action is taken, or (b) a written consent constituting all of the Managers on the Board (or committee) shall approve such action. Such consent shall have the same force and effect as a vote at a meeting where a quorum was present and may be stated as such in any document or instrument filed with the Secretary of State of Delaware.

Section 6.7 Expense Reimbursement. Each Manager shall be reimbursed by the Company for his reasonable out-of-pocket expenses incurred in the performance of his duties as a Manager, pursuant to such policies as from time to time established by the Board.

Section 6.8 Committees.

(a) Effective on the date of this Agreement, the Board establishes three committees, the Dividend Committee, the Investment Committee which shall be comprised of all members of the Board and the Audit Committee. The members of each such committee shall be designated by the Board and charters for each such committee shall be approved by the Board as promptly as practicable after the date hereof and no such committee shall have the authority to take any actions until its charter has been approved by the Board. All members of the Investment Committee shall be provided and have reasonable access to all diligence and other materials available to Solar, its Affiliates (including, without limitation, the Servicer) and its Investment Committee designees for any potential Investment opportunities and any other information concerning Investments that any member of the Investment Committee may request. Additionally, the Board may, by resolution, designate from among the Managers (or other

persons) one or more committees, each of which shall be comprised of one or more Managers (or other persons selected by the Managers); *provided*, that in no event may the Board designate any committee with all of the authority of the Board. Subject to the immediately preceding proviso, any such committee, to the extent provided in the resolution forming such committee, shall have and may exercise the authority of the Board, subject to the limitations set forth in Section 6.8(b). The Board may dissolve any committee or remove any member of a committee at any time.

(b) No committee of the Board shall have the authority of the Board in reference to:

- (i) authorizing or making Distributions to the Members other than as specifically set forth in Section 5.1;
- (ii) authorizing the issuance of interests in the Company;
- (iii) approving a plan of merger or sale of all or substantially all of the assets of the Company;
- (iv) recommending to the Members a voluntary dissolution of the Company or a revocation thereof;
- (v) filling vacancies in the Board; or
- (vi) altering or repealing any resolution of the Board that by its terms provides that it shall not be so amendable or repealable.

Section 6.9 Servicing Agreement. The Company is entering into the Servicing Agreement with the Servicer, pursuant to which certain functions are delegated to the Servicer. The Servicing Agreement is hereby approved by Manager Approval, *provided* that amendments thereto are subject to Manager Approval. Notwithstanding any other provision of this Agreement, Investor, as an express-third-party beneficiary of the Servicing Agreement, may enforce the terms thereof for Investor's benefit, without Manager Approval or other approval or consent of any Manager or Member or the Company; provided Investor provides notice of such action to the other Members.

Section 6.10 Restrictions. Without Manager Approval, the Company shall not:

- (a) approve or make any Investments or acquire any other entity or business;
- (b) sell, dispose of or transfer to a third Person any Investments or interests in any Investments;
- (c) approve or make any Excluded Amendments to the terms of any Investments;
- (d) enter into any agreement with respect to (i) a plan of merger or consolidation of the Company with or into another entity (which, for the avoidance of doubt, does not include the consolidation of entities as may be required by GAAP) or (ii) a sale of all or substantially all of the assets of the Company;

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- (e) enter into any agreement with any Affiliate of a Member (except for the Servicing Agreement which has been approved by the Members);
 - (f) amend, modify or extend the terms of the Servicing Agreement or any expense reimbursement agreement;
 - (g) change the Servicer (other than, for the avoidance of doubt, pursuant to Section 8.4);
 - (h) incur any debt (other than drawing amounts under debt agreements previously approved by Manager Approval);
 - (i) enter into any contract, arrangement or agreement (or any amendment or waiver of such contract, arrangement or agreement), whether written or oral, pursuant to which the Company would either reasonably expect to pay or be paid at least \$100,000 in the aggregate over the life of such contract, agreement or arrangement; *provided* that this restriction shall exclude ordinary course due diligence expenses related to pursuing Investments;
 - (j) liquidate or dissolve the Company;
 - (k) convert the Company into a corporation for United States federal income tax purposes or otherwise;
 - (l) create or issue any equity interests or securities convertible into or exchangeable for equity interests;
 - (m) maintain reserves for working capital in relation to quarterly or other distributions;
 - (n) make any material tax or accounting elections or establish or make a change in material tax or accounting positions;
 - (o) sue, prosecute or settle any claims against third parties;
 - (p) delegate any duties of the Board except to committees thereof as set forth in this Agreement;
 - (q) change the name of the Company;
 - (r) enter into any new line of business;
 - (s) cause the Company to conduct an initial public offering;
 - (t) transfer or assign equity interests in the Company (except for provisions otherwise outlined in this Agreement);
 - (u) amend or waive any provisions in any of the Company's constituent documents, including, without limitation, the charters of any committees appointed by the Board; or
 - (v) commit or agree to do any of the foregoing.

Section 6.11 No Personal Liability. Except as otherwise provided in the Act, by applicable law or expressly in this Agreement, no Manager will be obligated personally for any debt, obligation or liability of the Company, whether arising in contract, tort or otherwise, solely by reason of being a Manager.

Section 6.12 Reliance by Third Parties. Notwithstanding any other provision of this Agreement, any contract, instrument or act on behalf of the Company by a Member, a Manager, or any other Person delegated by Manager Approval, shall be conclusive evidence in favor of any third party dealing with the Company that such Person has the authority, power and right to execute and deliver such contract or instrument and to take such act on behalf of the Company, in each case to the extent that such Person has been granted such authority, power and right pursuant hereto or pursuant to valid delegations of authority, power and right as contemplated herein. This Section shall not be deemed to limit the liabilities and obligations of such Person to seek Manager Approval as set forth in this Agreement.

Section 6.13 Members' Outside Transactions; Investment Opportunities; Time and Attention; Affiliate Transaction Information.

(a) Each Manager shall devote such time and effort as is reasonably necessary to diligently administer the activities and affairs of the Company, but shall not be obligated to spend full time or any specific portion of their time to the activities and affairs of the Company.

(b) The Servicer and its Affiliates may manage or administer other investment funds and other accounts with similar or dissimilar mandates, and may be subject to the provisions of the Investment Company Act of 1940, as amended, including, without limitation, Section 57 thereof, and the Investment Advisers Act of 1940, as amended, and the rules, regulations and interpretations thereof, with respect to the allocation of investment opportunities among such other investment funds and other accounts (the "Allocation Requirements"). Except for (x) any Allocation Requirement that may be applicable to the Company and (y) any requirement under the Investment Advisers Act of 1940, neither a Member nor the Servicer shall be obligated to offer any investment opportunity, or portion thereof, to the Company.

(c) Subject to the foregoing provisions of this Section 6.13 and other provisions of this Agreement, each of the Members, the Servicer and each of their respective Affiliates and members may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature and description, individually and with others, including, without limitation, the formation and management of other investment funds with or without the same or similar purposes as the Company, and the ownership of and investment in securities, and neither the Company nor any other Member shall have any right in or to any such activities or the income or profits derived therefrom.

(d) In the event that any agreement or Investment contemplated for the Company to potentially enter into is with any Affiliate of Solar, Solar shall disclose such affiliate relationship to each member of the Board in advance of the Board and/or the Investment Committee's consideration of such agreement or Investment and all material information with respect thereto,

including, without limitation, any terms (monetary or otherwise) or conditions thereof that would be less favorable to the Company than such terms and conditions as would reasonably be expected to be obtainable at the time in a comparable arm's length transaction with a person other than an Affiliate of Solar.

Section 6.14 Exculpation of Members and Managers.

(a) *Standard of Care.* No Member, Manager or other Person shall be liable to the Company or any other Member, Manager or other Person for any loss, damage or claim incurred by reason of any action taken or omitted to be taken by such Member, Manager or other Person in good-faith reliance on the provisions of this Agreement, so long as such action or omission does not constitute fraud or willful misconduct by such Member, Manager or other Person.

(b) *Good Faith Reliance.* A Manager shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements (including financial statements and information, opinions, reports or statements as to the value or amount of the assets, liabilities, Profits or Losses of the Company or any facts pertinent to the existence and amount of assets from which distributions might properly be paid) of the following Persons or groups: (i) another Manager; (ii) one or more officers or employees of the Company; (iii) any attorney, independent accountant, appraiser or other expert or professional employed or engaged by or on behalf of the Company; or (iv) any other Person selected in good faith by or on behalf of the Company, in each case as to matters that such relying Person reasonably believes to be within such other Person's professional or expert competence. The preceding sentence shall in no way limit any Person's right to rely on information to the extent provided in § 18-406 of the Delaware Act.

Section 6.15 Liabilities and Duties of the Members and Managers.

(a) *Limitation of Liability.* This Agreement is not intended to, and does not, create or impose any duty of loyalty or due care or any other fiduciary duty on any Member, Manager or any other Person. Furthermore, each of the Members and the Company hereby waives any and all duties (including, without limitation, fiduciary duties) that, absent such waiver, may be implied by the Act or other applicable law, and in doing so, acknowledges and agrees that the duties and obligation of each Member, Manager or other Person pursuant hereto to each other and to the Company and each other Member are only as expressly set forth in this Agreement and as expressly set forth in any agreements or other documents executed in connection herewith. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Member, Manager or other Person otherwise existing at law or in equity, are agreed by the Members, the Managers and the Company to replace such other duties and liabilities of such Member, Manager or other Person.

(b) *Duties.* Whenever in this Agreement a Manager is permitted or required to make a decision (including a decision that is in such Manager's "discretion" or under a grant of similar authority or latitude), the Manager shall be entitled to consider only such interests and factors as such Manager desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Company or any other Person. Whenever in this Agreement a Manager is permitted or required to make a decision in such

Manager's "good faith," the Manager shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement, the Act or any other applicable law.

Section 6.16 Indemnification.

(a) Subject to the limitations and conditions as provided in this Section 6.16, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or arbitrative or in the nature of an alternative dispute resolution in lieu of any of the foregoing (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that such Person, or a Person of which such Person is the legal representative, is or was a Member or Manager or a representative respectively thereof, shall be indemnified by the Company to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against all liabilities and expenses (including judgments, penalties (including excise and similar taxes and punitive damages), losses, fines, settlements and reasonable expenses (including, without limitation, reasonable attorneys' and experts' fees)) actually incurred by such Person in connection with such Proceeding, appeal, inquiry or investigation (each a "Loss"), unless such Loss shall have been primarily the result of gross negligence, fraud or intentional misconduct by the Person seeking indemnification hereunder, in which case such indemnification shall not cover such Loss to the extent resulting from such gross negligence, fraud or intentional misconduct. Indemnification under this Section 6.16 shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder. The rights granted pursuant to this Section 6.16 shall be deemed contract rights, and no amendment, modification or repeal of this Section 6.16 shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings, appeals, inquiries or investigations arising prior to any amendment, modification or repeal. To the fullest extent permitted by law, no Person entitled to indemnification under this Section 6.16 shall be liable to the Company of any member for any act or omission performed or omitted by or on behalf of the Company; *provided* that such act or omission has not been fully adjudicated to constitute fraud, willful misconduct or gross negligence. In addition, any Person entitled to indemnification under this Section 6.16 may consult with legal counsel selected with reasonable care and shall incur no liability to the Company or any Member to the extent that such Person acted or refrained from acting in good faith in reliance upon the opinion or advice of such counsel.

(b) The right to indemnification conferred in Section 6.16(a) shall include the right to be paid or reimbursed by the Company for the reasonable expenses incurred by a Person entitled to be indemnified under Section 6.16(a) who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; *provided*, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Company of a written undertaking by such Person to repay all amounts so advanced if it shall be finally adjudicated that such indemnified Person is not entitled to be indemnified under this Section 6.16 or otherwise.

(c) The Company, with Member Approval, may indemnify and advance expenses to an employee or agent of the Company to the same extent and subject to the same conditions under which it may indemnify and advance expenses to a Member under Sections 6.16(a) and 6.16(b).

(d) The right to indemnification and the advancement and payment of expenses conferred in this Section 6.16 shall not be exclusive of any other right that a Member, Manager or other Person indemnified pursuant to this Section 6.16 may have or hereafter acquire under any law (common or statutory) or provision of this Agreement (but excluding insurance obtained by the Company or any of its Affiliates) (such other rights, "Supplemental Indemnification Rights"). The Board may grant any rights comparable to those set forth in this Section 6.16 to any employee, agent or representative of the Company or such other Persons as it may determine. In the event any provider of Supplemental Indemnification Rights pays any amount with respect to an Indemnified Person, such provider of Supplemental Indemnification Rights shall be subrogated to such Indemnified Person's rights to indemnification hereunder to the extent of payment made by such holder of Supplemental Indemnification Rights on behalf of such Indemnified Person. The Company, each Member and each Manager acknowledge and agree that the indemnification obligations of the Company hereunder and under any insurance policy contemplated pursuant to Section 6.16(f) shall be deemed primary coverage and in no event shall the Company (or any provider of insurance pursuant to Section 6.16(f)) be entitled to any contribution from any provider of Supplemental Indemnification Rights.

(e) The indemnification rights provided by this Section 6.16 shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of each Person indemnified pursuant to this Section 6.16.

(f) The Company shall purchase and maintain insurance on behalf of each Member and Manager (with coverage and terms reasonably acceptable to the Board) against any reasonably insurable liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as a Member or Manager, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Section 6.16.

Section 6.17 Tax Matters Member. Solar shall be the "tax matters partner" of the Company within the meaning of Section 6231(a)(7) of the Code (in such capacity, the "Tax Matters Member"). The provisions of Section 6.16 shall apply to all actions taken on behalf of the Members by the Tax Matters Member in its capacity as such. The Tax Matters Member shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the tax matters partner of the Company. The Tax Matters Member shall have the right to retain professional assistance in respect of any audit of the Company and all reasonable, documented out-of-pocket expenses and fees incurred by the Tax Matters Member on behalf of the Company as Tax Matters Member shall be reimbursed by the Company. In the event the Tax Matters Member receives notice of a final Company adjustment under Section 6223(a) of the Code, it shall either (i) file a court petition for judicial review of such final adjustment within the

period provided under Section 6226(a) of the Code, a copy of which petition shall be mailed to all Members on the date such petition is filed, or (ii) mail a written notice to all Members within such period that describes its reasons for determining not to file such a petition. Each Member shall be a “notice partner” within the meaning of Section 6231(a)(8) of the Code. The Tax Matters Member shall consult with Investor in respect of any audit or similar tax proceeding with any taxing authority and shall not reach a settlement in respect of any such proceeding without Manager Approval.

**ARTICLE 7 TRANSFERS OF COMPANY INTERESTS;
WITHDRAWALS; LIMITED LIQUIDITY RIGHT**

Section 7.1 Transfers by Members.

(a) The Company equity or Junior Loans of a Member may not be assigned, pledged or otherwise hypothecated without the unanimous approval of the Board, *provided* that, (x) with respect to a transfer to a person that is not an affiliate of Investor, Investor may transfer any of its equity or Junior Loans following the 5th anniversary of the Closing, so long as it complies with the right of first offer set forth below in subsection (b) and (y) with respect to a transfer to a person that is an affiliate of Investor, Investor may transfer any of its equity or Junior Loans at any time upon written notice to Solar so long as persons who work on similar PIMCO fund matters remain on the Board and Investment Committee and retain control of all decision making related to the entity (it being understood that Investor retains the right to remove and/or replace any of its designees serving on the Board with persons that Investor determines in its sole discretion). Any purported assignment shall be void ab initio.

(b) If (i) Investor desires to transfer all of its equity and Junior Loans following the 5th anniversary of the date of this Agreement pursuant to Section 7.1(a)(x), or (ii) a transfer notice is issued with respect to Investor’s (or its Affiliate’s) investment in any other Investor Entities pursuant to a provision analogous to Section 7.1(a)(x), in each case other than, for the avoidance of doubt, a transfer contemplated in connection with Section 7.3 or an analogous provision, then Investor shall inform Solar in writing of such proposed sale (such notice, a “Transfer Notice”) and Solar shall have the right to purchase such equity and Junior Loans at the Offer Price. During the 120 calendar days following receipt of a Transfer Notice (the “Offer Period”), Solar (or an Affiliate or third party designated by Solar) shall have the right to deliver a reply notice (a “Transfer Acceptance”) to Investor of its irrevocable election to purchase all of the equity and Junior Loans described in the Transfer Notice at the Offer Price. To the extent that during the Offer Period, Solar has identified a third party purchaser who is working in good faith to acquire all of Investor’s equity and Junior Loans by the end of the Offer Period, then the Offer Period shall be automatically extended for an additional 30 calendar day period. In the event that Solar does not timely deliver a Transfer Acceptance, then Investor may at any time during the period of 120 days thereafter (the “Sale Window”) transfer the applicable equity and Junior Loans described in the Transfer Notice to any Person reasonably acceptable to Solar at a price equal to or above the Offer Price. To the extent that during the Sale Window, Investor has identified a third party purchaser who is working in good faith to acquire all of Investor’s equity and Junior Loans by the end of the Sale Window, then the Sale Window shall be automatically extended for an additional 30 calendar day period. During the Offer Period and the Sale Window, Investor shall, and shall cause its controlling Affiliates to, and Solar shall, and shall

cause its controlling Affiliates to, use commercially reasonable efforts to cooperate with each other to find third party purchasers reasonably acceptable to Solar. For the avoidance of doubt, if Investor does not sell its equity and Junior Loans during the Sale Window, then the terms of this subsection (b) shall apply with respect to any future proposed transfer, other than a transfer in connection with Section 7.3.

(c) In connection with the transfer of Investor's equity or Junior Loans in the Company, each transferee shall execute a joinder to this Agreement in the form as reasonably determined by the Managers. Upon execution of such joinder by the transferee, Investor shall be released from all rights, obligations, and liabilities arising from and after the date thereof with respect to the transferred equity and Junior Loans, including the right to vote on any matters relating to the Company. Upon such a transfer, the transferee shall assume the economic obligations and liabilities (and all economic rights and benefits) and voting and other rights of Investor with respect to such transferred equity and Junior Loans and shall become a party to this Agreement and be treated as a Member hereunder

(d) If a Member (or its designee) elects to purchase all of the other Member's Junior Loans and interest in the Company pursuant to Section 3.1(c) or 3.2(a)(ii), the purchase price for such Junior Loans and interest in the Company shall be determined in accordance with Section 9.5 and payable in cash within ninety (90) days after the election to purchase is delivered to the other Member; provided that if the purchasing Member is working in good faith to acquire such Junior Loans and interests at the end of such 90 day period, the period shall be automatically extended for an additional 30 calendar days. After such purchase, the other Member shall no longer be a member of the Company, and the Member that has elected to purchase the other Member's Junior Loans and interest in the Company may dissolve or continue the Company as it may determine.

Section 7.2 Withdrawal by Members.

Members may withdraw from the Company only as provided by this Agreement.

(i) Notwithstanding any provision contained herein to the contrary, if a Member shall obtain an opinion of counsel to the effect that, as a result of the other Member's ownership of an interest in the Company, the Company would be required to register as an investment company under the Investment Company Act of 1940, as amended, such other Member shall, upon written notice from such first Member, withdraw from or reduce (in accordance with the provisions of clause (iii) below) its interest in the Company (including its Capital Commitment) to the extent such first Member has determined, based upon such opinion of counsel, to be necessary in order for the Company not to be required to so register. Each Member shall, upon written request from the other Member, promptly furnish to the other Member such information as the other Member may reasonably request from time to time in order to make a determination pursuant to this Section 7.2(i), but in no event later than ten (10) Business Days after such request.

(ii) Notwithstanding any provision herein to the contrary, if a Member shall obtain an opinion of counsel to the effect that any contribution or payment by the other

Member to the Company would cause the Company or the other Member to be in violation of, or to the effect that such Member is in violation of, the United States Bank Secrecy Act, the United States Money Laundering Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, the USA Patriot Act or any other law or regulation to which the Company, a Member, or such Member's investment in the Company may be subject from time to time, such Member shall, upon written notice from the other Member, withdraw from the Company in accordance with the provisions of clause (iii) below. Each Member shall, upon written request from the other Member, promptly furnish to the other Member such information as the other Member may reasonably request from time to time in order to make a determination pursuant to this Section 7.2 (ii), but in no event later than ten (10) Business Days after such request.

(iii) If a Member partially or fully withdraws its interest in the Company pursuant to Section 7.2, the Members shall work together in good faith to negotiate the manner and timing of such withdrawal.

Section 7.3 Limited Liquidity Right. If Investor has not previously disposed of its interest in the Company and Junior Loans, following August 1, 2021, upon written notice from Investor, Solar shall, and shall cause its controlling Affiliates to, use their respective reasonable best efforts to find a new investor to acquire Investor's junior loans (including the Junior Loans) and interests in each Investor Entity.

ARTICLE 8 TERM, DISSOLUTION AND LIQUIDATION OF COMPANY

Section 8.1 Term. Except as provided in Section 8.2, the Company shall continue without dissolution until all Investments are liquidated by the Company and there is Manager Approval of dissolution of the Company.

Section 8.2 Dissolution. The Company shall be dissolved and its affairs wound up upon the occurrence of any of the following events:

(a) the expiration of the term of the Company determined pursuant to Section 8.1; or

(b) the entry of a decree of judicial dissolution pursuant to the Act, in which event the provisions of Section 8.3, as modified by said decree, shall govern the winding up of the Company's affairs.

Section 8.3 Wind-down.

(a) Upon the dissolution of the Company, the Company shall be liquidated in accordance with this Article and the Act. The liquidation shall be conducted and supervised by the Members in the same manner provided by Article 6 with respect to the operation of the Company during its term.

(b) From and after the date on which an event set forth in Section 8.2 becomes effective, the Company shall cease to make Investments after that date, except for (i) Investments

which the Company was committed to make in whole or in part (as evidenced by a binding commitment letter, binding term sheet or binding letter of intent, or definitive legal documents under which less than all advances have been made) on or before such effective date, and (ii) at the election of all Members exercised by Member Approval within three (3) Business Days after receipt by the Members of written notice of the availability of such election from any Member, any Investment in a Portfolio Company in which the Company then has an Investment in which the Company participates. Capital calls against the Capital Commitment of the Members shall cease from and after such effective date of dissolution; *provided* that capital calls against the Capital Commitment of the Members may continue to fund the allocable share of Investments in which the Company continues to participate (as set forth in the immediately preceding sentence), Expenses and all other obligations of the Company including, for the avoidance of doubt, protective advances required under the Investments. Subject to the foregoing, the Members shall continue to bear an allocable share of Expenses and other obligations of the Company until all Investments in which the Company participates are repaid or otherwise disposed of in the normal course of the Company's activities.

(c) Distributions to the Members during the winding down of the Company shall be made no less frequently than quarterly to the extent consisting of a Member's allocable share of cash and cash equivalents, after taking into account reasonable reserves deemed appropriate by Member Approval, to fund Investments in which the Company continues to participate (as set forth in the immediately preceding paragraph), Expenses and all other obligations (including without limitation contingent obligations) of the Company. Unless waived by Member Approval, the Company also shall withhold ten percent (10%) of distributions in any calendar year, which withheld amount shall be distributed within sixty (60) days after the completion of the annual audit covering such year.

(d) Upon dissolution of the Company, final allocations of all items of Company Profit and Loss shall be made in accordance with Section 4.2. Upon dissolution of the Company, the assets of the Company shall be applied in the following order of priority:

(i) To creditors (other than Members) in satisfaction of liabilities of the Company (whether by payment or by the making of reasonable provision for payment thereof), including to establish any reasonable reserves which a Member may, in its reasonable judgment, deem necessary or advisable for any contingent, conditional or unmatured liability of the Company;

(ii) To establish any reserves which a Member may, in its reasonable judgment, deem necessary or advisable for any contingent, conditional or unmatured liability of the Company to Members; and

(iii) The balance, if any, to the Members in accordance with Section 5.1(b).

(e) In the event that an audit or reconciliation relating to the Fiscal Year in which a Member receives a distribution under this Section 8.3 reveals that such Member received a distribution in excess of that to which such Member was entitled, the other Member may, in its discretion, seek repayment of such distribution for the benefit of the Company to the extent that such distribution exceeded what was due to such Member.

(f) Each Member shall be furnished with a statement prepared by the Company's accountant, which shall set forth the assets and liabilities of the Company as at the date of complete liquidation, and each Member's share thereof. Upon compliance with the distribution plan set forth in this Section 8.3, the Members shall cease to be such, and either Member may execute, acknowledge and cause to be filed a certificate of cancellation of the Company.

Section 8.4 Cause Event. If, during the term of the Company, there is an event constituting Cause, then (i) the Reinvestment Period shall terminate automatically and (ii) Investor, at its election, may require Solar to appoint a sub-servicer to fulfill its obligations, and receive its rights and benefits, under the Servicing Agreement pursuant to Section 9(b) of the Servicing Agreement. If, during the Reinvestment Period, Solar reasonably determines that Investor has engaged in conduct which constitutes gross negligence with respect to the Company which has or reasonably could be expected to have a material adverse effect on the business of the Company, then, upon ten (10) Business Days' notice from Solar to Investor, the Reinvestment Period shall terminate automatically.

Section 8.5 SEC Event. Upon a failure by Solar to obtain the approval of the SEC of Solar's interest in the Company, or a determination by the SEC to subject Solar's participation in the Company to an accounting or reporting treatment or other consequence which Solar, in its sole discretion, determines to be materially adverse to it, or a change by the SEC of its approval of Solar's interest in the Company or the terms of such approval or its conclusions regarding the accounting or reporting treatment or other consequence which Solar, in its sole discretion, determines to be materially adverse to it, in each case at the election of Solar by providing written notice of such election to the other Member, the Company shall run off its portfolio, the Reinvestment Period shall immediately terminate and, for the avoidance of doubt, during such time the Company shall not sell any of its assets absent Manager Approval nor shall Solar transfer its Junior Loans or interests in the Company absent Manager Approval.

ARTICLE 9 ACCOUNTING, REPORTING AND VALUATION PROVISIONS

Section 9.1 Books and Accounts.

(a) Complete and accurate books and accounts shall be maintained for the Company at its principal office. Such books and accounts shall be kept on the accrual basis method of accounting and shall include separate Capital Accounts for each Member. Capital Accounts for financial reporting purposes and for purposes of this Agreement shall be maintained in accordance with Section 4.1, and for U.S. federal income tax purposes the Servicer shall, pursuant to the Servicing Agreement, maintain the Members' Capital Accounts in accordance with the Code and applicable Treasury Regulations. Each Member or its duly authorized representative, at its own expense, shall at all reasonable times and upon reasonable prior written notice to the Servicer have access to, and may inspect, such books and accounts and any other records of the Company for any purpose reasonably related to its Junior Loans or its interest in the Company.

(b) All funds received by the Company shall be deposited in the name of the Company in such bank account or accounts or with such custodian, and securities owned by the

Company may be deposited with such custodian, as may be designated by Member Approval from time to time and withdrawals therefrom shall be made upon such signature or signatures on behalf of the Company as may be designated by Member Approval from time to time.

Section 9.2 Financial Reports: Tax Return.

(a) Within thirty (30) days, after the end of each calendar month, pursuant to the Servicing Agreement, the Servicer shall prepare (or supervise the preparation of) and deliver, by any of the methods described in Section 10.6, to each Member (i) a high-level summary financial information of the Company and (ii) any material information concerning new Investments made during such month or any defaults or potential defaults in investments discovered during such month.

(b) Within forty-five (45) days after the end of each calendar quarter, pursuant to the Servicing Agreement, the Servicer shall prepare (or supervise the preparation of) and deliver, by any of the methods described in Section 10.6, to each Member unaudited financial statements for such quarter-end (schedule of Investments, balance sheet, income statement, statement of changes in net assets and financial highlights and ratios) of the Company.

(c) Within sixty (60) days after the end of each calendar year, pursuant to the Servicing Agreement, the Servicer shall prepare (or supervise the preparation of) and deliver, by and of the methods described in Section 10.6, to each Member, audited financial statements (including a balance sheet, income statement and statement of cash flows) prepared in accordance with GAAP for such calendar year.

(d) The Company's auditor on the date hereof shall be KPMG. In the event that the Servicer's auditor changes after the date hereof, the Company shall use such auditor engaged by the Servicer provided that any auditor other than PricewaterhouseCoopers, Deloitte Touche Tohmatsu Limited, KPMG, Ernst & Young, McGladrey LLP, BDO International, or Grant Thornton LLP shall require the consent of Investor, not to be unreasonably withheld.

(e) Pursuant to the Servicing Agreement, the Servicer shall (i) prepare or supervise the preparation and timely filing after the end of each fiscal year of the Company all federal and state income tax returns of the Company for such fiscal year, (ii) prepare and deliver or supervise the preparation and delivery to each Member of (a) a Schedule K-1 with respect to such Member by April 30th following the end of such fiscal year and (b) an estimate of such Member's Schedule K-1 by March 15th following the end of such fiscal year and (iii) provide any other tax-related information reasonably requested by such Member in respect of its interest in the Company.

(f) For the avoidance of doubt, the Members intend that the Junior Loans be treated as equity, and agree that the Company will report the Junior Loans as such, for any and all income tax purposes.

Section 9.3 Tax Elections. The Company may, by Member Approval, but shall not be required to, make any election pursuant to the provisions of Section 754 or 1045 of the Code, or any other election required or permitted to be made by the Company under the Code.

Section 9.4 Confidentiality.

(a) Each Member agrees to maintain the confidentiality of the Company's records, reports and affairs, and all information and materials furnished to such Member by the Company, the Servicer or their Affiliates with respect to their respective businesses and activities; each Member agrees not to provide to any other Person copies of any financial statements, tax returns or other records or reports, or other information or materials, provided or made available to such Member; and each Member agrees not to disclose to any other Person any information contained therein (including any information respecting Portfolio Companies), without the express prior written consent of the disclosing party; *provided* that any Member may provide such information and documentation (i) to such Member's accountants, internal and external auditors, legal counsel, financial advisors and other fiduciaries and representatives (who may be Affiliates of such Member) as long as such Member instructs such Persons to maintain the confidentiality thereof and not to disclose to any other Person any information contained therein, (ii) to any permitted transferees of such Member's interest in the Company or Junior Loans that agree in writing, for the benefit of the Company, to maintain the confidentiality thereof, but only after reasonable advance notice to the Company, (iii) if and to the extent required by law (including judicial or administrative order and the rules and regulations of the SEC, including if required, filing a copy of this Agreement); *provided* that, where legally permissible, the Company and the Members are given prior notice to enable them (or to enable them to cause the Company) to seek a protective order or similar relief (including, without limitation, confidentiality with respect to, or redaction of, sensitive information); *provided, further*, that the party that is required to disclose such information provides (to the extent legally permissible) the other parties a reasonable period of time to review such proposed disclosure in advance of its dissemination and shall consider in good faith any comments of such other parties and take any reasonable comments of such other parties to the disclosure prior to its dissemination; *provided*, however, that Solar and its Affiliates shall not be required to obtain Investor's approval with respect to the description of the Investor to the extent such description is consistent with disclosure that has been previously reviewed by Investor or the inclusion of information regarding Investments, financial performance and similar information in filings with the SEC to the extent such information is required to be included therein, (iv) to representatives of any governmental regulatory agency or authority with jurisdiction over such Member, or as otherwise may be necessary to comply with regulatory requirements applicable to such Member, (v) in order to enforce rights under this Agreement and (vi) to any Persons who are bona fide prospective purchasers for value of such Member's interests in the Company and/or Junior Loans, *provided*, that any such bona fide prospective purchaser enters into a customary confidentiality agreement with respect to such information and documentation which contains provisions no less restrictive than the confidentiality provisions contained herein, *provided, further* that the obligations under any such confidentiality agreements may expire eighteen months or more from the date thereof. Notwithstanding the foregoing, the following shall not be considered confidential information for purposes of this Agreement: (a) information generally known to the public including as a result of a disclosure pursuant to Section 9.4(c)(iii) in accordance with the requirements of such provision; (b) information obtained by a Member from a third party who is not prohibited from disclosing the information on a non-confidential basis; (c) information in the possession of a Member prior to its disclosure by the Company, the Servicer or their Affiliates; or (d) information which a Member can show by written documentation was developed independently of disclosure by the Company, the Servicer or their Affiliates.

(b) Notwithstanding the foregoing, absent the prior written consent of the Investor, Solar and its Affiliates shall not make any press release, public announcement, internet posting, other mass communication that contains the Company's or its Affiliates' identity as a client of the Servicer or any information concerning the composition of the assets of the Company or its Affiliates, except (i) to the extent set forth in Section 9.4(a)(iii) and (ii) for ordinary course marketing information regarding Investments including tombstone advertisements that do not reference Investor or its Affiliates.

(c) The Members: (i) acknowledge that the Company, the Servicer, its Affiliates, and their respective direct or indirect members, members, managers, officers, directors and employees are expected to acquire confidential third-party information (e.g., through Portfolio Company directorships held by such Persons) that, pursuant to fiduciary, contractual, legal or similar obligations, cannot be disclosed to the Company or the Members; and (ii) agree that none of such Persons shall be in breach of any duty under this Agreement or the Act as a result of acquiring, holding or failing to disclose such information to the Company or the Members; *provided*, that without the prior written consent of Investor, in its sole discretion, Solar shall use, and shall cause the Servicer to use, reasonable best efforts to cause each such person enumerated in item (i) to avoid incurring any such obligations which would restrict the sharing of such information with the Company, the Managers or the Members.

Section 9.5 Valuation.

(a) Valuations shall be made as required under this Agreement and as of the end of each fiscal quarter and on an annual basis, in accordance with the following provisions:

(i) Within forty-five (45) days after the end of each fiscal quarter of each fiscal year, the Board shall determine the valuation of the assets of the Company using valuations provided to the Board by Solar (which shall be made in accordance with the Company's valuation guidelines then in effect). Once approved, the Board shall deliver such valuations to the Servicer for delivery to the Members.

(ii) To the extent a valuation is required under this Agreement at a time other than the end of a fiscal quarter, the most recent quarterly valuation as determined under this Section 9.5 shall be used, subject to adjustment by Solar (in accordance with the Company's valuation guidelines then in effect (which shall be consistent with Solar's valuation guidelines then in effect)). In addition, any such valuation shall, at the time of closing of the sale of any interest in Company and/or the Junior Loans, be adjusted for any accrued but unpaid net investment income or any other changes to the underlying investment portfolio.

(iii) Investor shall have the right to object, at any time, to any valuation contemplated by (i) or (ii) above and, in the event that Investor and Solar are unable to resolve any such valuation objections of Investor within a period of ten (10) Business Days, during the period of ten (10) Business Days thereafter, Investor or Solar may hire an independent appraiser or other valuation expert mutually reasonably acceptable to Investor and Solar to resolve any such outstanding objections and such third-party person's determination shall be binding on the Company, Investor and Solar for all

purposes under this Agreement. In the event that Investor and Solar are unable to agree on an independent appraiser or other valuation expert pursuant to the foregoing sentence, Duff & Phelps, LLC shall serve in such capacity. Any such independent appraiser or other valuation expert shall endeavor to provide its determination within fifteen (15) Business Days of its engagement, and the costs, expenses and fees of any such independent appraiser or other valuation expert shall be borne 50% by Investor and 50% by Solar.

(b) All valuations shall be made in accordance with the foregoing shall be final and binding on all parties to this Agreement for all purposes under this Agreement, subject to the provisions of Section 9.5(a)(iii).

(c) For the avoidance of doubt, market value of the entire equity tranche (including Junior Loans) of the Company shall equal the net asset value (or shareholder's equity) per GAAP.

ARTICLE 10 MISCELLANEOUS PROVISIONS

Section 10.1 Determination of Disputes.

(a) If any claim, controversy or other dispute (a "Dispute") arises out of or in connection with this Agreement including breach, termination or invalidity thereof, and if the Dispute cannot be settled through negotiation, the Dispute shall be exclusively and finally settled by submitting the matter to the Judicial Arbitration and Mediation Service ("JAMS"), or its successor, for arbitration in the State and Country of New York, pursuant to the United States Arbitration Act, 9 U.S.C. Sec. 1 et seq., applying the laws of Delaware (without regard to the principles of conflicts of laws thereof). The parties hereto waive their right to seek remedies in court, including any right to a jury trial, and disputes will not be resolved in any other forum or venue except as contemplated by this Section 14. Any party hereto may commence the arbitration process called for in this Agreement by filing a written demand for arbitration with JAMS, with a copy to the other parties hereto. The arbitration will be conducted in accordance with the provisions of JAMS' Streamlined Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration, and shall be conducted by one or more retired judges who are experienced in dispute resolution regarding the investment management industry. The parties hereto will cooperate with JAMS and with one another in selecting an arbitrator in accordance with the foregoing sentence from JAMS' panel of neutral arbitrators, and in scheduling the arbitration proceedings. The parties hereto covenant that they will participate in the arbitration in good faith. The provisions of this paragraph may be enforced by any court of competent jurisdiction, and the party hereto seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorney's fees, to be paid by the party or parties hereto against whom enforcement is ordered. Pre-arbitration discovery shall be limited to the greatest extent provided by the rules of JAMS, the arbitration award shall not include factual findings or conclusions of law, and no punitive damages shall be awarded.

(b) The award or decision of the arbitrators shall be final, binding upon the parties hereto and shall be non-appealable. Judgment upon the award or decision rendered by the arbitrators may be entered in any court having jurisdiction thereon.

(c) Arbitration sessions shall be private. The parties hereto subject to the Dispute and their representatives may attend arbitration sessions. Other persons may attend only with the permission of the parties hereto subject to the Dispute and with the consent of the arbitrator.

(d) Confidential information disclosed to an arbitrator by each party hereto and its representatives in the course of the arbitration shall be filed under seal and shall not be divulged by the arbitrator to any person other than the parties hereto and their representatives. All records, reports or other documents received by an arbitrator while serving in that capacity shall be confidential. The arbitrator shall not be compelled to divulge such records or to testify in regard to the arbitration in any adversary proceeding or judicial forum. The parties hereto shall maintain the confidentiality of the arbitration and shall not rely on, or introduce as evidence in any arbitral, judicial or other proceeding, other than the proceeding before the arbitrator: (i) views expressed or suggestions made by another party hereto with respect to a possible settlement of the Dispute; (ii) admissions made by another party hereto in the course of attempted settlement of the arbitration proceedings; (iii) proposals made or views expressed by the arbitrator, other than the final decision; or (iv) the fact that another party hereto had or had not indicated willingness to accept a proposal for settlement made by the arbitrator. There shall be no stenographic record of the arbitration process.

Section 10.2 Certificate of Formation; Further Assurances. The Members hereby approve and ratify the filing of the Certificate of Formation on behalf of the Company. The Members agree from time to time to execute and deliver such further and other documents, certificates, instruments and amendments as may be reasonably necessary to more effectively and completely carry out the intention and purposes of this agreement, in forms reasonably acceptable to such Members.

Section 10.3 Force Majeure. Whenever any act or thing is required of the Company or a Member hereunder to be done within any specified period of time, the Company and the Member shall be entitled to such additional period of time to do such act or thing as shall equal any period of delay resulting from causes beyond the reasonable control of the Company or the Member, including, without limitation, bank holidays, and excluding, without limitation, economic hardship; *provided* that this provision shall not have the effect of relieving the Company or the Member from the obligation to perform any such act or thing, and the party so affected shall use its reasonable best efforts to avoid or remove such cause of nonperformance and shall continue performance hereunder as soon as practicable.

Section 10.4 Applicable Law. This Agreement shall be governed by, and construed in accordance with, the internal law of the State of Delaware, without regard to the principles of conflicts of laws thereof.

Section 10.5 Waivers.

(a) No waiver of the provisions hereof shall be valid unless in writing and then only to the extent therein set forth. Any right or remedy of the Members hereunder may be waived by Member Approval, and any such waiver shall be binding on all Members. Except as specifically herein provided, no failure or delay by any party in exercising any right or remedy hereunder shall operate as a waiver thereof, and a waiver of a particular right or remedy on one occasion shall not be deemed a waiver of any other right or remedy or a waiver on any subsequent occasion.

(b) Except as otherwise provided in this Agreement, any approval or consent of the Members may be given by Member Approval, and any such approval or consent shall be binding on all Members.

Section 10.6 Notices. All notices, demands, solicitations of consent or approval, and other communications hereunder shall be in writing or by electronic mail (with or without attached PDFs), and shall be sufficiently given if personally delivered or sent by postage prepaid, registered or certified mail, return receipt requested, or sent by electronic mail, overnight courier or facsimile transmission, addressed as follows: if intended for the Company, to the Company's principal office determined pursuant to Section 2.3; and if intended for any Member, to the address of such Member set forth on the Company's records, or to such other address as any Member may designate by written notice. Notices shall be deemed to have been given (i) when personally delivered, (ii) if sent by registered or certified mail, on the earlier of (A) three days after the date on which deposited in the mails or (B) the date on which received, or (iii) if sent by electronic mail, overnight courier or facsimile transmission, on the date on which received; *provided* that notices of a change of address shall not be deemed given until the actual receipt thereof. The provisions of this Section shall not prohibit the giving of written notice in any other manner; any such written notice shall be deemed given only when actually received.

Section 10.7 Construction.

- (a) The captions used herein are intended for convenience of reference only and shall not modify or affect in any manner the meaning or interpretation of any of the provisions of this Agreement.
- (b) As used herein, the singular shall include the plural, the masculine gender shall include the feminine and neuter, and the neuter gender shall include the masculine and feminine, unless the context otherwise requires.
- (c) The words "hereof," "herein," and "hereunder," and words of similar import, when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.
- (d) References in this Agreement to Articles and Sections are intended to refer to Articles and Sections of this Agreement unless otherwise specifically stated.
- (e) Nothing in this Agreement shall be deemed to create any right in or benefit for any creditor of the Company that is not a party hereto, and this Agreement shall not be construed in any respect to be for the benefit of any creditor of the Company that is not a party hereto.

Section 10.8 Amendments.

- (a) This Agreement may be amended at any time and from time to time by Manager Approval.
- (b) Notwithstanding the foregoing, a Member may amend this Agreement and the Member List at any time and from time to time to reflect the admission or withdrawal of any Member or the change in any Member's Capital Commitment, as contemplated by this Agreement.

Section 10.9 Legal Counsel of Solar, the Servicer and the Company. Solar and the Company have engaged Akin Gump Strauss Hauer & Feld LLP (“Solar Counsel”), as legal counsel to Solar, the Company and the Servicer. Moreover, Solar Counsel has previously represented and/or concurrently represents the interests of Solar, the Servicer, the Company and/or parties related thereto in connection with matters other than the preparation of this Agreement and may represent such Persons in the future. Each Member: (i) approves Solar Counsel’s representation of Solar, the Company and the Servicer in the preparation of this Agreement; and (ii) acknowledges that Solar Counsel has not been engaged by any other Member to protect or represent the interests of such Member vis-à-vis the Company or the preparation of this Agreement, and that actual or potential conflicts of interest may exist among the Members in connection with the preparation of this Agreement. In addition, each Member: (i) acknowledges the possibility of a future conflict or dispute among Members or between any Member or Members and the Company or the Servicer; and (ii) acknowledges the possibility that, under the laws and ethical rules governing the conduct of attorneys, Solar Counsel may be precluded from representing the Company and/or Solar and/or the Servicer (or any equity holder thereof) in connection with any such conflict or dispute. No Member shall be deemed by virtue of this Section 10.9 to have waived its right to object to any conflict of interest relating to matters other than this Agreement or the transactions contemplated herein. Each Member: (i) approves Solar Counsel’s representation of Solar in the preparation of this Agreement; and (ii) acknowledges that Solar Counsel has not been engaged by any other Member to protect or represent the interests of such Member vis-à-vis the Company or the preparation of this Agreement, and that actual or potential conflicts of interest may exist among the Members in connection with the preparation of this Agreement.

Section 10.10 Legal Counsel of Investor. Investor has engaged Ropes & Gray LLP (“Investor Counsel”), as legal counsel to Investor. Moreover, Investor Counsel has previously represented and/or concurrently represents the interests of Investor and/or parties related thereto in connection with matters other than the preparation of this Agreement and may represent such Persons in the future. In addition, each Member: (i) acknowledges the possibility of a future conflict or dispute among Members or between any Member or Members and Investor; and (ii) acknowledges the possibility that, under the laws and ethical rules governing the conduct of attorneys, Investor Counsel shall not be precluded from representing Investor (or any equity holder thereof) in connection with any such conflict or dispute. Nothing in this Section 10.10 shall preclude Investor from selecting different legal counsel to represent it at any time in the future and no Member shall be deemed by virtue of this Section 10.10 to have waived its right to object to any conflict of interest relating to matters other than this Agreement or the transactions contemplated herein.

Section 10.11 Execution. This Agreement may be executed in any number of counterparts (including facsimile or electronic .pdf) and all such counterparts together shall constitute one agreement binding on all Members.

Section 10.12 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto; *provided* that this provision shall not be construed to permit any assignment or transfer which is otherwise prohibited hereby.

Section 10.13 Severability. If any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and all other applications thereof shall not in any way be affected or impaired thereby.


Section 10.14 Computation of Time. In computing any period of time under this Agreement, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, Sunday or legal holiday on which banks in New York are closed, in which event the period shall run until the end of the next day which is not a Saturday, Sunday or such a legal holiday. Any reference to "Business Day" shall refer to any day which is not a Saturday, Sunday or such a legal holiday. Any references to time of day shall refer to New York time.

Section 10.15 Entire Agreement. This Agreement and the Subscription Agreements entered into between the Company and each Member in connection with the Members' subscription of interests in the Company set forth the entire understanding among the parties relating to the subject matter hereof, any and all prior correspondence, conversations, memoranda or other writings being merged herein and replaced and being without effect hereon. No promises, covenants or representations of any character or nature other than those expressly stated herein, in such Subscription Agreements, or in any such other agreement have been made to induce any party to enter into this Agreement.

[Remainder of page left blank]

IN WITNESS WHEREOF, the Members have caused this Agreement to be executed and Delivered as of September 2, 2014.

SOLAR CAPITAL LTD.

By: 
Name: Michael Gross
Title: CEO

SENIOR SECURED UNITRANCHE LLC

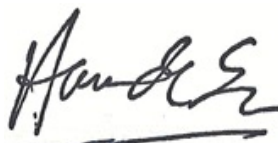
By: 
Name: HARIN DE SILVA
Title: AUTHORIZED PERSON



EXHIBIT A

[Form of Subscription Agreement]

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

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

1. I have reviewed this quarterly report on Form 10-Q of Solar Capital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 4th day of November, 2014

/s/ MICHAEL S. GROSS

Michael S. Gross

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

1. I have reviewed this quarterly report on Form 10-Q of Solar Capital Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 4th day of November, 2014

/s/ RICHARD L. PETEKA

Richard L. Peteka

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 Quarterly Report on Form 10-Q for the period ended September 30, 2014 (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: November 4, 2014

CERTIFICATION OF CHIEF FINANCIAL OFFICER

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

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2014 (the "Report") of Solar Capital Ltd. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, RICHARD L. PETEKA, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ RICHARD L. PETEKA

Name: Richard L. Peteka

Date: November 4, 2014