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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO_____

COMMISSION FILE NUMBER: 814-00754

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

Maryland	**26-1381340**
(State of Incorporation)	**(I.R.S. Employer Identification Number)**
500 Park Avenue **New York, N.Y.**	**10022**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of common stock held by non-affiliates of the Registrant on June 28, 2019 based on the closing price on that date of $20.53 on the NASDAQ Global Select Market was approximately $815.9 million. For the purposes of calculating this amount only, all directors and executive officers of the Registrant have been treated as affiliates. There were 42,260,826 shares of the Registrant's common stock outstanding as of February 18, 2020.

SOLAR CAPITAL LTD.

FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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PART I

Item 1. Business

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

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

We invest primarily in privately held U.S. middle-market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle-market companies in the form of senior secured loans, stretch-senior loans, financing leases and to a lesser extent, unsecured loans and equity securities. We define “middle market” to refer to companies with annual revenues typically between $50 million and $1 billion. Our investments in stretch-senior loans represent loans where the amount of senior debt of the portfolio company is larger than a traditional senior secured loan but is less than a unitranche loan. From time to time, we may also invest directly in the debt and equity of public companies that are thinly traded and such investments will not be limited to any minimum or maximum market capitalization. In addition, we may invest in foreign markets, including emerging markets. Our business is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $5 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base and/or with strategic initiatives.

In addition, we may invest a portion of our portfolio in other types of investments, which we refer to as opportunistic investments, which are not our primary focus but are intended to enhance our overall returns. These investments may include, but are not limited to, direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States. The securities that we invest in are typically rated below investment grade. Securities rated below investment grade are often referred to as “leveraged loans,” “high yield” or “junk” securities, and may be considered “high risk” compared to debt instruments that are rated investment grade. In addition, some of our debt investments will not fully amortize during their lifetime, which means that a borrower may be unable to payoff its debt due to bankruptcy or other reasons and therefore we may write-off such debt investment prior to its scheduled maturity. Upon such an occurrence, we may realize a loss or a substantial amount of unpaid principal and interest due upon maturity.

Our investment activities are managed by Solar Capital Partners, LLC (“Solar Capital Partners” or the “Investment Adviser”) and supervised by our board of directors, a majority of whom are non-interested, as such term is defined in the 1940 Act. Solar Capital Management, LLC (“Solar Capital Management”) provides the administrative services necessary for us to operate.

As of December 31, 2019, our investment portfolio totaled $1.5 billion and our net asset value was $905.9 million. Our portfolio was comprised of debt and equity investments in 108 portfolio companies.

During the fiscal year ended December 31, 2019, we invested approximately $404 million in over 50 portfolio companies. Investments sold or prepaid during the fiscal year ended December 31, 2019 totaled approximately $362 million.

Solar Capital Partners

Solar Capital Partners, our investment adviser, is controlled and led by Michael S. Gross, our Chairman and Co-Chief Executive Officer, and Bruce Spohler, our Co-Chief Operating Officer and Chief Operating Officer. They are supported by a team of investment professionals. Solar Capital Partners' investment team has extensive experience in leveraged lending and private equity, as well as significant contacts with financial sponsors.

In addition, at December 31, 2019, Solar Capital Partners serves as investment adviser to private funds and managed accounts as well as to Solar Senior Capital Ltd. (or "Solar Senior"), another publicly traded BDC that primarily invests directly and indirectly in leveraged, private middle market companies in the form of senior secured loans, including first lien and stretch-senior debt instruments, and SCP Private Credit Income BDC LLC, an unlisted BDC that primarily invests in first lien and stretch first lien loans to upper middle market private leveraged companies. Through December 31, 2019, the investment team led by Messrs. Gross and Spohler has invested approximately $9.0 billion in more than 390 different portfolio companies involving approximately 200 different financial sponsors. As of February 18, 2020, Mr. Gross and Mr. Spohler beneficially owned, either directly or indirectly, approximately 5.8% of our outstanding common stock.

Mr. Gross has over 25 years of experience in the private equity, distressed debt and mezzanine i.e., actually or structurally subordinated lending businesses and has been involved in originating, structuring, negotiating, consummating and managing private equity, distressed debt and mezzanine lending transactions. Prior to his current role as our Chairman, Co-Chief Executive Officer and President, Mr. Gross founded Apollo Investment Corporation, a publicly traded BDC. He served as its chairman from February 2004 to July 2006 and its chief executive officer from February 2004 to February 2006. Under his management, Apollo Investment Corporation raised approximately $930 million in gross proceeds in an initial public offering in April 2004, built a dedicated investment team and infrastructure and invested approximately $2.3 billion in over 65 companies in conjunction with 50 different private equity sponsors. Mr. Gross is also a founder and a former senior partner of Apollo Management, L.P., a leading private equity firm. During his tenure at Apollo Management, L.P., Mr. Gross was a member of the investment committee that was responsible for overseeing more than $13 billion of investments in over 150 companies.

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

We also rely on the over 25 years of experience of Mr. Spohler, who has served as our Chief Operating Officer and a partner of Solar Capital Partners since its inception and as Co-Chief Executive Officer since June 2019. Previously, Mr. Spohler was a managing director and a former co-head of U.S. Leveraged Finance for CIBC World Markets. He held numerous senior roles at CIBC World Markets, including serving on the U.S. Management Committee, Global Executive Committee and the Deals Committee, which approves all of CIBC World Markets' U.S. corporate finance debt capital decisions. During Mr. Spohler's tenure, he was responsible for senior loan, high yield and mezzanine origination and execution, as well as CIBC World Markets' below investment grade loan portfolio in the United States. As a co-head of U.S. Leveraged Finance, Mr. Spohler oversaw over 300 capital raising and merger and acquisition transactions, comprising over $40 billion in market capitalization.

Solar Capital Partners' senior investment professionals have been active participants in the primary and secondary leveraged credit markets throughout their careers. They have effectively managed portfolios of distressed and mezzanine debt as well as other investment types. The depth of their prior experience and credit market expertise has led them through various stages of the economic cycle as well as several market disruptions.

Solar Capital Management

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

License Agreement

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

Market Opportunity

Solar Capital invests primarily in leveraged middle-market companies, including in senior secured loans, stretch-senior loans and to a lesser extent, unsecured loans and equity securities. We believe that the size of this market, coupled with leveraged companies' need for flexible sources of capital at attractive terms and rates, creates an attractive investment environment for us.

- *Middle-market companies have faced increasing difficulty in accessing the capital markets.* While many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies that historically financed their lending and investing activities through securitization transactions have lost that source of funding and reduced lending significantly. Moreover, consolidation of lenders and market participants and the illiquid nature of investments have resulted in fewer middle-market lenders and market participants.
- *There is a large pool of uninvested private equity capital likely to seek additional capital to support their investments.* We believe there is more than $600 billion of uninvested private equity capital seeking debt financing to support acquisitions.
- *The significant amount of debt maturing through 2021 should provide additional demand for capital.* A high volume of financings are expected to mature over the next few years. We believe that this supply of prospective lending opportunities coupled with a lack of available credit in the middle-market lending space may offer attractive risk-adjusted returns to investors. Risk-adjusted return compares returns against the amount of risk incurred. The term "risk-adjusted return" does not imply that an investment is no risk or low risk.
- *Investing in private middle-market debt provides an attractive risk reward profile.* In general, terms for illiquid, middle-market subordinated debt have been more attractive than those for larger corporations which are typically more liquid. We believe this is because fewer institutions are able to invest in illiquid asset classes.

Therefore, we believe that there is an attractive opportunity to invest in leveraged middle-market companies, including in senior secured loans, stretch-senior loans, unitranche loans and to a lesser extent, unsecured loans and equity securities, and that we are well positioned to serve this market.

Competitive Advantages and Strategy

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

Management Expertise

As managing partner, Mr. Gross has principal management responsibility for Solar Capital Partners, to which he currently dedicates substantially all of his time. Mr. Gross has over 25 years of experience in leveraged finance, private equity and distressed debt investing. Mr. Spohler, our Co-Chief Executive Officer, Chief Operating Officer and a partner of Solar Capital Partners, has over 25 years of experience in evaluating and executing leverage finance transactions.

Investment Capacity

The proceeds from our initial public offering and the Concurrent Private Placement, the borrowing capacity under the senior secured credit facility led by Citibank, N.A. (the "Credit Facility"), our $50 million NEFPASS SPV credit facility (the "NEFPASS Facility"), our $75 million of unsecured senior notes due 2023 (the "2023 Unsecured Notes"), our $150 million of unsecured senior notes due 2022 (the "2022 Unsecured Notes"), our $21 million of unsecured senior notes due 2022 (the "2022 Tranche C Notes"), our $125 million of unsecured notes due 2024 (the "2024 Unsecured Notes"), our $75 million of unsecured notes due 2026 (the "2026 Unsecured Notes") and the expected repayments of existing investments provide us with a substantial amount of capital available for deployment into new investment opportunities. We believe we are well positioned for the current marketplace.

Solar Capital's Limited Leverage

As of December 31, 2019, we had total outstanding borrowings of approximately $593.9 million. Under the provisions of the 1940 Act, we are permitted to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 150% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. As of December 31, 2019, our asset coverage ratio was 252.5%. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent distribution to our investors, as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. We may increase our relative level of debt in the future. However, we do not currently anticipate operating with a substantial amount of debt relative to our total assets.

Proprietary Sourcing and Origination

We believe that Solar Capital Partners' senior investment professionals' longstanding relationships with financial sponsors, commercial and investment banks, management teams and other financial intermediaries provide us with a strong pipeline of proprietary origination opportunities. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation ("Apollo") as well as the financial sponsor relationships Mr. Spohler developed while he was a co-head of CIBC World Markets' U.S. Leveraged Finance Group.

Versatile Transaction Structuring and Flexibility of Capital

We believe Solar Capital Partners' senior investment team's broad expertise and ability to draw upon its extensive experience enable us to identify, assess and structure investments successfully across all levels of a company's capital structure and to manage potential risk and return at all stages of the economic cycle. The attempt to manage risk does not imply low risk or no risk. While we are subject to significant regulation as a

BDC, we are not subject to many of the regulatory limitations that govern traditional lending institutions such as banks. As a result, we believe that we can be more flexible than such lending institutions in selecting and structuring investments, adjusting investment criteria, transaction structures and, in some cases, the types of securities in which we invest.

Emphasis on Achieving Strong Risk-Adjusted Returns

Solar Capital Partners uses a structured investment and risk management process that emphasizes research and analysis. Solar Capital Partners seeks to build our portfolio on a "bottom-up" basis, choosing and sizing individual positions based on their relative risk/reward profiles as a function of the associated downside risk, volatility, correlation with the existing portfolio and liquidity. At the same time, Solar Capital Partners takes into consideration a variety of factors in managing our portfolio and imposes portfolio-based risk constraints promoting a more diverse portfolio of investments and limiting issuer and industry concentration. We do not pursue short-term origination targets. We believe this approach enables us to build an attractive investment portfolio that meets our return and value criteria over the long term. We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments we, through Solar Capital Partners, conduct a rigorous due diligence process.

Dedication of Resources to Industries with Substantial Information Flow

We dedicate our investing resources to industries characterized by strong cash flow and in which Solar Capital Partners' investment professionals have deep investment experience. As a result of their investment experience, Messrs. Gross and Spohler, together with Solar Capital Partners' other senior investment professionals, have long-term relationships with management consultants and management teams in the industries we target, as well as substantial information concerning those industries.

Longer Investment Horizon

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

Investments

Solar Capital seeks to create a diverse portfolio that includes senior secured loans, stretch-senior loans and to a lesser extent unsecured loans and equity securities by investing approximately $5 million to $100 million of capital, on average, in the securities of leveraged companies, including middle-market companies. We expect that this investment size will vary with the size of our capital base and/or for strategic initiatives. Structurally, unsecured loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt. As such, other creditors may rank senior to us in the event of insolvency. However, unsecured loans rank senior to common and preferred equity in a borrowers' capital structure. Due to its higher risk profile and often less restrictive covenants as compared to senior loans, unsecured loans generally earn a higher return than senior secured loans.

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

we invest in are typically rated below investment grade. Securities rated below investment grade are speculative and are often referred to as “leveraged loans,” “high yield” or “junk” securities, and may be considered “high risk” compared to debt instruments that are rated investment grade. In addition, some of our debt investments will not fully amortize during their lifetime, which means that a borrower may be unable to payoff its debt due to bankruptcy or other reasons and therefore we may write-off such debt investment prior to its scheduled maturity. Upon such an occurrence, we may realize a loss or a substantial amount of unpaid principal and interest due upon maturity. We may invest up to 30% of our total assets in such opportunistic investments, including loans issued by non-U.S. issuers, subject to compliance with our regulatory obligations as a BDC under the 1940 Act.

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

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

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

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

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

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

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

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

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds. We may also participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Solar Capital Partners, or an investment adviser controlling, controlled by or under common control with Solar Capital Partners and is registered as an investment adviser under the Advisers Act, in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to the conditions of the exemptive order obtained from the SEC on June 13, 2017 (the “New Exemptive Order”), which supersedes the exemptive order that we initially obtained on July 28, 2014 (the “Prior Exemptive Order”).

Pursuant to the New Exemptive Order, we are permitted to co-invest with our affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

At December 31, 2019, our portfolio consisted of 108 portfolio companies and was invested 31.0% in cash flow senior secured loans, 28.2% in asset-based senior secured loans / Crystal Financial LLC ("Crystal"), 21.5% in equipment senior secured financings / NEF Holdings, LLC ("NEF"), and 19.3% in life science senior secured loans, in each case, measured at fair value. We expect that our portfolio will continue to include primarily senior secured, stretch-senior, financing leases and to a lesser extent, unsecured loans and equity securities. In addition, we also expect to invest a portion of our portfolio in opportunistic investments, which are not our primary focus, but are intended to enhance our risk-adjusted returns to stockholders. These investments may include, but are not limited to, securities of public companies and debt and equity securities of companies located outside of the United States.

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

Listed below are our top ten portfolio companies and industries based on their fair value and represented as a percentage of total assets as of December 31, 2019 and December 31, 2018:

TOP TEN PORTFOLIO COMPANIES AND INDUSTRIES AS OF DECEMBER 31, 2019

Portfolio Company	% of Total Assets
Crystal Financial LLC*	15.2%
NEF Holdings, LLC*	7.4%
Genmark Diagnostics, Inc.	2.6%
Falmouth Group Holdings Corp. (AMPAC)	1.9%
KORE Wireless Group, Inc.	1.9%
Varilease Finance, Inc.	1.9%
Kingsbridge Holdings, LLC	1.7%
PhyMed Management LLC	1.7%
MRI Software, Inc.	1.6%
Equipment Operating Leases LLC*	1.5%

* Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment.

Industry	% of Total Assets
Diversified Financial Services	15.4%
Multi-Sector Holdings	13.3%
Health Care Providers & Services	10.0%
Pharmaceuticals	6.6%
Health Care Equipment & Supplies	5.6%
Software	3.2%
Commercial Services & Supplies	2.2%
Media	2.0%
Wireless Telecommunication Services	1.9%
Chemicals	1.9%

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

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

* Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment.

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

Set forth below is a brief description of each portfolio company in which we have made an investment that represents greater than 5% of our total assets as of December 31, 2019.

Crystal Financial LLC

Crystal Financial LLC is an independent commercial finance company that provides primarily senior secured loans for both asset-based and cash flow financings to middle-market companies. Its team of

experienced, responsive professionals has underwritten, closed and managed more than $20 billion in secured debt commitments across a wide range of industries. As of December 31, 2019, Crystal Financial LLC had 35 funded commitments to 28 different issuers with total funded loans of approximately $496.8 million on total assets of $520.0 million. Crystal's competitors include other specialty finance companies and small banks. As with any lender, Crystal is exposed to interest rate risk, which it mostly mitigates by issuing loans with floating rates.

NEF Holdings, LLC

On July 31, 2017, the Company completed the acquisition of NEF Holdings, which conducts its business through its wholly-owned subsidiary Nations Equipment Finance, LLC. NEF Holdings is an independent equipment finance company that provides senior secured loans and leases primarily to U.S. based companies. The Company invested $209.9 million in cash to effect the transaction, of which $145.0 million was invested in the equity of NEF Holdings through our wholly-owned consolidated taxable subsidiary NEFCORP LLC and our wholly-owned consolidated subsidiary NEFPASS LLC and $64.9 million was used to purchase certain leases and loans held by NEF Holdings through NEFPASS LLC. At July 31, 2017, NEF Holdings also had two securitizations outstanding, with an issued note balance of $94.6 million, which were later redeemed in 2018. As of December 31, 2019, NEF had 168 funded equipment-backed leases and loans to 78 different customers with a total net investment in leases and loans of approximately $245.0 million on total assets of $304.2 million.

Investment Selection Process

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

Portfolio Company Characteristics

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Due Diligence

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

Our due diligence typically includes:

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

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

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

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

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

The Investment Committee

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

Investment Structure

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

Solar Capital seeks to create a diverse portfolio that includes senior secured loans, stretch-senior loans and to a lesser extent, unsecured loans and equity securities by investing approximately $5 million to $100 million of capital. With respect to our senior secured loans, we seek to obtain security interests in the assets of our portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first or second priority liens on the assets of a portfolio company.

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

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

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

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

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

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

Ongoing Relationships with Portfolio Companies

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

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

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

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

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

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

Solar Capital Partners monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. As of December 31, 2019 and December 31, 2018 the weighted average investment rating on the fair market value of our portfolio was a 2. In connection with our valuation process, Solar Capital Partners reviews these investment ratings on a quarterly basis.

Valuation Procedures

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

Under procedures established by our board of directors (the "Board"), we value investments, including certain senior secured debt, subordinated debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more

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

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

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

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

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

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

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

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. However, in accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946, may be valued using net asset value as a practical expedient for fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation approaches to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the fiscal year ended December 31, 2019, there has been no change to the Company's valuation approaches or techniques and the nature of the related inputs considered in the valuation process.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

Competition

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

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

Staffing

We do not currently have any employees. Mr. Gross, our Chairman and Co-Chief Executive Officer and President, and Mr. Spohler, our Co-Chief Executive Officer and Chief Operating Officer and board member, are managing members and senior investment professionals of, and have financial and controlling interests in, Solar Capital Partners. In addition, Mr. Peteka, our Chief Financial Officer, Treasurer and Secretary serves as the Chief

Financial Officer for Solar Capital Partners. Guy Talarico, our Chief Compliance Officer, is the Chief Executive Officer of Alaric Compliance Services, LLC, and performs his functions as our Chief Compliance Officer under the terms of an agreement between Solar Capital Management and Alaric Compliance Services, LLC. Solar Capital Management has retained Mr. Talarico and Alaric Compliance Services, LLC pursuant to its obligations under our Administration Agreement.

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

Sarbanes-Oxley Act of 2002

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

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

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

Business Development Company Regulations

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

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

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

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

We are generally not able to issue and sell our common stock at a price below net asset value per share without annual stockholder approval. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our board of directors determines that such sale is in our best interests and the best interests of our stockholders, and our stockholders approve such sale. At our Annual Meeting of Stockholders on October 8, 2019, our stockholders approved a proposal authorizing us to sell up to 25% of our common stock at a price below our then-current asset value per share, subject to the approval by our board of directors for the offering. This authorization expires on the earlier of October 8, 2020 and the date of our 2020 Annual Meeting of Stockholders. In addition, we may generally issue new shares of our common stock at a price below net asset value in rights offerings to existing stockholders, in payment of dividends and in certain other limited circumstances.

As a BDC, we were substantially limited in our ability to co-invest in privately negotiated transactions with affiliated funds until we obtained an exemptive order from the SEC on July 28, 2014 (the "Prior Exemptive Order"). The Prior Exemptive Order permitted us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser was Solar Capital Partners, in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to the conditions to the Prior Exemptive Order. On June 13, 2017, the Company, Solar Senior Capital Ltd., and Solar Capital Partners, et al., received an exemptive order that supersedes the Prior Exemptive Order (the "New Exemptive Order") and extends the relief granted in the Prior Exemptive Order such that it no longer applies to certain affiliates only if their respective investment adviser is Solar Capital Partners, but also applies to certain affiliates whose investment adviser is an investment adviser that controls, is controlled by or is under common control with Solar Capital Partners and is registered as an investment adviser under the Advisers Act. The terms and conditions of the New Exemptive Order are otherwise substantially similar to the Prior Exemptive Order. If we are unable to rely on the New Exemptive Order for a particular opportunity, such opportunity will be allocated first to the entity whose investment strategy is the most consistent with the opportunity being allocated, and second, if the terms of the opportunity are consistent with more than one entity's investment strategy, on an alternating basis. Although our investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, we and our common stockholders could be adversely affected to the extent investment opportunities are allocated among us and other investment vehicles managed or sponsored by, or affiliated with, our executive officers, directors and members of our investment adviser.

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

Qualifying Assets

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

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

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

(b) is not an investment company (other than a small business investment company wholly owned by the BDC); and

(c) satisfies any of the following:

i. does not have any class of securities that is traded on a national securities exchange;

ii. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million;

iii. is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or

iv. is a small and solvent company having total assets of not more than $4.0 million and capital and surplus of not less than $2.0 million.

(2) Securities of any eligible portfolio company which we control, which, as defined by the 1940 Act, is presumed to exist where a BDC beneficially owns more than 25% of the outstanding voting securities of the portfolio company.

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

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

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

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

(7) Office furniture and equipment, interests in real estate and leasehold improvements and facilities maintained to conduct the business operations of the BDC, deferred organization and operating expenses, and other noninvestment assets necessary and appropriate to its operations as a BDC, including notes of indebtedness of directors, officers, employees, and general partners held by a BDC as payment for securities of such company issued in connection with an executive compensation plan described in Section 57(j) of the 1940 Act.

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

Significant Managerial Assistance to Portfolio Companies

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

Temporary Investments

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

Senior Securities

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

Code of Ethics

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

Compliance Policies and Procedures

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

Proxy Voting Policies and Procedures

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

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

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

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

Privacy Principles

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

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

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

Taxation as a Regulated Investment Company

As a BDC, we elected to be treated, and intend to qualify annually, as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any ordinary

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

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

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

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

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

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

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

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

Failure to Qualify as a Regulated Investment Company

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

Investment Advisory Fees

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

The base management fee is determined by taking the average value of Solar Capital's gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 1.75% on gross assets up to 200% of the Company's total net assets as of the immediately preceding quarter end and 1.00% on gross assets that exceed 200% of the Company's total net assets as of the immediately preceding quarter end. For purposes of computing the base management fee, gross assets exclude temporary assets acquired at the end of each fiscal quarter for purposes of preserving investment flexibility in the next fiscal quarter. Temporary assets include, but are not limited to, U.S. treasury bills, other short-term U.S. government or government agency securities, repurchase agreements or cash borrowings.

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

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

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

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

Quarterly Incentive Fee Based on Net Investment Income

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

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

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

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

Examples of Quarterly Incentive Fee Calculation

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

Alternative 1:

Assumptions

Investment income (including interest, dividends, fees, etc.) = 1.25%
Hurdle rate[1] = 1.75%
Management fee[2] = 0.4375%
Other expenses (legal, accounting, custodian, transfer agent, etc.)[3] = 0.20%
Pre-incentive fee net investment income
(investment income – (management fee + other expenses)) = 0.6125%
Pre-incentive net investment income does not exceed hurdle rate, therefore there is no incentive fee.

Alternative 2:

Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.70%
Hurdle rate[1] = 1.75%
Management fee[2] = 0.4375%
Other expenses (legal, accounting, custodian, transfer agent, etc.)[3] = 0.20%
Pre-incentive fee net investment income
(investment income – (management fee + other expenses)) = 2.0625%
Incentive fee = 100% × pre-incentive fee net investment income, subject to the "catch-up"[4]
= 100% × (2.0625% – 1.75%)
= 0.3125%

Alternative 3:

Assumptions

Investment income (including interest, dividends, fees, etc.) = 3.00%
Hurdle rate[1] = 1.75%
Management fee[2] = 0.4375%
Other expenses (legal, accounting, custodian, transfer agent, etc.)[3] = 0.20%
Pre-incentive fee net investment income
(investment income – (management fee + other expenses)) = 2.3625%
Incentive fee = 20% × pre-incentive fee net investment income, subject to "catch-up"[4]
Incentive fee = 100% × "catch-up" + (20% × (pre-incentive fee net investment income – 2.1875%))

Catch-up = 2.1875% – 1.75%
= 0.4375%
Incentive fee = (100% × 0.4375%) + (20% × (2.3625% – 2.1875%))
= 0.4375% + (20% × 0.175%)
= 0.4375% + 0.035%
= 0.4725%

(*) The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.
(1) Represents 7% annualized hurdle rate.
(2) Represents 1.75% annualized management fee.
(3) Excludes organizational and offering expenses.
(4) The "catch-up" provision is intended to provide our investment adviser with an incentive fee of 20% on all of our pre-incentive fee net investment income as if a hurdle rate did not apply when our net investment income exceeds 2.1875% in any calendar quarter.

Example 2: Capital Gains Portion of Incentive Fee:

Alternative 1:

Assumptions

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

The capital gains portion of the incentive fee would be:

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

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

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

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

Alternative 2:

Assumptions

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

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

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

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

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

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

- Year 4: None
- Year 5: None

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

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

Payment of Our Expenses

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

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

Available Information

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

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

Item 1A. Risk Factors

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

Risks Related to Our Investments

We operate in a highly competitive market for investment opportunities.

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

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

Our investments are very risky and highly speculative.

We invest primarily in leveraged middle-market companies in the form of senior secured loans, stretch-senior loans, financing leases and to a lesser extent, unsecured loans and equity securities.

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

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

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

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

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

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

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

events in one sector of the world markets or economy, or in one geographical region, can reverberate and have materially negative consequences for other markets, economic or regional sectors in a manner that may not be foreseen and which may negatively impact the liquidity of our investments and materially harm our business. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

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

Our portfolio may be concentrated in a limited number of portfolio companies and industries. For example, as of December 31, 2019, our investments in Crystal Financial LLC and NEF Holdings comprised 15.2% and 7.4%, respectively, of our total assets and our investments in diversified financial services and multi-sector holdings industries comprised 15.4% and 13.3%, respectively, of our total assets. Beyond the asset diversification requirements associated with our qualification as a RIC under Subchapter M of the Code, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, our investments may be concentrated in relatively few industries or portfolio companies. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

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

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

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

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our board of directors. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Any unrealized depreciation in our loan portfolio could be an indication of a portfolio company’s inability to meet its repayment

obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods and could materially adversely affect our ability to service our outstanding borrowings. Depending on market conditions, we could incur substantial losses in future periods, which could further reduce our net asset value and have a material adverse impact on our business, financial condition and results of operations.

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

The current worldwide financial market situation, as well as various social and political tensions in the United States and around the world, may contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause economic uncertainties or deterioration in the United States and worldwide. The U.S. and global capital markets experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt, which created concerns about the ability of certain nations to continue to service their sovereign debt obligations. Risks resulting from such debt crisis, including any austerity measures taken in exchange for bailout of certain nations, and any future debt crisis in Europe or any similar crisis elsewhere could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in certain countries and the financial condition of financial institutions generally. In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union ("Brexit") and, subsequently, on March 29, 2017, the U.K. government began the formal process of leaving the European Union. Brexit created political and economic uncertainty and instability in the global markets (including currency and credit markets), and especially in the United Kingdom and the European Union. Because the U.K. Parliament rejected Prime Minister Theresa May's proposed Brexit deal with the European Union in January 2019 and March 2019, and Prime Minister Theresa May's resignation which was effective June 7, 2019, there was increased uncertainty on the timing of Brexit. Under current Prime Minister Boris Johnson, the House of Commons passed the Brexit deal on December 20, 2019 and the U.K. formally left the European Union on January 31, 2020. The U.K. has now entered into a transition period until December 31, 2020, where agreements surrounding trade and other aspects of the U.K.'s future relationship with the European Union will need to be finalized. Failure to come to terms on a free trade deal could result in checks and tariffs on U.K. goods traveling to the European Union and thus prolong the economic uncertainty. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal and monetary policies of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets.

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

On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act, which increased from $50 billion to $250 billion the asset threshold for designation of

"systemically important financial institutions" or "SIFIs" subject to enhanced prudential standards set by the Federal Reserve Board, staggering application of this change based on the size and risk of the covered bank holding company. On May 30, 2018, the Federal Reserve Board voted to consider changes to the Volcker Rule that would loosen compliance requirements for all banks. The effect of this change and any further rules or regulations are and could be complex and far-reaching, and the change and any future laws or regulations or changes thereto could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations.

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

We are required to record our assets at fair value, as determined in good faith by our board of directors, in accordance with our valuation policy. As a result, volatility in the capital markets may have a material adverse effect on our valuations and our net asset value, even if we hold investments to maturity. Volatility or dislocation in the capital markets may depress our stock price below our net asset value per share and create a challenging environment in which to raise equity and debt capital. These conditions could continue for a prolonged period of time or worsen in the future. While these conditions persist, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. Equity capital may be difficult to raise because, subject to some limited exceptions which apply to us, as a BDC we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. At our 2019 Annual Stockholders Meeting, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock immediately prior to each such offering, at a price or prices below the then current net asset value per share, in each case subject to the approval of our board of directors and compliance with the conditions set forth in the proxy statement pertaining thereto, during a period beginning on October 8, 2019 and expiring on the earlier of the one-year anniversary of the date of the 2019 Annual Stockholders Meeting and the date of our 2020 Annual Stockholders Meeting. However, notwithstanding such stockholder approval, since our initial public offering on February 9, 2010, we have not sold any shares of our common stock in an offering that resulted in proceeds to us of less than our then current net asset value per share. Any offering of our common stock that requires stockholder approval must occur, if at all, within one year after receiving such stockholder approval. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 150% immediately after each time we incur indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

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

The significant disruption in the capital markets experienced in the past has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. The debt capital that may be available to us in the future may be at a higher cost and have less favorable terms and conditions than those currently in effect. If our financing costs increase and we have no increase in interest income, then our net investment income will decrease. A prolonged inability to raise capital may require us to reduce the volume of investments we originate and could have a material adverse impact on our business, financial condition and results of operations. This may also increase the probability that other structural risks negatively impact us. These situations may arise due to circumstances that we may be unable to

control, such as a lengthy disruption in the credit markets, a severe decline in the value of the U.S. dollar, a sharp economic downturn or recession or an operational problem that affects third parties or us, and could materially damage our business, financial condition and results of operations.

Economic sanction laws in the United States and other jurisdictions may prohibit us and our affiliates from transacting with certain countries, individuals and companies.

Economic sanction laws in the United States and other jurisdictions may prohibit us or our affiliates from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit investment activities in certain jurisdictions, and if we, our portfolio companies or other issuers in which we invest were to violate any such laws or regulations, we may face significant legal and monetary penalties.

The Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws and regulations, as well as anti-boycott regulations, may also apply to and restrict our activities, our portfolio companies and other issuers of our investments. If an issuer or we were to violate any such laws or regulations, such issuer or we may face significant legal and monetary penalties. The U.S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that an issuer or us becomes the subject of such actual or threatened enforcement. In addition, certain commentators have suggested that private investment firms and the funds that they manage may face increased scrutiny and/or liability with respect to the activities of their underlying portfolio companies. As such, a violation of the FCPA or other applicable regulations by us or an issuer of our portfolio investments could have a material adverse effect on us. We are committed to complying with the FCPA and other anti-corruption laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, we may be adversely affected because of our unwillingness to enter into transactions that violate any such laws or regulations.

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

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

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

The interest rates of our floating-rate loans to our portfolio companies that extend beyond 2021 might be subject to change based on recent regulatory changes.

LIBOR, the London Interbank Offered Rate, is the basic rate of interest used in lending transactions between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in floating-rate loans we extend to portfolio companies such that the interest due to us pursuant to a term loan extended to a portfolio company is calculated using LIBOR. The terms of our debt investments may include minimum interest rate floors which are calculated based on LIBOR.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is expected that a transition away from the widespread use of LIBOR to alternative rates will occur over the course of the next several years. As a result of this transition, interest rates on financial instruments tied to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. Further, any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of our financial instruments tied to LIBOR rates. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short term repurchase agreements, backed by Treasury securities, called the Secured Overnight Financing Rate ("SOFR"). The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a questions and the future of LIBOR at this time is uncertain.

Additionally, on June 12, 2019 the Staff of the SEC's Division of Corporate Finance, Division of Investment Management, Division of Trading and Markets, and Office of the Chief Accountant issued a statement about the potentially significant effects on financial markets and market participants when LIBOR is discontinued in 2021 and no longer available as a reference benchmark rate. The Staff encouraged all market participants to identify contracts that reference LIBOR and begin transitions to alternative rates. On December 30, 2019, the SEC's Chairman, Division of Corporate Finance and Office of the Chief Accountant issued a statement to encourage audit committees in particular to understand management's plans to identify and address the risks associated with the elimination of LIBOR, and, specifically, the impact on accounting and financial reporting and any related issues associated with financial products and contracts that reference LIBOR, as the risks associated with the discontinuation of LIBOR and transition to an alternative reference rate will be exacerbated if the work is not completed in a timely manner.

The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us, or on our overall financial condition or results of operations. If LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established. In addition, the cessation of LIBOR could:

- Adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any LIBOR-linked securities, loans and derivatives that are included in our assets and liabilities;
- Require extensive changes to documentation that governs or references LIBOR or LIBOR-based products, including, for example, pursuant to time-consuming renegotiations of existing documentation to modify the terms of outstanding investments;
- Result in inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with one or more alternative reference rates;
- Result in disputes, litigation or other actions with portfolio companies, or other counterparties, regarding the interpretation and enforceability of provisions in our LIBOR-based investments, such as fallback language or other related provisions, including, in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between LIBOR and the various alternative reference rates;
- Require the transition and/or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on one or more alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and
- Cause us to incur additional costs in relation to any of the above factors.

There is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have a material adverse effect on our business, result of operations, financial condition, and unit price.

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

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

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

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

The continued uncertainty related to the sustainability and pace of economic recovery in the U.S. and globally could have a negative impact on our business.

Our business is directly influenced by the economic cycle, and could be negatively impacted by a downturn in economic activity in the U.S. as well as globally. Fiscal and monetary actions taken by U.S. and non-U.S. government and regulatory authorities could have a material adverse impact on our business. To the extent uncertainty regarding the U.S. or global economy negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be adversely affected. Moreover, Federal Reserve policy, including with respect to certain interest rates and the decision to end its quantitative easing policy, along with the general policies of the current Presidential administration, may also adversely affect the value, volatility and liquidity of dividend- and interest-paying securities. Market volatility, rising interest rates and/or a return to unfavorable economic conditions could adversely affect our business.

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

In the event of a default by a portfolio company on a secured loan, we will only have recourse to the assets collateralizing the loan. If the underlying collateral value is less than the loan amount, we will suffer a loss. In addition, we sometimes make loans that are unsecured, which are subject to the risk that other lenders may be

directly secured by the assets of the portfolio company. In the event of a default, those collateralized lenders would have priority over us with respect to the proceeds of a sale of the underlying assets. In cases described above, we may lack control over the underlying asset collateralizing our loan or the underlying assets of the portfolio company prior to a default, and as a result the value of the collateral may be reduced by acts or omissions by owners or managers of the assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, some of the loans in which we may invest may be "covenant-lite" loans. We use the term "covenant-lite" loans to refer generally to loans that do not have a complete set of financial maintenance covenants. Generally, "covenant-lite" loans provide borrower companies more freedom to negatively impact lenders because their covenants are incurrence-based, which means they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower's financial condition. Accordingly, to the extent we invest in "covenant-lite" loans, we may have fewer rights against a borrower and may have a greater risk of loss on such investments as compared to investments in or exposure to loans with financial maintenance covenants.

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

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

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

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

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

We invest primarily in leveraged middle-market companies in the form of senior secured loans, stretch-senior loans, financing leases and to a lesser extent, unsecured loans and equity securities. Our portfolio companies typically have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not

have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. Any such limitations on the ability of our portfolio companies to make principal or interest payments to us, if at all, may reduce our net asset value and have a negative material adverse impact to our business, financial condition and results of operation.

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

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

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

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

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

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

also face the risk that counterparties to the derivative instruments we hold may default, which may expose us to unexpected losses from positions where we believed that our risk had been appropriately hedged.

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

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

Risks Relating to an Investment in Our Securities

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

Shares of BDCs may trade at a market price that is less than the net asset value that is attributable to those shares. The possibility that our shares of common stock will trade at a substantial discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. We cannot predict whether shares of our common stock will trade above, at or below our net asset value in the future. If our common stock trades below its net asset value, we will generally not be able to issue additional shares or sell our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. At our 2019 Annual Stockholders Meeting, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock immediately prior to each such offering, at a price or prices below the then current net asset value per share, in each case subject to the approval of our board of directors and compliance with the conditions set forth in the proxy statement pertaining thereto, during a period beginning on October 8, 2019 and expiring on the earlier of the one-year anniversary of the date of the 2019 Annual Stockholders Meeting and the date of our 2020 Annual Stockholders Meeting. However, notwithstanding such stockholder approval, since our initial public offering on February 9, 2010, we have not sold any shares of our common stock in an offering that resulted in proceeds to us of less than our then current net asset value per share. Any offering of our common stock that requires stockholder approval must occur, if at all, within one year after receiving such stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease our new lending and investment activities, and our net asset value could decrease and our level of distributions could be impacted.

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

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

- price and volume fluctuations in the overall stock market from time to time;
- investor demand for our shares;
- significant volatility in the market price and trading volume of securities of BDCs or other companies in our sector, which are not necessarily related to the operating performance of these companies;

- exclusion of our common stock from certain market indices, such as the Russell 2000 Financial Services Index, which could reduce the ability of certain investment funds to own our common stock and put short-term selling pressure on our common stock;
- changes in regulatory policies or tax guidelines with respect to RICs or BDCs;
- failure to qualify as a RIC, or the loss of RIC tax treatment;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- changes, or perceived changes, in the value of our portfolio investments;
- departures of Solar Capital Partners' key personnel;
- operating performance of companies comparable to us;
- changes in the prevailing interest rates;
- loss of a major funding source; or
- general economic conditions and trends and other external factors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At our 2019 Annual Stockholders Meeting, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock immediately prior to each such offering, at a price or prices below the then current net asset value per share, in each case subject to the approval of our board of directors and compliance with the conditions set forth in the proxy statement pertaining thereto, during a period beginning on October 8, 2019 and expiring on the earlier of the one-year anniversary of the date of the 2019 Annual Stockholders Meeting and the date of our 2020 Annual Stockholders Meeting. However, notwithstanding such stockholder approval, since our initial public offering on February 9, 2010, we have not sold any shares of our common stock in an offering that resulted in proceeds to us of less than our then current net asset value per share. Any offering of our common stock that requires stockholder approval must occur, if at all, within one year after receiving such stockholder approval.

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

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

If we were to issue or sell shares of our common stock below our then current net asset value per share, such issuances or sales would result in an immediate dilution to the net asset value per share of our common stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Further, rising interest rates could also adversely affect our performance if we hold investments with floating interest rates, subject to specified minimum interest rates (such as a LIBOR floor), while at the same time engaging in borrowings subject to floating interest rates not subject to such minimums. In such a scenario, rising interest rates may increase our interest expense, even though our interest income from Investments is not increasing in a corresponding manner as a result of such minimum interest rates.

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

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

Risks Relating to Our Business and Structure

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

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

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

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

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

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

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

If the fair value of our assets declines substantially, we may fail to maintain the asset coverage ratios imposed upon us by the 1940 Act and our existing credit facilities. Any such failure could result in an event of default and all of our debt being declared immediately due and payable and would affect our ability to issue senior securities, including borrowings, and pay distributions, which could materially impair our business operations. Our liquidity could be impaired further by an inability to access the capital markets or to draw on our credit facilities. For example, we cannot be certain that we will be able to renew our existing credit facilities as they mature or to consummate new borrowing facilities to provide capital for normal operations, including new originations. Reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers. This market turmoil and tightening of credit have led to increased market volatility and widespread reduction of business activity generally.

If we are unable to renew or replace our existing credit facilities and consummate new facilities on commercially reasonable terms, our liquidity will be reduced significantly. If we consummate new facilities but are then unable to repay amounts outstanding under such facilities and are declared in default or are unable to renew or refinance these facilities, we would not be able to initiate significant originations or to operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as inaccessibility to the credit markets, a severe decline in the value of the U.S. dollar, a further economic downturn or an operational problem that affects third parties or us, and could materially damage our business. Moreover, we are unable to predict when economic and market conditions may become more favorable. Even if such conditions improve broadly and significantly over the long term, adverse conditions in particular sectors of the financial markets could adversely impact our business.

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

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

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

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

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

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

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

In order to satisfy the tax requirements applicable to a RIC, to avoid payment of excise taxes and to minimize or avoid payment of income taxes, we intend to distribute to our stockholders substantially all of our ordinary income and realized net capital gains except for certain realized net long-term capital gains, which we may retain, pay applicable income taxes with respect thereto and elect to treat as deemed distributions to our stockholders. We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we had been permitted, as a BDC, to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. However, our stockholders have approved a resolution permitting us to be subject to a 150% asset coverage ratio effective as of October 12, 2018. If the value of our assets declines, we may be unable to satisfy the asset coverage test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. In addition, because our management fee is calculated as a percentage of our gross assets, which includes any borrowings for investment purposes, the management fee expenses will increase if we incur additional indebtedness.

As of December 31, 2019, we had $117.9 million outstanding under our senior secured revolving credit facility (the “Credit Facility”), composed of $42.9 million of revolving credit and $75.0 million outstanding of

term loans, and $30.0 million outstanding under our NEFPASS Facility. We also had $75.0 million outstanding of the 2026 Unsecured Notes, $125.0 million outstanding of the 2024 Unsecured Notes, $75.0 million outstanding of the 2023 Unsecured Notes, $150.0 million outstanding of the 2022 Unsecured Notes, and $21.0 million outstanding of the 2022 Tranche C Notes. If we issue preferred stock, the preferred stock would rank "senior" to common stock in our capital structure, preferred stockholders would generally vote together with common stockholders but would have separate voting rights on certain matters and might have other rights, preferences, or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our board of directors determines that such sale is in the best interests of Solar Capital and its stockholders, and our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution. This dilution would occur as a result of a proportionately greater decrease in a stockholder's interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our net asset value per share and the price and timing of such issuances are not currently known, we cannot predict the actual dilutive effect of any such issuance. We cannot determine the resulting reduction in our net asset value per share of any such issuance. We also cannot predict whether shares of our common stock will trade above, at or below our net asset value.

At our 2019 Annual Stockholders Meeting, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock immediately prior to each such offering, at a price or prices below the then current net asset value per share, in each case subject to the approval of our board of directors and compliance with the conditions set forth in the proxy statement pertaining thereto, during a period beginning on October 8, 2019 and expiring on the earlier of the one-year anniversary of the date of the 2019 Annual Stockholders Meeting and the date of our 2020 Annual Stockholders Meeting. However, notwithstanding such stockholder approval, since our initial public offering on February 9, 2010, we have not sold any shares of our common stock in an offering that resulted in proceeds to us of less than our then current net asset value per share. Any offering of our common stock that requires stockholder approval must occur, if at all, within one year after receiving such stockholder approval.

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

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

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

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

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

We borrow money as part of our business plan. Borrowings, also known as leverage magnify the potential for loss on amounts invested and, therefore, increase the risks associated with investing in our securities. As of December 31, 2019, we had $117.9 million outstanding under our Credit Facility, composed of $42.9 million of revolving credit and $75.0 million outstanding of term loans, and $30.0 million outstanding under our NEFPASS Facility. We also had $75.0 million outstanding of the 2026 Unsecured Notes, $125.0 million outstanding of the 2024 Unsecured Notes, $75.0 million outstanding of the 2023 Unsecured Notes, $150.0 million outstanding of the 2022 Unsecured Notes, and $21.0 million outstanding of the 2022 Tranche C Notes. We may borrow from and issue senior debt securities to banks, insurance companies and other lenders in the future. Lenders of these senior securities, including the Credit Facility, the 2026 Unsecured Notes, the 2024 Unsecured Notes, the 2022 Unsecured Notes, the 2023 Unsecured Notes, and the 2022 Tranche C Notes, will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such lenders to seek recovery against our assets in the event of a default. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Also, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not borrowed. Such a decline could also negatively affect our ability to make distribution payments on our common stock, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the management fee payable to our investment adviser, Solar Capital Partners, will be payable based on our gross assets, including those assets acquired through the use of leverage, Solar Capital Partners will have a financial incentive to incur leverage which may not be consistent with our stockholders' interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to Solar Capital Partners.

As a BDC, we had generally been required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. However, our stockholders have approved a resolution permitting us to be subject to a 150% asset coverage ratio effective as of October 12, 2018. Even though we are subject to a 150% asset coverage ratio effective as of October 12, 2018, contractual leverage limitations under our existing credit facilities or future borrowings may limit our ability to incur additional indebtedness. On November 21, 2018, we entered into Amendment No. 3 to the Credit Facility which, among other things, reduced the asset coverage covenant in the Credit Facility from 200% to 150% and made certain related changes to the borrowing base calculations. On August 28, 2019, we entered into a new Senior Secured Credit Agreement to replace and refinance the Credit Facility, which permits 150% asset coverage. Some of our wholly and/or substantially owned portfolio companies, including Crystal Financial LLC and NEF Holdings, may incur significantly more leverage than we can but we do not consolidate Crystal Financial LLC and NEF Holdings and their leverage is non-recourse to us. Additionally, the Credit Facility requires us to comply with certain financial and other restrictive covenants including maintaining an asset coverage ratio of not less than 150% at any time. Failure to maintain compliance with these covenants could result in an event of default and all of our debt being declared immediately due and payable. If this ratio declines below 150%, we may not be able to incur additional debt and could be required by law to sell a portion of our investments to repay some debt when it is disadvantageous to do so, which could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

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

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

	Assumed total return (net of interest expense)				
	(10)%	(5)%	0%	5%	10%
Corresponding return to stockholder(1)	(24.5)%	(13.7)%	(3.0)%	7.8%	18.6%

(1) Assumes $1.95 billion in total assets and $593.9 million in total debt outstanding, which reflects our total assets and total debt outstanding as of December 31, 2019, and a cost of funds of 4.52%. Excludes non-leverage related expenses.

In order for us to cover our annual interest payments on our outstanding indebtedness at December 31, 2019, we must achieve annual returns on our December 31, 2019 total assets of at least 1.4%.

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

Our current lenders have, and any future lender or lenders may have, fixed dollar claims on our assets that are senior to the claims of our stockholders and, thus, will have a preference over our stockholders with respect to our assets in the collateral pool. Our current credit facilities and borrowings also subject us to various financial and operating covenants, including, but not limited to, maintaining certain financial ratios and minimum tangible net worth amounts. Future credit facilities and borrowings will likely subject us to similar or additional covenants. In addition, we may grant a security interest in our assets in connection with any such credit facilities and borrowings.

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

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

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

We could experience fluctuations in our quarterly and annual operating results due to a number of factors, some of which are beyond our control, including, but not limited to, the interest rate payable on the debt

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

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

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

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

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

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

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

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

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

As a BDC, we were substantially limited in our ability to co-invest in privately negotiated transactions with affiliated funds until we obtained an exemptive order from the SEC on July 28, 2014 (the "Prior Exemptive Order"). The Prior Exemptive Order permitted us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Solar Capital Partners, in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to the conditions to the Prior Exemptive Order. On June 13, 2017, the Company, Solar Senior Capital Ltd., and Solar Capital Partners received an exemptive order (the "Exemptive Order") that would supersedes the Prior Exemptive Order and extends the relief granted in the Prior Exemptive Order such that it no longer applies to certain affiliates only if their respective investment adviser is Solar Capital Partners, but also applies to certain affiliates whose investment adviser is an investment adviser that controls, is controlled by or is under common control with Solar Capital Partners and is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. The terms and conditions of the Exemptive Order are otherwise substantially similar to the Prior Exemptive Order. If we are unable to rely on the Exemptive Order for a particular opportunity, such opportunity will be allocated first to the entity whose investment strategy is the most consistent with the opportunity being allocated, and second, if the terms of the opportunity are consistent with more than one entity's investment strategy, on an alternating basis. Although our investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, we and our common stockholders could be adversely affected to the extent investment opportunities are allocated among us and other investment vehicles managed or sponsored by, or affiliated with, our executive officers, directors and members of our investment adviser.

Solar Capital Partners and certain investment advisory affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners'

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

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

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

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

In November 2019, the SEC proposed a rule regarding the ability of a BDC (or a registered investment company) to use derivatives and other transactions that create future payment or delivery obligations (except reverse repurchase agreements and similar financing transactions). If adopted as proposed, BDCs that use derivatives would be subject to a value-at-risk ("VaR") leverage limit, certain other derivatives risk management program and testing requirements and requirements related to board reporting. These new requirements would apply unless the BDC qualified as a "limited derivatives user," as defined in the SEC's proposal. A BDC that enters into reverse repurchase agreements or similar financing transactions would need to aggregate the amount of indebtedness associated with the reverse repurchase agreements or similar financing transactions with the aggregate amount of any other senior securities representing indebtedness when calculating the BDC's asset coverage ratio. Under the proposed rule, a BDC may enter into an unfunded commitment agreement that is not a derivatives transaction, such as an agreement to provide financing to a portfolio company, if the BDC has a reasonable belief, at the time it enters into such an agreement, that it will have sufficient cash and cash equivalents to meet its obligations with respect to all of its unfunded commitment agreements, in each case as it becomes due. If the BDC cannot meet this test, it is required to treat unfunded commitments as a derivatives transaction subject to the requirements of the rule. Collectively, these proposed requirements, if adopted, may limit our ability to use derivatives and/or enter into certain other financial contracts.

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

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

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

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

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

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

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

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

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

- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet those requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC tax treatment. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

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

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

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

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

Other features of the debt instruments that we hold may also cause such instruments to generate an original issue discount, resulting in a distribution requirement in excess of current cash interest received. Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the RIC tax requirement to distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Under such circumstances, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are unable to obtain cash from other sources and are otherwise unable to satisfy such distribution requirements, we may fail to qualify for the U.S. federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level U.S. federal income tax on all our income.

The higher yields and interest rates on PIK securities reflects the payment deferral and increased credit risk associated with such instruments and that such investments may represent a significantly higher credit risk than

coupon loans. PIK securities may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. PIK interest has the effect of generating investment income and increasing the incentive fees payable at a compounding rate. In addition, the deferral of PIK interest also increases the loan-to-value ratio at a compounding rate. PIK securities create the risk that incentive fees will be paid to our investment adviser based on non-cash accruals that ultimately may not be realized, but our investment adviser will be under no obligation to reimburse the Company for these fees.

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

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

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

The foregoing provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. However, these provisions may deprive a stockholder of the opportunity to sell such stockholder's shares at a premium to a potential acquirer. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms. Our board of directors has considered both the positive and negative effects of the foregoing provisions and determined that they are in the best interest of our stockholders.

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

The occurrence of a disaster, such as a cyber-attack against us or against a third-party that has access to our data or networks, a natural catastrophe, an industrial accident, failure of our disaster recovery systems, or

consequential employee error, could have an adverse effect on our ability to communicate or conduct business, negatively impacting our operations and financial condition. This adverse effect can become particularly acute if those events affect our electronic data processing, transmission, storage, and retrieval systems, or impact the availability, integrity, or confidentiality of our data.

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

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

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

In addition, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our businesses, liability to investors, regulatory intervention or reputational damage.

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

Our business is highly dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data

processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

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

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

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

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

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

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

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

Changes in the laws or regulations, or the interpretations of the laws and regulations, which govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures, and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, then we may have to incur significant expenses in order to comply or we may have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, then we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business results of operations or financial condition.

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

The current administration has called for significant changes to U.S. trade, healthcare, immigration, foreign and government regulatory policy. In this regard, there is significant uncertainty with respect to legislation,

regulation and government policy at the federal level, as well as the state and local levels. Recent events have created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes and fiscal and monetary policy. To the extent the U.S. Congress or the current administration implements changes to U.S. policy, those changes may impact, among other things, the U.S. and global economy, international trade and relations, unemployment, immigration, corporate taxes, healthcare, the U.S. regulatory environment, inflation and other areas.

A particular area identified as subject to potential change, amendment or repeal includes the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the "Dodd-Frank Act," including the Volcker Rule and various swaps and derivatives regulations, credit risk retention requirements and the authorities of the Federal Reserve, the Financial Stability Oversight Council and the SEC. Given the uncertainty associated with the manner in which and whether the provisions of the Dodd-Frank Act will be implemented, repealed, amended, or replaced, the full impact such requirements will have on our business, results of operations or financial condition is unclear. The changes resulting from the Dodd-Frank Act or any changes to the regulations already implemented thereunder may require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements. Failure to comply with any such laws, regulations or principles, or changes thereto, may negatively impact our business, results of operations or financial condition. While we cannot predict what effect any changes in the laws or regulations or their interpretations would have on us as a result of recent financial reform legislation, these changes could be materially adverse to us and our stockholders.

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Common Stock

Our common stock is traded on the NASDAQ Global Select Market under the symbol "SLRC". The following table sets forth, for each fiscal quarter during the last two fiscal years, the net asset value ("NAV") per share of our common stock, the high and low closing sales prices for our common stock, such sales prices as a percentage of NAV per share and quarterly distributions per share.

	NAV(1)	Price Range		Premium or (Discount) of High Closing Price to NAV (2)	Premium or (Discount) of Low Closing Price to NAV (2)	Declared Distributions (3)
		High	Low			
Fiscal 2019						
Fourth Quarter	$21.44	$21.18	$19.98	(1.2)%	(6.8)%	$ 0.41
Third Quarter	21.90	21.07	20.15	(3.8)	(8.0)	0.41
Second Quarter	21.98	21.54	20.18	(2.0)	(8.2)	0.41
First Quarter	21.93	21.75	19.41	(0.8)	(11.5)	0.41
Fiscal 2018						
Fourth Quarter	$21.75	$21.51	$18.62	(1.1)%	(14.4)%	$ 0.41
Third Quarter	21.95	21.97	20.56	0.0	(6.3)	0.41
Second Quarter	21.93	21.68	20.20	(1.1)	(7.9)	0.41
First Quarter	21.87	21.28	19.97	(2.7)	(8.7)	0.41

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period.
(2) Calculated as of the respective high or low closing price divided by NAV and subtracting 1.
(3) Represents the cash distribution for the specified quarter.

On February 14, 2020 the last reported sales price of our common stock was $20.96 per share. As of February 14, 2020, we had 18 shareholders of record.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. Since our IPO on February 9, 2010, our shares of common stock have traded at both a discount and a premium to the net assets attributable to those shares. As of February 14, 2020, our shares of common stock traded at a discount equal to approximately 2.2% of the net assets attributable to those shares based upon our net asset value as of December 31, 2019. It is not possible to predict whether the shares offered hereby will trade at, above, or below net asset value.

DISTRIBUTIONS

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

We have elected to be taxed as a RIC under Subchapter M of the Code. To maintain our RIC tax treatment, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In addition, although we currently intend to distribute realized net capital gains (*i.e.*, net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment.

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

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

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

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

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

Recent Sales of Unregistered Securities

None.

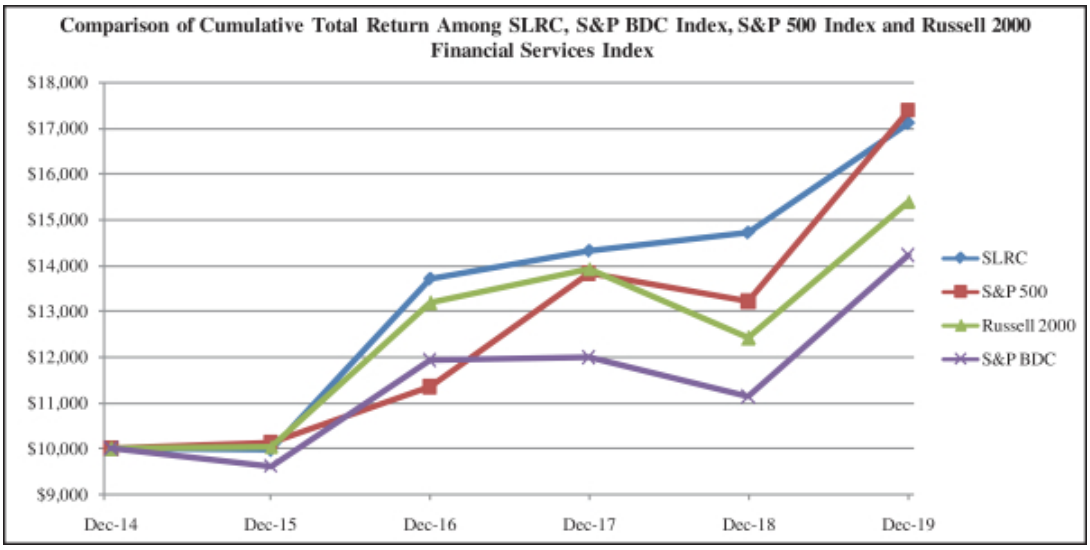
Issuer Purchases of Equity Securities

None.

STOCK PERFORMANCE GRAPH

This graph compares the cumulative total return on our common stock with that of the Standard & Poor's BDC Index, Standard & Poor's 500 Stock Index and the Russell 2000 Financial Services Index, for the period

from December 31, 2014 through December 31, 2019. The graph assumes that a person invested $10,000 in each of the following: our common stock (SLRC), the S&P BDC Index, the S&P 500 Index, and the Russell 2000 Financial Services Index. The graph measures total stockholder return, which takes into account both changes in stock price and dividends. It assumes that dividends paid are invested in additional shares of the same class of equity securities at the frequency with which dividends are paid of such securities during the applicable fiscal year.



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

FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	— %(1)
Offering expenses (as a percentage of offering price)	— %(2)
Dividend reinvestment plan expenses	— %(3)
Total stockholder transaction expenses (as a percentage of offering price)	— %(2)
Annual expenses (as a percentage of net assets attributable to common stock)(4):	
Base management fee	2.95%(5)
Incentive fees payable under our Investment Advisory and Management Agreement (up to 20%)	2.00%(6)
Interest payments on borrowed funds	3.19%(7)
Acquired fund fees and expenses	— %
Other expenses (estimated)	0.94%(8)
Total annual expenses	9.08%

(1) In the event that the shares of common stock are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load and the "Example" will be updated accordingly.

(2) The prospectus supplement corresponding to each offering will disclose the applicable offering expenses and total stockholder transaction expenses.

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

(4) Annual Expenses are presented in this manner because common shareholders will bear all costs of running the Company.

(5) Our 1.75% base management fee under the Investment Advisory and Management Agreement is based on our gross assets, which is defined as all the assets of Solar Capital, excluding temporary assets, including those acquired using borrowings for investment purposes, and assumes our gross assets remain consistent with gross assets for the fiscal year ended December 31, 2019.

(6) Assumes that annual incentive fees earned by our investment adviser, Solar Capital Partners, remain consistent with the incentive fees earned by Solar Capital Partners for the fiscal year ended December 31, 2019. The incentive fee consists of two parts:

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

- no incentive fee is payable to our investment adviser in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the Hurdle of 1.75%;
- 100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the Hurdle but is less than 2.1875% in any calendar quarter (8.75% annualized) is payable to our investment adviser. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle but is less than 2.1875%) as the "catch-up." The "catch-up" is meant to provide our investment adviser with 20% of our Pre-Incentive Fee Net Investment Income, as if a Hurdle did not apply when our Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter; and

- 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to our investment adviser (once the Hurdle is reached and the catch-up is achieved, 20% of all Pre-Incentive Fee Investment Income thereafter is allocated to our investment adviser).

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

(7) We have historically and will in the future borrow funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. The costs associated with our outstanding borrowings are indirectly born by our investors. For purposes of this section, we have computed interest expense using the average consolidated balance outstanding for borrowings during the fiscal year ended December 31, 2019. We used the London Interbank Offered Rate ("LIBOR") rate or similar base rate on December 31, 2019 and the interest rate on the Credit Facility, the NEFPASS Facility, the 2026 Unsecured Notes, the 2024 Unsecured Notes, the 2023 Unsecured Notes, the 2022 Unsecured Notes and the 2022 Tranche C Notes on December 31, 2019. We have also included, as applicable, the estimated amortization of fees incurred in establishing the Credit Facility, the NEFPASS Facility, the 2026 Unsecured Notes, the 2024 Unsecured Notes, the 2023 Unsecured Notes, the 2022 Unsecured Notes and the 2022 Tranche C Notes as of December 31, 2019. Additionally, we included the estimated cost of commitment fees for unused balances on the Credit Facility and the NEFPASS Facility. As of December 31, 2019, we had $117.9 million outstanding under the Credit Facility, $30 million outstanding under our NEFPASS Facility, and $75 million, $125 million, $75 million, $150 million and $21 million outstanding under the 2026 Unsecured Notes, the 2024 Unsecured Notes, the 2023 Unsecured Notes, the 2022 Unsecured Notes and the 2022 Tranche C Notes, respectively. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act, although we have no immediate intention to do so.

(8) "Other expenses" are based on estimated amounts for the current fiscal year, which considers the amounts incurred for the fiscal year ended December 31, 2019 and include our overhead expenses, including payments under our Administration Agreement based on our allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above and have excluded performance-based incentive fees. As such, the below example is based on an annual expense ratio of 7.08%. See Note 7 below for additional information regarding certain assumptions regarding our level of leverage. In the event that shares are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 71	$ 208	$ 340	$ 645

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less

than 5%. The incentive fee under the Investment Advisory and Management Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. For example, if we assumed that we received our 5% annual return completely in the form of net realized capital gains on our investments, computed net of all cumulative unrealized depreciation on our investments, the projected dollar amount of total cumulative expenses set forth in the above illustration would be as follows:

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 81	$ 235	$ 380	$ 705

In addition, the example assumes no sales load. Also, while the example assumes reinvestment of all distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the distribution payment date, which may be at, above or below net asset value unless the company makes open market purchases and the shares received will be determined based on the average price paid by our agent, plus commissions.

Item 6. Selected Financial Data

The selected financial and other data below should be read in conjunction with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto. Financial information is presented for the fiscal years ended December 31, 2019, 2018, 2017, 2016 and 2015. Financial information for the periods ending December 31, 2019, 2018, 2017, 2016 and 2015 has been derived from our consolidated financial statements that were audited by KPMG LLP ("KPMG"), an independent registered public accounting firm.

($ in thousands, except per share data)	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Income statement data:					
Total investment income	$ 154,711	$ 153,526	$ 143,338	$ 151,839	$ 115,560
Total expenses	$ 82,266	$ 78,637	$ 74,975	$ 80,738	$ 51,204
Net investment income	$ 72,445	$ 74,889	$ 68,363	$ 71,101	$ 64,356
Net realized gain (loss)	$ (1,760)	$ 2,078	$ (12,015)	$ 776	$ (4,874)
Net change in unrealized gain (loss)	$ (14,669)	$ (10,093)	$ 14,082	$ 34,938	$ (45,402)
Net increase in net assets resulting from operations	$ 56,016	$ 66,874	$ 70,430	$ 106,815	$ 14,080
Per share data:					
Net investment income (1)	$ 1.71	$ 1.77	$ 1.62	$ 1.68	$ 1.52
Net realized and unrealized gain (loss)(1)	$ (0.38)	$ (0.19)	$ 0.05	$ 0.84	$ (1.18)
Dividends and distributions declared	$ 1.64	$ 1.64	$ 1.60	$ 1.60	$ 1.60

	As of December 31, 2019	As of December 31, 2018	As of December 31, 2017	As of December 31, 2016	As of December 31, 2015
Balance sheet data:					
Total investment portfolio	$ 1,494,824	$ 1,456,080	$ 1,461,170	$ 1,304,778	$ 1,312,591
Cash and cash equivalents	$ 436,354	$ 207,216	$ 150,789	$ 312,046	$ 277,570
Total assets	$ 1,949,889	$ 1,683,429	$ 1,641,565	$ 1,650,547	$ 1,620,300
Debt	$ 593,900	$ 476,185	$ 541,600	$ 390,200	$ 432,900
Net assets	$ 905,880	$ 919,171	$ 921,605	$ 918,507	$ 882,698
Per share data:					
Net asset value per share	$ 21.44	$ 21.75	$ 21.81	$ 21.74	$ 20.79
Other data (unaudited):					
Total return(2)	16.2%	2.8%	4.5%	37.5%	(0.3%)
Number of portfolio companies at period end	108	117	93	63	54

(1) The per-share calculations are based on weighted average shares of 42,260,826, 42,260,826, 42,257,692, 42,258,143 and 42,465,158 for the years ended December 31, 2019, 2018, 2017, 2016 and 2015, respectively.

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

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

The information contained in this section should be read in conjunction with the Selected Financial and Other Data and our Consolidated Financial Statements and notes thereto appearing elsewhere in this report.

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

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

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

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

Overview

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

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

On February 9, 2010, we priced our initial public offering, selling 5.68 million shares of our common stock. Concurrent with our initial public offering, Michael S. Gross, our Chairman, Co-Chief Executive Officer and

President, and Bruce Spohler, our Co-Chief Executive Officer and Chief Operating Officer, collectively purchased an additional 0.6 million shares of our common stock through a private placement transaction exempt from registration under the Securities Act.

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

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

As of December 31, 2019, the Investment Adviser has directly invested approximately $9.0 billion in more than 390 different portfolio companies since 2006. Over the same period, the Investment Adviser completed transactions with approximately 200 different financial sponsors.

Recent Developments

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

On February 20, 2020, our Board declared a quarterly distribution of $0.41 per share payable on April 3, 2020 to holders of record as of March 19, 2020.

Investments

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

Revenue

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

investment or upon the investment being called by the issuer. We may also generate revenue in the form of commitment, origination, structuring fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

Expenses

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

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

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

Portfolio and Investment Activity

During the year ended December 31, 2019, we invested approximately $404 million across over 50 portfolio companies. This compares to investing approximately $586 million in 65 portfolio companies for the year ended December 31, 2018. Investments sold, prepaid or repaid during the year ended December 31, 2019 totaled approximately $362 million versus approximately $624 million for the year ended December 31, 2018.

At December 31, 2019, our portfolio consisted of 108 portfolio companies and was invested 31.0% in cash flow senior secured loans, 28.2% in asset-based senior secured loans / Crystal, 21.5% in equipment senior secured financings / NEF, and 19.3% in life science senior secured loans, in each case, measured at fair value, versus 117 portfolio companies invested 33.1% in cash flow senior secured loans, 27.8% in asset-based senior secured loans / Crystal, 21.6% in equipment senior secure financings / NEF, and 17.5% in life science senior secured loans, in each case, measured at fair value, at December 31, 2018.

At December 31, 2019, 77.5% or $1.14 billion of our income producing investment portfolio* is floating rate and 22.5% or $331.9 million is fixed rate, measured at fair value. At December 31, 2018, 74.6% or $1.08 billion of our income producing investment portfolio* is floating rate and 25.4% or $366.1 million is fixed rate, measured at fair value. As of December 31, 2019 and 2018, we had one and zero issuers on non-accrual status, respectively.

Since inception through December 31, 2019, Solar Capital and its predecessor companies have invested approximately $6.3 billion in more than 280 portfolio companies. Over the same period, Solar Capital has completed transactions with more than 150 different financial sponsors.

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

Crystal Financial LLC

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

As of December 31, 2019, Crystal Financial LLC had 35 funded commitments to 28 different issuers with total funded loans of approximately $496.8 million on total assets of $518.0 million. As of December 31, 2018, Crystal Financial LLC had 31 funded commitments to 26 different issuers with total funded loans of approximately $413.9 million on total assets of $483.8 million. As of December 31, 2019 and December 31, 2018, the largest loan outstanding totaled $45.0 million and $37.5 million, respectively. For the same periods, the average exposure per issuer was $17.7 million and $15.9 million, respectively. Crystal Financial LLC’s credit facility, which is non-recourse to Solar Capital, had approximately $276.0 million and $206.0 million of borrowings outstanding at December 31, 2019 and December 31, 2018, respectively. For the years ended December 31, 2019 and 2018, Crystal Financial LLC had net income of $8.0 million and $33.0 million, respectively, on gross income of $61.2 million and $58.8 million, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. As such, and subject to fluctuations in Crystal Financial LLC’s funded commitments, the timing of originations, and the

repayments of financings, the Company cannot guarantee that Crystal Financial LLC will be able to maintain consistent dividend payments to us. Crystal Financial LLC's consolidated financial statements for the fiscal years ended December 31, 2019 and December 31, 2018 are attached as an exhibit to this annual report on Form 10-K.

NEF Holdings, LLC

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

As of December 31, 2019, NEF had 168 funded equipment-backed leases and loans to 78 different customers with a total net investment in leases and loans of approximately $245.0 million on total assets of $304.2 million. As of December 31, 2018, NEF had 207 funded equipment-backed leases and loans to 82 different customers with a total net investment in leases and loans of approximately $237.2 million on total assets of $293.2 million. As of December 31, 2019 and December 31, 2018, the largest position outstanding totaled $26.9 million and $28.5 million, respectively. For the same periods, the average exposure per customer was $3.1 million and $2.9 million, respectively. NEF's credit facility, which is non-recourse to Solar Capital, had approximately $128.2 million and $119.3 million of borrowings outstanding at December 31, 2019 and December 31, 2018, respectively. For the years ended December 31, 2019 and 2018, NEF had net income (loss) of ($6.0) million and $3.4 million, respectively, on gross income of $31.9 million and $30.0 million, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. As such, and subject to fluctuations in NEF's funded commitments, the timing of originations, and the repayments of financings, the Company cannot guarantee that NEF will be able to maintain consistent dividend payments to us. NEF's consolidated financial statements for the fiscal years ended December 31, 2019 and December 31, 2018 are attached as an exhibit to this annual report on Form 10-K.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies. Within the context of these critical accounting policies and disclosed subsequent events herein, we are not currently aware of any other reasonably likely events or circumstances that would result in materially different amounts being reported.

Valuation of Portfolio Investments

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

Under procedures established by our board of directors (the "Board"), we value investments, including certain senior secured debt, subordinated debt and other debt securities with maturities greater than 60 days, for

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

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

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

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

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

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

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

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. However, in accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946, may be valued using net asset value as a practical expedient for fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation approaches to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the fiscal year ended December 31, 2019, there has been no change to the Company's valuation approaches or techniques and the nature of the related inputs considered in the valuation process.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

Valuation of 2022 Unsecured Notes

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

Revenue Recognition

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

The typically higher yields and interest rates on PIK securities, to the extent we invested, reflects the payment deferral and increased credit risk associated with such instruments and that such investments may represent a significantly higher credit risk than coupon loans. PIK securities may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. PIK interest has the effect of generating investment income and increasing the incentive fees payable at a compounding rate. In addition, the deferral of PIK interest also increases the loan-to-value ratio at a compounding rate. PIK securities create the risk that incentive fees will be paid to the Investment Adviser based on non-cash accruals that ultimately may not be realized, but the Investment Adviser will be under no obligation to reimburse the Company for these fees. For the fiscal years ended December 31, 2019, 2018 and 2017, capitalized PIK income totaled $1.1 million, $0.9 million and $0.2 million, respectively.

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

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

Income Taxes

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

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this Update modify and eliminate certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company will adopt ASU 2018-13 effective in fiscal year 2020.

In March 2017, the FASB issued ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities, which will amend FASB ASC 310-20. The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium, generally requiring the premium to be amortized to the earliest call date. For public business entities, the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company has adopted ASU 2017-08 and determined that the adoption has not had a material impact on its consolidated financial statements and disclosures.

RESULTS OF OPERATIONS

Results comparisons are for the fiscal years ended December 31, 2019 and December 31, 2018. Results for the fiscal year ended December 31, 2017 can be found in Item 7 of the Company's report on Form 10-K filed on February 21, 2019, which is incorporated by reference herein.

Investment Income

For the fiscal years ended December 31, 2019 and 2018, gross investment income totaled $154.7 million and $153.5 million, respectively. The increase in gross investment income from 2018 to 2019 was primarily due to growth of the average income producing investment portfolio.

Expenses

Expenses totaled $82.3 million and $78.6 million, respectively, for the fiscal years ended December 31, 2019 and 2018, of which $44.9 million and $44.5 million, respectively, were base management fees and performance-based incentive fees and $28.9 million and $24.7 million, respectively, were interest and other credit facility expenses. Administrative services and other general and administrative expenses totaled $8.5 million and $9.4 million, respectively, for the fiscal years ended December 31, 2019 and 2018. Expenses generally consist of management and performance-based incentive fees, interest and other credit facility expenses, administrative services fees, insurance expenses, legal fees, directors' fees, transfer agency fees, printing and proxy expenses, audit and tax services expenses, and other general and administrative expenses. Interest and other credit facility expenses generally consist of interest, unused fees, agency fees and loan origination fees, if any, among others. The increase in expenses from 2018 to 2019 was primarily due to higher interest expense resulting from generally higher average LIBOR and an increase in average borrowings to support a larger average income producing investment portfolio.

Net Investment Income

The Company's net investment income totaled $72.4 million and $74.9 million, or $1.71 and $1.77, per average share, respectively, for the fiscal years ended December 31, 2019 and 2018.

Net Realized Gain (Loss)

The Company had investment sales and prepayments totaling approximately $362 million and $624 million, respectively, for the fiscal years ended December 31, 2019 and 2018. Net realized gains (losses) over the same periods were ($1.8) million and $2.1 million, respectively. Net realized loss for fiscal year 2019 was primarily related to the extinguishment of debt. Net realized gains for fiscal year 2018 were related to the sale of select assets and the redemption of warrants.

Net Change in Unrealized Gain (Loss)

For the fiscal years ended December 31, 2019 and 2018, net change in unrealized gain (loss) on the Company's assets and liabilities totaled ($14.7) million and ($10.1) million, respectively. Net unrealized loss for the fiscal year ended December 31, 2019 is primarily due to unrealized depreciation in the value of our investments in IHS Intermediate, Inc., SOAGG LLC and American Teleconferencing Services, Ltd., among others, partially offset by unrealized appreciation in the value of our investments in Crystal Financial LLC, PPT Management Holdings, LLC and Alteon Health, LLC, among others. Net unrealized loss for the fiscal year ended December 31, 2018 is primarily due to unrealized depreciation in the value of our investments in Crystal Financial LLC, Rug Doctor, LLC and IHS Intermediate, Inc. among others, partially offset by unrealized appreciation in the value of our investments in SOAGG LLC and Phymed Management LLC, among others.

Net Increase in Net Assets From Operations

For the fiscal years ended December 31, 2019 and 2018, the Company had a net increase in net assets resulting from operations of $56.0 million and $66.9 million, respectively. For the fiscal years ended December 31, 2019 and 2018, earnings per average share were $1.33 and $1.58, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resources are generated and generally available through its Credit Facility, the 2022 Unsecured Notes, the 2022 Tranche C Notes, the NEFPASS Facility, the 2023 Unsecured Notes, the 2024 Unsecured Notes and the 2026 Unsecured Notes (collectively the "Credit Facilities"), through cash flows from operations, investment sales, prepayments of senior and subordinated loans, income earned on investments and cash equivalents, and periodic follow-on equity and/or debt offerings. As of December 31, 2019, we had a total of $447.1 million of unused borrowing capacity under the Credit Facilities, subject to borrowing base limits.

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

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

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

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

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

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

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

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

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

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

The primary uses of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or for other general corporate purposes.

Cash Equivalents

We deem certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities as cash equivalents. The Company makes purchases that are consistent with its purpose of making investments in securities described in paragraphs 1 through 3 of Section 55(a) of the 1940 Act. From time to time, including at or near the end of each fiscal quarter, we consider using various temporary investment strategies for our business. One strategy includes taking proactive steps by utilizing cash equivalents as temporary assets with the objective of enhancing our investment flexibility pursuant to Section 55 of the 1940 Act. More specifically, from time-to-time we may purchase U.S. Treasury bills or other high-quality, short-term debt securities at or near the end of the quarter and typically close out the position on a net cash basis subsequent to quarter end. We may also utilize repurchase agreements or other balance sheet transactions, including drawing down on our credit facilities, as deemed appropriate. The amount of these transactions or such drawn cash for this purpose is excluded from total assets for purposes of computing the asset base upon which the management fee is determined. We held approximately $420 million in cash equivalents as of December 31, 2019.

Debt

Unsecured Notes

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

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

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

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

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

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

Revolving & Term Loan Facilities

On August 28, 2019, the Company repaid its existing senior secured credit agreement due September 2021 and entered into the new Credit Facility. The Credit Facility is composed of $470 million of revolving credit and $75 million of term loans. Borrowings generally bear interest at a rate per annum equal to the base rate plus a range of 2.00-2.25% or the alternate base rate plus 1.00%-1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in August 2024 and includes ratable amortization in the final year. The Credit Facility may be increased up to $800 million with additional new lenders or an increase in commitments from current lenders. The Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Credit Facility contains certain financial covenants that among other things, requires the Company to maintain a minimum shareholder's equity and a minimum asset coverage ratio. At December 31, 2019, outstanding USD equivalent borrowings under the Credit Facility totaled $117.9 million, composed of $42.9 million of revolving credit and $75.0 million of term loans. On February 12, 2020, a new lender to the Company executed a commitment increase to our Credit Facility providing for an additional $75.0 million of revolving credit, bringing our Credit Facility's total revolving credit capacity to $545.0 million.

On May 31, 2019, the Company as transferor and SSLP 2016-1, LLC, a wholly-owned subsidiary of the Company, as borrower entered into amendment number two to the $200 million SSLP Facility with Wells Fargo Bank, NA acting as administrative agent. The Company acted as servicer under the SSLP Facility. The SSLP Facility was scheduled to mature on May 31, 2024. The SSLP Facility generally bore interest at a rate of LIBOR plus 2.25%. The Company and SSLP 2016-1, LLC, as applicable, had made certain customary representations and warranties, and were required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The SSLP Facility included usual and customary events of default for credit facilities of this nature. On October 31, 2019, the SSLP Facility was extinguished.

On September 26, 2018, NEFPASS SPV LLC, a newly formed wholly-owned subsidiary of NEFPASS LLC, as borrower entered into the NEFPASS Facility with Keybank acting as administrative agent. The Company acts as servicer under the NEFPASS Facility. The NEFPASS Facility is scheduled to mature on September 26, 2023. The NEFPASS Facility generally bears interest at a rate of LIBOR plus 2.15%. NEFPASS and NEFPASS SPV LLC, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The NEFPASS Facility also includes usual and customary events of default for credit facilities of this nature. There were $30.0 million of borrowings outstanding as of December 31, 2019.

Certain covenants on our issued debt may restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC under Subchapter M of the Code. At December 31, 2019, the Company was in compliance with all financial and operational covenants required by our Credit Facilities.

Contractual Obligations

A summary of our significant contractual payment obligations is as follows as of December 31, 2019:

Payments Due by Period (in millions)

	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Revolving credit facilities(1)	$ 72.9	$ —	$ —	$ 72.9	$ —
Unsecured senior notes	446.0	—	—	371.0	75.0
Term Loans	75.0	—	—	75.0	—

(1) As of December 31, 2019, we had a total of $447.1 million of unused borrowing capacity under our revolving credit facilities, subject to borrowing base limits.

Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 150% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy the asset coverage test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. Our stockholders approved being subject to a 150% asset coverage ratio effective October 12, 2018.

Senior Securities

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

Class and Year	Total Amount Outstanding(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Revolving Credit Facility				
Fiscal 2019	$ 42,900	$ 182	—	N/A
Fiscal 2018	96,400	593	—	N/A
Fiscal 2017	245,600	1,225	—	N/A
Fiscal 2016	115,200	990	—	N/A
Fiscal 2015	207,900	1,459	—	N/A
Fiscal 2014	—	—	—	N/A
Fiscal 2013	—	—	—	N/A
Fiscal 2012	264,452	1,510	—	N/A
Fiscal 2011	201,355	3,757	—	N/A
Fiscal 2010	400,000	2,668	—	N/A
2022 Unsecured Notes				
Fiscal 2019	150,000	638	—	N/A
Fiscal 2018	150,000	923	—	N/A
Fiscal 2017	150,000	748	—	N/A
Fiscal 2016	50,000	430	—	N/A
2022 Tranche C Notes				
Fiscal 2019	21,000	89	—	N/A
Fiscal 2018	21,000	129	—	N/A
Fiscal 2017	21,000	105	—	N/A

Class and Year	Total Amount Outstanding(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
2023 Unsecured Notes				
Fiscal 2019	75,000	319	—	N/A
Fiscal 2018	75,000	461	—	N/A
Fiscal 2017	75,000	374	—	N/A
2024 Unsecured Notes				
Fiscal 2019	125,000	531	—	N/A
2026 Unsecured Notes				
Fiscal 2019	75,000	319	—	N/A
2042 Unsecured Notes				
Fiscal 2017	—	—	—	N/A
Fiscal 2016	100,000	859	—	$ 1,002
Fiscal 2015	100,000	702	—	982
Fiscal 2014	100,000	2,294	—	943
Fiscal 2013	100,000	2,411	—	934
Fiscal 2012	100,000	571	—	923
Senior Secured Notes				
Fiscal 2017	—	—	—	N/A
Fiscal 2016	75,000	645	—	N/A
Fiscal 2015	75,000	527	—	N/A
Fiscal 2014	75,000	1,721	—	N/A
Fiscal 2013	75,000	1,808	—	N/A
Fiscal 2012	75,000	428	—	N/A
Term Loans				
Fiscal 2019	$ 75,000	319	—	N/A
Fiscal 2018	50,000	308	—	N/A
Fiscal 2017	50,000	250	—	N/A
Fiscal 2016	50,000	430	—	N/A
Fiscal 2015	50,000	351	—	N/A
Fiscal 2014	50,000	1,147	—	N/A
Fiscal 2013	50,000	1,206	—	N/A
Fiscal 2012	50,000	285	—	N/A
Fiscal 2011	35,000	653	—	N/A
Fiscal 2010	35,000	233	—	N/A
NEFPASS Facility				
Fiscal 2019	30,000	128	—	N/A
Fiscal 2018	30,000	185	—	N/A
SSLP Facility				
Fiscal 2019	—	—	—	N/A
Fiscal 2018	53,785	331	—	N/A
Total Senior Securities				
Fiscal 2019	$ 593,900	$ 2,525	—	N/A
Fiscal 2018	476,185	2,930	—	N/A
Fiscal 2017	541,600	2,702	—	N/A
Fiscal 2016	390,200	3,354	—	N/A
Fiscal 2015	432,900	3,039	—	N/A
Fiscal 2014	225,000	5,162	—	N/A
Fiscal 2013	225,000	5,425	—	N/A
Fiscal 2012	489,452	2,794	—	N/A
Fiscal 2011	236,355	4,410	—	N/A
Fiscal 2010	435,000	2,901	—	N/A

(1) Total amount of each class of senior securities outstanding (in thousands) at the end of the period presented.
(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by all senior securities representing indebtedness. This asset coverage ratio is multiplied by one thousand to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each class of debt, the total Asset Coverage Per Unit is allocated based on the amount outstanding in each class of debt at the end of the period. As of December 31, 2019, asset coverage was 252.5%.
(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.
(4) Not applicable except for the 2042 Unsecured Notes which were publicly traded. The Average Market Value Per Unit is calculated by taking the daily average closing price during the period and dividing it by twenty-five dollars per share and multiplying the result by one thousand to determine a unit price per thousand consistent with Asset Coverage Per Unit. The average market value for the fiscal 2016, 2015, 2014, 2013 and 2012 periods was $100,175, $98,196, $94,301, $93,392, and $92,302, respectively.

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

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

Off-Balance Sheet Arrangements

From time-to-time and in the normal course of business, the Company may make unfunded capital commitments to current or prospective portfolio companies. Typically, the Company may agree to provide delayed-draw term loans or, to a lesser extent, revolving loan or equity commitments. These unfunded capital commitments always take into account the Company's liquidity and cash available for investment, portfolio and issuer diversification, and other considerations. Accordingly, the Company had the following unfunded capital commitments at December 31, 2019 and December 31, 2018, respectively:

(in millions)	**December 31, 2019**	**December 31, 2018**
Crystal Financial LLC*	$ 44.3	$ 44.3
Kindred Biosciences, Inc.	13.8	—
Rubius Therapeutics, Inc.	13.4	26.8
Cardiva Medical, Inc.	11.0	9.0
Centrexion Therapeutics, Inc.	7.6	—
Cerapedics, Inc.	5.4	—
PQ Bypass, Inc.	5.0	4.8
Phynet Dermatology LLC	4.7	12.4
Altern Marketing, LLC	4.2	—
Varilease Finance, Inc.	3.4	—
MRI Software LLC	3.3	—
Enhanced Capital Group, LLC	2.5	—
Solara Medical Supplies, Inc.	1.9	1.2
RS Energy Group U.S., Inc.	1.7	1.7
Alimera Sciences, Inc.	1.1	—
iCIMS, Inc.	0.8	0.8
Atria Wealth Solutions, Inc.	0.4	1.5
BioElectron Technology Corporation	—	17.5
BAM Capital, LLC	—	15.0
Tetraphase Pharmaceuticals, Inc.	—	13.8
Corindus Vascular Robotics, Inc.	—	6.2
Kingsbridge Holdings, LLC	—	4.1
Breathe Technologies, Inc.	—	4.0
GenMark Diagnostics, Inc.	—	3.0
Delphinus Medical Technologies, Inc.	—	1.9
Datto, Inc.	—	1.7
Total Commitments	$ 124.5	$ 169.7

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

The credit agreements of the above loan commitments contain customary lending provisions and/or are subject to the portfolio company's achievement of certain milestones that allow relief to the Company from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the company. Since these commitments may expire without being drawn upon, unfunded commitments do not necessarily represent future cash requirements or future earning assets for the Company. As of December 31, 2019 and December 31, 2018, the Company had sufficient cash available and/or liquid securities available to fund its commitments.

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

Distributions

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

Date Declared	Record Date	Payment Date	Amount
Fiscal 2020			
February 20, 2020	March 19, 2020	April 3, 2020	$ 0.41
Fiscal 2019			
November 4, 2019	December 19, 2019	January 3, 2020	$ 0.41
August 5, 2019	September 19, 2019	October 2, 2019	0.41
May 6, 2019	June 20, 2019	July 2, 2019	0.41
February 21, 2019	March 21, 2019	April 3, 2019	0.41
Total 2019			$ 1.64
Fiscal 2018			
November 5, 2018	December 20, 2018	January 4, 2019	$ 0.41
August 2, 2018	September 20, 2018	October 2, 2018	0.41
May 7, 2018	June 21, 2018	July 3, 2018	0.41
February 22, 2018	March 22, 2018	April 3, 2018	0.41
Total 2018			$ 1.60

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

We have elected to be taxed as a RIC under Subchapter M of the Code. To maintain our RIC tax treatment, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In addition, although we currently intend to distribute realized net capital gains (*i.e.*, net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment.

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

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

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

Related Parties

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

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

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

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

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

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

We are subject to financial market risks, including changes in interest rates. During the fiscal year ended December 31, 2019, certain of the investments in our comprehensive investment portfolio had floating interest rates. These floating rate investments were primarily based on floating LIBOR and typically have durations of one to three months after which they reset to current market interest rates. Additionally, some of these investments have LIBOR floors. The Company also has revolving credit facilities that are generally based on floating LIBOR. Assuming no changes to our balance sheet as of December 31, 2019 and no new defaults by portfolio companies, a hypothetical one percent decrease in LIBOR on our comprehensive floating rate assets and liabilities would reduce our net investment income by five cents per average share over the next twelve months. Assuming no changes to our balance sheet as of December 31, 2019 and no new defaults by portfolio companies, a hypothetical one percent increase in LIBOR on our comprehensive floating rate assets and liabilities would increase our net investment income by approximately fourteen cents per average share over the next twelve months. However, we may hedge against interest rate fluctuations from time-to-time by using standard hedging instruments such as futures, options, swaps and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in any benefits of certain changes in interest rates with respect to our portfolio of investments. At December 31, 2019, we have no interest rate hedging instruments outstanding on our balance sheet.

Increase (Decrease) in LIBOR	(1.00%)	1.00%
Increase (Decrease) in Net Investment Income Per Share Per Year	($ 0.05)	$ 0.14

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

Item 8. Financial Statements and Supplementary Data

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2019. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 based upon criteria in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of December 31, 2019 based on the criteria on *Internal Control – Integrated Framework (2013)* issued by COSO.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

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

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

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedule of investments, of Solar Capital Ltd. (and subsidiaries) (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 and 2018, by correspondence with the custodian, portfolio companies or agents. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the fair value of investments and certain financial liabilities

As described in Notes 2 and 6 to the consolidated financial statements, the Company measures its investments at fair value and has made an irrevocable election to apply the fair value option of accounting to certain financial liabilities. In determining the fair value of investments and financial liabilities that are not publicly traded and whose market quotations are not readily available, the Company makes subjective judgments and estimates using unobservable inputs. As of December 31, 2019, the fair value of such investments and financial liabilities was $1.5 billion and $150 million, respectively.

We identified the assessment of fair value of investments and financial liabilities with no readily determinable market value and whose market quotations are not readily available as a critical audit matter. Evaluating the Company's fair value methods/technique, including the key inputs and assumptions, involved a high degree of auditor judgment. In particular, subjective auditor judgment was required to assess the market yields used in the income approach analyses, as well as the selection of comparable companies and financial performance multiples of such comparable companies in the market approach analyses.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's process to measure fair value of investments and financial liabilities, including controls related to the development of market yields, credit risk, and financial performance multiples assumptions. For a selection of investments, we compared the inputs and assumptions used by the Company to supporting documentation. We evaluated the Company's ability to estimate fair value by comparing market transaction prices to the Company's most recent fair value estimate prior to the market transaction. We involved valuation professionals with specialized skills and knowledge who assisted in evaluating the Company's fair value estimate for a selection of investments and financial liabilities by:

- developing an independent market yield, for investments and financial liabilities fair valued using an income approach, by assessing available market information, such as market yields of comparable companies of similar credit risk;

- developing an independent market multiple, for investments fair valued using a market approach, by assessing market information from third-party sources, including financial performance multiples of comparable companies; and
- developing independent estimates of fair value, for the selected investments and financial liabilities, based upon the independently developed market yields and financial performance multiples and compared the results of our estimates to the Company's fair value estimates.

/s/ KPMG LLP

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

New York, New York
February 20, 2020

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

	December 31, 2019	December 31, 2018
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: $989,564 and $948,478, respectively)	$ 970,821	$ 944,597
Companies more than 25% owned (cost: $513,119 and $500,792, respectively)	524,003	511,483
Cash	16,783	7,570
Cash equivalents (cost: $419,571 and $199,646, respectively)	419,571	199,646
Dividends receivable	10,488	9,065
Interest receivable	5,401	7,619
Receivable for investments sold	2,207	2,073
Other receivables	—	593
Prepaid expenses and other assets	615	783
Total assets	$ 1,949,889	$ 1,683,429
Liabilities		
Debt ($593,900 and $476,185 face amounts, respectively, reported net of unamortized debt issuance costs of $6,783 and $2,647, respectively. See notes 6 and 7)	$ 587,117	$ 473,538
Payable for investments and cash equivalents purchased	419,662	251,391
Distributions payable	17,327	17,327
Management fee payable (see note 3)	6,747	6,504
Performance-based incentive fee payable (see note 3)	4,281	4,613
Interest payable (see note 7)	3,678	4,714
Administrative services payable (see note 3)	2,757	2,716
Other liabilities and accrued expenses	2,440	3,455
Total liabilities	$ 1,044,009	$ 764,258
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 42,260,826 and 42,260,826 shares issued and outstanding, respectively	$ 423	$ 423
Paid-in capital in excess of par (see note 2f)	988,792	992,438
Accumulated distributable net loss (see note 2f)	(83,335)	(73,690)
Total net assets	$ 905,880	$ 919,171
Net Asset Value Per Share	$ 21.44	$ 21.75

See notes to consolidated financial statements.

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

	Year ended December 31,		
	2019	2018	2017
INVESTMENT INCOME:			
Interest:			
Companies less than 5% owned	$106,099	$ 98,172	$ 88,014
Companies more than 25% owned	5,429	2,827	1,222
Dividends:			
Companies less than 5% owned	56	28	26
Companies more than 25% owned	39,382	50,953	52,496
Other income:			
Companies less than 5% owned	3,727	1,367	1,334
Companies more than 25% owned	18	179	246
Total investment income	154,711	153,526	143,338
EXPENSES:			
Management fees (see note 3)	26,774	25,789	27,409
Performance-based incentive fees (see note 3)	18,111	18,722	17,055
Interest and other credit facility expenses (see note 7)	28,901	24,728	21,666
Administrative services expense (see note 3)	5,265	5,247	5,215
Other general and administrative expenses	3,215	4,151	3,630
Total expenses	82,266	78,637	74,975
Net investment income	$ 72,445	$ 74,889	$ 68,363
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:			
Net realized gain (loss) on investments and cash equivalents:			
Companies less than 5% owned	$ 754	$ 1,857	$ 310
Companies 5% to 25% owned	—	246	(8,104)
Companies more than 25% owned	(661)	(25)	(6)
Net realized gain (loss) on investments and cash equivalents	93	2,078	(7,800)
Net realized loss on extinguishment of debt:	(1,853)	—	(2,782)
Net realized loss on foreign currencies:	—	—	(1,433)
Net realized gain (loss)	(1,760)	2,078	(12,015)
Net change in unrealized gain (loss) on investments and cash equivalents:			
Companies less than 5% owned	(14,861)	(2,805)	10,541
Companies 5% to 25% owned	—	—	7,734
Companies more than 25% owned	192	(7,288)	(4,193)
Net change in unrealized gain (loss)	(14,669)	(10,093)	14,082
Net realized and unrealized gain (loss) on investments, cash equivalents and foreign currencies	(16,429)	(8,015)	2,067
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 56,016	$ 66,874	$ 70,430
EARNINGS PER SHARE (see note 5)	$ 1.33	$ 1.58	$ 1.67

See notes to consolidated financial statements.

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

	Year ended December 31,		
	2019	2018	2017
Increase in net assets resulting from operations:			
Net investment income	$ 72,445	$ 74,889	$ 68,363
Net realized gain (loss)	(1,760)	2,078	(12,015)
Net change in unrealized gain (loss)	(14,669)	(10,093)	14,082
Net increase in net assets resulting from operations	56,016	66,874	70,430
Distributions to stockholders (see note 8a):			
From net investment income	(65,715)	(69,308)	(67,612)
From return of capital	(3,592)	—	—
Net distributions to stockholders	(69,307)	(69,308)	(67,612)
Capital transactions (see note 14):			
Reinvestment of distributions	—	—	280
Net increase in net assets resulting from capital transactions	—	—	280
Total increase (decrease) in net assets	(13,291)	(2,434)	3,098
Net assets at beginning of year	919,171	921,605	918,507
Net assets at end of year	$905,880	$919,171	$921,605
Capital share activity (see note 14):			
Common stock issued from reinvestment of distributions	—	—	12,301
Net increase from capital share activity	—	—	12,301

See notes to consolidated financial statements.

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

	Year ended December 31,		
	2019	2018	2017
Cash Flows from Operating Activities:			
Net increase in net assets resulting from operations	$ 56,016	$ 66,874	$ 70,430
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
Net realized (gain) loss on investments and cash equivalents	(93)	(2,078)	7,800
Net realized loss on extinguishment of debt	1,853	—	2,782
Net realized loss on foreign currencies	—	—	1,433
Net change in unrealized (gain) loss on investments and cash equivalents	14,669	10,093	(14,082)
(Increase) decrease in operating assets:			
Purchase of investments	(403,693)	(768,999)	(471,623)
Proceeds from disposition of investments	360,014	774,045	329,268
Net accretion of discount on investments	(9,242)	(7,810)	(9,111)
Capitalization of payment-in-kind interest	(1,071)	(946)	(250)
Collections of payment-in-kind interest	672	785	173
Receivable for investments sold	(134)	4,087	7,442
Interest receivable	2,218	(283)	743
Dividends receivable	(1,423)	5,948	(4,061)
Other receivables	593	(535)	(4)
Prepaid expenses and other assets	168	256	(3)
Increase (decrease) in operating liabilities:			
Payable for investments and cash equivalents purchased	168,271	106,273	(164,776)
Management fee payable	243	(869)	503
Performance-based incentive fee payable	(332)	(47)	248
Administrative services expense payable	41	(40)	(533)
Interest payable	(1,036)	2,229	260
Other liabilities and accrued expenses	(1,015)	2,047	56
Net Cash Provided by (Used in) Operating Activities	186,719	191,030	(243,305)
Cash Flows from Financing Activities:			
Cash distributions paid	(69,307)	(68,670)	(67,327)
Proceeds from issuance of unsecured debt	197,957	—	193,836
Deferred financing costs	969	607	139
Consolidation of SSLP Facility and SSLP II Facility	—	61,066	—
Proceeds from secured borrowings	967,385	558,374	761,400
Repayments of secured borrowings	(1,054,585)	(685,980)	(706,000)
Repayments of unsecured borrowings	—	—	(100,000)
Net Cash Provided by (Used in) Financing Activities	42,419	(134,603)	82,048
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	229,138	56,427	(161,257)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	207,216	150,789	312,046
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 436,354	$ 207,216	$ 150,789
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 29,937	$ 22,499	$ 21,406

Non-cash financing activities consist of the reinvestment of distributions of $0, $0 and $280, for the fiscal years ended December 31, 2019, 2018 and 2017, respectively.

See notes to consolidated financial statements.

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

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

See notes to consolidated financial statements.

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

Description	Industry	Spread Above Index(7)	LIBOR Floor	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Life Science Senior Secured Loans									
Alimera Sciences, Inc.	Pharmaceuticals	L+765	1.78%	9.43%	12/31/2019	7/1/2024	$ 18,959	$ 18,959	$ 18,959
Apollo Endosurgery, Inc.	Health Care Equipment & Supplies	L+750	—	9.19%	3/15/2019	9/1/2023	20,492	20,539	20,492
Ardelyx, Inc. (3)	Pharmaceuticals	L+745	—	9.14%	5/10/2018	11/1/2022	24,500	24,741	24,745
aTyr Pharma, Inc.	Pharmaceuticals	P+410	—	8.85%	11/18/2016	11/18/2020	3,667	4,302	4,327
Axcella Health Inc.	Pharmaceuticals	L+850	—	10.20%	1/9/2018	1/1/2023	26,000	26,514	26,546
Cardiva Medical, Inc.	Health Care Equipment & Supplies	L+795	1.76%	9.71%	9/24/2018	12/1/2023	24,000	24,383	24,480
Centrexion Therapeutics, Inc.	Pharmaceuticals	L+725	2.45%	9.70%	6/28/2019	1/1/2024	12,615	12,533	12,504
Cerapedics, Inc.	Health Care Equipment & Supplies	L+695	2.50%	9.45%	3/22/2019	3/1/2024	18,803	18,893	18,897
Delphinus Medical Technologies, Inc.	Health Care Equipment & Supplies	L+850	—	10.19%	8/18/2017	9/1/2021	3,810	3,919	3,906
GenMark Diagnostics, Inc. (3)	Health Care Providers & Services	L+590	2.51%	8.41%	2/1/2019	2/1/2023	49,522	49,823	50,017
Kindred Biosciences, Inc. (3)(16)	Pharmaceuticals	L+675	2.17%	8.92%	9/30/2019	9/30/2024	9,197	9,169	9,173
OmniGuide Holdings, Inc. (13)	Health Care Equipment & Supplies	L+805	—	9.74%	7/30/2018	7/29/2023	10,500	10,639	10,552
PQ Bypass, Inc.	Health Care Equipment & Supplies	L+795	1.00%	9.65%	12/20/2018	12/19/2022	10,000	9,974	10,140
Rubius Therapeutics, Inc. (3)	Pharmaceuticals	L+550	—	7.19%	12/21/2018	12/21/2023	26,861	26,974	26,995
scPharmaceuticals, Inc.	Pharmaceuticals	L+795	2.23%	10.18%	9/17/2019	9/17/2023	4,684	4,692	4,693
Senseonics Holdings, Inc.	Health Care Equipment & Supplies	L+650	2.48%	8.98%	7/25/2019	7/1/2024	21,076	20,989	21,076
Total Life Science Senior Secured Loans								$287,043	$287,502
Total Senior Secured Loans								**$869,164**	**$852,834**

See notes to consolidated financial statements.

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

Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Equipment Financing — 35.4%							
Althoff Crane Service, Inc. (14)	Commercial Services & Supplies	10.55%	7/31/2017	6/8/2022	$ 1,180	$ 1,180	$ 1,200
AmeraMex International, Inc. (10)	Commercial Services & Supplies	10.00%	3/29/2019	3/28/2022	6,314	6,206	6,400
Blackhawk Mining, LLC (14)	Oil, Gas & Consumable Fuels	10.99-11.17%	2/16/2018	3/1/2022-11/1/2022	4,701	4,474	4,764
C&H Paving, Inc. (14)	Construction & Engineering	9.94-11.66%	12/26/2018	1/1/2024-11/1/2024	4,136	4,187	4,158
Capital City Jet Center, Inc. (10)	Airlines	10.00%	4/4/2018	10/4/2023	1,806	1,806	1,808
Central Freight Lines, Inc. (10)	Road & Rail	7.16%	7/31/2017	1/14/2024	1,421	1,421	1,421
Champion Air, LLC (10)	Airlines	10.00%	3/19/2018	1/1/2023	2,770	2,770	2,748
Easton Sales and Rentals, LLC (10)	Commercial Services & Supplies	10.00%	9/18/2018	10/1/2021	1,882	1,866	1,845
Equipment Operating Leases, LLC (2)(12)	Multi-Sector Holdings	7.53-8.37%	4/27/2018	8/1/2022-4/27/2025	29,739	29,739	29,739
Family First Freight, LLC (10)	Road & Rail	9.43-10.10%	7/31/2017	7/1/2020-1/22/2022	557	556	554
Freightsol LLC (14)	Road & Rail	12.62-12.99%	4/9/2019	11/1/2023	2,225	2,266	2,225
Garda CL Technical Services, Inc. (14)	Commercial Services & Supplies	8.31-8.77%	3/22/2018	7/13/2023-10/5/2023	2,317	2,317	2,280
Georgia Jet, Inc. (10)	Airlines	8.00%	12/4/2017	12/4/2021	1,833	1,833	1,805
Globecomm Systems Inc. (14)	Wireless Telecommunication Services	13.18%	5/10/2018	7/1/2021	1,051	1,051	1,072
GMT Corporation (14)	Machinery	12.46%	10/23/2018	10/23/2023	6,363	6,309	6,363
Haljoe Coaches USA, LLC (14)	Road & Rail	8.15-9.90%	7/31/2017	7/1/2022-7/1/2024	5,626	5,626	5,527
Hawkeye Contracting Company, LLC (10) (11)	Oil, Gas & Consumable Fuels	10.00%	11/15/2017	11/15/2020	1,823	1,823	1,827
HTI Logistics Corporation (10)	Commercial Services & Supplies	9.69-9.80%	11/15/2018	12/1/2023-4/1/2024	289	289	286
Hypro, Inc. (10)	Machinery	11.53%	9/30/2019	10/1/2023	3,460	3,493	3,460
Interstate NDT, Inc. (14)	Road & Rail	11.32-13.94%	6/11/2018	7/1/2023-10/25/2023	2,019	2,019	2,055
ISR Holdings, LLC (10)	Commercial Services & Supplies	9.25%	8/27/2019	8/27/2022	4,781	4,781	4,781
JP Motorsports, Inc. (14)	Road & Rail	16.35%	8/17/2018	1/25/2022	192	191	194
Kool Pak, LLC (14)	Road & Rail	8.58%	2/5/2018	3/1/2024	612	612	612
Lineal Industries, Inc. (10)	Construction & Engineering	8.00%	12/21/2018	12/21/2021	76	76	76
Loyer Capital LLC (2)(12)	Multi-Sector Holdings	8.73-11.52%	5/16/2019	5/16/24-9/25/24	14,731	14,731	14,731
Meridian Consulting I Corp, Inc. (10)	Hotels, Restaurants & Leisure	10.72%	7/31/2017	12/4/2021	1,926	1,926	1,972
Mountain Air Helicopters, Inc. (10)	Commercial Services & Supplies	10.00%	7/31/2017	4/30/2022	1,509	1,509	1,528
Rango, Inc. (10)(14)	Commercial Services & Supplies	9.42%-9.92%	9/24/2019	4/1/2023-11/1/2024	6,055	6,150	6,055
Rossco Crane & Rigging, Inc. (14)	Commercial Services & Supplies	11.13-11.53%	8/25/2017	4/1/2021-9/1/2022	577	577	584
Royal Coach Lines, Inc.	Road & Rail	9.56%	11/21/2019	8/1/2025	1,240	1,240	1,240
Royal Express Inc. (14)	Road & Rail	9.64%	1/17/2019	2/1/2024	1,056	1,075	1,042

See notes to consolidated financial statements.

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

Description	Industry	Interest Rate[1]	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Sidelines Tree Service LLC (14)	Diversified Consumer Services	10.31-10.52%	7/31/2017	8/1/2022-10/1/2022	$ 329	$ 329	$ 331
South Texas Oilfield Solutions, LLC (14)	Energy Equipment & Services	12.52-13.76%	3/29/2018	9/1/2022-7/1/2023	2,753	2,753	2,754
Southern Nevada Oral & Maxillofacial Surgery, LLC (10)	Health Care Providers & Services	12.00%	7/31/2017	3/1/2024	1,273	1,273	1,286
Southwest Traders, Inc. (14)	Road & Rail	9.13%	11/21/2017	11/1/2020	70	70	69
Spartan Education, LLC (10)	Diversified Consumer Services	10.26-12.00%	3/28/2019	7/31/2020-12/27/2023	6,758	6,867	6,766
ST Coaches, LLC (14)	Road & Rail	8.21-8.59%	7/31/2017	10/1/2022-1/25/2025	4,585	4,585	4,501
Stafford Logistics, Inc. (10)	Commercial Services & Supplies	12.63-13.12%	9/11/2019	10/1/2024-10/1/2025	7,930	7,930	7,930
Star Coaches Inc. (14)	Road & Rail	8.42%	3/9/2018	4/1/2025	3,305	3,305	3,288
Sturgeon Services International Inc. (10)	Energy Equipment & Services	19.10%	7/31/2017	2/28/2022	1,271	1,271	1,249
Sun-Tech Leasing of Texas, L.P. (14)	Road & Rail	8.68-16.95%	7/31/2017	6/25/2020-7/25/2021	238	238	236
Superior Transportation, Inc. (14)	Road & Rail	9.38-12.26%	7/31/2017	4/1/2022-8/1/2024	6,492	6,471	6,471
Tailwinds, LLC (10)	Air Freight & Logistics	9.00%	7/26/2019	8/1/2024	1,153	1,153	1,153
The Smedley Company & Smedley Services, Inc. (10)	Commercial Services & Supplies	9.92-14.75%	7/31/2017	10/29/2023-2/10/2024	5,011	5,030	5,070
Thora Capital, LLC (10)	Airlines	9.00%	7/3/2019	7/1/2025	6,209	6,209	6,209
Tornado Bus Company (14)	Road & Rail	10.78%	7/31/2017	9/1/2021	1,509	1,509	1,518
Trinity Equipment Rentals, Inc. (14)	Commercial Services & Supplies	11.24%	9/13/2018	10/1/2022	719	719	726
Trolleys, Inc. (14)	Road & Rail	9.81%	7/18/2018	8/1/2022	2,295	2,295	2,292
Up Trucking Services, LLC (14)	Road & Rail	11.21-12.10%	3/23/2018	4/1/2022-8/1/2024	2,512	2,549	2,540
Warrior Crane Services, LLC (10)	Commercial Services & Supplies	8.95%	7/11/2019	7/11/2024-8/1/2026	3,316	3,316	3,316
Wind River Environmental, LLC (10)	Diversified Consumer Services	10.00%	7/31/2019	8/1/2024	918	926	918
Womble Company, Inc. (10)	Energy Equipment & Services	9.11%	12/27/2019	1/1/2025	814	814	814
W.P.M., Inc., WPM-Southern, LLC, WPM Construction Services, Inc.(10)	Construction & Engineering	7.50%	7/31/2017	10/1/2022	1,841	1,841	1,841
					Shares/ Units		
NEF Holdings, LLC Equity Interests (2)(9)	Multi-Sector Holdings		7/31/2017		200	145,000	145,000
Total Equipment Financing						**$320,552**	**$320,630**
Preferred Equity – 1.2%							
SOAGG LLC (2)(3)(4)	Aerospace & Defense	8.00%	12/14/2010	6/30/2023	1,541	$ 1,541	$ 4,952
SOINT, LLC (2)(3)(4)	Aerospace & Defense	15.00%	6/8/2012	6/30/2023	53,932	5,393	5,939
Total Preferred Equity						**$ 6,934**	**$ 10,891**

See notes to consolidated financial statements.

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

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

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

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

See notes to consolidated financial statements.

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

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

Name of Issuer	Fair Value at December 31, 2018	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend/ Other Income	Fair Value at December 31, 2019
Ark Real Estate Partners LP	$ 39	$ —	$ —	$ (526)	$ 487	$ —	$ —
Ark Real Estate Partners II LP	1	—	—	(135)	11	—	—
AviatorCap SII, LLC	2,975	—	79	—	—	274	2,896
AviatorCap SII, LLC	—	2,975	262	—	—	208	2,713
Crystal Financial LLC	293,000	—	—	—	3,000	30,000	296,000
Equipment Operating Leases, LLC	32,882	—	3,143	—	—	2,550	29,739
Loyer Capital LLC	—	21,634	6,903	—	—	1,085	14,731
NEF Holdings, LLC	145,000	—	—	—	—	3,300	145,000
RD Holdco Inc. (Rug Doctor, common equity)	7,732	—	—	—	(26)	—	7,706
RD Holdco Inc. (Rug Doctor, class B)	5,216	—	—	—	—	—	5,216
RD Holdco Inc. (Rug Doctor, warrants)	—	—	—	—	—	—	—
Rug Doctor LLC	9,111	—	—	—	(39)	1,182	9,111
SOAGG LLC	9,113	—	951	—	(3,210)	5,256	4,952
SOINT, LLC	—	2,144	2,188	—	—	148	—
SOINT, LLC (preferred equity)	6,414	—	444	—	(31)	826	5,939
	$ 511,483	$ 26,753	$ 13,970	$ (661)	$ 192	$ 44,829	$ 524,003

(3) Indicates assets that the Company believes may not represent "qualifying assets" under Section 55(a) of the Investment Company Act of 1940 ("1940 Act"), as amended. If we fail to invest a sufficient portion of our assets in qualifying assets, we could be prevented from making follow-on investments in existing portfolio companies or could be required to dispose of investments at inappropriate times in order to comply with the 1940 Act. As of December 31, 2019, on a fair value basis, non-qualifying assets in the portfolio represented 22.9% of the total assets of the Company.

(4) Solar Capital Ltd.'s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.

(5) Bishop Lifting Products, Inc., SEI Holding I Corporation, Singer Equities, Inc. & Hampton Rubber Company are co-borrowers.

(6) Aggregate net unrealized appreciation for U.S. federal income tax purposes is $8,172; aggregate gross unrealized appreciation and depreciation for federal tax purposes is $45,038 and $36,866, respectively, based on a tax cost of $1,486,652. Unless otherwise noted, all of the Company's investments are pledged as collateral against the borrowings outstanding on the senior secured credit facility. The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act. All investments are Level 3 unless otherwise indicated.

(7) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are often subject to a LIBOR or PRIME rate floor.

(8) Denotes a Level 1 investment.

See notes to consolidated financial statements.

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

(9) NEF Holdings, LLC is held through NEFCORP LLC, a wholly-owned consolidated taxable subsidiary and NEFPASS LLC, a wholly-owned consolidated subsidiary.
(10) Indicates an investment that is wholly held by Solar Capital Ltd. through NEFPASS LLC.
(11) Hawkeye Contracting Company, LLC, Eagle Creek Mining, LLC & Falcon Ridge Leasing, LLC are co-borrowers.
(12) Denotes a subsidiary of NEF Holdings, LLC.
(13) OmniGuide Holdings, Inc., Domain Surgical, Inc. and OmniGuide, Inc. are co-borrowers.
(14) Indicates an investment that is held by the Company through its wholly-owned consolidated financing subsidiary NEFPASS SPV, LLC (the "NEFPASS SPV"). Such investments are pledged as collateral under the NEFPASS SPV, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of the Company.
(15) Spread is 6.00% Cash / 0.75% PIK.
(16) Kindred Biosciences, Inc., KindredBio Equine, Inc. and Centaur Biopharmaceutical Services, Inc. are co-borrowers.
* Non-income producing security.
** Investment is on non-accrual status.

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

See notes to consolidated financial statements.

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

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

See notes to consolidated financial statements.

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
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(in thousands, except share/unit amounts)

Description	Industry	Spread Above Index(9)	LIBOR Floor	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
RS Energy Group U.S., Inc. (10)	Software	L+475	1.00%	7.55%	10/26/2018	10/6/2023	$ 15,249	$ 14,951	$ 14,944
Rug Doctor LLC (3)(10)	Diversified Consumer Services	L+975	1.50%	12.33%	12/23/2013	10/31/2019	9,111	9,050	9,111
Solara Medical Supplies, Inc. (10)(16)	Health Care Providers & Services	L+600	1.00%	8.52%	5/31/2018	5/31/2023	3,418	3,371	3,418
Southern Auto Finance Company (5)(10)	Consumer Finance	—	—	11.15%	10/19/2011	12/4/2019	25,000	24,920	25,000
The Octave Music Group, Inc. (fka TouchTunes) (10)	Media	L+825	1.00%	10.63%	5/28/2015	5/27/2022	14,000	13,880	13,930
Varilease Finance, Inc. (10)	Multi-Sector Holdings	L+825	1.00%	10.65%	8/22/2014	8/24/2020	33,000	32,793	33,000
Total Bank Debt/Senior Secured Loans								$569,980	$568,905
Life Science Senior Secured Loans									
Alimera Sciences, Inc. (10)	Pharmaceuticals	L+765	—	10.03%	1/5/2018	7/1/2022	$ 25,000	$ 25,044	$ 25,125
Ardelyx, Inc. (5)(10)	Pharmaceuticals	L+745	—	9.83%	5/10/2018	11/1/2022	24,500	24,400	24,377
aTyr Pharma, Inc. (10)	Pharmaceuticals	P+410	—	9.35%	11/18/2016	11/18/2020	7,667	7,985	7,782
Axcella Health Inc. (10)	Pharmaceuticals	L+850	—	10.84%	1/9/2018	7/1/2022	26,000	26,247	26,000
BioElectron Technology Corporation (10)	Pharmaceuticals	L+750	—	9.88%	8/9/2018	8/10/2022	10,500	10,458	10,447
Breathe Technologies, Inc. (10)	Health Care Equipment & Supplies	L+850	—	10.84%	1/5/2018	1/5/2022	22,000	22,298	22,000
Cardiva Medical, Inc. (10)	Health Care Equipment & Supplies	L+795	0.63%	10.33%	9/24/2018	9/1/2022	12,000	12,067	12,030
Corindus Vascular Robotics, Inc. (5)(10)	Health Care Equipment & Supplies	L+725	—	9.60%	3/9/2018	3/1/2022	6,783	6,787	6,817
Delphinus Medical Technologies, Inc. (10)	Health Care Equipment & Supplies	L+850	—	10.88%	8/18/2017	9/1/2021	5,625	5,594	5,513
GenMark Diagnostics, Inc. (5)(10)	Health Care Providers & Services	—	—	6.90%	11/8/2018	1/1/2021	17,473	17,531	17,531
OmniGuide Holdings, Inc. (10)(15)	Health Care Equipment & Supplies	L+805	—	10.43%	7/30/2018	7/29/2023	10,500	10,504	10,474
PQ Bypass, Inc. (10)	Health Care Equipment & Supplies	L+795	1.00%	10.42%	12/20/2018	12/20/2022	5,200	5,119	5,117
Restoration Robotics, Inc. (10)	Health Care Equipment & Supplies	L+795	—	10.33%	5/10/2018	5/1/2022	9,000	8,887	8,977
Rubius Therapeutics, Inc. (5)(10)	Pharmaceuticals	L+550	—	7.97%	12/21/2018	12/21/2023	13,430	13,400	13,397
scPharmaceuticals, Inc. (10)	Pharmaceuticals	L+845	—	10.83%	5/23/2017	5/1/2021	5,000	5,019	5,025
Scynexis, Inc. (10)	Pharmaceuticals	L+849	—	10.87%	9/30/2016	9/30/2020	15,000	15,379	15,300
SentreHeart, Inc. (10)	Health Care Equipment & Supplies	L+885	—	11.19%	11/15/2016	11/15/2020	10,000	10,193	10,150
Sunesis Pharmaceuticals, Inc. (10)	Pharmaceuticals	L+854	—	10.92%	3/31/2016	4/1/2020	3,750	3,833	3,769
Tetraphase Pharmaceuticals, Inc. (10)	Pharmaceuticals	L+725	—	9.63%	10/30/2018	5/2/2023	20,600	20,169	20,125
Total Life Science Senior Secured Loans								$250,914	$249,956
Total Senior Secured Loans								**$820,894**	**$818,861**

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CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
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Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Equipment Financing — 34.2%							
Althoff Crane Service, Inc. (10)(17)	Commercial Services & Supplies	10.55%	7/31/2017	6/8/2022	$ 1,362	$ 1,362	$ 1,357
B&W Resources, Inc. (10)(12)	Oil, Gas & Consumable Fuels	21.57%	8/17/2018	3/27/2020	297	291	305
BB578, LLC (10)(12)	Media	10.00%	7/31/2017	11/1/2021	669	669	667
Beverly Hills Limo and Corporate Coach, Inc. (10)(17)	Road & Rail	10.57%	3/19/2018	9/9/2019	366	379	363
Blackhawk Mining, LLC (10)(17)	Oil, Gas & Consumable Fuels	10.99-11.17%	2/16/2018	3/1/2022-11/1/2022	6,270	5,890	6,270
Brightwater R&B Acquisition, LLC (10)(17)	Machinery	12.24%	8/17/2018	4/20/2019	76	76	76
C&H Paving, Inc. (10)(12)	Construction & Engineering	9.94%	12/26/2018	1/1/2024	3,393	3,444	3,393
Capital City Jet Center, Inc. (10)(12)	Airlines	10.00%	4/4/2018	10/4/2023	2,174	2,174	2,184
Central Freight Lines, Inc. (10)(12)	Road & Rail	7.16%	7/31/2017	1/14/2024	1,710	1,710	1,710
Cfactor Leasing Corp. & CZM USA, Corp. (10)(17)	Machinery	12.00-14.11%	7/31/2017	5/27/2020-8/3/2022	3,162	3,143	3,173
Champion Air, LLC (10)(12)	Airlines	10.00%	3/19/2018	1/1/2023	3,200	3,181	3,200
Delicate Productions, Inc. (10)(12)	Commercial Services & Supplies	13.30%	5/3/2018	5/15/2022	2,023	2,010	2,023
Easton Sales and Rentals, LLC (10)(12)	Commercial Services & Supplies	10.00%	9/18/2018	10/1/2021	2,034	1,981	2,034
Equipment Operating Leases, LLC (3)(10)(14)	Multi-Sector Holdings	7.53-8.37%	4/27/2018	8/1/22-4/27/2025	32,882	32,882	32,882
Falcon Transport Company (10)(12)	Road & Rail	10.96%	10/24/2018	7/1/2024	12,443	12,271	12,443
Family First Freight, LLC (10)(12)	Road & Rail	9.29-11.52%	7/31/2017	7/2/2019-1/22/2022	881	879	870
Garda CL Technical Services, Inc. (10)(17)	Commercial Services & Supplies	8.31-8.77%	3/22/2018	7/13/2023-10/5/2023	2,847	2,847	2,847
Georgia Jet, Inc. (10)(12)	Airlines	8.00%	12/4/2017	12/4/2021	2,373	2,373	2,373
Globecomm Systems Inc. (10)(17)	Wireless Telecommunication Services	13.18%	5/10/2018	7/1/2021	1,610	1,610	1,610
GMT Corporation (10)(12)	Machinery	12.46%	10/23/2018	10/23/2023	7,582	7,506	7,582
Great Plains Gas Compression Holdings, LLC (10)(12)	Oil, Gas & Consumable Fuels	9.37-9.93%	3/19/2018	8/1/2019-9/7/19	8,775	8,754	8,792
Haljoe Coaches USA, LLC (10)(17)	Road & Rail	8.15-9.90%	7/31/2017	7/1/2022-11/17/2022	5,180	5,180	5,137
Hawkeye Contracting Company, LLC (10)(12)(13)	Oil, Gas & Consumable Fuels	10.00%	11/15/2017	11/15/2020	3,648	3,648	3,620

See notes to consolidated financial statements.

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

Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
HTI Logistics Corporation (10)(12)	Commercial Services & Supplies	9.80%	11/15/2018	12/1/2023	$ 274	$ 274	$ 274
Interstate NDT, Inc. (10)(17)	Road & Rail	11.32-13.94%	6/11/2018	7/1/2023-10/1/2023	2,429	2,429	2,429
JP Motorsports, Inc. (10)(17)	Road & Rail	13.96%	8/17/2018	1/25/2022	397	394	405
Knight Transfer Services, Inc. & Dumpstr Xpress, Inc. (10)(17)	Commercial Services & Supplies	12.05-12.76%	7/31/2017	4/11/2020-4/30/2020	518	518	519
Kool Pak, LLC (10)(17)	Road & Rail	8.58%	2/5/2018	3/1/2024	729	729	722
Lineal Industries, Inc. (10)(12)	Construction & Engineering	8.00%	12/21/2018	12/21/2021	107	107	107
Marcal Manufacturing, LLC dba Soundview Paper Company, LLC (10)(17)	Paper & Forest Products	12.91-12.98%	7/31/2017	7/30/2022-10/25/2022	1,365	1,365	1,386
Meridian Consulting I Corp, Inc. (10)(12)	Hotels, Restaurants & Leisure	10.72%	7/31/2017	12/4/2021	2,145	2,145	2,156
Mountain Air Helicopters, Inc. (10)(12)	Commercial Services & Supplies	10.00%	7/31/2017	4/30/2022	1,668	1,668	1,651
Mulholland Energy Services Equipment Leasing, LLC (10)(17)	Commercial Services & Supplies	8.89%	8/17/2018	10/30/2019	809	807	804
OKK Equipment, LLC (10)(12)	Commercial Services & Supplies	10.15%	7/31/2017	8/27/2023	612	612	601
Reston Limousine & Travel Service, Inc. (10)(17)	Road & Rail	11.82%	9/13/2017	10/1/2021	1,454	1,471	1,460
Rossco Crane & Rigging, Inc. (10)(17)	Commercial Services & Supplies	11.13-11.53%	8/25/2017	4/1/2021-9/1/2022	797	797	798
RVR Air Charter, LLC & RVR Aviation, LLC (10)(12)	Airlines	12.00%	7/31/2017	8/1/2020-1/1/2022	2,692	2,692	2,727
Santek Environmental, LLC (10)(17)	Commercial Services & Supplies	10.00%	7/31/2017	3/1/2021	98	98	99
Santek Environmental of Alabama, LLC (10)(17)	Commercial Services & Supplies	8.95-10.00%	7/31/2017	12/18/2020-11/29/2021	179	179	176
Sidelines Tree Service LLC (10)(17)	Diversified Consumer Services	10.31-10.52%	7/31/2017	8/1/2022-10/1/2022	431	432	427
South Texas Oilfield Solutions, LLC (10)(17)	Energy Equipment & Services	12.52-13.76%	3/29/2018	9/1/2022-7/1/2023	3,413	3,413	3,413
Southern Nevada Oral & Maxillofacial Surgery, LLC (10)(12)	Health Care Providers & Services	12.00%	7/31/2017	3/1/2024	1,404	1,404	1,425
Southwest Traders, Inc. (10)(17)	Road & Rail	9.13%	11/21/2017	11/1/2020	139	139	138
ST Coaches, LLC (10)(17)	Road & Rail	8.21-8.59%	7/31/2017	10/1/2022-10/1/2023	4,396	4,396	4,396
Star Coaches Inc. (10)(17)	Road & Rail	8.42%	3/9/2018	4/1/2025	3,785	3,785	3,785
Sturgeon Services International Inc. (10)(12)	Energy Equipment & Services	17.88%	7/31/2017	2/28/2022	1,763	1,763	1,789

See notes to consolidated financial statements.

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

Description	Industry	Interest Rate(1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Sun-Tech Leasing of Texas, L.P. (10)(17)	Road & Rail	8.68-8.83%	7/31/2017	6/25/2020-7/25/2021	$ 424	$ 424	$ 416
Superior Transportation, Inc. (10)(17)	Road & Rail	9.77-10.26%	7/31/2017	4/23/2022-12/1/2023	4,500	4,499	4,460
The Smedley Company & Smedley Services, Inc. (10)(12)	Commercial Services & Supplies	9.92-14.68%	7/31/2017	10/29/2023-2/10/2024	6,273	6,315	6,361
Tornado Bus Company (10)(17)	Road & Rail	10.78%	7/31/2017	9/1/2021	2,151	2,151	2,141
Trinity Equipment Rentals, Inc. (10)(12)	Commercial Services & Supplies	11.02%	9/13/2018	10/1/2022	935	935	935
Trolleys, Inc. (10)(17)	Road & Rail	9.81%	7/18/2018	8/1/2022	3,039	3,039	3,039
Up Trucking Services, LLC (10)(17)	Road & Rail	11.91%	3/23/2018	4/1/2022	2,226	2,261	2,263
Waste Services of Alabama, LLC (10)(17)	Commercial Services & Supplies	10.24%	8/17/2018	11/27/2020	1,692	1,696	1,687
Waste Services of Tennessee, LLC (10)(17)	Commercial Services & Supplies	8.95-10.15%	7/31/2017	2/7/2021-11/29/2021	742	742	727
Waste Services of Texas, LLC (10)(17)	Commercial Services & Supplies	8.95%	7/31/2017	12/6/2021	147	147	145
WJV658, LLC (10)(12)	Airlines	8.50%	7/31/2017	7/1/2022	7,884	7,884	7,879
W.P.M., Inc., WPM-Southern, LLC, WPM Construction Services, Inc.(10)(12)	Construction & Engineering	7.50%	7/31/2017	10/1/2022	2,601	2,601	2,575
					Shares/ Units		
NEF Holdings, LLC Equity Interests (3)(10)(11)	Multi-Sector Holdings		7/31/2017		200	145,000	145,000
Total Equipment Financing						**$313,571**	**$314,226**
Preferred Equity – 1.7%							
SOAGG LLC (3)(5)(6)(10)	Aerospace & Defense	8.00%	12/14/2010	6/30/2020	2,493	$ 2,493	$ 9,113
SOINT, LLC (3)(5)(6)(10)	Aerospace & Defense	15.00%	6/8/2012	6/30/2020	58,361	5,836	6,414
Total Preferred Equity						**$ 8,329**	**$ 15,527**

See notes to consolidated financial statements.

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

Description	Industry	Acquisition Date		Shares/ Units	Cost	Fair Value
Common Equity/Equity Interests/Warrants— 33.4%						
Ark Real Estate Partners LP (2)(3)(10)*	Diversified Real Estate Activities	3/12/2007		—	$ 527	$ 39
Ark Real Estate Partners II LP (2)(3)(10)*	Diversified Real Estate Activities	10/23/2012		—	12	1
aTyr Pharma, Inc. Warrants (10)*	Pharmaceuticals	11/18/2016		88,792	106	—
B Riley Financial Inc. (5)	Research & Consulting Services	3/16/2007		38,015	2,684	540
CardioFocus, Inc. Warrants (10)*	Health Care Equipment & Supplies	3/31/2017		440,816	51	69
CAS Medical Systems, Inc. Warrants (10)*	Health Care Equipment & Supplies	6/30/2016		48,491	38	28
Conventus Orthopaedics, Inc. Warrants (10)*	Health Care Equipment & Supplies	6/15/2016		157,500	65	68
Corindus Vascular Robotics, Inc. Warrants (5)(10)*	Health Care Equipment & Supplies	3/9/2018		79,855	40	22
Crystal Financial LLC (3)(5)(10)	Diversified Financial Services	12/28/2012		280,303	280,737	293,000
Delphinus Medical Technologies, Inc. Warrants (10)*	Health Care Equipment & Supplies	8/18/2017		380,904	74	99
Essence Group Holdings Corporation (Lumeris) Warrants (10)*	Health Care Technology	3/22/2017		208,000	63	358
PQ Bypass, Inc. Warrants (10)*	Health Care Equipment & Supplies	12/20/2018		156,000	70	75
RD Holdco Inc. (Rug Doctor) (3)(10)*	Diversified Consumer Services	12/23/2013		231,177	15,683	7,732
RD Holdco Inc. (Rug Doctor) Class B (3)(10)*	Diversified Consumer Services	12/23/2013		522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants (3)(10)*	Diversified Consumer Services	12/23/2013		30,370	381	—
Restoration Robotics, Inc. Warrants (10)*	Health Care Equipment & Supplies	5/10/2018		72,776	111	3
Scynexis, Inc. Warrants (10)*	Pharmaceuticals	9/30/2016		122,435	105	—
SentreHeart, Inc. Warrants (10)*	Health Care Equipment & Supplies	11/15/2016		261,825	126	127
Sunesis Pharmaceuticals, Inc. Warrants (10)*	Pharmaceuticals	3/31/2016		104,001	118	—
Tetraphase Pharmaceuticals, Inc. Warrants (10)*	Pharmaceuticals	10/30/2018		284,530	269	89
Total Common Equity/Equity Interests/Warrants					**$ 306,476**	**$ 307,466**
Total Investments (8) — 158.4%					**$ 1,449,270**	**$ 1,456,080**

Description	Industry	Acquisition Date	Maturity Date	Par Amount		
Cash Equivalents — 21.7%						
U.S. Treasury Bill	Government	12/31/2018	1/29/2019	$ 200,000	$ 199,646	$ 199,646

Total Investments & Cash Equivalents —180.1%	**$ 1,648,916**	**$ 1,655,726**
Liabilities in Excess of Other Assets — (80.1%)		(736,555)
Net Assets — 100.0%		**$ 919,171**

(1) Floating rate debt investments typically bear interest at a rate determined by reference to the London Interbank Offered Rate (“LIBOR”), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current rate of interest, or in the case of leases the current implied yield, in effect as of December 31, 2018.

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

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
December 31, 2018
(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 year ended December 31, 2018 in these controlled investments are as follows:

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

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

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

See notes to consolidated financial statements.

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

(5) Indicates assets that the Company believes may not represent "qualifying assets" under Section 55(a) of the Investment Company Act of 1940 ("1940 Act"), as amended. If we fail to invest a sufficient portion of our assets in qualifying assets, we could be prevented from making follow-on investments in existing portfolio companies or could be required to dispose of investments at inappropriate times in order to comply with the 1940 Act. As of December 31, 2018, on a fair value basis, non-qualifying assets in the portfolio represented 23.3% of the total assets of the Company.
(6) Solar Capital Ltd.'s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.
(7) Bishop Lifting Products, Inc., SEI Holding I Corporation, Singer Equities, Inc. & Hampton Rubber Company are co-borrowers.
(8) Aggregate net unrealized appreciation for U.S. federal income tax purposes is $853; aggregate gross unrealized appreciation and depreciation for federal tax purposes is $21,655 and $20,802, respectively, based on a tax cost of $1,455,227. All of the Company's investments are pledged as collateral against the borrowings outstanding on the revolving credit facility. The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). These investments are generally subject to certain limitations on resale, and may be deemed to be "restricted securities" under the Securities Act.
(9) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
(10) Level 3 investment valued using significant unobservable inputs.
(11) NEF Holdings, LLC is held through NEFCORP LLC, a wholly-owned consolidated taxable subsidiary and NEFPASS LLC, a wholly-owned consolidated subsidiary.
(12) Indicates an investment that is wholly held by Solar Capital Ltd. through NEFPASS LLC.
(13) Hawkeye Contracting Company, LLC, Eagle Creek Mining, LLC & Falcon Ridge Leasing, LLC are co-borrowers.
(14) Equipment Operating Leases, LLC is a subsidiary of NEF Holdings, LLC.
(15) OmniGuide Holdings, Inc., Domain Surgical, Inc. and OmniGuide, Inc. are co-borrowers.
(16) Indicates an investment that is wholly or partially held by the Company through its wholly-owned consolidated financing subsidiary SSLP 2016-1, LLC (the "SSLP SPV"). Such investments are pledged as collateral under the SSLP 2016-1, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of the Company.
(17) Indicates an investment that is held by the Company through its wholly-owned consolidated financing subsidiary NEFPASS SPV, LLC (the "NEFPASS SPV"). Such investments are pledged as collateral under the NEFPASS SPV, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of the Company.
(18) On September 14, 2018 and September 18, 2018, the Company acquired 100% of the equity of SSLP II and SSLP, respectively, and as such consolidated these investments as of this date. On December 19, 2018, SSLP and SSLP II were merged into the Company.
* Non-income producing security.
† Represents estimated change in receivable balance.

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

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

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 1. Organization

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

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

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

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

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

Note 2. Significant Accounting Policies

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

The preparation of consolidated financial statements in conformity with GAAP and pursuant to the requirements for reporting on Form 10-K and Regulation S-X, as appropriate, also requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial

statements and the reported amounts of income and expenses during the reported periods. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

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

The significant accounting policies consistently followed by the Company are:

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

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

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

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. However, in accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946, may be valued using net asset value as a practical expedient for fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation approaches to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the fiscal year ended December 31, 2019, there has been no change to the Company's valuation approaches or techniques and the nature of the related inputs considered in the valuation process.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

(e) The Company intends to comply with the applicable provisions of the Code pertaining to regulated investment companies to make distributions of taxable income sufficient to relieve it of substantially all

SOLAR CAPITAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2019
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U.S. federal income taxes. The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. The Company will accrue excise tax on such estimated excess taxable income as appropriate.

(f) Book and tax basis differences relating to stockholder distributions and other permanent book and tax differences are typically reclassified among the Company's capital accounts. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP; accordingly at December 31, 2019, $54 was reclassified on our balance sheet between accumulated distributable net loss and paid-in capital in excess of par. Total earnings and net asset value are not affected.

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

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

(i) The accounting records of the Company are maintained in U.S. dollars. Any assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation. The Company will not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations would be included with the net unrealized gain or loss from investments. The Company's investments in foreign securities, if any, may involve certain risks, including without limitation: foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments in terms of U.S. dollars and therefore the earnings of the Company.

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

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

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

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

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

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

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this Update modify and eliminate certain disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company will adopt ASU 2018-13 effective in fiscal year 2020.

In March 2017, the FASB issued ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities, which will amend FASB ASC 310-20. The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium, generally requiring the premium to be amortized to the earliest call date. For public business entities, the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company has adopted ASU 2017-08 and determined that the adoption has not had a material impact on its consolidated financial statements and disclosures.

Note 3. Agreements

Solar Capital has an Advisory Agreement with the Investment Adviser, under which the Investment Adviser will manage the day-to-day operations of, and provide investment advisory services to, Solar Capital. For providing these services, the Investment Adviser receives a fee from Solar Capital, consisting of two components—a base management fee and a performance-based incentive fee. The base management fee is determined by taking the average value of Solar Capital's gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 1.75% on gross assets up to 200% of the Company's total net assets as of the immediately preceding quarter end and 1.00% on gross assets that exceed 200% of the Company's total net assets as of the immediately preceding quarter end. For purposes of computing the base management fee, gross assets exclude temporary assets acquired at the end of each fiscal quarter for purposes of preserving investment flexibility in the next fiscal quarter. Temporary assets include, but are not limited to, U.S. treasury bills, other short-term U.S. government or government agency securities, repurchase agreements or cash borrowings.

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The performance-based incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on Solar Capital's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus Solar Capital's operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and distributions paid on any issued and outstanding preferred stock, but excluding the performance-based incentive fee). Pre-incentive fee net investment income does not include any realized capital gains or losses, or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Solar Capital's net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7% annualized). Solar Capital pays the Investment Adviser a performance-based incentive fee with respect to Solar Capital's pre-incentive fee net investment income in each calendar quarter as follows: (1) no performance-based incentive fee in any calendar quarter in which Solar Capital's pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of Solar Capital's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of Solar Capital's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro-rated for any period of less than three months.

The second part of the performance-based incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Advisory Agreement, as of the termination date), and will equal 20% of Solar Capital's cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all net capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the Investment Adviser. For financial statement purposes, the second part of the performance-based incentive fee is accrued based upon 20% of cumulative net realized gains and net unrealized capital appreciation. No accrual was required for the fiscal years ended December 31, 2019, 2018 and 2017.

For the fiscal years ended December 31, 2019, 2018 and 2017, the Company recognized $26,774, $25,789 and $27,409, respectively, in base management fees and $18,111, $18,722 and $17,055, respectively, in performance-based incentive fees.

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

For the fiscal years ended December 31, 2019, 2018 and 2017, the Company recognized expenses under the Administration Agreement of $5,265, $5,247 and $5,215, respectively. No managerial assistance fees were accrued or collected for the fiscal years ended December 31, 2019, 2018 and 2017.

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Note 4. Net Asset Value Per Share

At December 31, 2019, the Company's total net assets and net asset value per share were $905,880 and $21.44, respectively. This compares to total net assets and net asset value per share at December 31, 2018 of $919,171 and $21.75, respectively.

Note 5. Earnings Per Share

The following table sets forth the computation of basic and diluted net increase in net assets per share resulting from operations, pursuant to ASC 260-10, for the years ended December 31, 2019, 2018 and 2017:

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Earnings per share (basic & diluted)			
Numerator - net increase in net assets resulting from operations:	$ 56,016	$ 66,874	$ 70,430
Denominator - weighted average shares:	42,260,826	42,260,826	42,257,692
Earnings per share:	$ 1.33	$ 1.58	$ 1.67

Note 6. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuations used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

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

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

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

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

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

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

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

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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. Within the fair value hierarchy tables below, cash and cash equivalents are excluded but could be classified as Level 1.

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis, as of December 31, 2019 and 2018:

Fair Value Measurements
As of December 31, 2019

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

Fair Value Measurements
As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets:				
Senior Secured Loans	$ —	$ —	$ 818,861	$ 818,861
Equipment Financing	—	—	314,226	314,226
Preferred Equity	—	—	15,527	15,527
Common Equity/Equity Interests/Warrants	540	—	306,926	307,466
Total Investments	$ 540	$ —	$1,455,540	$1,456,080
Liabilities:				
Credit Facility, 2022 Unsecured Notes and SSLP 2016-1, LLC Revolving Credit Facility (“SSLP Facility”)	$ —	$ —	$ 350,185	$ 350,185

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

Fair Value Measurements Using Level 3 Inputs

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

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

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

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

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

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The following table provides a summary of the changes in fair value of Level 3 assets for the year ended December 31, 2018, as well as the portion of gains or losses included in income attributable to unrealized gains or losses related to those assets still held at December 31, 2018:

Fair Value Measurements Using Level 3 Inputs

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

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

The following table shows a reconciliation of the beginning and ending balances for fair valued liabilities measured using significant unobservable inputs (Level 3) for the year ended December 31, 2018:

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

The Company made irrevocable elections to apply the fair value option of accounting to the Credit Facility, the 2022 Unsecured Notes, the SSLP Facility and the SSLP II 2016-1, LLC Revolving Credit Facility ("SSLP II Facility"), in accordance with ASC 825-10. On December 31, 2018, there were borrowings of $146,400, $150,000, $53,785 and $0, respectively, on the Credit Facility, the 2022 Unsecured Notes, the SSLP Facility and the SSLP II Facility. As a result of the consolidation of SSLP and SSLP II, the SSLP Facility and the SSLP II Facility are shown as transfers into Level 3.

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Quantitative Information about Level 3 Fair Value Measurements

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

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

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

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

Quantitative information about the Company's Level 3 asset and liability fair value measurements as of December 31, 2018 is summarized in the table below:

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

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

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Note 7. Debt

Our debt obligations consisted of the following as of December 31, 2019 and December 31, 2018:

	December 31, 2019		December 31, 2018	
Facility	Face Amount	Carrying Value	Face Amount	Carrying Value
Credit Facility	$117,900	$115,217(1)	$146,400	$146,400
SSLP Facility	—	—	53,785	53,785
NEFPASS Facility	30,000	29,149(2)	30,000	28,933(2)
2022 Unsecured Notes	150,000	150,000	150,000	150,000
2022 Tranche C Notes	21,000	20,905(3)	21,000	20,877(3)
2023 Unsecured Notes	75,000	73,876(4)	75,000	73,543(4)
2024 Unsecured Notes	125,000	123,732(5)	—	—
2026 Unsecured Notes	75,000	74,238(6)	—	—
	$593,900	$587,117	$476,185	$473,538

(1) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $2,683 as of December 31, 2019.
(2) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $851 and $1,067, respectively, as of December 31, 2019 and December 31, 2018.
(3) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $95 and $123, respectively, as of December 31, 2019 and December 31, 2018.
(4) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $1,124 and $1,457, respectively, as of December 31, 2019 and December 31, 2018.
(5) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $1,268 as of December 31, 2019.
(6) Carrying Value equals the Face Amount net of unamortized debt issuance costs of $762 as of December 31, 2019.

Unsecured Notes

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

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

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

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

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

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

Revolving and Term Loan Facilities

On August 28, 2019, the Company repaid its existing senior secured credit agreement due September 2021 and entered into the new senior secured credit agreement (the "Credit Facility"). The Credit Facility is composed of $470,000 of revolving credit and $75,000 of term loans. Borrowings generally bear interest at a rate per annum equal to the base rate plus a range of 2.00-2.25% or the alternate base rate plus 1.00%-1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in August 2024 and includes ratable amortization in the final year. The Credit Facility may be increased up to $800,000 with additional new lenders or an increase in commitments from current lenders. The Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Credit Facility contains certain financial covenants that among other things, requires the Company to maintain a minimum shareholder's equity and a minimum asset coverage ratio. At December 31, 2019, outstanding USD equivalent borrowings under the Credit Facility totaled $117,900, composed of $42,900 of revolving credit and $75,000 of term loans.

On May 31, 2019, the Company as transferor and SSLP 2016-1, LLC, a wholly-owned subsidiary of the Company, as borrower entered into amendment number two to the $200,000 SSLP Facility with Wells Fargo Bank, NA acting as administrative agent. The Company acted as servicer under the SSLP Facility. The SSLP Facility was scheduled to mature on May 31, 2024. The SSLP Facility generally bore interest at a rate of LIBOR plus 2.25%. The Company and SSLP 2016-1, LLC, as applicable, had made certain customary representations and warranties, and were required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The SSLP Facility included usual and customary events of default for credit facilities of this nature. On October 31, 2019, the SSLP Facility was extinguished.

On September 26, 2018, NEFPASS SPV LLC, a newly formed wholly-owned subsidiary of NEFPASS LLC, as borrower entered into a $50,000 senior secured revolving credit facility (the "NEFPASS Facility") with Keybank acting as administrative agent. The Company acts as servicer under the NEFPASS Facility. The NEFPASS Facility is scheduled to mature on September 26, 2023. The NEFPASS Facility generally bears interest at a rate of LIBOR plus 2.15%. NEFPASS and NEFPASS SPV LLC, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The NEFPASS Facility also includes usual and customary events of default for credit facilities of this nature. There were $30,000 of borrowings outstanding as of December 31, 2019.

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

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

The average annualized interest cost for all borrowings for the year ended December 31, 2019 and the year ended December 31, 2018 was 4.52% and 4.33%, respectively. These costs are exclusive of other credit facility

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expenses such as unused fees, agency fees and other prepaid expenses related to establishing and/or amending the Credit Facility, the 2022 Unsecured Notes, the 2022 Tranche C Notes, the NEFPASS Facility, the SSLP Facility, the 2023 Unsecured Notes, the 2024 Unsecured Notes, and the 2026 Unsecured Notes (collectively the "Credit Facilities"), if any. The maximum amounts borrowed on the Credit Facilities during the year ended December 31, 2019 and the year ended December 31, 2018 were $616,186 and $592,600, respectively.

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

The tax character of distributions for the fiscal years ended December 31, 2019, 2018 and 2017 were as follows (1):

	2019		2018		2017	
Ordinary income	$65,715	94.8%	$69,308	100.0%	$67,612	100.0%
Capital gains	—	0.0%	—	0.0%	—	0.0%
Return of capital	3,592	5.2%	—	0.0%	—	0.0%
Total distributions	$69,307	100.0%	$69,308	100.0%	$67,612	100.0%

As of December 31, 2019, 2018 and 2017 the total accumulated earnings (loss) on a tax basis were as follows (1):

	2019	2018	2017
Undistributed ordinary income	$ —	$ 13,259	$ 8,750
Undistributed long-term net capital gains	—	—	—
Total undistributed net earnings	—	13,259	8,750
Post-October capital losses	—	—	—
Capital loss carryforward	(45,400)	(37,319)	(41,814)
Other book/tax temporary differences	2,004	(1,098)	2,800
Net unrealized appreciation	8,172	853	10,234
Total tax accumulated loss	$(35,224)	$(24,305)	$(20,030)

(1) Tax information for the fiscal years ended December 31, 2019, 2018 and 2017 are/were estimates and are not final until the Company files its tax returns, typically in September or October each year.

The Company recognizes in its consolidated financial statements the tax effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. To the best of our knowledge, we did not have any uncertain tax positions that met the recognition or measurement criteria of ASC 740-10-25 nor did we have any unrecognized tax benefits as of the periods presented herein. Although we file federal and state tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2016 remain subject to examination by the Internal Revenue Service and the state department of revenue. The capital loss carryforwards shown above do not expire.

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

For the fiscal years ended December 31, 2019, 2018 and 2017, none of the distributions paid during the year were eligible for qualified dividend income treatment or the dividends received deduction for corporate stockholders. For the fiscal years ended December 31, 2019, 2018, and 2017, 83.81%, 89.69% and 89.25%, respectively, of each of the distributions paid during the year represent interest-related dividends. For the fiscal years ended December 31, 2019, 2018 and 2017, none of the distributions represent short-term capital gains dividends.

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Note 9. Financial Highlights

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

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Per Share Data: (a)					
Net asset value, beginning of year	$ 21.75	$ 21.81	$ 21.74	$ 20.79	$ 22.05
Net investment income	1.71	1.77	1.62	1.68	1.52
Net realized and unrealized gain (loss)	(0.38)	(0.19)	0.05	0.84	(1.18)
Net increase in net assets resulting from operations	1.33	1.58	1.67	2.52	0.34
Distributions to stockholders (see note 8a):					
From net investment income	(1.55)	(1.64)	(1.60)	(1.60)	(1.60)
From return of capital	(0.09)	—	—	—	—
Anti-dilution	—	—	—	0.03	—
Net asset value, end of year	$ 21.44	$ 21.75	$ 21.81	$ 21.74	$ 20.79
Per share market value, end of year	$ 20.62	$ 19.19	$ 20.21	$ 20.82	$ 16.43
Total Return(b)	16.22%	2.77%	4.47%	37.49%	(0.29)%
Net assets, end of year	$ 905,880	$ 919,171	$ 921,605	$ 918,507	$ 882,698
Shares outstanding, end of year	42,260,826	42,260,826	42,260,826	42,248,525	42,464,762
Ratios to average net assets:					
Net investment income	7.83%	8.10%	7.43%	7.91%	6.94%
Operating expenses	5.76%	5.83%	5.80%	6.25%	3.84%*
Interest and other credit facility expenses	3.13%	2.67%	2.35%**	2.73%**	1.68%
Total expenses	8.89%	8.50%	8.15%	8.98%	5.52%*
Average debt outstanding	$ 561,249	$ 508,445	$ 414,264	$ 495,795	$ 262,341
Portfolio turnover ratio	24.1%	39.3%	24.9%	31.0%	13.0%

(a) Calculated using the average shares outstanding method.

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

* The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is shown net of a voluntary incentive fee waiver (see note 3). For the year ended December 31, 2015, the ratios of operating expenses to average net assets and total expenses to average net assets would be 4.02% and 5.70%, respectively, without the voluntary incentive fee waiver.

** Ratios are shown without the non-recurring upfront costs that were expensed in the period associated with the amendment and establishment of the Credit Facility and 2022 Unsecured Notes. Ratios excluding those non-recurring upfront costs would be 2.29% and 2.39% for the fiscal year ended December 31, 2017 and December 31, 2016, respectively.

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Note 10. Crystal Financial LLC

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

As of December 31, 2019 Crystal Financial LLC had 35 funded commitments to 28 different issuers with total funded loans of approximately $496,833 on total assets of $518,024. As of December 31, 2018 Crystal Financial LLC had 31 funded commitments to 26 different issuers with total funded loans of approximately $413,919 on total assets of $483,767. As of December 31, 2019 and December 31, 2018, the largest loan outstanding totaled $45,000 and $37,500, respectively. For the same periods, the average exposure per issuer was $17,744 and $15,920, respectively. Crystal Financial LLC's credit facility, which is non-recourse to Solar Capital, had approximately $275,954 and $205,990 of borrowings outstanding at December 31, 2019 and December 31, 2018, respectively. For the years ended December 31, 2019, 2018 and 2017 Crystal Financial LLC had net income of $8,021, $33,026 and $20,391, respectively, on gross income of $61,177, $58,758 and $52,746, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. Crystal Financial LLC's consolidated financial statements for the fiscal years ended December 31, 2019 and December 31, 2018 are attached as an exhibit to this annual report on Form 10-K.

Note 11. Selected Quarterly Financial Data (unaudited)

Quarter Ended	Investment Income		Net Investment Income		Net Realized And Unrealized Gain (Loss) on Assets		Net Increase (Decrease) In Net Assets From Operations	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
December 31, 2019	$37,059	0.88	$17,123	0.41	$(19,287)	(0.46)	$ (2,164)	(0.05)
September 30, 2019	39,711	0.94	18,426	0.44	(4,709)	(0.11)	13,717	0.32
June 30, 2019	38,682	0.92	18,432	0.44	1,199	0.03	19,631	0.46
March 31, 2019	39,259	0.93	18,464	0.44	6,368	0.15	24,832	0.59
December 31, 2018	$38,236	0.90	$18,451	0.44	$ (9,545)	(0.23)	$ 8,906	0.21
September 30, 2018	37,142	0.88	18,416	0.44	(286)	(0.01)	18,130	0.43
June 30, 2018	39,188	0.93	19,165	0.45	625	0.02	19,790	0.47
March 31, 2018	38,960	0.92	18,857	0.45	1,191	0.02	20,048	0.47

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Note 12. Commitments and Contingencies

The Company had unfunded debt and equity commitments to various revolving and delayed draw loans as well as to Crystal Financial LLC. The total amount of these unfunded commitments as of December 31, 2019 and December 31, 2018 is $124,529 and $169,667, respectively, comprised of the following:

	December 31, 2019	December 31, 2018
Crystal Financial LLC*	$ 44,263	$ 44,263
Kindred Biosciences, Inc.	13,795	—
Rubius Therapeutics, Inc.	13,430	26,861
Cardiva Medical, Inc.	11,000	9,000
Centrexion Therapeutics, Inc.	7,569	—
Cerapedics, Inc.	5,372	—
PQ Bypass, Inc.	5,000	4,800
Phynet Dermatology LLC	4,668	12,385
Altern Marketing, LLC	4,227	—
Varilease Finance, Inc.	3,438	—
MRI Software LLC	3,331	—
Enhanced Capital Group, LLC	2,523	—
Solara Medical Supplies, Inc.	1,934	1,184
RS Energy Group U.S., Inc.	1,685	1,685
Alimera Sciences, Inc.	1,115	—
iCIMS, Inc.	792	792
Atria Wealth Solutions, Inc.	387	1,473
BioElectron Technology Corporation	—	17,500
BAM Capital, LLC	—	15,000
Tetraphase Pharmaceuticals, Inc.	—	13,800
Corindus Vascular Robotics, Inc.	—	6,217
Kingsbridge Holdings, LLC	—	4,139
Breathe Technologies, Inc.	—	4,000
GenMark Diagnostics, Inc.	—	3,010
Delphinus Medical Technologies, Inc.	—	1,875
Datto, Inc.	—	1,683
Total Commitments	$ 124,529	$ 169,667

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

The credit agreements of the above loan commitments contain customary lending provisions and/or are subject to the portfolio company's achievement of certain milestones that allow relief to the Company from funding obligations for previously made commitments in instances where the underlying company experiences materially adverse events that affect the financial condition or business outlook for the company. Since these commitments may expire without being drawn upon, unfunded commitments do not necessarily represent future cash requirements or future earning assets for the Company. As of December 31, 2019 and December 31, 2018, the Company had sufficient cash available and/or liquid securities available to fund its commitments.

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

Note 13. NEF Holdings, LLC

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

As of December 31, 2019, NEF had 168 funded equipment-backed leases and loans to 78 different customers with a total net investment in leases and loans of approximately $244,996 on total assets of $304,203. As of December 31, 2018, NEF had 207 funded equipment-backed leases and loans to 82 different customers with a total net investment in leases and loans of approximately $237,221 on total assets of $293,185. As of December 31, 2019 and December 31, 2018, the largest position outstanding totaled $26,948 and $28,474, respectively. For the same periods, the average exposure per customer was $3,141 and $2,893, respectively. NEF's credit facility, which is non-recourse to Solar Capital, had approximately $128,150 and $119,316 of borrowings outstanding at December 31, 2019 and December 31, 2018, respectively. For the years ended December 31, 2019, 2018 and the period July 31, 2017 through December 31, 2017, NEF had net income (loss) of ($6,023), $3,426 and $4,703, respectively on gross income of $31,928, $30,044 and $15,568, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. NEF's consolidated financial statements for the fiscal years ended December 31, 2019 and December 31, 2018 are attached as an exhibit to this annual report on Form 10-K.

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Note 14. Capital Share Transactions

As of December 31, 2019 and December 31, 2018, 200,000,000 shares of $0.01 par value capital stock were authorized.

Transactions in capital stock were as follows:

	Shares		Amount	
	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Shares issued in reinvestment of distributions	—	—	$ —	$ —
Net increase (decrease)	—	—	$ —	$ —

Note 15. Subsequent Events

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

On February 12, 2020, a new lender to the Company executed a commitment increase to our Credit Facility providing for an additional $75,000 of revolving credit, bringing our Credit Facility's total revolving credit capacity to $545,000.

On February 20, 2020, our Board declared a quarterly distribution of $0.41 per share payable on April 3, 2020 to holders of record as of March 19, 2020.

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

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2019 (the end of the period covered by this report), we, including our Co-Chief Executive Officers and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Co-Chief Executive Officers and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Management's Report on Internal Control Over Financial Reporting

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

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

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

(d) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financial reporting that occurred during the fourth fiscal quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information about Directors

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

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

Name, Address and Age(1)	Position(s) Held with Company	Terms of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director During Past 5 Years(2)
Interested Director				
Michael S. Gross, 58	Chairman of the Board of Directors, Co-Chief Executive Officer and President.	Class III Director since 2007; Term expires 2021.	Co-Chief Executive Officer of Solar Capital Ltd., Solar Senior Capital Ltd. and SCP Private Credit Income BDC LLC since June 2019 and President of Solar Capital Ltd. since 2007, Solar Senior Capital Ltd. since 2010 and SCP Private Credit Income BDC LLC since 2018; Sole Chief Executive Officer of Solar Capital Ltd. (February 2007-June 2019), of Solar Senior Capital Ltd. (December 2010-June 2019) and of SCP Private Credit Income BDC LLC (June 2018-June 2019).	Chairman of the Board of Directors of Solar Senior Capital Ltd. since 2010 and of SCP Private Credit Income BDC LLC since 2018; Chairman of the Board of Directors of Global Ship Lease Inc.; Director of Jarden Corporation (2007-2016); Chairman of the Board of Mt. Sinai Children's Center Foundation; Director of New York Road Runners; Member of the Kellogg Global Advisory Board; and Member of the Ross School Advisory Board at the University of Michigan.

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

Name, Address and Age(1)	Position(s) Held with Company	Terms of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director During Past 5 Years (2)
Interested Director				
Bruce Spohler, 59	Co-Chief Executive Officer, Chief Operating Officer and Director	Class II Director since 2009; Term expires 2020.	Co-Chief Executive Officer of Solar Capital Ltd., Solar Senior Capital Ltd. and SCP Private Credit Income BDC LLC since June 2019; Chief Operating Officer of Solar Capital Ltd. since February 2007, of Solar Senior Capital Ltd. since December 2010 and of SCP Private Credit Income BDC LLC since June 2018; previously, Managing Director and a former Co-Head of U.S. Leveraged Finance for CIBC World Markets Inc., the investment banking subsidiary of the Canadian Imperial Bank of Commerce.	Director of Solar Senior Capital Ltd. since 2010 and of SCP Private Credit Income BDC LLC since 2018.

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

Name, Address and Age(1)	Position(s) Held with Company	Terms of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director During Past 5 Years(2)
Independent Director				
Steven Hochberg, 58	Director	Class II Director since 2007; Term expires 2020.	Partner at Deerfield Management, a healthcare investment firm, since 2013. Co-founder and manager of Ascent Biomedical Ventures, a venture capital firm focused on early stage investment and development of biomedical companies, since 2004.	Director of Solar Senior Capital Ltd. since 2011 and of SCP Private Credit Income BDC LLC since 2018, and several private companies. Partner at Deerfield Management, a healthcare investment firm, since 2013. Co-founder and manager of Ascent Biomedical Ventures, a venture capital firm focused on early stage investment and development of biomedical companies, since 2004. Since 2011, Mr. Hochberg had been the Chairman of the Board of Continuum Health Partners until its merger with Mount Sinai in 2013, where he is Vice Chairman of the Mount Sinai Health System, a non-profit healthcare integrated delivery system in New York City. Director of the Cardiovascular Research Foundation, an organization focused on advancing new technologies and education in the field of cardiovascular medicine.

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

Name, Address and Age(1)	Position(s) Held with Company	Terms of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director During Past 5 Years(2)
Independent Director				
Leonard A. Potter, 58	Director	Class III Director since 2009; Term expires 2021.	President and Chief Investment Officer of Wildcat Capital Management, LLC since 2011; Senior Managing Director at Vida Ventures since 2017; Chief Executive Officer of Infinity Q Capital Management, LLC since 2014; Managing Director of Soros Private Equity at Soros Fund Management LLC from 2002 to 2009.	Director of Solar Senior Capital Ltd. since 2011, SCP Private Credit Income BDC LLC since 2018, Hilton Grand Vacations Inc. since 2017, Sutter Rock Capital Corp. since 2011, and several private companies.

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

Name, Address and Age(1)	Position(s) Held with Company	Terms of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director During Past 5 Years(2)
Independent Director				
David S. Wachter, 56	Director	Class I Director since 2007; Term expires 2022.	Founding Partner, Managing Director and President of W Capital Partners, a private equity fund manager, since 2001.	Director of Solar Senior Capital Ltd. since 2011, SCP Private Credit Income BDC LLC since 2018 and of several private companies.

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

(1) The business address of the director nominees and other directors is c/o Solar Capital Ltd., 500 Park Avenue, New York, New York 10022.

(2) All of the Company's directors also serve as directors of Solar Senior Capital Ltd. and SCP Private Credit Income BDC LLC, which are investment companies that have each elected to be regulated as a business development company ("BDC") and for which Solar Capital Partners serves as investment adviser. Mr. Potter also serves as a director of Sutter Rock Capital Corp., which is a closed-end management investment company that has elected to be regulated as a BDC.

Information about Executive Officers Who Are Not Directors

The following information, as of December 31, 2019, pertains to our executive officers who are not directors of the Company.

Name, Address, and Age(1)	Position(s) Held with Company	Principal Occupation(s) During Past 5 Years
Richard L. Peteka, 58	Chief Financial Officer, Treasurer and Secretary	Chief Financial Officer, Treasurer and Secretary of the Company and of Solar Senior Capital Ltd. since May 2012 and of SCP Private Credit Income BDC LLC since June 2018. Mr. Peteka joined the Company from Apollo Investment Corporation, a publicly-traded business development company, where he served from 2004 to 2012 as the Chief Financial Officer and Treasurer.
Guy Talarico, 64	Chief Compliance Officer	Chief Compliance Officer of Solar Capital Ltd. since 2008, Solar Senior Capital Ltd. since 2010, SCP Private Credit Income BDC LLC since 2018 and Solar Capital Partners, LLC since February 2016—all affiliated entities; and Chief Executive Officer of Alaric Compliance Services, LLC (successor to EOS Compliance Services LLC) since December 2005. In conjunction with this primary occupation, Mr. Talarico has served and continues to serve as Chief Compliance Officer for other business development companies, funds, and/or investment advisers who are not affiliated with the Solar Capital entities.

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

Our common stock is listed on the NASDAQ Global Select Market under the symbol “SLRC.”

Audit Committee

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

Communication with the Board of Directors

Stockholders with questions about the Company are encouraged to contact the Company's investor relations department. However, if stockholders believe that their questions have not been addressed, they may communicate with the Company's board of directors by sending their communications to Solar Capital Ltd., c/o Richard L. Peteka, Secretary, 500 Park Avenue, New York, New York 10022. All stockholder communications received in this manner will be delivered to one or more members of the board of directors.

Code of Ethics

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

Nomination of Directors

There have been no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors implemented since the filing of our Proxy Statement for our 2019 Annual Meeting of Stockholders.

Item 11. Executive Compensation

Compensation of Executive Officers

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

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

Compensation of Directors

The following table sets forth compensation of the Company's directors, for the year ended December 31, 2019.

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	All Other Compensation	Total
Interested Directors				
Michael S. Gross	—	—	—	—
Bruce Spohler	—	—	—	—
Independent Directors				
Steven Hochberg	$ 127,000	—	—	$127,000
David S. Wachter	$ 122,000	—	—	$122,000
Leonard A. Potter	$ 121,000	—	—	$121,000

(1) For a discussion of the independent directors' compensation, see below.

(2) We do not maintain a stock or option plan, non-equity incentive plan or pension plan for our directors. However, our independent directors have the option to receive all or a portion of the directors' fees to which they would otherwise be entitled in the form of shares of our common stock issued at a price per share equal to the greater of our then current net asset value per share or the market price at the time of payment. No shares were issued to any of our independent directors in lieu of cash during 2019.

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

Compensation Committee

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

Compensation Committee Interlocks and Insider Participation

During fiscal year 2019 none of the Company's executive officers served on the board of directors (or a compensation committee thereof or other board committee performing equivalent functions) of any entities that had one or more executive officers serve on the Compensation Committee of the Company or on the Board of Directors of the Company.

Compensation Committee Report

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

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

The following table sets forth, as of February 14, 2020, the beneficial ownership of each current director, the nominees for directors, the Company's executive officers, each person known to us to beneficially own 5% or more of the outstanding shares of our common stock, and the executive officers and directors as a group.

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

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

Name and Address of Beneficial Owner	Number of Shares Owned Beneficially(1)	Percentage of Class(2)
Interested Directors		
Michael S. Gross(3)(4)	2,433,655	5.8%
Bruce Spohler(3)	2,222,261	5.3%
Independent Directors		
Steven Hochberg	10,000*	
Leonard A. Potter	10,000*	
David S. Wachter	26,392*	
Executive Officers		
Richard L. Peteka	11,000*	
Guy Talarico	7,150*	
All executive officers and directors as a group (7 persons)	**2,512,197**	**5.9%**
Wellington Management Group LLP(5)	3,894,397	9.2%
Thornburg Investment Management Inc.(6)	4,618,278	10.9%

* Represents less than one percent.

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Assumes no other purchases or sales of our common stock since the most recently available SEC filings. This assumption has been made under the rules and regulations of the SEC and does not reflect any knowledge that we have with respect to the present intent of the beneficial owners of our common stock listed in this table.

(2) Based on a total of 42,260,826 shares of the Company's common stock issued and outstanding as of February 14, 2020.

(3) *Includes 1,285,013 shares held by Solar Capital Investors, LLC and 715,000 shares held by Solar Capital Investors II, LLC, a portion of both of which may be deemed to be indirectly beneficially owned by Michael S. Gross, by Bruce Spohler and a grantor retained annuity trust ("GRAT") setup by and for Mr. Gross by virtue of their collective ownership interest therein. Also includes 208,248 shares held by Solar Capital Partners Employee Stock Plan LLC, which is controlled by Solar Capital Partners, LLC. Mr. Gross and Mr. Spohler may be deemed to beneficially own a portion of the shares held by Solar Capital Partners Employee Stock Plan LLC by virtue of their collective ownership interest in Solar Capital Partners, LLC. Each of Mr. Gross and Mr. Spohler disclaim beneficial ownership of any shares of our common stock directly held by Solar Capital Partners Employee Stock Plan LLC, Solar Capital Investors, LLC or Solar Capital Investors II, LLC, except to the extent of their respective pecuniary interest therein.*

(4) *Includes 39,500 shares directly held by Michael S. Gross' profit sharing plan (the "Profit Sharing Plan"). Mr. Gross may be deemed to directly beneficially own these shares as the sole participant in the Profit Sharing Plan. Also includes 20,000 shares directly held by the GRAT setup by and for Michael S. Gross, which Mr. Gross may be deemed to directly beneficially own as the sole trustee of the GRAT.*

(5) *Based upon information contained in the Schedule 13G/A filed January 28, 2020 by Wellington Management Group LLP. Such securities are held by certain investment vehicles controlled and/or managed by Wellington Management Company, LLP or its affiliates. The address for Wellington Management Company, LLP is 280 Congress Street, Boston, MA 02210.*

(6) *Based upon information contained in the Schedule 13G filed February 11, 2020 by Thornburg Investment Management Inc. Such securities are held by certain investment vehicles controlled and/or managed by Thornburg Investment Management Inc. or its affiliates. The address for Thornburg Investment Management Inc. is 2300 North Ridgetop Road, Santa Fe, New Mexico 87506.*

Set forth below is the dollar range of equity securities beneficially owned by each of our directors as of February 14, 2020. We are not part of a "family of investment companies," as that term is defined in the 1940 Act.

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

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

(2) *The dollar range of equity securities beneficially owned in us is based on the closing price for our common stock of $20.96 on February 14, 2020 on the NASDAQ Global Select Market. Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) of the Exchange Act.*

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

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

Solar Capital Partners and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with ours. For example, Solar Capital Partners presently serves as investment adviser to private funds and managed accounts as well as to Solar Senior Capital Ltd., a publicly-traded BDC, which focuses on investing primarily in senior secured loans, including first lien and second lien debt instruments, and SCP Private Credit Income BDC LLC, an unlisted BDC, which focuses on investing primarily in senior secured loans, including non-traditional asset-based loans and first lien loans. In addition, Michael S. Gross, our Chairman and Co-Chief Executive Officer, Bruce Spohler, our Co-Chief Executive Officer and Chief Operating Officer, and Richard L. Peteka, our Chief Financial Officer, serve in similar capacities for Solar Senior Capital Ltd and SCP Private Credit Income BDC LLC.

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

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

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

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

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

Board Consideration of the Investment Advisory and Management Agreement

Our board of directors determined at a meeting held on November 4, 2019, to approve the Advisory Agreement between the Company and Solar Capital Partners. In its consideration of the approval of the Advisory Agreement, the board of directors focused on information it had received relating to, among other things:

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

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

Director Independence

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

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

In order to evaluate the materiality of any such relationship, the board of directors uses the definition of director independence set forth in the rules promulgated by the NASDAQ Stock Market. Rule 5605(a)(2) provides that a director of a BDC, shall be considered to be independent if he or she is not an "interested person" of such BDC, as defined in Section 2(a)(19) of the 1940 Act.

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

Indemnification Agreements

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

Item 14. Principal Accounting Fees and Services

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

Table below in thousands

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2018
Audit Fees	$ 615.0	$ 581.9
Audit-Related Fees	64.5	122.0
Tax Fees	204.7	181.9
All Other Fees	—	—
Total Fees:	$ 884.2	$ 885.8

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

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

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

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

Pre-Approval Policy

The Audit Committee has established a pre-approval policy that describes the permitted audit, audit-related, tax and other services to be provided by KPMG LLP, the Company's independent registered public accounting firm ("KPMG"). The policy requires that the Audit Committee pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such service does not impair the auditor's independence.

Any requests for audit, audit-related, tax and other services that have not received general pre-approval must be submitted to the Audit Committee for specific pre-approval, irrespective of the amount, and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings of the Audit Committee. However, the Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management. During the fiscal year ended December 31, 2019, the Audit Committee pre-approved 100% of services described in this policy.

PART IV

Item 15. Exhibits, Financial Statement Schedules

a. Documents Filed as Part of this Report

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

b. Exhibits

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

Exhibit Number	Description
3.1	Articles of Amendment and Restatement(1)
3.2	Amended and Restated Bylaws(1)
4.1	Form of Common Stock Certificate(2)
4.2	Indenture, dated as of November 16, 2012, between the Registrant and U.S. Bank National Association as trustee(3)
4.3	Second Supplemental Indenture, dated November 22, 2017, relating to the 4.50% Notes due 2023, between the Registrant and U.S. Bank National Association as trustee, including the Form of 4.50% Notes due 2023(8)
4.4	Description of Securities*
10.1	Dividend Reinvestment Plan(1)
10.2	Form of Senior Secured Credit Agreement by and between the Registrant, Citibank, N.A., as administrative agent, the lenders party thereto and JPMorgan Chase Bank, N.A., as syndication agent(9)
10.6	Third Amended and Restated Investment Advisory and Management Agreement by and between the Registrant and Solar Capital Partners, LLC(7)
10.7	Form of Custodian Agreement(6)
10.8	Amended and Restated Administration Agreement by and between Registrant and Solar Capital Management, LLC(5)
10.9	Form of Indemnification Agreement by and between Registrant and each of its directors(1)
10.10	Trademark License Agreement by and between Registrant and Solar Capital Partners, LLC(1)
10.11	Form of Share Purchase Agreement by and between Registrant and Solar Capital Investors II, LLC(2)
10.12	Form of Registration Rights Agreement(4)
10.13	Form of Subscription Agreement(4)
10.14	Form of Note Purchase Agreement by and between the Registrant and the lenders party thereto*
10.15	Form of First Supplement to Note Purchase Agreement by and between the Registrant and the lenders party thereto*
10.16	Form of Second Supplement to Note Purchase Agreement by and between the Registrant and the lenders party thereto*
10.17	Form of Third Supplement to Note Purchase Agreement by and between the Registrant and the lenders party thereto*
14.1	Code of Ethics*
14.2	Code of Business Conduct(5)
21.1	Subsidiaries of Solar Capital Ltd.*
23.1	Consent of Independent Registered Public Accounting Firm*

Exhibit Number	Description
31.1	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
31.3	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
32.1	Certification of Co-Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*
32.2	Certification of Co-Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*
32.3	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*
99.1	Crystal Financial LLC (A Delaware Limited Liability Company) Consolidated Financial Statements for the years ended December 31, 2019 and December 31, 2018*
99.2	NEF Holdings, LLC (A Delaware Limited Liability Company) Consolidated Financial Statements for the years ended December 31, 2019 and December 31, 2018*
99.3	Report of Independent Registered Public Accounting Firm on Supplemental Information*

(1) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Pre-Effective Amendment No. 7 (File No. 333-148734) filed on January 7, 2010.
(2) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 (File No 333-148734) filed on February 9, 2010.
(3) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Post-Effective Amendment No. 6 (File No. 333-172968) filed on November 16, 2012.
(4) Previously filed in connection with Solar Capital Ltd.'s report on Form 8-K filed on November 29, 2010.
(5) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Post-Effective Amendment No. 10 (File No. 333-172968) filed on November 12, 2013.
(6) Previously filed in connection with Solar Capital Ltd.'s report on Form 10-K filed on February 25, 2014.
(7) Previously filed in connection with Solar Capital Ltd.'s report on Form 10-Q filed on August 6, 2018.
(8) Previously filed in connection with Solar Capital Ltd.'s registration statement on Form N-2 Post-Effective Amendment No. 5 (File No. 333-194870) filed on November 22, 2017.
(9) Previously filed in connection with Solar Capital Ltd.'s report on Form 10-Q filed on November 4, 2019.
* Filed herewith.

c. Consolidated Financial Statement Schedules

Separate Financial Statements of Subsidiaries Not Consolidated:

Consolidated Financial Statements for Crystal Financial LLC's (A Delaware Limited Liability Company) years ended December 31, 2019 and December 31, 2018 are attached as Exhibit 99.1 hereto.

Consolidated Financial Statements for NEF Holdings, LLC's (A Delaware Limited Liability Company) years ended December 31, 2019 and December 31, 2018 are attached as Exhibit 99.2 hereto.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

SOLAR CAPITAL LTD.

By: /s/ MICHAEL S. GROSS
Michael S. Gross
Co-Chief Executive Officer, President, Chairman of the Board and Director
Date: February 20, 2020

/s/ BRUCE J. SPOHLER
Bruce J. Spohler
Co-Chief Executive Officer, Chief Operating Officer and Director
Date: February 20, 2020

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

Date	Signature	Title
February 20, 2020	/s/ MICHAEL S. GROSS **Michael S. Gross**	Co-Chief Executive Officer, President, Chairman of the Board and Director (Principal Executive Officer)
February 20, 2020	/s/ BRUCE J. SPOHLER **Bruce J. Spohler**	Co-Chief Executive Officer, Chief Operating Officer and Director (Principal Executive Officer)
February 20, 2020	/s/ STEVEN HOCHBERG **Steven Hochberg**	Director
February 20, 2020	/s/ DAVID S. WACHTER **David S. Wachter**	Director
February 20, 2020	/s/ LEONARD A. POTTER **Leonard A. Potter**	Director
February 20, 2020	/s/ RICHARD L. PETEKA **Richard L. Peteka**	Chief Financial Officer (Principal Financial Officer) and Secretary

Exhibit 4.4

DESCRIPTION OF SECURITIES

The following is a brief description of the securities of Solar Capital Ltd. (the "Company," "we," "our" or "us"), registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This description of the terms of our stock does not purport to be complete and is subject to and qualified in its entirety by reference to the applicable provisions of Maryland General Corporation Law, and the full text of our charter and bylaws. As of December 31, 2019 and the date hereof, our common stock is the only class of our securities registered under Section 12 of the Exchange Act.

Common Stock

As of December 31, 2019, our authorized stock consisted of 200,000,000 shares of stock, par value $0.01 per share, all of which are initially designated as common stock. Our common stock is listed on the NASDAQ Global Select Market under the ticker symbol "SLRC". There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

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

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

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

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

Classified Board of Directors

Our board of directors is divided into three classes of directors serving staggered three-year terms. The current terms of the first, second and third classes expire at the annual meeting of stockholders in 2022, 2020 and 2021, respectively, and in each case, those directors will serve until their successors are elected and qualify. Upon expiration of their current terms, directors of each class will be elected to serve for three-year terms and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified board of directors will help to ensure the continuity and stability of our management and policies.

Election of Directors

Under our charter and bylaws, the affirmative vote of the holders of a plurality of all the votes cast in the election of directors at a meeting of stockholders duly called and at which a quorum is present will be required to elect a director. Pursuant to our charter our board of directors may amend the bylaws to alter the vote required to elect directors.

Number of Directors; Vacancies; Removal

Our charter provides that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than one nor more than twelve. Our charter provides that, at such time as we have at least three independent directors and our common stock is registered under the Exchange Act, we elect to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the board of directors. Accordingly, except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the Investment Company Act of 1940 (the “1940 Act”).

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause, as defined in our charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Action by Stockholders

Under the Maryland General Corporation Law, stockholder action can be taken only at an annual or special meeting of stockholders or (with respect to the holders of common stock, unless the charter provides for stockholder action by less than unanimous written consent, which our charter does not) by unanimous written consent in lieu of a meeting. These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

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

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

Calling of Special Meetings of Stockholders

Our bylaws provide that special meetings of stockholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by the secretary of the corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our charter also provides that certain charter amendments, any proposal for our conversion, whether by charter amendment, merger or otherwise, from a closed-end company to an open-end company and any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 80% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by a majority of our continuing directors (in addition to approval by our board of directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The “continuing directors” are defined in our charter as (1) our current directors, (2) those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of our current directors then on the board of directors or (3) any successor directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of continuing directors or the successor continuing directors then in office. In any event, in accordance with the requirements of the 1940 Act, any amendment or proposal that would have the effect of changing the nature of our business so as to cause us to cease to be, or to withdraw our election as, a business development company would be required to be approved by a majority of our outstanding voting securities, as defined under the 1940 Act.

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

No Appraisal Rights

Except with respect to appraisal rights arising in connection with the Control Share Act discussed below, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights unless a majority of the board of directors shall determine such rights apply.

Control Share Acquisitions

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

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

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

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

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

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or

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

Business Combinations

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

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

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

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

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

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

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

Conflict with 1940 Act

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

Exhibit 10.14

Execution Copy

SOLAR CAPITAL LTD.

$50,000,000 4.40% Series 2016A Senior Notes, due May 8, 2022

NOTE PURCHASE AGREEMENT

Dated as of November 8, 2016

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(Not a part of the Agreement)

SOLAR CAPITAL LTD.
500 Park Ave.
New York, New York 10022

$50,000,000 4.40% SERIES 2016A SENIOR NOTES, DUE MAY 8, 2022

Dated as of November 8, 2016

TO EACH OF THE PURCHASERS LISTED IN
SCHEDULE A HERETO:

Ladies and Gentlemen:

SOLAR CAPITAL LTD., a Maryland corporation (the *"Company"*), agrees with each of the purchasers whose names appear at the end hereof (each, a *"Purchaser"* and, collectively, the *"Purchasers"*) as follows:

SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of $50,000,000 aggregate principal amount of its 4.40% Series 2016A Senior Notes, due May 8, 2022 (the *"2016A Notes"*; such term to include any such notes issued in substitution therefor pursuant to **Section 13**). The Notes shall be substantially in the form set out in **Exhibit 1**. Certain capitalized and other terms used in this Agreement are defined in **Schedule B**; and references to a "**Schedule**" or an "**Exhibit**" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

The Series 2016A Notes, together with each Series of Additional Notes which may from time to time be issued pursuant to the provisions of **Section 2.4**, are collectively referred to as the **"Notes"** (such term shall also include any such notes as amended, restated or otherwise modified from time to time pursuant to **Section 17** and including any such notes issued in substitution therefor pursuant to **Section 13**).

SECTION 2. SALE AND PURCHASE OF NOTES; SECURITY.

Section 2.1. Purchase and Sale of Notes. Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in **Section 3**, Series 2016A Notes in the principal amount specified opposite such Purchaser's name in **Schedule A** at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

Section 2.2. [Reserved].

SCHEDULE A
(to Note Purchase Agreement)

Section 2.3 Guarantee. The payment by the Company of all amounts due with respect to the Notes and the performance by the Company of its obligations under this Agreement will be absolutely and unconditionally guaranteed by any Subsidiary that delivers a guaranty pursuant to **Section 9.7**, pursuant to the Subsidiary Guarantee.

Section 2.4. Additional Series of Notes. The Company may, from time to time, in its sole discretion but subject to the terms hereof, issue and sell one or more additional Series of its promissory notes under the provisions of this Agreement pursuant to a supplement (a *"Supplement"***)** substantially in the form of **Exhibit S**. Each additional Series of Notes (the *"Additional Notes"*) issued pursuant to a Supplement shall be subject to the following terms and conditions:

(i) each Series of Additional Notes, when so issued, shall be differentiated from all previous Series by sequential designation inscribed thereon;

(ii) Additional Notes of the same Series may consist of more than one different and separate tranches and may differ with respect to outstanding principal amounts, maturity dates, interest rates and premiums, if any, and price and terms of redemption or payment prior to maturity, but all such different and separate tranches of the same Series shall vote as a single class and constitute one Series;

(iii) each Series of Additional Notes shall be dated the date of issue, bear interest at such rate or rates, mature on such date or dates, be subject to such mandatory and optional prepayment on the dates and at the premiums, if any, have such additional or different conditions precedent to closing, such representations and warranties and such additional covenants as shall be specified in the Supplement under which such Additional Notes are issued and upon execution of any such Supplement, this Agreement shall be amended (a) to reflect such additional covenants without further action on the part of the holders of the Notes outstanding under this Agreement, *provided*, that any such additional covenants shall inure to the benefit of all holders of Notes so long as any Additional Notes issued pursuant to such Supplement remain outstanding, and (b) to reflect such representations and warranties as are contained in such Supplement for the benefit of the holders of such Additional Notes in accordance with the provisions of **Section 16**;

(iv) each Series of Additional Notes issued under this Agreement shall be in substantially the form of **Exhibit 1** to **Exhibit S** hereto with such variations, omissions and insertions as are necessary or permitted hereunder;

(v) the minimum principal amount of any Note issued under a Supplement shall be $100,000, except as may be necessary to evidence the outstanding amount of any Note originally issued in a denomination of $100,000 or more;

(vi) all Additional Notes shall rank *pari passu* with all other outstanding Notes; and

(vii) no Additional Notes shall be issued hereunder if at the time of issuance thereof and after giving effect to the application of the proceeds thereof, any Default or Event of Default shall have occurred and be continuing.

SECTION 3. CLOSING.

The sale and purchase of the Series 2016A Notes to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 A.M. Chicago time, at a closing (the "*Closing*") on November 3, 2016. At the Closing, the Company will deliver to each Purchaser the Series 2016A Notes to be purchased by such Purchaser in the form of a single Note so to be purchased or such greater number of Notes in denominations of at least $100,000 as such Purchaser may request dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to [Redacted] If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this **Section 3**, or any of the conditions specified in **Section 4** shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to execute and deliver this Agreement and to purchase and pay for the 2016A Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior or at the Closing of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and (except as expressly limited to an earlier time) at the time of the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied in all material respects with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing, and after giving effect to the issue and sale of the Series 2016A Notes (and the application of the proceeds thereof as contemplated by **Section 5.14**), no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since December 31, 2015 that would have been prohibited by **Section 10** had such Section applied since such date.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in **Sections 4.1, 4.2** and **4.13** have been fulfilled in all material respects.

(b) *Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes, this Agreement and the Subsidiary Guarantee.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from (i) Latham & Watkins LLP, special U.S. counsel for the Company and (ii) Venable LLP, Maryland counsel for the Company, covering the matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers) and (b) from Chapman and Cutler LLP, the Purchasers' special counsel, in connection with such transactions, covering such matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted by Applicable Law, Etc. On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date of the Closing. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with the Closing, the Company shall sell to each other Purchaser, and each other Purchaser shall purchase, the Series 2016A Notes to be purchased by it at the Closing as specified in **Schedule A**.

Section 4.7. [Reserved].

Section 4.8. [Reserved].

Section 4.9. [Reserved].

Section 4.10. [Reserved].

Section 4.11. Payment of Special Counsel Fees. Without limiting the provisions of **Section 15.1**, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of the Purchasers' special counsel referred to in **Section 4.4** to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.12. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for the Notes.

Section 4.13. Changes in Corporate Structure. The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in **Section 5.5**.

Section 4.14. Funding Instructions. At least three Business Days (or such shorter period as agreed to by the Purchasers) prior to the date of the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in **Section 3** including (a) the name and address of the transferee bank, (b) such transferee bank's ABA number and (c) the account name and number into which the purchase price for the Notes is to be deposited.

Section 4.15. [Reserved].

Section 4.16. Consent of Holders of Other Indebtedness. On or prior to the date of the Closing, any consents or approvals required to be obtained from any holder or holders of any outstanding Indebtedness of the Company or its Subsidiaries and any amendments of agreements pursuant to which any Indebtedness may have been issued which shall be necessary to permit the consummation of the transactions contemplated hereby shall have been obtained (and shall be in full force and effect on the date of the Closing) and shall be satisfactory to each Purchaser and its special counsel.

Section 4.17. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 4.18. Conditions to Issuance of Additional Notes. The obligations of the Additional Purchasers to purchase any Additional Notes shall be subject to the following conditions precedent, in addition to any conditions specified in the Supplement pursuant to which such Additional Notes may be issued:

(a) *Compliance Certificate.* A duly authorized Financial Officer shall execute and deliver to each Additional Purchaser and each holder of Notes an Officer's Certificate dated the date of issue of such Series of Additional Notes stating that such officer has reviewed the provisions of this Agreement (including any Supplements hereto) and setting forth the information and computations (in sufficient detail) required in order to establish whether the Company is in compliance with the requirements of **Section 10.7** on such date (based upon the financial statements for the most recent fiscal quarter ended prior to the date of such certificate but after giving effect to the issuance of the Additional Series of Notes and the application of the proceeds thereof).

(b) *Execution and Delivery of Supplement.* The Company and each such Additional Purchaser shall execute and deliver a Supplement substantially in the form of **Exhibit S** hereto.

(c) *Representations of Additional Purchasers.* Each Additional Purchaser shall have confirmed in the Supplement that the representations set forth in Section 6 are true with respect to such Additional Purchaser on and as of the date of issue of the Additional Notes.

(d) *Execution and Delivery of Guaranty Ratification.* Each Subsidiary Guarantor, if any, shall execute and deliver a ratification of its Subsidiary Guarantee.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser on the date of the Closing, that:

Section 5.1. Organization; Power and Authority. Each of the Company and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required of the Company or such Subsidiary, as applicable.

Section 5.2. Authorization, Etc. The Transactions are within the Company's corporate powers and have been duly authorized by all necessary corporate action and, if required, by all necessary shareholder action. This Agreement has been duly executed and delivered by the Company and constitutes, and each of the other Note Documents to which it is a party when executed and delivered will constitute, a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company has disclosed to the Purchasers all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Company to the Purchasers in connection with the negotiation of this Agreement and the other Note Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) when taken together with the Company's public filings contains any material misstatement of fact therein (or omits to state any material fact necessary to make the statements therein not misleading), in the light of the

circumstances under which they were made; *provided* that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Since the date of the most recent Applicable Financial Statements, there has not been any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (i) the business, Portfolio Investments and other assets, liabilities and financial condition of the Company and its Subsidiaries taken as a whole (excluding in any case a decline in the net asset value of the Company or a change in general market conditions or values of the Company's or any of its Subsidiaries' Portfolio Investments), or (ii) the validity or enforceability of any of the Note Documents or the rights or remedies of the Purchasers and the holders of the Notes thereunder.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) **Schedule 5.4** contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary (other than any tax blocker or investment held by such tax blocker), and (ii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in **Schedule 5.4** as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except Permitted Liens, Liens created pursuant to the Security Documents or as otherwise disclosed in **Schedule 5.4**).

(c) Each Subsidiary identified in **Schedule 5.4** is a corporation or other legal entity duly organized, validly existing and, where legally applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where legally applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than this Agreement, the Senior Secured Credit Agreement, the agreements listed on **Schedule 5.4** and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements; Material Liabilities. The Company has heretofore delivered to each Purchaser the audited consolidated statement of assets and liabilities (or balance sheet) and statements of operations, changes in net assets and cash flows of the Company and its

Subsidiaries as of and for the fiscal year ending on December 31, 2015; such financial statements present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Company and its Subsidiaries as of such date in accordance with GAAP. The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements.

Section 5.6. Compliance with Laws. Each of the Company and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is subject to any contract or other arrangement, the performance of which by the Company could reasonably be expected to result in a Material Adverse Effect.

Section 5.7. Governmental Authorizations, Compliance with Laws, Other Instruments, Etc. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for such as have been or will be obtained or made and are in full force and effect and are described in **Schedule 5.7**, (b) will not violate any applicable law or regulation or the limited liability company operating agreement, charter, by-laws or other organizational documents of the Company or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default in any material respect under any indenture, agreement or other instrument binding upon the Company or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that if adversely determined could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve this Agreement or the Transactions.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. Each of the Company and its Subsidiaries has timely filed or caused to be filed all material Tax returns and reports required to have been filed and has paid or caused to be paid all material Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be

expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate in all material respects.

Section 5.10. Title to Property; Leases. Each of the Company and the other Obligors has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

Section 5.11. Licenses, Permits, Etc. Each of the Company and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Company and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.12. ERISA. (a) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this **Section 5.12(a)** is made in reliance upon and subject to the accuracy of such Purchaser's representation in **Section 6.2** as to the sources of the funds used to pay the purchase price of the Notes to be purchased by such Purchaser.

(b) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2016A Notes or any similar Securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than one other Institutional Investor, each of which has been offered the Series 2016A Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Series 2016A Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series 2016A Notes to refinance existing indebtedness and for general corporate purposes and in compliance with all laws referenced in **Section 5.16**. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the sale of the Series 2016A Notes hereunder will be used to buy or carry any Margin Stock, or to extend credit to others for the purpose of buying or carrying Margin Stock. After application of the proceeds of the sale of the Series 2016A Notes, not more than 25% of the value (as determined by any reasonable method) of the assets of the Company subject to any provision of this Agreement under which the sale, pledge or disposition of assets is restricted will consist of Margin Stock.

Section 5.15. Existing Indebtedness; Future Liens. (a) Part A of **Schedule 5.15** is a complete and correct list of each note, bond, certificate, credit agreement, loan agreement, indenture, note purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Company or any of its Subsidiaries outstanding on the date of the Closing, and the aggregate principal or face amount outstanding or that is, or may become, outstanding, the interest rate, collateral and related guaranties under each such arrangement is correctly described in Part A of **Schedule 5.15**.

(b) Part B of **Schedule 5.15** is a complete and correct list of each Lien securing Indebtedness of any Person outstanding or consented to on the date of the Closing covering any property of the Company or any Subsidiary Guarantor, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Part B of **Schedule 5.15**.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except for the Senior Secured Credit Agreement (and the other documents related thereto) and except as specifically indicated in **Schedule 5.15**.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Affiliated Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury ("*OFAC*") (an "*OFAC Listed Person*") (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act ("*CISADA*") or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, "*U.S. Economic Sanctions*") (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a "*Blocked Person*"). Neither the Company nor any Affiliated Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or Canada Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person or Canada Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions or Canadian Economic Sanctions.

(c) Neither the Company nor any Affiliated Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act, any similar provisions of the Criminal Code (Canada), any U.S. Economic Sanctions, any Canadian Economic Sanctions or any other United States or Canadian law or regulation governing such activities (collectively, *"Anti-Money Laundering Laws"*) or any U.S. Economic Sanctions violations or violations of Canadian Economic Sanctions Laws, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any governmental authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations or violations of Canadian Economic Sanctions Laws, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions or Canadian Economic Sanctions Laws, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions and Canadian Economic Sanctions Laws.

(d) (1) Neither the Company nor any Affiliated Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and any similar provisions of the Criminal Code (Canada) (collectively, *"Anti-Corruption Laws"*) in the past five years, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws in the past five years or (iv) has been or is the target of sanctions imposed by the United Nations, Canada or the European Union;

(2) To the Company's actual knowledge after making due inquiry, neither the Company nor any Affiliated Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Governmental Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to improperly obtain,

retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any Anti-Corruption Laws; and

(3) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to improperly obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Affiliated Entity is and will continue to be in compliance with the Anti-Corruption Laws.

(e) Neither the Company nor any Affiliated Entity is (i) a Canada Blocked Person, (ii) an agent, department, or instrumentality of, or is otherwise controlled by or knowingly acting on behalf of, directly or indirectly, any such Person, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of any Canadian Economic Sanctions Laws. Neither the Company nor any Affiliated Entity has been notified by a governmental authority in Canada that its name appears or has been proposed for inclusion on a list of Persons maintained by a governmental authority in Canada that engage in investment or other commercial activities in any country that is subject to Canadian Economic Sanctions Laws. Neither the Company nor any Affiliated Entity knowingly engages in any dealings or transactions with any Canada Blocked Person.

Section 5.17. Status under Certain Statutes. (a) The Company is a company that has elected to be regulated as a "business development company" within the meaning of the Investment Company Act and qualifies as a RIC.

(b) The business and other activities of the Company and its Subsidiaries, including the issuance of the Notes hereunder, the application of the proceeds and repayment thereof by the Company and the consummation of the Transactions contemplated by the Note Documents do not result in a violation or breach in any material respect of the applicable provisions of the Investment Company Act or any rules, regulations or orders issued by the SEC thereunder.

(c) The Company is in compliance with its Investment Policies, except to the extent that the failure to so comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.18. Notes Rank Pari Passu. The obligations of the Company under this Agreement and the Notes rank at least *pari passu* in right of payment with all other Senior Unsecured Indebtedness (actual or contingent) of the Company, including, without limitation, all Senior Unsecured Indebtedness of the Company described in **Schedule 5.15** hereto.

Section 5.19. Investments. Set forth in **Schedule 5.19** is a complete and correct list of all Investments (other than Investments of the types referred to in clauses (b), (c) and (d) of **Section 10.4**) held by the Company or any Subsidiary Guarantor in any Person on the date of the Closing and, for each such Investment, (x) the identity of the Person or Persons holding such Investment and (y) the nature of such Investment. Except as disclosed in **Schedule 5.19**, as of the date of the Closing each of the Company and the Subsidiary Guarantors owns, free and clear of all Liens (other than Permitted Liens or Liens created pursuant to the Security Documents), all such Investments.

Section 5.20. Affiliate Agreements. As of the date of the Closing, the Company has heretofore delivered (to the extent not otherwise publicly filed with the SEC) to each of the Purchasers true and complete copies of each of the Affiliate Agreements (including schedules and exhibits thereto, and any amendments, supplements or waivers executed and delivered thereunder). As of the date of the Closing, each of the Affiliate Agreements is in full force and effect.

SECTION 6. REPRESENTATION AND COVENANT OF THE PURCHASERS.

Section 6.1. Purchase for Investment. (a) Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof; *provided* that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the initial sale or resale of the Notes.

(b) Each Purchaser acknowledges that the Notes will bear a restrictive legend in the form set forth on the form of Notes set out in **Exhibit 1**.

(c) Each Purchaser severally represents and warrants that such Purchaser (i) will not sell, transfer or otherwise dispose of the Notes or any interest therein except in a transaction exempt from or not subject to the registration requirements of the Securities Act and (ii) was given the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which the Company possesses or can acquire without unreasonable effort or expense.

(d) Each Purchaser for itself represents that it is an Institutional Accredited Investor acting for its own account or as a fiduciary or agent for others (which others are also Institutional Accredited Investors).

(e) Each Purchaser severally represents that the purchase of the Notes by such Purchaser has not been solicited by or through anyone other than the Company or the Placement Agent.

(f) Each holder of a Note covenants and agrees that it shall not directly or indirectly transfer all or any portion of any of its Notes to any Person that is a Competitor.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "*Source*") to be

used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("*PTE*") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "*NAIC Annual Statement*")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed ten percent (10%) of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1, or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as have been disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14, as amended (the "*QPAM Exemption*")) managed by a "qualified professional asset manager" or "*QPAM*" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, as of the last day of its most recent calendar quarter, the QPAM does not own a 10% or more interest in the Company and no Person controlling or controlled by the QPAM (applying the definition of "*control*" in Section VI(e) of the QPAM Exemption) owns a 20% or more interest in the Company (or less than 20% but greater than 10%, if such Person exercises control over the management or policies of the Company by reason of its ownership interest), and (i) the identity of such QPAM and (ii) the names of all employee benefit plans

whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23, as amended (the *"INHAM Exemption"*)) managed by an *"in-house asset manager"* or *"INHAM"* (within the meaning of Part IV of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, as of the last day of its most recent calendar quarter, neither the INHAM nor a Person controlling or controlled by the INHAM (applying the definition of *"control"* in Section IV(d) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this **Section 6.2**, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in sections 3(3), 3(32), 3(14) and 3(17), respectively, of ERISA.

SECTION 7. INFORMATION AS TO THE COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) *Annual Statements* — within 90 days after the end of each fiscal year of the Company, the audited consolidated balance sheet and related statements of operations, changes in net assets or stockholders' equity and cash flows of the Company and its Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by KPMG LLP or other independent public accountants of recognized national standing to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied; *provided* that, the requirements set forth in this clause (a) may be fulfilled by providing to the holders of the Notes that are Institutional Investors the report of the Company to the SEC on Form 10-K for the applicable fiscal year;

(b) *Quarterly Statements* —within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, the consolidated balance sheet and related statements of operations, changes in net assets or stockholders' equity and cash flows of the Company and its Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for (or, in the case of the statement of assets and liabilities or balance sheet, as of the end of) the corresponding period or periods of the previous fiscal year, all certified by a Financial Officer of the Company as presenting fairly in all material respects the financial condition and results of operations of the Company and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes; *provided* that, the requirements set forth in this clause (b) may be fulfilled by providing to the holders of the Notes that are Institutional Investors the report of the Company to the SEC on Form 10-Q for the applicable quarterly period;

(c) *[Reserved];*

(d) *[Reserved]*;

(e) *[Reserved]*;

(f) *Audit Reports* — promptly upon receipt thereof, copies of all significant reports submitted by the Company's independent public accountants in connection with each annual, interim or special audit or review of any type of the financial statements or related internal control systems of the Company or any of its Subsidiaries delivered by such accountants to the management or Board of Directors of the Company;

(g) *Employee Benefit Matters* —promptly following any request therefor, copies of (i) any documents described in section 101(k) of ERISA that the Company or any of its ERISA Affiliates may request with respect to any Multiemployer Plan and (ii) any notices described in section 101(l) of ERISA that the Company or any of its ERISA Affiliates may request with respect to any Plan or Multiemployer Plan;

(h) *SEC and Other Reports* — promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary Guarantor with the SEC, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, as the case may be;

(i) *Management Agreement* —within (i) five Business Days of any material amendment, supplementation or modification of the Management Agreement, notice of such material amendment, supplementation or modification and (ii) (y) within ninety (90) days after the end of each fiscal year of the Company and (z) within forty-five (45) days after the end of each of the first three (3) fiscal quarters of each fiscal year of the Company, notice of any other amendment, supplementation or modification of the Management Agreement;

(j) *Requested Information* — promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Company or any of its Subsidiaries, or compliance with the terms of this Agreement and the other Note Documents, as any holders of the Notes that is an Institutional Investor may reasonably request;

(k) *Notices of Material Events* — notice of the following:

(i) the occurrence of any Default;

(ii) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Company or any of its Affiliates that, if adversely determined, could reasonably be expected to result in liability of the Company and its Subsidiaries in an aggregate amount exceeding $10,000,000;

(iii) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; and

(iv) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect;

Each notice delivered under this clause shall be accompanied by a statement of a Financial Officer or other executive officer of the Company setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto; and

(j) *Supplements* — promptly, and in any event within 10 Business Days after the execution and delivery of any Supplement, a copy thereof.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to **Section 7.1(a)** or **Section 7.1(b)** shall be accompanied by a certificate of a Financial Officer of the Company (i) certifying as to whether the Company has knowledge that a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with **Sections 10.1, 10.2, 10.4, 10.5** and **10.7,** including, without limitation, any Additional Financial Covenant, and (iii) stating whether any material change in GAAP as applied by (or in the application of GAAP by) the Company has occurred since the date of the most recent audited financial statements delivered pursuant to **Section 7.1(a)** and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate.

Section 7.3. Visitation, Etc. The Company will, and will cause each of its Subsidiaries (other than Financing Subsidiaries and Immaterial Subsidiaries) to, permit any representatives designated by the holder of a Note upon reasonable prior notice (which, prior to the occurrence of a Default or Event of Default, shall not be less than thirty (30) Business Days prior to the date of such inspection), to visit and inspect its properties during normal business hours, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times as reasonably requested, *provided* that the Company or such Subsidiary shall be entitled to have its representatives and advisors present during any inspection of its books and records, *provided further* that, so long as no Default has occurred and is continuing and if the Company has provided to each holder of the Notes written notice of the intent of a holder to exercise inspection rights set forth in this **Section 7.3** not less than fifteen (15) Business Days prior to such inspection and permitting such holder to join in such scheduled inspection upon five (5) (rather than thirty (30)) Business Days' prior notice, the inspection rights set forth in this **Section 7.3** may, in the aggregate for all holders of the Notes, only be exercised once per calendar quarter, *provided, further,* if a Default or Event of Default then exists, the reasonable and documented out-of-pocket costs for such visit or inspection shall be at the expense of the Company.

SECTION 8. PREPAYMENT OF THE NOTES.

Section 8.1. Maturity. As provided therein, the entire unpaid principal balance of the Series 2016A Notes shall be due and payable on the stated maturity date thereof.

Section 8.2. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding at 100% of the principal amount so prepaid, together with interest accrued thereon to, but excluding, the date of such prepayment, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this **Section 8.2** not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with **Section 8.5**), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Change in Control.

(a) *Notice of Change in Control.* The Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control, give written notice of such Change in Control to each holder of Notes. Such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (b) of this **Section 8.3** and shall be accompanied by the certificate described in subparagraph (e) of this **Section 8.3**.

(b) *Offer to Prepay Notes.* The offer to prepay Notes contemplated by subparagraph (a) of this **Section 8.3** shall be an offer to prepay, in accordance with and subject to this **Section 8.3**, all, but not less than all, the Notes held by each holder (in this case only, "*holder*" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "*Section 8.3 Proposed Prepayment Date*"). Such date shall be not less than 15 days and not more than 60 days after the date of such offer (if the Section 8.3 Proposed Prepayment Date shall not be specified in such offer, the Section 8.3 Proposed Prepayment Date shall be the first Business Day after the 45th day after the date of such offer).

(c) *Acceptance/Rejection.* A holder of Notes may accept the offer to prepay made pursuant to this **Section 8.3** by causing a notice of such acceptance to be delivered to the Company not later than 15 days after receipt by such holder of the most recent offer of prepayment. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this **Section 8.3** shall be deemed to constitute rejection of such offer by such holder.

(d) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this **Section 8.3** shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to, but excluding, the date of prepayment, but without Make-Whole Amount or other premium.

(e) *Officer's Certificate.* Each offer to prepay the Notes pursuant to this **Section 8.3** shall be accompanied by a certificate, executed by a Financial Officer of the Company and dated the date of such offer, specifying: (i) the Section 8.3 Proposed Prepayment Date; (ii) that such offer is made pursuant to this **Section 8.3**; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to, but excluding, the Section 8.3 Proposed Prepayment Date; (v) that the conditions of this **Section 8.3** have been fulfilled; and (vi) in reasonable detail, the nature and date or proposed date of the Change in Control.

Section 8.4. [Reserved].

Section 8.5. Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes pursuant to **Section 8.2**, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. All partial prepayments made pursuant to **Section 8.3** or **8.9** shall be applied only to the Notes of the holders who have elected to participate in such prepayment.

Section 8.6. Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this **Section 8**, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to, but excluding, such date and the applicable Make-Whole Amount (to the fullest extent permitted by applicable law), if any. From and after

such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.7. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes or any part or portion except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to an offer to purchase all or any portion of the outstanding Notes made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 10 Business Days. If the holders of more than 25% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least 5 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.8. Make-Whole Amount and Modified Make-Whole Amount. The terms "*Make-Whole Amount*" and "*Modified Make-Whole Amount*" mean, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount and the Modified Make-Whole Amount, the following terms have the following meanings:

"*Applicable Percentage*" in the case of the computation of the Modified Make-Whole Amount for purposes of **Section 8.9** means 1.00% (100 basis points) and in the case of a computation of the Make-Whole Amount for any other purpose means 0.50% (50 basis points).

"*Called Principal*" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to **Section 8.2** or **8.9** or has become or is declared to be immediately due and payable pursuant to **Section 12.1**, as the context requires.

"*Discounted Value*" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"*Reinvestment Yield*" means, with respect to the Called Principal of any Note, the sum of (x) the Applicable Percentage *plus* (y) the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. In the case of each determination under clause (i) or clause (ii), as the case may be, of the preceding paragraph, such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the applicable U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the applicable U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"*Remaining Average Life*" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (i) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (ii) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"*Remaining Scheduled Payments*" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to **Section 8.2, 8.9** or **12.1**.

"*Settlement Date*" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to **Section 8.2** or **8.9** or has become or is declared to be immediately due and payable pursuant to **Section 12.1**, as the context requires.

Section 8.9. Prepayment for Tax Reasons. (a) The Company shall have an option to prepay the affected Notes in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Foreign Holders (which notice shall be irrevocable) by payment of the principal amount, together with interest accrued to the date fixed for prepayment and with a premium in an amount equal to the Modified Make-Whole Amount, determined as of two Business Days prior to the date of such prepayment pursuant to this **Section 8.9**, if (i) the Company (a) has or will become obliged to pay additional amounts as provided or referred to in **Section 14.3** as a result of any change in, or amendment to, the laws, regulations or rulings of the United States or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of the Closing and (b) in its business judgment, determines that such obligation cannot be avoided by the use of reasonable measures available to it; or (ii) (a) any action has been taken by a taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, the United States or any political subdivision or taxing authority thereof or therein, including any actions specified in (i) above, whether or not such action was taken or decision was rendered with respect to the Company, or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion of independent legal counsel of recognized legal standing, will result in a material probability that the Company will become obligated to pay additional amounts and (b) in its business judgment the Company determines that such obligation cannot be avoided by the use of reasonable measures available to it; *provided* that no such notice of prepayment shall be given earlier than 60 days prior to the earliest date on which the Company would be obliged to pay such additional amounts if a payment in respect of such Notes held by the Foreign Holders were then due.

(b) Prior to the giving of any notice of prepayment pursuant to this **Section 8.9**, the Company shall deliver to the Foreign Holder of any Note to be prepaid (1) a certificate signed by two officers of the Company stating that the Company is entitled to effect such prepayment and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to prepay have occurred and (2) in the case of a determination under (ii) above, an opinion of independent legal advisers of recognized standing to the effect that there is a material probability that the Company will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this **Section 8.9**, the Company shall be bound to prepay such Note in accordance with this **Section 8.9**.

(c) Notwithstanding the foregoing, if the Company shall give a Foreign Holder notice of prepayment of any Note pursuant to **Section 8.9(a)**, such Foreign Holder, if it then holds one or more such Notes in an aggregate amount equal to or greater than $5,000,000, shall have a one time option to reject such prepayment with respect to the prepayment arising as a result of the circumstances described in such notice; *provided, however,* if such Foreign Holder rejects such prepayment, **Section 14.3(a)** shall no longer be operative with respect to any Notes held by such Foreign Holder arising out of the circumstances described in such notice, but not of such Foreign Holder's right to receive payments pursuant to **Section 14.3(a)** that may arise out of circumstances not described in such notice. To exercise such option, such Foreign Holder shall provide a rejection notice to the Company within ten Business Days after its receipt of the Company's notice of prepayment. Such notice by a Foreign Holder shall be irrevocable and shall be binding on all subsequent Foreign Holders of such Foreign Holder's Notes.

(d) The provisions of **Sections 8.2** and **8.5** shall not apply to any prepayment pursuant to this **Section 8.9**.

SECTION 9. AFFIRMATIVE COVENANTS.

So long as any of the Notes are outstanding, the Company covenants that:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Without limiting the generality of the foregoing, the Company will, and will cause its Subsidiaries to, conduct its business and other activities in compliance in all Material respects with the applicable provisions of the Investment Company Act (including, without limiting the foregoing, Section 18(a)(1)(A) and any applicable "asset coverage" maintenance requirement) and any applicable rules, regulations or orders issued by the SEC thereunder.

Section 9.2. Insurance. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, pay its obligations, including tax liabilities and material contractual obligations, that, if not paid, could reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Company or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 9.5. Legal Existence, Etc. The Company will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; *provided* that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under **Section 10.3**.

Section 9.6. Notes to Rank Pari Passu. The Notes and all other obligations under this Agreement of the Company are and at all times shall rank at least *pari passu* in right of payment

with all other present and future Senior Unsecured Indebtedness (actual or contingent) of the Company which is not expressed to be subordinate or junior in rank to any other Senior Unsecured Indebtedness of the Company.

Section 9.7. Subsidiary Guarantors. The Company will cause each of its Subsidiaries that (i) guarantees any Indebtedness pursuant to the Guarantee and Security Agreement or (ii) otherwise becomes liable at any time, whether as a borrower or an additional or co-borrower or otherwise, for or in respect of any Indebtedness under the Senior Secured Credit Agreement to concurrently therewith:

(a) enter into an agreement in form and substance reasonably satisfactory to the Required Holders providing for the guaranty by such Subsidiary, on a joint and several basis with all other such Subsidiaries, of (i) the prompt payment in full when due of all amounts payable by the Company pursuant to the Notes (whether for principal, interest, Make-Whole Amount or otherwise) and this Agreement, including, without limitation, all indemnities, fees and expenses payable by the Company thereunder and (ii) the prompt, full and faithful performance, observance and discharge by the Company of each and every covenant, agreement, undertaking and provision required pursuant to the Notes or this Agreement to be performed, observed or discharged by it (a *"Subsidiary Guarantee"*); and

(b) deliver the following to each of holder of a Note:

(i) an executed counterpart of such Subsidiary Guarantee;

(ii) a certificate signed by an authorized responsible officer of such Subsidiary containing representations and warranties on behalf of such Subsidiary to the same effect, *mutatis mutandis*, as those contained in **Sections 5.1, 5.2, 5.6,** and **5.7** of this Agreement (but with respect to such Subsidiary and such Subsidiary Guarantee rather than the Company);

(iii) all documents as may be reasonably requested by the Required Holders to evidence the due organization, continuing existence and good standing of such Subsidiary and the due authorization by all requisite action on the part of such Subsidiary of the execution and delivery of such Subsidiary Guaranty and the performance by such Subsidiary of its obligations thereunder; and

(iv) unless waived by the Required Holders, an opinion of counsel reasonably satisfactory to the Required Holders covering such matters relating to such Subsidiary and such Subsidiary Guarantee as the Required Holders may reasonably request.

Section 9.8. Books and Records. The Company will, and will cause each of its Subsidiaries to, keep or cause to be kept proper books of record and account in accordance with GAAP.

Section 9.9. Status of RIC and BDC. The Company shall (i) maintain its status as a RIC under the Code, and (ii) maintain its status as a "business development company" under the Investment Company Act.

Section 9.10. Investment Policies. The Company shall at all times be in compliance with its Investment Policies, except to the extent that the failure to so comply could not reasonably be expected to result in a Material Adverse Effect.

Section 9.11. Rating Confirmation. The Company covenants and agrees that, at its sole cost and expense, it shall cause to be maintained at all times a Rating from at least one NRSRO that indicates that it will monitor the rating on an ongoing basis. No later than November 8 of each year, commencing in 2017, the Company shall provide a notice to each of the holders of the Notes sent in the manner provided in **Section 18** with respect to any then current Ratings, which shall include a Rating from at least one NRSRO, and which notice shall include a copy of such Rating.

Section 9.12. Rating. Within 30 days after the date of the Closing, the Company shall deliver to the Purchasers in the manner provided in **Section 18** evidence in form and substance satisfactory to the Purchasers that the Notes have been rated Investment Grade or better by either Fitch, S&P or another NRSRO

SECTION 10. NEGATIVE COVENANTS.

So long as any of the Notes are outstanding, the Company covenants that:

Section 10.1. Indebtedness. The Company will not, nor will it permit any of its Subsidiaries (other than Financing Subsidiaries) to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness evidenced by the Notes and the Existing Notes or outstanding under or incurred pursuant to the Senior Secured Credit Agreement;

(b) Secured Longer-Term Indebtedness and Unsecured Longer-Term Indebtedness in an aggregate amount that taken together with other then-outstanding Indebtedness, does not exceed the amount required to comply with the provisions of **Section 10.7(b)**;

(c) Indebtedness existing on the date hereof and set forth on **Schedule 5.15**;

(d) Other Permitted Indebtedness;

(e) Indebtedness of the Company to or from any other Obligor or Indebtedness of an Obligor to or from another Obligor;

(f) repurchase obligations arising in the ordinary course of business with respect to U.S. Government Securities;

(g) obligations payable to clearing agencies, brokers or dealers in connection with the purchase or sale of securities in the ordinary course of business;

(h) Secured Shorter-Term Indebtedness and Unsecured Shorter-Term Indebtedness in an aggregate amount (determined at the time of the incurrence of such Indebtedness) not exceeding 5% of Shareholders' Equity and that taken together with other then-outstanding Indebtedness, does not exceed the amount required to comply with the provisions of **Section 10.7(b)**;

(i) obligations (including Guarantees) in respect of Standard Securitization Undertakings; and

(j) Permitted SBIC Guarantees.

For the avoidance of doubt, notwithstanding anything to the contrary in this Agreement or in any other Note Document (a) any settlement in respect of Convertible Debt to the extent made through the delivery of Equity Interests and/or payment of Cash does not constitute a Restricted Payment and (b) the conversion of Convertible Debt, or the right of any or all of the holders thereof to trigger and/or settle such conversion, or any triggering and/or settlement thereof, or the triggering, exercise or settlement of any rights by any or all holders thereof to cause the Company to repurchase such Convertible Debt, shall not constitute an event or condition described in **Section 11(g)**, shall not constitute "amortization" for purposes of clause (a) of the definition of "Unsecured Longer-Term Indebtedness," and any cash payment made by the Company in respect thereof shall constitute a "regularly scheduled payment, prepayment or redemption of principal and interest in respect thereof required pursuant to the instruments evidencing such Indebtedness" within the meaning of clause (a) of **Section 10.12**. Notwithstanding anything to the contrary herein or in any other Note Document, the immediately preceding sentence shall be deemed incorporated by reference *mutatis mutandis* in each other Note Document, and each such Note Document shall be deemed amended to the extent necessary to effectuate the foregoing. Notwithstanding the prior sentence to the contrary, the Company shall only be permitted to make a cash payment on account of principal of Convertible Debt if no Default exists at the time of, or immediately after, such payment, on the date of such payment, the Company is in pro forma compliance with each of the covenants set forth in Section 6.07 of the Senior Secured Credit Agreement after giving effect to such payment.

Section 10.2. Liens. The Company will not, nor will it permit any of its Subsidiaries (other than Financing Subsidiaries) to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) any Lien on any property or asset of the Company existing on the date of the Closing and set forth on **Schedule 5.15**, *provided* that (i) no such Lien shall extend to any other property or asset of the Company or any of its Subsidiaries and (ii) any such Lien shall secure only those obligations which it secures on the date of the Closing and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(b) Liens created pursuant to the Security Documents;

(c) Liens on Special Equity Interests included in the Portfolio Investments of the Company but only to the extent securing obligations in the manner provided in the definition of *"Special Equity Interests"* contained in **Schedule B**;

(d) Liens securing Indebtedness or other obligations in an aggregate principal amount not exceeding the greater of (x) $50,000,000 and (y) an amount equal to 5% of Shareholder's Equity at any one time outstanding (which may cover Portfolio Investments, but only to the extent released from the Lien in favor of the Collateral Agent in accordance with the requirements of Section 10.03 of the Guarantee and Security Agreement), so long as at the time thereof the aggregate amount of Indebtedness permitted under clauses (a), (b) and (h) of **Section 10.1**, does not exceed the amount required to comply with the provisions of **Section 10.7(b)**;

(e) Permitted Liens; and

(f) Liens on the Company's or a Subsidiary's Equity Interests in any SBIC Subsidiary created in favor of the SBA.

Section 10.3. Fundamental Changes. The Company will not, nor will it permit any of its Subsidiaries (other than Financing Subsidiaries and Immaterial Subsidiaries) to enter into any transaction of merger, consolidation or amalgamation or to liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution). The Company will not, nor will it permit any of its Subsidiaries (other than Financing Subsidiaries and Immaterial Subsidiaries) to acquire any business or property from, or capital stock of, or be a party to any acquisition of, any Person, except for purchases or acquisitions of Portfolio Investments and other assets in the normal course of the day-to-day business activities of the Company and its Subsidiaries and not in violation of the terms and conditions of this Agreement. The Company will not, nor will it permit any of its Subsidiaries (other than Financing Subsidiaries and Immaterial Subsidiaries) to, convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, any part of its assets, whether now owned or hereafter acquired, but excluding (x) assets sold or disposed of in the ordinary course of business (including to make expenditures of cash and dispositions of investments in connection with exits and work-outs (including assets abandoned for no consideration if the Company determines such assets have no value) in the normal course of the day-to-day business activities of the Company and its Subsidiaries) and (y) subject to the provisions of clause (d) below, Portfolio Investments (to the extent not otherwise included in clause (x) of this **Section 10.3**).

Notwithstanding the foregoing provisions of this **Section 10.3**:

(a) any Subsidiary Guarantor of the Company may be merged or consolidated with or into the Company or any other Subsidiary Guarantor; *provided* that (i) at the time thereof and after giving effect thereto, no Default shall have occurred or be continuing, (ii) if any such transaction shall be between a Subsidiary Guarantor and a wholly-owned Subsidiary Guarantor, the wholly-owned Subsidiary Guarantor shall be the continuing or surviving corporation and (iii) if any such transaction shall be between the Company and a Subsidiary Guarantor, the Company shall be the continuing or surviving corporation;

(b) any Subsidiary of the Company may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Company or any wholly-owned Subsidiary Guarantor of the Company;

(c) the capital stock of any Subsidiary of the Company may be sold, transferred or otherwise disposed of to the Company or any wholly-owned Subsidiary Guarantor of the Company;

(d) the Obligors may sell, transfer or otherwise dispose of Portfolio Investments to a Financing Subsidiary so long as (i) after giving effect to such sale, transfer or other disposition (and any concurrent acquisitions of Portfolio Investments or payment of the outstanding principal amount of the Notes, Indebtedness outstanding under and pursuant to the Senior Secured Credit Agreement, and/or Other Covered Indebtedness), such sale, transfer or other disposition shall be permitted under 6.03(d) of the Senior Secured Credit Agreement, as evidenced by a copy delivered to the holders of the Notes of any certificate (including related calculations) of a Financial Officer delivered in accordance with such section under the Senior Secured Credit Agreement;

(e) the Company or any Subsidiary may merge or consolidate with any other Person so long as at the time thereof and after giving effect thereto, no Default shall have occurred or be continuing and *provided* that (i) if any such transaction shall be between the Company and another Person, the Company shall be the continuing or surviving corporation, (ii) if any such transaction shall be between a wholly-owned Subsidiary Guarantor and another Person (other than the Company), a wholly-owned Subsidiary Guarantor shall be the continuing or surviving corporation, and (iii) if any such transaction shall be between a Subsidiary Guarantor and another Person (other than the Company or a wholly-owned Subsidiary Guarantor), a Subsidiary Guarantor shall be the continuing or surviving corporation;

(f) the Company and its Subsidiaries may sell, lease, transfer or otherwise dispose of equipment or other property or assets that do not consist of Portfolio Investments so long as the aggregate amount of all such sales, leases, transfer and dispositions does not exceed $25,000,000 in any fiscal year; and

(g) the Company or the other Obligors may dissolve or liquidate (i) any Subsidiary that does not own, legally or beneficially, assets which in aggregate have a value of $500,000 or more at such time of dissolution or liquidation or (ii) any SBIC Subsidiary, *provided* that no portion of any Indebtedness or any other obligations (contingent or otherwise) of such SBIC Subsidiary (A) is, or would as a result of dissolution or liquidation hereunder become, recourse to or obligate the Company or any other Obligor (other than any SBIC Subsidiary) in any way, or (B) subjects, or would as a result of dissolution or liquidation hereunder subject, any property of the Company or any other Obligor (other than any SBIC Subsidiary) to the satisfaction of such Indebtedness.

Section 10.4. Investments. The Company will not, nor will it permit any of its Subsidiaries (other than Financing Subsidiaries) to, acquire, make or enter into, or hold, any Investments except:

(a) operating deposit accounts with banks;

(b) Investments by the Company and the Subsidiary Guarantors in the Company and the Subsidiary Guarantors;

(c) Hedging Agreements entered into in the ordinary course of the Company's and its Subsidiaries' financial planning and not for speculative purposes;

(d) Portfolio Investments by the Company and its Subsidiaries, *provided* that, (i) such Portfolio Investments are permitted under the Company's Investment Policies and (ii) such Portfolio Investments are permitted under the provisions of the Investment Company Act;

(e) Investments in Financing Subsidiaries to the extent permitted by the Senior Secured Credit Agreement; and

(f) additional Investments up to but not exceeding an amount in the aggregate at any time outstanding equal to $50,000,000 *minus* the aggregate value of assets owned by all Immaterial Subsidiaries, legally or beneficially, or directly or indirectly.

For purposes of clause (f) of this **Section 10.4**, the aggregate amount of an Investment at any time shall be deemed to be equal to (A) the aggregate amount of cash, together with the aggregate fair market value of property, loaned, advanced, contributed, transferred or otherwise invested that gives rise to such Investment (calculated at the time such Investment is made) *minus* (B) the aggregate amount of dividends, distributions or other payments received in cash in respect of such Investment, *provided* that in no event shall the aggregate amount of such Investment be deemed to be less than zero; the amount of an Investment shall not in any event be reduced by reason of any write-off of such Investment nor increased by any increase in the amount of earnings retained in the Person in which such Investment is made that have not been dividended, distributed or otherwise paid out.

Section 10.5. Restricted Payments. The Company will not, nor will it permit any of its Subsidiaries (other than Financing Subsidiaries) to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that the Company may declare and pay:

(a) dividends with respect to the capital stock of the Company to the extent payable in additional shares of the Company's common stock;

(b) dividends and distributions in either case in cash or other property (excluding for this purpose the Company's common stock) in any taxable year of the Company in amounts not to exceed the amount that is estimated in good faith by the Company to be required to (i) reduce to zero for such taxable year or for the previous

taxable year, its investment company taxable income (within the meaning of section 852(b)(2) of the Code), and reduce to zero the tax imposed by section 852(b)(3) of the Code, and (ii) avoid federal excise taxes for such taxable year or for the previous taxable year imposed by section 4982 of the Code;

(c) dividends and distributions in each case in cash or other property (excluding for this purpose the Company's common stock) in addition to the dividends and distributions permitted under the foregoing clauses (a) and (b), so long as on the date of such Restricted Payment and after giving effect thereto:

(i) no Default shall have occurred and be continuing; and

(ii) the aggregate amount of Restricted Payments made during any taxable year of the Company after the date of the Closing under this clause (c) shall not exceed the sum of (x) an amount equal to 10% of the taxable income of the Company for such taxable year determined under section 852(b)(2) of the Code, but without regard to subparagraphs (A), (B) or (D) thereof, *minus* (y) the amount, if any, by which dividends and distributions made during such taxable year pursuant to the foregoing clause (b) (whether in respect of such taxable year or the previous taxable year) based upon the Company's estimate of taxable income exceeded the actual amounts specified in subclauses (i) and (ii) of such foregoing clause (b) for such taxable year.

(d) other Restricted Payments so long as (i) on the date of such Restricted Payment and after giving effect thereto no Default shall have occurred and be continuing and (ii) such payment shall be permitted under Section 6.05 of the Senior Secured Credit Agreement, as evidenced by a copy delivered to the holders of the Notes of any certificate (including related calculations) of a Financial Officer delivered in accordance with such section under the Senior Secured Credit Agreement.

Nothing herein shall be deemed to prohibit the payment of Restricted Payments by any Subsidiary of the Company to the Company or to any other Subsidiary Guarantor.

Section 10.6. Certain Restrictions on Subsidiaries. Other than the Senior Secured Credit Agreement, the Security Documents and the other agreements in connection therewith, the Company will not permit any of its Subsidiaries (other than Financing Subsidiaries) to enter into or suffer to exist any indenture, agreement, instrument or other arrangement that prohibits or restrains, in each case in any material respect, or imposes materially adverse conditions upon, the incurrence or payment of Indebtedness, the granting of Liens, the declaration or payment of dividends, the making of loans, advances, guarantees or Investments or the sale, assignment, transfer or other disposition of property by any Obligor; *provided* that, the foregoing shall not apply to (i) indentures, agreements, instruments or other agreements pertaining to other Indebtedness permitted hereunder so long as it is not, in the Company's good faith judgment, more restrictive or burdensome in respect of the foregoing activities than the Note Documents (*provided* that, in any event, such restrictions would not adversely affect the exercise of rights or remedies of the holder of the Notes under the Note Documents or impair the rights or ability of the Company

or any Subsidiary Guarantor in any manner from performing its obligations under the Note Documents) and (ii) indentures, agreements, instruments or other agreements pertaining to any lease, sale or other disposition of any asset permitted by this Agreement or any Lien permitted by this Agreement on such asset so long as the applicable restrictions only apply to the assets subject to such lease, sale, other disposition or Lien.

Section 10.7. Certain Financial Covenants.

(a) *[Reserved]*.

(b) *Asset Coverage Ratio.* The Company will not permit the Asset Coverage Ratio to be less than the Investment Company Act Asset Coverage at any time.

(c) *[Reserved]*.

(d) *Financial Covenant Most Favored Lender.* (i) If at any time, including, for the avoidance of doubt, as of the date of the Closing, (A) the Senior Secured Credit Agreement includes financial covenants (individually an *"Additional Financial Covenant"* and, collectively, *"Additional Financial Covenants"*) not set forth in this Agreement or (B) thereafter enters into any amendment, supplement, waiver, change, clarification, interpretation, consent or other modification (which, for the avoidance of doubt for purposes of this Section 10.7(d), shall include any such change effectuated pursuant to a replacement of the Senior Secured Credit Agreement) (individually a *"Financial Covenant Modification"* and, collectively, *"Financial Covenant Modifications"*) to Section 6.07 of the Senior Secured Credit Agreement or to an Additional Financial Covenant (or to any defined term contained or used in Section 6.07 or such Additional Financial Covenant), then and in any such event (other than with respect to any Additional Financial Covenant on the date of the Closing) the Company shall give written notice thereof to each holder of the Notes not later than 10 Business Days following the date of any such Additional Financial Covenant(s) or Financial Covenant Modification(s), as the case may be. Effective on the date of such Additional Financial Covenant(s) or Financial Covenant Modification(s) under and pursuant to the Senior Secured Credit Agreement, such Additional Financial Covenant(s) or Financial Covenant Modification(s), whether or not more or less restrictive upon the Company, shall then and thereupon be deemed to have been incorporated herein with respect to **Section 10.7** and/or any defined term contained or used therein, as the case may be; *provided* that if a Default or Event of Default shall have occurred and be continuing at the time **Section 10.7,** such Additional Financial Covenant(s) or Financial Covenant Modification(s) (and/or any defined term contained or used therein, as the case may be) is or are to be so excluded, terminated, loosened, tightened, amended or modified under this **Section 10.7(d)**, the prior written consent thereto of the Required Holders shall be required as a condition to the exclusion, termination, loosening, tightening or other amendment or modification of such **Section 10.7,** such Additional Financial Covenant(s) or Financial Covenant Modification(s) (and/or any defined term contained or used therein, as the case may be); *provided further* that, notwithstanding the foregoing and for the avoidance of doubt, in no event shall the minimum asset coverage required to be held by the Company pursuant to this **Section 10.7** be less than the Investment Company Act Asset Coverage; *provided further* that, for the avoidance of doubt, the covenants set forth in Sections 6.07(a) and (b) of the Senior Secured Credit Agreement on the date of Closing are Additional Financial Covenants hereunder.

(ii) The Company further covenants to promptly execute and deliver at its expense (including, without limitation, the reasonable fees and expenses of one counsel for the holders of the Notes) each and every amendment to this Agreement reasonably considered to be necessary or appropriate by the Required Holders for purposes of maintaining clarity and consistency between the applicable sections of the Senior Secured Credit Agreement and related defined terms contained or used therein and **Section 10.7** and related defined terms contained or used therein; *provided* that the execution and delivery of any such amendment shall not be a precondition to the effectiveness of such alteration or alterations, but shall merely be for the convenience of the parties hereto.

(iii) The Company agrees that it will not, nor will it permit any Subsidiary or Affiliate to, directly or indirectly, pay or cause to be paid any consideration or remuneration, whether by way of supplemental or additional interest, fee or otherwise, to any creditor of the Company as consideration for or as an inducement to the entering into by any such creditor of any modification(s) primarily with respect to the principal terms of an Additional Financial Covenant(s) or Section 6.07 of the Senior Secured Credit Agreement the effect of which modification is to exclude, terminate, loosen, tighten or otherwise amend or modify an Additional Financial Covenant(s) or Section 6.07 of the Senior Secured Credit Agreement, which exclusion, termination, loosening, tightening or other amendment or modification would require a similar change in this Agreement, unless such consideration or remuneration is concurrently paid, on the same terms, and in an amount bearing the same proportion to the aggregate outstanding principal amount of the Notes as the amount paid to such other creditor bears to the aggregate principal amount of indebtedness owing by the Company to such other creditor, ratably to all of the holders of the Notes then outstanding.

Section 10.8. Transactions with Affiliates. The Company will not, and will not permit any of its Subsidiaries (other than Financing Subsidiaries and Immaterial Subsidiaries) to, enter into any material transactions with any of its Affiliates, even if otherwise permitted under this Agreement, except (a) transactions in the ordinary course of business at prices and on terms and conditions not less favorable to the Company or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties; *provided* that, affiliate transactions that are expressly permitted to be undertaken by a business development company under the Investment Company Act and the rules and regulations promulgated thereunder will be deemed to be in the ordinary course of business for purposes of this **Section 10.8**, (b) transactions between or among the Company and its Subsidiaries, (c) Restricted Payments permitted by **Section 10.5**, (d) the transactions provided in the Affiliate Agreements, (e) transactions described on **Schedule 10.8(e)**, (f) any Investment that results in the creation of an Affiliate, (g) Permitted Directing Body-Approved Affiliate Transactions, and (h) transactions between or among the Obligors and any SBIC Subsidiary at prices and on terms and conditions not less favorable to the Obligors than could be obtained at the time on an arm's-length basis from unrelated third parties.

Section 10.9. Lines of Business. The Company will not, nor will it permit any of its Subsidiaries to, engage to any material extent in any business other than in accordance with its Investment Policies.

Section 10.10. [Reserved].

Section 10.11. Modifications of Longer-Term Documents. Without the prior consent of the Required Holders, the Company will not consent to any modification, supplement or waiver of:

(a) any of the provisions of any agreement, instrument or other document evidencing or relating to any Secured Longer-Term Indebtedness or Unsecured Longer-Term Indebtedness that would result in such Indebtedness not meeting the requirements of the definition of "Secured Longer-Term Indebtedness" and "Unsecured Longer-Term Indebtedness," as applicable, unless (i) in the case of Secured Longer-Term Indebtedness, such Indebtedness would have been permitted to be incurred as Secured Shorter-Term Indebtedness at the time of such modification, supplement or waiver and the Company so designates such Indebtedness as "Secured Shorter-Term Indebtedness" (whereupon such Indebtedness shall be deemed to constitute "Secured Shorter-Term Indebtedness" for all purposes of this Agreement) and (ii) in the case of Unsecured Longer-Term Indebtedness, such Indebtedness would have been permitted to be incurred as Unsecured Shorter-Term Indebtedness at the time of such modification, supplement or waiver and the Company so designates such Indebtedness as "Unsecured Shorter-Term Indebtedness" (whereupon such Indebtedness shall be deemed to constitute "Unsecured Shorter-Term Indebtedness" for all purposes of this Agreement), or

(b) any of the Affiliate Agreements (other than in connection with any Permitted Directing Body-Approved Affiliate Transaction), unless such modification, supplement or waiver is not less favorable to the Company than could be obtained on an arm's-length basis from unrelated third parties.

Section 10.12. Payments of Longer-Term Indebtedness. The Company will not, nor will it permit any of its Subsidiaries to, purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for the purchase, redemption, retirement or other acquisition of, or make any voluntary payment or prepayment of the principal of or interest on, or any other amount owing in respect of, any Secured Longer-Term Indebtedness or Unsecured Longer-Term Indebtedness (other than the refinancing of Secured Longer-Term Indebtedness or Unsecured Longer-Term Indebtedness with Indebtedness permitted under **Section 10.1**), except for (a) regularly scheduled payments, prepayments or redemptions of principal and interest in respect thereof required pursuant to the instruments evidencing such Indebtedness, (b) payments and prepayments of Secured Longer-Term Indebtedness required to comply with requirements of Section 2.10(c) of the Senior Secured Credit Agreement, (c) payments and prepayments of Secured Longer-Term Indebtedness or Unsecured Longer-Term Indebtedness with the proceeds of any offer and sale of equity interests of the Company, or (d) other payments and prepayments so long as at the time of and immediately after giving effect to such payment, (i) no Default shall have occurred and be continuing and (ii) if such payment were treated as a "Restricted Payment" for the purposes of determining compliance with **Section 10.5(d),** such payment would be permitted to be made under **Section 10.5(d)**.

Section 10.13. Terrorism Sanctions Regulations. The Company will not and will not permit any Affiliated Entity (a) to become (including by virtue of being owned or controlled by a Blocked Person or Canada Blocked Person), own or control a Blocked Person or Canada Blocked Person or any Person that is the target of sanctions imposed by the United Nations or by the European

Union, or (b) directly or indirectly to have any investment in or engage in any dealing or transaction (including, without limitation, any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder to be in violation of any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions or Canadian Economic Sanctions Laws, or (c) to engage, nor shall any Affiliate of either engage, in any activity that could subject such Person or any holder to sanctions under CISADA or any similar law or regulation with respect to Iran or any other country that is subject to U.S. Economic Sanctions or Canadian Economic Sanctions Laws.

SECTION 11. EVENTS OF DEFAULT.

An *"Event of Default"* shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for a period of five or more Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in (i) **Section 9.7** or **Sections 10.1** through **10.7** or **Section 10.12** hereof or (ii) **Section 7.1(k)** hereof and such failure shall continue unremedied for a period of five or more days after notice thereof by any holder of a Note to the Company or (iii) in each case of clause (i) or (ii) above, as applicable, any covenant in a Supplement which specifically provides that it shall have the benefit of this paragraph (c); or

(d) *[Reserved]*;

(e) the Company defaults in the performance of or compliance with any term contained herein or in any Supplement (other than those referred to in **Sections 11(a)**, **(b)** and **(c)**) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this **Section 11(e)**); or

(f) any representation or warranty made in writing by or on behalf of the Company or a Subsidiary Guarantor or by any officer of the Company or a Subsidiary Guarantor in this Agreement, any Supplement or the Subsidiary Guarantee or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(g) (i) the Company or any of its Subsidiaries shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material

Indebtedness, when and as the same shall become due and payable, or (ii) any event or condition (other than any condition which is a Change of Control (in which event the terms and conditions of **Section 8.3** shall govern)) occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; *provided* that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness; or

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Company or any of its Subsidiaries or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any of its Subsidiaries or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed and unstayed for a period of 60 or more days or an order or decree approving or ordering any of the foregoing shall be entered; or

(i) the Company or any of its Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this **Section 11**, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or any of its Subsidiaries or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) take any action for the purpose of effecting any of the foregoing or (vii) become unable, admit in writing its inability or fail generally, to pay its debts as they become due; or

(j) one or more judgments for the payment of money in an aggregate amount in excess of $50,000,000 shall be rendered against the Company or any of its Subsidiaries or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days following the entry of such judgment during which execution shall not be effectively stayed, discharged or bonded pending appeal, or liability for such judgment amount shall not have been admitted by an insurer of reputable standing reasonably acceptable to the Required Holders, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Company or any of its Subsidiaries to enforce any such judgment; or

(k) an ERISA Event shall have occurred that, in the opinion of the Required Holders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; or

(l) Solar Capital Partners, LLC shall cease to be the investment advisor for the Company; or

(m) *[Reserved]*; or

(n) except for expiration in accordance with its terms, any of the Note Documents shall for whatever reason be terminated or cease to be in full force and effect in any material respect, or the enforceability thereof shall be contested by the Company; or

(o) the Company or any of its Subsidiaries shall cause or permit the occurrence of any condition or event that would result in any recourse to any Obligor under any Permitted SBIC Guarantee.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in **Section 11(h)** or **(i)** (other than an Event of Default described in clause (vii) of **Section 11(i)**) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in **Section 11(a)** or **(b)** has occurred and is continuing, either (i) any original Purchaser or Affiliate thereof (*provided*, that notwithstanding the definition thereof, "Affiliate" shall include any Person that acts as investment adviser in the ordinary course of business on behalf of the account of any original Purchaser) which is a holder or holders of Notes at the time outstanding affected by such Event of Default or (ii) the Required Holders may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this **Section 12.1**, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (i) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under **Section 12.1**, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to **Section 12.1(b)** or **(c)**, the holders of more than 50% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to **Section 17**, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this **Section 12.3** will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under **Section 15**, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this **Section 12**, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. (a) Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in **Section 18(a)(C)**) for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes of the same Series (and of the same tranche if such Series has separate tranches) (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of **Exhibit 1** or attached to the applicable Supplement with respect to any Additional Notes. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $100,000; *provided* that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $100,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations and agreements set forth in **Section 6.1(b), (d)** and **(f)** and **Section 6.2**.

(b) Any transfer of a Note made in violation of **Section 6.1(f)** or this **Section 13.2** shall be null and void and of no force and effect.

Section 13.3. Replacement of Notes. Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in **Section 18(C)**) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (*provided* that if the holder of such Note is, or is a nominee for, an original Purchaser or Additional Purchaser or another holder of a Note with a minimum net worth of at least $50,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series (and of the same tranche if such Series has separate tranches), dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to **Section 14.2**, payments of principal, Make-Whole Amount or Modified Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of Goldman Sachs Bank USA in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as any Purchaser or Additional Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in **Section 14.1** or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount or Modified Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's or Additional Purchaser's name in Schedule A or attached to any Supplement to which such Additional Purchaser is a party, or by such other method or at such other address as such Purchaser or Additional Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser or Additional Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to **Section 14.1**. Prior to any sale or other disposition of any Note held by a Purchaser or Additional Purchaser or such Person's nominee, such Person will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to **Section 13.2**. The Company will afford the benefits of this **Section 14.2** to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser or Additional Purchaser under this Agreement, including via any Supplement, and that has made the same agreement relating to such Note as the Purchasers have made in this **Section 14.2**.

Section 14.3. Taxation. (a) All payments of principal, interest, Make-Whole Amount and Modified Make-Whole Amount in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United States, any other taxing jurisdiction from which or through which the Company makes payments or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Company shall pay such additional amounts as will result in the receipt by any holders that are not U.S. persons as defined in I.R.C. § 7701 (collectively, the "*Foreign Holders*") or any other holder of such amounts as would have been

received by the holder if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any tax, assessment or other governmental charge that:

(1) is imposed or withheld solely by reason of the existence of any present or former connection (other than the mere fact of being a Foreign Holder or the taxing of any enforcement action by a Foreign Holder under this Agreement) between any holder and the United States, including, without limitation, such holder being or having been a citizen or resident of the United States or treated as being or having been a resident thereof;

(2) in the case of a Foreign Holder, is imposed or withheld solely by reason of any Foreign Holder (or any partnership, trust, estate, limited liability company or other fiscally transparent entity of which such Foreign Holder is a partner, beneficiary, settlor or member) (i) being or having been present in, or engaged in a trade or business in, the United States, (ii) being treated as having been present in, or engaged in a trade or business in, the United States, or (iii) having or having had a permanent establishment in the United States;

(3) is an estate, inheritance, gift, sales, transfer, personal property or excise tax or any similar tax assessment or governmental charge;

(4) is, in respect of any payment to any Foreign Holder that is not qualified for the benefits of a U.S. tax treaty providing for zero withholding on interest on the date of this Agreement, imposed on a beneficial owner that actually or constructively owns 10% or more of the total combined voting power of all of the classes of stock of the Company that are entitled to vote within the meaning of Section 871(h)(3) of the Code (as in effect on the date of this Agreement or, in the case of a transfer to another Foreign Holder, as in effect on the date of such transfer) or that is a bank making a loan entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code (as in effect on the date of this Agreement, or in the case of a transfer to another Foreign Holder, as in effect on the date of such transfer);

(5) would not have been imposed but for the failure or inability (other than as a result of Change in Law) of the beneficial owner or any holder to comply with the requirements of **Section 14.3(c)** or any other certification, information, documentation or other reporting requirements (“*Forms*”) concerning the nationality, residence, identity or connection with the United States of such beneficial owner or such holder, if such compliance is required by statute or by regulation of the United States or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from such tax, duty, assessment or other governmental charge; *provided* that the filing of such Forms would not impose any unreasonable burden on such holder or result in any confidential or proprietary income tax return information being revealed, either directly or indirectly, to any Person (other than any tax authority), it being understood that the provision of United States Internal Revenue Service Forms W-9, W-8BEN, W-8BEN-E, W-8ECI or W-8EXP does not impose an unreasonable burden on any holder or result in the disclosure of any confidential or proprietary income tax return information, and *provided further* that such holder shall be deemed to have satisfied the requirements of this clause (5) upon the good faith completion and submission of such Forms (including refilings or renewals of filings) as may be specified in a written request of the Company no later than 60 days after receipt by such holder of such written request (accompanied by copies of such Forms and related instructions);

(6) is payable otherwise than by withholding by the Company from payments on or in respect of any Note held by any Foreign Holder;

(7) is (i) an income, branch or franchise taxes imposed on (or measured by) the Foreign Holder's net income by the United States of America, or by the jurisdiction (or any political subdivision thereof) under the laws of which such holder is organized or in which its principal office is located or in which its applicable lending office is located, (ii) is a withholding tax that is imposed on amounts payable to such holder at the time such holder becomes a party to this Agreement (or becomes a transferee of another holder) or is attributable to such holder's failure or inability (other than as a result of a Change in Law) to comply with **Section 14.3(c)** or (iii) is any US withholding tax imposed under Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) ("*FATCA*").

(8) any combination of items (1), (2), (3), (4), (5), (6) and (7).

(b) In addition, the Company will not pay additional amounts to any Foreign Holder if it is a partnership, trust, estate, limited liability company or other fiscally transparent entity, or to any Foreign Holder if it is not the sole beneficial owner of the Note held by it, as the case may be. This exception, however, will apply only to the extent that a beneficiary or settlor with respect to the trust or estate, or a beneficial owner or member of the partnership, limited liability company or other fiscally transparent entity, would not have been entitled to payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

(c) Within five days after the date that any Foreign Holder becomes eligible for the benefits of this Agreement, such Foreign Holder shall provide, the Company with a properly executed original United States Internal Revenue Service Form W-8BEN, W-8BEN-E, W-8ECI or W-8EXP, as appropriate, or any successor or other form prescribed by the United States Internal Revenue Service, certifying that it is not a United States person for United States federal income tax purposes and that either (i) it is entitled to the benefits of a tax treaty with the United States that provides for a zero rate of withholding on interest on the date of this Agreement, (ii) it is receiving the interest payments under this Agreement in connection with a U.S. trade or business or (iii) it is a foreign governmental entity, international organization or other organization entitled to exemption from U.S. income tax on investment income. Thereafter such Foreign Holder shall provide additional Forms W-8BEN, W-8BEN-E, W-8ECI or W-8EXP (or any successor or other form prescribed by the United States Internal Revenue Service) (i) to the extent a form previously provided has become inaccurate or invalid as a result of any action or change in regard to the Foreign Holder or (ii) as reasonably requested in writing by the Company within 60 days of such written request, unless such Foreign Holder is unable to provide such form solely as a result of any change in, or amendment to, the laws, regulations, or rulings of the United States or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations or rulings (including a holding by any court of competent jurisdiction), which change or amendment becomes effective on or after the date of the Closing. Any holder other than a Foreign Holder shall provide a Form W-9.

(d) if a payment made to a Foreign Holder would be subject to U.S. federal withholding tax imposed by FATCA if such Foreign Holder were to fail to comply with the applicable reporting requirements of FATCA, such Foreign Holder shall deliver to the Company at the time or times prescribed by law and at such time or times reasonably requested by the Company such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Company as may be necessary for the Company to comply with its obligations under FATCA and to determine that the Company has complied with the Company's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

(e) Any reference in this Agreement to principal, Make-Whole Amount, Modified Make-Whole Amount or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this **Section 14.3**.

(f) This **Section 14.3** shall apply only with respect to the Foreign Holders. It shall not apply to payments made to any Holder other than the Foreign Holders.

SECTION 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. The Company shall pay (i) all reasonable and documented out-of-pocket expenses incurred by the holders of the Notes, and their Affiliates, including the reasonable fees, charges and disbursements of counsel for the holders of the Notes, in connection with the preparation and administration of this Agreement and the other Note Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all documented out-of-pocket expenses incurred by the holders of the Notes, including the fees, charges and disbursements of any counsel or financial advisors for the holders of the Notes, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Note Documents, including its rights under this Section, including all such out-of-pocket expenses incurred during any insolvency or bankruptcy involving the Company or any Subsidiary, workout, restructuring or negotiations in respect thereof, (iv) and all documented costs, expenses, taxes, assessments and other charges incurred in connection with any filing, registration, recording or perfection of any security interest and (v) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO, *provided*, that such costs and expenses under this clause (v) shall not exceed $8,000 for any Series or tranche. The Company will pay, and will save each Purchaser, Additional Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or Additional Purchaser or other holder in connection with its purchase of the Notes).

Section 15.2. Survival. The obligations of the Company under this **Section 15** will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, any Supplement or the Notes, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein or in any of the Subsidiary Guarantee or in any Supplement shall survive the execution and delivery of this Agreement, such Supplement and the Notes, the purchase or transfer by any Purchaser or Additional Purchaser of any Note or portion thereof or interest therein and the payment of any Note and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any Additional Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement, any Supplement or the Subsidiary Guarantee shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement, the Notes and each Subsidiary Guarantee embody the entire agreement and understanding between each Purchaser and Additional Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. (a) Subject in each case of this clause (a) to **Sections 10.7(d)** and **17.1(b)**, this Agreement (including any Supplement) and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that

(i) no amendment or waiver of any of the provisions of **Section 1, 2, 3, 4, 5, 6** or **21** hereof or the corresponding provision of any Supplement, or any defined term (as it is used therein or in such corresponding provision of any Supplement), will be effective as to any Purchaser or Additional Purchaser unless consented to by such Purchaser or Additional Purchaser in writing, and

(ii) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (A) subject to the provisions of **Section 12** relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (B) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (C) amend any of **Section 8, 11(a)**, **11(b)**, **12** or **17**.

(b) Notwithstanding the terms of **Section 17.1(a)**, but subject to **Section 10.7(d)**, in the event the Company obtains any amendment, supplement, waiver, change, clarification, interpretation, consent or other modification to a covenant under the Senior Secured Credit Agreement that corresponds to **Section 10**, the threshold amount included in an event of default set forth in **Section 11(g)** (including any defined term used therein) or **(j),** or any defined term contained or used in **Section 10**, whether or not more or less restrictive upon the Company (a *"Credit Amendment"*) such amendment, supplement, waiver, change, clarification, interpretation, consent or other modification shall be automatically reflected *mutatis mutandis* through

conforming amendments or modifications to this Agreement without any further action of the holders of the Notes (a "*Corresponding Modification*"). For purposes of the foregoing, an amendment, supplement, waiver, change, clarification, interpretation, consent or other modification of a covenant under the Senior Secured Credit Agreement that corresponds to **Section 10**, the threshold amount included in an event of default set forth in **Section 11(g)** (including any defined term used therein) or **(j)**, and/or any defined term contained or used in **Section 10** shall include any such change effectuated pursuant to a replacement of the Senior Secured Credit Agreement.

(c) If any consideration or remuneration, by way of supplemental or additional fee or otherwise (but excluding, in any event, principal repayments or adjustment of interest rate spreads), is paid to any of the lenders under the Senior Secured Credit Agreement in consideration for or as an inducement to the entering into by any such lender of modification(s) primarily to effect a Credit Amendment, such consideration or remuneration shall be concurrently paid, on the same terms, ratably to all of the holders of the Notes; *provided* that, if any such fees under the Senior Secured Credit Agreement are payable only to consenting holders, to the extent the holders of the Notes hereunder have an ability to grant or withhold consent to such amendment or other modification pursuant to the terms hereof, such fees shall be payable to holders of Notes under this Agreement only to the extent such holders have approved the amendment or other modification.

(d) The Subsidiary Guarantee may be amended or modified in accordance with the terms thereof, and all amendments to the Subsidiary Guarantee obtained in conformity with such requirements shall bind all holders of the Notes.

(e) Notwithstanding anything to the contrary in this Agreement (i) no consent shall be required from and no fees shall be payable to the holders of the Notes in connection with any renewal, refinancing or other extension of the Senior Secured Credit Agreement (or any amendments, modifications or supplements effected in connection therewith) and (ii) any such renewal, refinancing or other extension (and any amendment, modification or supplement to any of the terms and provisions of the Senior Secured Credit Agreement, this Agreement or any other Note Document in connection with such renewal, refinancing or other extension) shall be, to the extent applicable, automatically reflected *mutatis mutandis* through conforming amendments, modifications or supplements to this Agreement without any further action of the holders of the Notes.

(f) *Supplements.* Notwithstanding anything to the contrary contained herein, the Company may enter into any Supplement providing for the issuance of one or more Series of Additional Notes consistent with, and in compliance with, **Sections 2.4** and **4.17** hereof without obtaining the consent of any holder of any other Series of Notes.

Section 17.2. Solicitation of Holders of Notes.

(a) *Solicitation*. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it), with substantially the same material information and substantially the same amount of time as it provides any other holder of the Notes, to enable such holder to make an informed and considered decision with respect to any proposed amendment,

waiver or consent in respect of any of the provisions hereof or any Supplement or of the Notes or any of the Subsidiary Guarantee. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 17** to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment*. Except as described in **Section 17.1(c)**, the Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof, any Supplement or of any of the Subsidiary Guarantee unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to the holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer*. Any consent made pursuant to this **Section 17.2** by the holder of any Note that has transferred or has agreed to transfer such Note to the Company, any Subsidiary or any Affiliated Entity of the Company and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such transferring holder.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this **Section 17** applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term “this Agreement” and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, the Notes or Subsidiary Guarantee, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

(a) All notices and communications provided for hereunder shall be in writing and sent (i) by tele-facsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (ii) by registered or certified mail with return receipt requested (postage prepaid), or (iii) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(A) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in **Schedule A**, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(B) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(C) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

(D) if to an Additional Purchaser or such Additional Purchaser's nominee, to such Additional Purchaser or such Additional Purchaser's nominee at the address specified for such communications in Schedule A to any Supplement, or at such other address as such Additional Purchaser or such Additional Purchaser's nominee shall have specified to the Company in writing.

Notices under this **Section 18** will be deemed given only when actually received. Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Notices and other communications to the Purchasers, Additional Purchasers or other holders of any Note hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites); *provided* that the foregoing shall not apply to notices to a Purchaser, Additional Purchaser or other holder of any Note if such Purchaser, Additional Purchaser or holder has notified the Company that it is incapable of receiving notices under this Agreement by electronic communication. Notices and other communications (i) sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment), *provided* that if such notice or other communication is not sent during normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor. Unless a Purchaser, Additional Purchaser or other holder of any Note has notified the Company that it is incapable of receiving notices by electronic

communication, each Purchaser, Additional Purchaser or other holder of any Note agrees to notify the Company in writing (including by electronic communication) from time to time of any change in such Purchaser's, Additional Purchaser's or holder's e-mail address to which the foregoing notice may be sent by electronic transmission and that the foregoing notice may be sent to such e-mail address.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and each Subsidiary Guarantee and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser or Additional Purchaser at a Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser or Additional Purchaser may be reproduced by such Purchaser or Additional Purchaser by any photographic, photostatic, electronic, digital or other similar process and such Purchaser or Additional Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser or Additional Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This **Section 19** shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

Each of the holders of the Notes agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority and the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such holder's investment portfolio), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Note Document or any action or proceeding relating to this Agreement or any other Note Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees and other personnel, agents, advisors and other representatives) to any swap, derivative or similar transaction under which payments are to be made by reference to the Company and its obligations under this Agreement or payments hereunder, (iii) any rating agency or (iv) the CUSIP Service Bureau or any similar organization, (g) with the consent of the Company, (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to any holder

of a Note or any of their respective Affiliates on a nonconfidential basis from a source other than the Company, (i) to Gold Sheets, private placement newsletters and other similar financial services industry trade publications; such information to consist of deal terms and other information regarding the issuance of securities evidenced by this Agreement customarily found in such publications, (j) to a Person that is an investor or prospective investor in a Securitization (as defined below) that agrees that its access to information regarding the Company and the Notes is solely for purposes of evaluating an investment in such Securitization, (k) to a Person that is a trustee, collateral manager, servicer, noteholder or secured party in a Securitization in connection with the administration, servicing and reporting on the assets serving as collateral for such Securitization, or (l) to a nationally recognized rating agency that requires access to information regarding the Obligors, the Notes and Note Documents in connection with ratings issued with respect to a Securitization. For purposes of this Section, *"Securitization"* means a public or private offering by a holder of a Note or any of its Affiliates or their respective successors and assigns, of securities which represent an interest in, or which are collateralized, in whole or in part, by the Notes or the Note Documents.

For purposes of this Section, *"Affiliate"* shall, notwithstanding the definition thereof, include any Person that acts as an investment adviser in the ordinary course of business on behalf of the account of any Purchaser or any other subsequent holder of Notes.

For purposes of this Section, *"Information"* means all information received from the Company or any of its Subsidiaries relating to the Company or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to any holder of a Note on a nonconfidential basis prior to disclosure by the Company or any of its Subsidiaries; *provided* that, in the case of information received from the Company or any of its Subsidiaries after the date of the Closing, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser or Additional Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser or Additional Purchaser, as the case may be, and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in **Section 6**. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this **Section 21**) or Additional Purchaser in any Supplement shall be deemed to refer to such Affiliate in lieu of such original Purchaser or Additional Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder or Additional Purchaser in any Supplement and such Affiliate thereafter transfers to such original Purchaser or Additional Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a "Purchaser" in this Agreement (other than in this **Section 21**) shall no longer be deemed to refer to such Affiliate, but

shall refer to such original Purchaser or Additional Purchaser, as the case may be, and such original Purchaser or Additional Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement (including all covenants and other agreements contained in any Supplement) by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement, the Notes or any Subsidiary Guarantee to the contrary notwithstanding (but without limiting the requirement in **Section 8.5** that the notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; *provided* that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 22.3. Accounting Terms. (a) All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP and (ii) all financial statements shall be prepared in accordance with GAAP.

(b) If the Company notifies the holders of the Notes that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date of the Closing in GAAP or in the application thereof on the operation of such provision (or if the Required Holders notifies the Company that the Required Holders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

(c) Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Accounting Standard Codification Topic No. 825-10-25 – *Fair Value Option* (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Company or any Subsidiary at "fair value," as defined therein.

Section 22.4. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.5. Construction, Etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 22.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

***Section 22.7. Governing Law*. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.**

Section 22.8. Jurisdiction and Process; Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court. Each party hereto irrevocably waives, to the full extent permitted by applicable law, any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) Each party hereto consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in **Section 22.8(a)** by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in **Section 18** or at such other address of which such holder shall then have been notified pursuant to said Section. Each party hereto agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this **Section 22.8** shall affect the right of any party hereto to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

SOLAR CAPITAL LTD.

By

Name:

Title:

This Agreement is hereby accepted and agreed to as of the date thereof.

[REDACTED]

By:

Name:

Title:

By:

Name:

Title:

[Redacted]

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"*Additional Financial Covenant*" is defined in **Section 10.7**.

"*Additional Notes*" is defined in **Section 2.4**.

"*Additional Purchasers*" means purchasers of Additional Notes.

"*Affiliate*" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. Anything herein to the contrary notwithstanding, the term "Affiliate" shall not include (i) any Person that constitutes an Investment held by any Obligor in the ordinary course of business or (ii) any Person that acts as investment advisor in the ordinary course of business on behalf of the account of any Purchaser or any other subsequent holder of Notes. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"*Affiliate Agreements*" means, collectively, (a) the Management Agreement, (b) the Amended and Restated Administration Agreement dated October 29, 2013, between the Company and Solar Capital Management, LLC, and (c) the Trademark License Agreement dated as of December 17, 2009, between the Company and Solar Capital Partners, LLC.

"*Affiliated Entity*" means any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"*Agreed Foreign Currency*" means, at any time, Euros, English Pounds Sterling, Canadian Dollars and, with the agreement of each Multicurrency Lender (as defined in the Senior Secured Credit Agreement), any other Foreign Currency, so long as, in respect of any such specified Foreign Currency or other Foreign Currency, at such time (a) such Foreign Currency is dealt with in the London interbank deposit market or the relevant local market, if applicable, (b) such Foreign Currency is freely transferable and convertible into Dollars in the London foreign exchange market or the relevant local market, if applicable and (c) no central bank or other governmental authorization in the country of issue of such Foreign Currency (including, in the case of the Euro, any authorization by the European Central Bank) is required to permit use of such Foreign Currency by any Multicurrency Lender (as defined in the Senior Secured Credit Agreement) for making any Loan under the Senior Secured Credit Agreement and/or to permit the Company to borrow and repay the principal thereof and to pay the interest thereon, unless such authorization has been obtained and is in full force and effect.

"*Anti-Money Laundering Laws*" is defined in **Section 5.16(c)**.

SCHEDULE B
(to Note Purchase Agreement)

"*Anti-Corruption Laws*" is defined in **Section 5.16(d)(1)**.

"*Applicable Financial Statements*" means December 31, 2015.

"*Asset Coverage Ratio*" means the ratio, determined on a consolidated basis, without duplication, in accordance with GAAP, of (a) the Value of total assets of the Company and its Subsidiaries, less all liabilities (other than Indebtedness, including Indebtedness hereunder) of the Company and its Subsidiaries, to (b) the aggregate amount of Indebtedness of the Company and its Subsidiaries. For the purposes of calculating the Asset Coverage Ratio, Indebtedness of an SBIC Subsidiary outstanding as of the date of such calculation shall be excluded from the calculation of Asset Coverage Ratio to the extent and in the manner that such Indebtedness may be excluded from the asset coverage requirements of sections 18(a) and 61(d) of the Investment Company Act pursuant to an effective exemptive order issued by the US Securities and Exchange Commission.

"*Bank Administrative Agent*" means Citibank, N.A, in its capacity as administrative agent, and its successors and assigns under the Senior Secured Credit Agreement.

"*Blocked Person*" is defined in **Section 5.16(a)**.

"*Board*" means the Board of Governors of the Federal Reserve System of the United States of America.

"*Business Day*" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"*Canada Blocked Person*" means (i) a "terrorist group" as defined for the purposes of Part II.1 of the Criminal Code (Canada), as amended or (ii) a Person identified in or pursuant to (x) Part II.1 of the Criminal Code (Canada), as amended or (y) regulations or orders promulgated pursuant to the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, or the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, in any case pursuant to this clause (ii) as a Person in respect of whose property or benefit a holder of Notes would be prohibited from entering into or facilitating a related financial transaction.

"*Canadian Economic Sanctions Laws*" means those laws, including enabling legislation, orders-in-council or other regulations administered and enforced by Canada or a political subdivision of Canada pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including Part II.1 of the Criminal Code (Canada), as amended, the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, the Export and Import Permits Act (Canada), as amended, and the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, and including all regulations promulgated under any of the foregoing, or any other similar sanctions program or action.

"*Capital Lease Obligations*" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or

personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet or statement of assets and liabilities, as applicable, of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash" means any immediately available funds in Dollars or in any currency other than Dollars which is a freely convertible currency.

"Cash Equivalents" means investments (other than Cash) that are one or more of the following obligations:

(a) U.S. Government Securities, in each case maturing within three (3) months from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, a credit rating of at least A-1 from S&P and at least P-1 from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof (i) issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof or under the laws of the jurisdiction or any constituent jurisdiction thereof of any Agreed Foreign Currency, *provided* that such certificates of deposit, banker's acceptances and time deposits are held in a securities account (as defined in the Uniform Commercial Code) through which the Collateral Agent can perfect a security interest therein and (ii) having, at such date of acquisition, a credit rating of at least A-1 from S&P and at least P-1 from Moody's; and

(d) fully collateralized repurchase agreements with a term of not more than 30 days from the date of acquisition thereof for U.S. Government Securities and entered into with (i) a financial institution satisfying the criteria described in clause (c) of this definition or (ii) a bank or broker-dealer having (or being a member of a consolidated group having) at such date of acquisition, a credit rating of at least A-1 from S&P and at least P-1 from Moody's,

provided, that (i) in no event shall Cash Equivalents include any obligation that provides for the payment of interest alone (for example, interest-only securities or "IOs"); (ii) if any of Moody's or S&P changes its rating system, then any ratings included in this definition shall be deemed to be an equivalent rating in a successor rating category of Moody's or S&P, as the case may be; (iii) Cash Equivalents (other than U.S. Government Securities or repurchase agreements) shall not include any such investment of more than 10% of total assets of the Obligors in any single issuer; and (iv) in no event shall Cash Equivalents include any obligation that is not denominated in Dollars or an Agreed Foreign Currency.

"*Change in Control*" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the date of the Closing) other than Solar Capital Partners, LLC, the Managing Member or any of their respective Affiliates, of shares representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Company; (b) the occupation of a majority of the seats (other than vacant seats) on the Board of Directors of the Company by Persons who were neither (y) nominated by the requisite members of the Board of Directors of the Company nor (z) appointed by a majority of the directors so nominated; or (c) the acquisition of direct or indirect Control of the Company by any Person or group other than Solar Capital Partners, LLC, the Managing Member or any of their respective Affiliates.

"*CISADA*" means the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, United States Public Law 111195, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*Closing*" is defined in **Section 3**.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"*Collateral*" has the meaning assigned to such term in the Guarantee and Security Agreement.

"*Collateral Agent*" means Citibank, N.A. in its capacity as Collateral Agent under the Guarantee and Security Agreement, and includes any successor Collateral Agent thereunder.

"*Company*" means Solar Capital Ltd., a Maryland corporation or any successor that becomes such in the manner prescribed in **Section 10.3(e)**.

"*Competing Business*" means at any particular time any "business development company" under the Investment Company Act.

"*Competitor*" means at any particular time any Person which at such time is engaged in a Competing Business or intends to become engaged in a Competing Business; *provided* that the initial Purchasers and any Permitted Transferee shall be deemed not to be Competitors; *provided, further,* in any event that any Private Placement Agent that would otherwise be deemed to be a Competitor pursuant to the foregoing provisions of this definition shall not be deemed to be a Competitor if such Private Placement Agent holds the Notes only in connection with its role as an intermediary in the prompt and expeditious sale in accordance with customary financial market conditions of the Note or Notes owned by one Institutional Investor who is not a Competitor to another purchasing Institutional Investor who is a Permitted Transferee that is not a Competitor and such Private Placement Agent has established procedures which will prevent confidential information supplied to either the selling or buying Institutional Investor by the Company from being transmitted or otherwise made available to such Private Placement Agent or any of its Affiliates in any capacity other than as the agent and intermediary in connection with such sale of any such Note or Notes.

"*Confidential Information*" is defined in **Section 20**.

"*Control*" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "*Controlling*" and "*Controlled*" have meanings correlative thereto.

"*Convertible Debt*" means unsecured Indebtedness that is convertible into Equity Interests of the Company and/or settled through the payment of Cash (which may be guaranteed by any or all of the Subsidiary Guarantors).

"*Covered Debt Amount*" is defined in the Senior Secured Credit Agreement.

"*Default*" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"*Default Rate*" means, with respect to any Note of any Series or tranche, that rate of interest that is the greater of (i) 2.00% per annum above the rate of interest then in effect for such Series or tranche or (ii) 2.00% over the rate of interest publicly announced by Citibank, N.A. in New York, New York as its "base" or "prime" rate.

"*Directing Body*" means the Company's Board of Directors.

"*Dollars*" or "*$*" refers to lawful money of the United States of America.

"*Equity Interests*" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*ERISA Affiliate*" means any Person, trade or business (whether or not incorporated) that, together with the Company, is or was treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 (b), (c), (m) or (o) of the Code.

"*ERISA Event*" means (a) any "reportable event", as defined in Section 4043(c) of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) any failure by any Plan to satisfy the minimum funding standards (within the meaning of Sections 412 and 430 of the Code or Sections 302 and 303 of ERISA) applicable to such Plan, whether or not waived; (c) the filing pursuant to Section 412(c) of the

Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Company or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan (other than for premiums due but not delinquent under Section 4007 of ERISA); (e) a determination that any Plan is, or is expected to be, in "at-risk" status (within the meaning of Section 303(i) of ERISA); (f) the receipt by the Company or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan under Section 4041 of ERISA or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (g) the incurrence by the Company or any of its ERISA Affiliates of any liability with respect to the withdrawal from a Plan subject to Section 4063 of ERISA during a plan year in which it was a "substantial employer" (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA, or a "complete withdrawal" or "partial withdrawal" (as such terms are defined in Sections 4203 and 4205 of ERISA) from any Multiemployer Plan; or (h) the receipt by the Company or any ERISA Affiliate of any notice from any Multiemployer Plan concerning the imposition of Withdrawal Liability on the Company or any ERISA Affiliate or a determination that a Multiemployer Plan is "insolvent" (within the meaning of Section 4245 of ERISA), in "reorganization" (within the meaning of Section 4241 of ERISA) or in "endangered or critical status" within the meaning of Section 305 of ERISA.

"*Event of Default*" is defined in **Section 11**.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*Existing Notes*" means the Company's 5.875% Senior Secured Notes due May 10, 2017.

"*FATCA*" is defined in **Section 14.3**.

"*Financial Covenant Modification*" and "*Financial Covenant Modifications*" are defined in **Section 10.7(d)**.

"*Financial Officer*" means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

"*Financing Subsidiary*" means

1. an SBIC Subsidiary; or

2. a direct or indirect Subsidiary of the Company to which any Obligor sells, conveys or otherwise transfers (whether directly or indirectly) Portfolio Investments, which engages in no material activities other than in connection with the purchase, holding, disposition and financing of such assets and which is designated by the Company (as provided below) as a Financing Subsidiary,

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is Guaranteed by any Obligor (other than Guarantees in respect of

Standard Securitization Undertakings), (ii) is recourse to or obligates any Obligor in any way other than pursuant to Standard Securitization Undertakings or (iii) subjects any property of any Obligor, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings or any Guarantee of any Standard Securitization Undertakings,

(b) with which no Obligor has any material contract, agreement, arrangement or understanding other than on terms no less favorable to such Obligor than those that might be obtained at the time from Persons that are not Affiliates of any Obligor, other than fees payable in the ordinary course of business in connection with servicing receivables, and

(c) to which no Obligor has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results, other than pursuant to Standard Securitization Undertakings.

Any such designation by the Company shall be effected pursuant to a certificate of a Financial Officer delivered to the holders of the Notes, which certificate shall include a statement to the effect that, to the best of such officer's knowledge, such designation complied with the foregoing conditions. Each Subsidiary of a Financing Subsidiary shall be deemed to be a Financing Subsidiary and shall comply with the foregoing requirements of this definition.

"*Fitch*" means Fitch Ratings Service, or its successors or assigns.

"*Foreign Currency*" means at any time any Currency other than Dollars.

"*Foreign Holders*" is defined in **Section 14.3**.

"*Forms*" is defined in **Section 14.3**.

"*GAAP*" means generally accepted accounting principles in the United States of America, the American Institute of Certified Public Accountants Accounting Guide for Investment Companies or Article 6 of Regulation S-X under the Securities Act.

"*Governmental Authority*" means the government of the United States of America, or of any other nation, or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"*Guarantee*" of or by any Person (the "*guarantor*") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "*primary obligor*") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such

Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, *provided* that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"*Guarantee and Security Agreement*" means the Second Amended and Restated Guarantee and Security Agreement dated as of July 3, 2012, among the Company, any Subsidiary of the Company that is required to be a "Subsidiary Guarantor" from time to time pursuant to Section 5.08 of the Senior Secured Credit Agreement, the Administrative Agent, each holder (or a representative or trustee therefor) from time to time of any Secured Longer-Term Indebtedness, and the Collateral Agent, as amended by Amendment No. 1 to Senior Secured Credit Agreement and Second Amended and Restated Guarantee and Security Agreement dated as of July 24, 2013, and as the same shall be modified and supplemented and in effect from time to time.

"*Hedging Agreement*" means any interest rate protection agreement, foreign currency exchange protection agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"*holder*" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to **Section 13.1**.

"*Immaterial Subsidiary*" means any Subsidiary of the Company that (a) owns, legally or beneficially, directly or indirectly, assets which in the aggregate have a value not in excess of the lesser of (y) $10,000,000 and (z) 1.0% of the total assets of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP, and (b) is not designated a Financing Subsidiary or a Subsidiary Guarantor in accordance with the terms and provisions of this Agreement.

"*Indebtedness*" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable incurred in the ordinary course of business), (e) all Indebtedness of others secured by any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (i) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"*Independent*" when used with respect to any specified Person means that such Person (a) does not have any direct financial interest or any material indirect financial interest in the Company or any of its Subsidiaries or Affiliates (including its investment advisor or any Affiliate thereof) and (b) is not connected with the Company or any of its Subsidiaries or Affiliates (including its investment advisor or any Affiliate thereof) as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

"*INHAM Exemption*" is defined in **Section 6.2(e)**.

"*Institutional Accredited Investor*" means an "accredited investor" as that term is defined in Rule 501(a)(1), (a)(2), (a)(3) or (a)(7) of Regulation D promulgated under the Securities Act.

"*Institutional Investor*" means (a) any original purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"*Investment*" means, for any Person: (a) Equity Interests, bonds, notes, debentures or other securities of any other Person or any agreement to acquire any Equity Interests, bonds, notes, debentures or other securities of any other Person (including any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) deposits, advances, loans or other extensions of credit made to any other Person (including purchases of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such Person); and (c) Hedging Agreements.

"*Investment Company Act*" means the Investment Company Act of 1940, as amended from time to time.

"*Investment Company Act Asset Coverage*" means the minimum asset coverage required to be maintained by the Company to comply with the Investment Company Act.

"*Investment Grade*" means a rating of at least "BBB-" or higher by S&P or its equivalent by any other NRSRO.

"*Investment Policies*" means the investment objectives, policies, restrictions and limitations set forth in the Registration Statement on Form N-2 as filed with the SEC in June, 2016 including any amendments, changes, supplements or modifications to such investment objectives, policies, restrictions and limitations; *provided* that any amendment, change, supplement or modification thereto that (a) is, or could reasonably be expected to be, materially adverse to the Lenders and (b) was effected without the prior written consent of the Administrative Agent (with the approval of the Required Lenders (as defined in the Senior Secured Credit Agreement)) shall be deemed excluded from the definition of "Investment Policies" for purposes of this Agreement.

"*LC Exposure*" has the meaning assigned to such term in the Senior Secured Credit Agreement.

"*Lenders*" has the meaning assigned to such term in the Senior Secured Credit Agreement.

"*Lien*" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities, except in favor of the issuer thereof.

"*Make-Whole Amount*" is defined in **Section 8.8**.

"*Management Agreement*" means the First Amended and Restated Investment Advisory and Management Agreement dated as of August 2, 2016 between the Company and Solar Capital Partners, LLC.

"*Margin Stock*" means "margin stock" within the meaning of Regulations T, U and X.

"*Material*" means material in relation to the business, Portfolio Investments and other assets, liabilities and financial condition of the Company and its Subsidiaries taken as a whole.

"*Material Adverse Effect*" means a material adverse effect on (a) the business, operations, Portfolio Investments and other assets, liabilities and financial condition of the Company and its Subsidiaries taken as a whole (excluding in any case a decline in the net asset value of the Company or a change in general market conditions or values of the Company's or any of its Subsidiaries' Portfolio Investments), or (b) the validity or enforceability of this Agreement, the Notes or any Subsidiary Guarantee or the rights or remedies of the holders of the Notes hereunder or of the rights or remedies of the Collateral Agent under any of the Security Documents.

"*Material Indebtedness*" means (a) Indebtedness (other than the Loans (as defined in the Senior Secured Credit Agreement), Letters of Credit (as defined in the Senior Secured Credit Agreement) and Hedging Agreements) of any one or more of the Company and its Subsidiaries in an aggregate principal amount exceeding $25,000,000 and (b) obligations in respect of one or more Hedging Agreements under which the maximum aggregate amount (giving effect to any netting agreements) that the Company and the Subsidiaries would be required to pay if such Hedging Agreement(s) were terminated at such time would exceed $25,000,000.

"*Modified Make-Whole Amount*" is defined in **Section 8.8**.

"*Moody's*" means Moody's Investors Service, Inc. or any successor thereto.

"*Multiemployer Plan*" means a multiemployer plan as defined in section 4001(a)(3) of ERISA in respect of which the Company or any ERISA Affiliate is or within the six-year period immediately preceding the date hereof, was required to make contributions.

"*NAIC*" means the National Association of Insurance Commissioners or any successor thereto.

"*NAIC Annual Statement*" is defined in **Section 6.2(a)**.

"*Nationally Recognized Statistical Rating Organization*" or "*NRSRO*" means a rating organization designated from time to time by the SEC as being nationally recognized whose status has been confirmed by the SVO.

"*Note Documents*" means, collectively, this Agreement, the Notes and the Subsidiary Guarantee.

"*Notes*" is defined in **Section 1**.

"*Obligor*" means, collectively, the Company and the Subsidiary Guarantors.

"*OFAC*" is defined in **Section 5.16(a)**.

"*OFAC Listed Person*" is defined in **Section 5.16(a)**.

"*OFAC Sanctions Program*" means any economic or trade sanction, law, regulation or executive order that OFAC is responsible for administering and enforcing, including, but not limited to those regulations found in 31 CFR. Subtitle B, Chapter V, as amended, and any enabling legislation or executive order relating thereto, and those OFAC Sanctions Programs found at http://www.ustreas.gov/offices/enforcement/ofac/programs/, as may be amended from time to time.

"*Officer's Certificate*" means a certificate of a Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"*Other Covered Indebtedness*" means, collectively, Secured Longer-Term Indebtedness, Secured Shorter-Term Indebtedness and Unsecured Shorter-Term Indebtedness.

"*Other Permitted Indebtedness*" means (a) accrued expenses and current trade accounts payable incurred in the ordinary course of any Obligor's business which are not overdue for a period of more than 90 days or which are being contested in good faith by appropriate proceedings, (b) Indebtedness (other than Indebtedness for borrowed money) arising in connection with transactions in the ordinary course of such Obligor's business in connection with its purchasing of securities, derivatives transactions, reverse repurchase agreements or dollar rolls to the extent such transactions are permitted under the Investment Company Act and the Company's Investment Policies, *provided* that such Indebtedness does not arise in connection with the purchase of Portfolio Investments other than Cash Equivalents and U.S. Government Securities and (c)

Indebtedness in respect of judgments or awards that have been in force for less than the applicable period for taking an appeal so long as such judgments or awards do not constitute an Event of Default under clause (j) of Section 11.

"*PBGC*" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"*Permitted Advisor*" means, at any time, any entity listed on **Schedule 6.1** that directly or indirectly through its Affiliates acts as an investment advisor to any Person.

"*Permitted Directing Body-Approved Affiliate Transaction*" means any transaction between the Company or any of its Subsidiaries, on the one hand, and any Affiliate of the Company, on the other hand (including any amendment, modification, supplement or waiver of an Affiliate Agreement), that (a) has been approved by the Directing Body (which shall mean the approval of a majority of the independent directors of the Board of Directors of the Company) and (b) has been consented to by the Administrative Agent under the Senior Secured Credit Agreement (such consent not to be unreasonably withheld or delayed).

"*Permitted Liens*" means (a) Liens imposed by any Governmental Authority for taxes, assessments or charges not yet due or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company in accordance with GAAP; (b) Liens of clearing agencies, broker-dealers and similar Liens incurred in the ordinary course of business, *provided* that such Liens (i) attach only to the securities (or proceeds) being purchased or sold and (ii) secure only obligations incurred in connection with such purchase or sale, and not any obligation in connection with margin financing; (c) Liens imposed by law, such as materialmen's, mechanics', carriers', workmens', storage and repairmen's Liens and other similar Liens arising in the ordinary course of business and securing obligations (other than Indebtedness for borrowed money); (d) Liens incurred or pledges or deposits made to secure obligations incurred in the ordinary course of business under workers' compensation laws, unemployment insurance or other similar social security legislation (other than in respect of employee benefit plans subject to ERISA) or to secure public or statutory obligations; (e) Liens securing the performance of, or payment in respect of, bids, insurance premiums, deductibles or co-insured amounts, tenders, government or utility contracts (other than for the repayment of borrowed money), surety, stay, customs and appeal bonds and other obligations of a similar nature incurred in the ordinary course of business; (f) Liens arising out of judgments or awards that have been in force for less than the applicable period for taking an appeal so long as such judgments or awards do not constitute an Event of Default under clause (j) of **Section 11**; (g) customary rights of setoff and liens upon (i) deposits of cash in favor of banks or other depository institutions in which such cash is maintained in the ordinary course of business, (ii) cash and financial assets held in securities accounts in favor of banks and other financial institutions with which such accounts are maintained in the ordinary course of business and (iii) assets held by a custodian in favor of such custodian in the ordinary course of business including, without limitation, securing payment of fees, indemnities and other similar obligations; (h) Liens arising solely from precautionary filings of financing statements under the Uniform Commercial Code of the applicable jurisdictions in respect of operating leases entered into by the Company or any of its Subsidiaries in the ordinary course of business; (i) easements, rights of way, zoning restrictions

and similar encumbrances on real property and minor irregularities in the title thereto that do not (i) secure obligations for the payment of money or (ii) materially impair the value of such property or its use by any Obligor or any of its Subsidiaries in the normal conduct of such Person's business; (j) Liens in favor of any escrow agent solely on and in respect of any cash earnest money deposits made by any Obligor in connection with any letter of intent or purchase agreement (to the extent that the acquisition or disposition with respect thereto is otherwise permitted hereunder); *provided* that all Liens on any Collateral included in the Borrowing Base (as defined in the Senior Secured Credit Agreement) that are permitted pursuant to this clause (j) shall have a priority that is junior to the Liens under the Security Documents; (k) precautionary Liens, and filings of financing statements under the Uniform Commercial Code, covering assets sold or contributed to any Person not prohibited hereunder; and (l) Liens incurred in connection with any Hedging Agreement entered into with a Lender (or an Affiliate of a Lender) in the ordinary course of business and not for speculative purposes.

"*Permitted SBIC Guarantee*" means a guarantee by the Company of Indebtedness of an SBIC Subsidiary on the SBA's then applicable form, provided that the recourse to the Company thereunder is expressly limited only to periods after the occurrence of an event or condition that is an impermissible change in the control of such SBIC Subsidiary (it being understood that, as provided in **Section 11(o)**, it shall be an Event of Default hereunder if any such event or condition giving rise to such recourse occurs).

"*Permitted Transferee*" means at any time any Person (i) which is identified on **Schedule 6.1** or (ii) for whom the investment management decisions are made by a Permitted Advisor.

"*Person*" means any natural person, vessel, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"*Placement Agent*" means Goldman, Sachs & Co.

"*Plan*" means any employee pension benefit plan within the meaning of Section 3(2) of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Company or any ERISA Affiliate is or within the six-year period immediately preceding the date hereof, was (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be), an "employer" as defined in Section 3(5) of ERISA.

"*Portfolio Investment*" means any Investment held by the Obligors in their asset portfolio (and solely for purposes of determining the Borrowing Base (as defined in the Senior Secured Credit Agreement), Cash).

"*Private Placement Agent*" means any company organized as a "broker" or "dealer" (as each such term is defined in Section 3(a) (4) and (5), respectively, of the Exchange Act) of recognized national standing regularly engaged as an intermediary in the placement or sale to and among Institutional Investors of Indebtedness Securities exempt from registration under the Securities Act.

"*property*" or "*properties*" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"*PTE*" is defined in **Section 6.2(a)**.

"*Purchaser*" is defined in the first paragraph of this Agreement.

"*QPAM Exemption*" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor, as amended effective November 3, 2010.

"*Qualified Institutional Buyer*" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"*Rating*" means a rating with respect to the Notes as identified by CUSIP or PPN number

"*Rating Agency*" means any of S&P, Moody's or Fitch.

"*Regulations T, U and X*" means, respectively, Regulations T, U and X of the Board of Governors of the Federal Reserve System (or any successor), as the same may be modified and supplemented and in effect from time to time.

"*Related Fund*" means, with respect to any holder of any Note, any fund or entity that (a) invests in Securities or bank loans, and (b) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"*Required Holders*" means, at any time, the holders of more than 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"*Responsible Officer*" means any Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"*Restricted Payment*" means any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of capital stock of the Company or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Company or any option, warrant or other right to acquire any such shares of capital stock of the Company.

"*RIC*" means a person qualifying for treatment as a "regulated investment company" under the Code.

"*S&P*" means S&P Global Ratings, or any successor thereto.

"*SBA*" means the United States Small Business Administration or any Governmental Authority succeeding to any or all of the functions thereof.

"*SBIC Equity Commitment*" means a commitment by the Company to make one or more capital contributions to an SBIC Subsidiary.

"*SBIC Subsidiary*" means any direct or indirect Subsidiary (including such Subsidiary's general partner or managing entity to the extent that the only material asset of such general partner or managing entity is its equity interest in the SBIC Subsidiary) of the Company licensed as a small business investment company under the Small Business Investment Act of 1958, as amended, (or that has applied for such a license and is actively pursuing the granting thereof by appropriate proceedings promptly instituted and diligently conducted) and which is designated by the Company (as provided below) as an SBIC Subsidiary, so long as (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of such Subsidiary: (i) is Guaranteed by any Obligor (other than a Permitted SBIC Guarantee or analogous commitment), (ii) is recourse to or obligates any Obligor in any way (other than in respect of any SBIC Equity Commitment, Permitted SBIC Guarantee or analogous commitment), or (iii) subjects any property of any Obligor, directly or indirectly, contingently or otherwise, to the satisfaction thereof, (b) no Obligor has any obligation to maintain or preserve such Subsidiary's financial condition or cause such entity to achieve certain levels of operating results (other than in respect of any SBIC Equity Commitment, Permitted SBIC Guarantee or analogous commitment), (c) other than pursuant to a Permitted SBIC Guarantee, neither the Company nor any of its Subsidiaries has any material contract, agreement, arrangement or understanding with such Person other than on terms no less favorable to the Company or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company or such Subsidiary and (d) such Person has not Guaranteed or become a co-borrower under, and has not granted a security interest in any of its properties to secure, and the Equity Interests it has issued are not pledged to secure, in each case, any indebtedness, liabilities or obligations of any one or more of the Obligors. Any such designation by the Company shall be effected pursuant to a certificate of a Financial Officer delivered to the Administrative Agent, which certificate shall include a statement to the effect that, to the best of such officer's knowledge, such designation complied with the foregoing conditions.

"*SEC*" means the Securities and Exchange Commission.

"*Section 8.3 Proposed Prepayment Date*" is defined in **Section 8.3(c)**.

"*Secured Longer-Term Indebtedness*" means, as at any date, Indebtedness (other than Indebtedness outstanding under and pursuant to the Senior Secured Credit Agreement) of any Obligor (which may be Guaranteed by any other Obligor) that (a) has no scheduled amortization prior to, and a final maturity date not earlier than, six months after the September 30, 2021 (it being understood that none of: (w) the conversion features under convertible notes; (x) the triggering and/or settlement thereof; or (y) any cash payment made in respect thereof, shall constitute "amortization" for purposes of this clause (a)), (b) is incurred pursuant to documentation containing (i) financial covenants, covenants governing the borrowing base, if any, portfolio valuations and events of default (other than events of default customary in indentures or similar instruments that have no analogous provisions in the Senior Secured Credit Agreement or credit agreements generally) that are no more restrictive upon the Company and its Subsidiaries than those set forth in the Senior Secured Credit Agreement and (ii) other terms (other than interest) that are no more restrictive in any material respect upon the Company and its Subsidiaries, prior to September 30,

2021, than those set forth in the Senior Secured Credit Agreement (it being understood that put rights or repurchase or redemption obligations (x) in the case of convertible securities, in connection with the suspension or delisting of the capital stock of the Company or the failure of the Company to satisfy a continued listing rule with respect to its capital stock or (y) arising out of circumstances that would constitute a "fundamental change" (as such term is customarily defined in convertible note offerings) or an Event of Default under the Senior Secured Credit Agreement shall not be deemed to be more restrictive for purposes of this definition)); *provided* that, upon the Company's written request in connection with the incurrence of any Secured Longer-Term Indebtedness that otherwise would not meet the requirements of this clause (b), the Senior Secured Credit Agreement will be deemed automatically amended (and, upon the request of the Administrative Agent or the Required Lenders (as defined in the Senior Secured Credit Agreement), the Company shall promptly enter into a written amendment evidencing such amendment), *mutatis mutandis*, solely to the extent necessary such that the financial covenants, covenants governing the borrowing base, if any, portfolio valuations, events of default (other than events of default customary in indentures or similar instruments that have no analogous provisions in the Senior Secured Credit Agreement or credit agreements generally) or other terms, as applicable, in the Senior Secured Credit Agreement shall be as restrictive as such covenants in the Secured Longer-Term Indebtedness, and (c) is not secured by any assets of any Obligor or any other Person other than an Obligor pursuant to the Senior Secured Credit Agreement or the Security Documents (as defined in the Senior Secured Credit Agreement) and the holders of which (or an authorized agent, representative or trustee of such holders) have either executed (i) a joinder agreement to the Guarantee and Security Agreement or (ii) such other document or agreement, in a form reasonably satisfactory to the Administrative Agent and the Collateral Agent, pursuant to which the holders (or an authorized agent, representative or trustee of such holders) of such Secured Longer-Term Indebtedness shall have become a party to the Guarantee and Security Agreement and assumed the obligations of a Financing Agent or Designated Indebtedness Holder (in each case, as defined in the Guarantee and Security Agreement). "Secured Longer-Term Indebtedness" shall also include the Company's 5.875% Senior Secured Notes due May 10, 2017.

"*Secured Obligations*" shall have the meaning assigned thereto in the Guarantee and Security Agreement.

"*Secured Shorter-Term Indebtedness*" means, collectively, (a) any Indebtedness of the Company or any other Obligor that is secured by any assets of any Obligor and that does not constitute Secured Longer-Term Indebtedness and (b) any Indebtedness that is designated as "Secured Shorter-Term Indebtedness" pursuant to Section 6.11(a) of the Senior Secured Credit Agreement.

"*Securities Act*" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*Security Documents*" means, collectively, the Guarantee and Security Agreement, GSA Joinder Agreement, all Uniform Commercial Code financing statements filed with respect to the security interests in personal property created pursuant to the Guarantee and Security Agreement and all other assignments, pledge agreements, security agreements, control agreements and other instruments executed and delivered on or after the date of the Closing by any of the Obligors pursuant to the Guarantee and Security Agreement or otherwise providing or relating to any collateral security for any of the Secured Obligations under and as defined in the Guarantee and Security Agreement.

"*Senior Secured Credit Agreement*" means that certain Senior Secured Credit Agreement dated as of June 29, 2012 (as amended by that certain Amendment No. 1 to Senior Secured Credit Agreement and Second Amended and Restated Guarantee and Security Agreement dated as of July 24, 2013 and Amendment No. 2 to Senior Secured Credit Agreement dated as of September 30, 2016), among the Company, the lenders party thereto from time to time, the Bank Administrative Agent and JPMorgan Chase Bank, N.A., as syndication agent, as the same may from time to time be modified, supplemented, amended, renewed, restated or replaced, including, for the avoidance of doubt, with notes issued in public or private offerings in each case, in any amount.

"*Senior Unsecured Indebtedness*" means all Indebtedness of the Company that is not expressed to be subordinate or junior in rank to any other Indebtedness of the Company and that is not secured.

"*Series*" means any series of Notes issued pursuant to this Agreement or any Supplement hereto.

"*Series 2016A Notes*" is defined in **Section 1.1** of this Agreement.

"*Shareholders' Equity*" means, at any date, the amount determined on a consolidated basis, without duplication, in accordance with GAAP, of shareholders' equity or net assets, as applicable, for the Company and its Subsidiaries at such date.

"*Source*" is defined in **Section 6.2**.

"*Special Equity Interest*" means any Equity Interest that is subject to a Lien in favor of creditors of the issuer of such Equity Interest, *provided* that (a) such Lien was created to secure Indebtedness owing by such issuer to such creditors, (b) such Indebtedness was (i) in existence at the time the Obligors acquired such Equity Interest, (ii) incurred or assumed by such issuer substantially contemporaneously with such acquisition or (iii) already subject to a Lien granted to such creditors and (c) unless such Equity Interest is not intended to be included in the Collateral, the documentation creating or governing such Lien does not prohibit the inclusion of such Equity Interest in the Collateral.

"*Standard Securitization Undertakings*" means, collectively, (a) customary arm's-length servicing obligations (together with any related performance guarantees), (b) obligations (together with any related performance guarantees) to refund the purchase price or grant purchase price credits for dilutive events or misrepresentations (in each case unrelated to the collectability of the assets sold or the creditworthiness of the associated account debtors or loan obligors) and (c) representations, warranties, covenants and indemnities (together with any related performance guarantees) of a type that are reasonably customary in accounts receivable or loan securitizations.

"*Subsidiary*" means, with respect to any Person (the "*parent*") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Anything herein to the contrary notwithstanding, the term "Subsidiary" shall not include any Person that constitutes an Investment held by any Obligor in the ordinary course of business and that is not, under GAAP, consolidated on the financial statements of the Company and its Subsidiaries, *provided* that a Person that constitutes such an Investment that is not consolidated pursuant to the foregoing at any time shall continue not to be a "Subsidiary" even if such Person is subsequently required to be consolidated on the financial statements of the Company as a result of any change in GAAP after the Closing. Unless otherwise specified, "Subsidiary" means a Subsidiary of the Company.

"*Subsidiary Guarantee*" is defined in **Section 9.7(a)**.

"*Subsidiary Guarantor*" means any Subsidiary that is a Guarantor under a Subsidiary Guarantee.

"*Supplement*" is defined in **Section 2.4**.

"*SVO*" means the Securities Valuation Office of the NAIC or any successor of such Office.

"*Taxes*" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"*tranche*" means all Notes of a Series having the same maturity, interest rate, currency and schedule for mandatory prepayments.

"*Transactions*" means the execution, delivery and performance by the Company of this Agreement and the other Note Documents to which it is a party, the issuance of the Notes and the use of the proceeds thereof.

"*Uniform Commercial Code*" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"*Unsecured Longer-Term Indebtedness*" means Indebtedness of any Obligor (which may be Guaranteed by any other Obligor) that (a) (other than Indebtedness in a principal amount no greater than $375,000,000 issued within six (6) months after September 30, 2016 that has a maturity date of at least five (5) years from its date of issue) has no scheduled amortization prior to, and a final maturity date not earlier than, six months after September 30, 2021 (it being

understood that (A) none of: (w) the conversion features under convertible notes; (x) the triggering and/or settlement thereof; and (y) any cash payment made in respect thereof shall constitute "amortization" for the purposes of this definition); and (B) any mandatory amortization that is contingent upon the happening of an event that is not certain to occur (including, without limitation, a change of control or bankruptcy) shall not in and of itself be deemed to disqualify such Indebtedness under this clause (a); provided, with respect to this clause (a)(B), the Company acknowledges that any payment prior to September 30, 2021 in respect of any such obligation or right shall only be made to the extent permitted by the Senior Secured Credit Agreement and immediately upon such contingent event occurring the amount of such mandatory amortization shall be included in the Covered Debt Amount), (b) is incurred pursuant to terms that are substantially comparable to market terms for substantially similar debt of other similarly situated borrowers as reasonably determined in good faith by the Company or, if such transaction is not one in which there are market terms for substantially similar debt of other similarly situated borrowers, on terms that are negotiated in good faith on an arm's length basis (except, in each case, other than financial covenants and events of default (other than events of default customary in indentures or similar instruments that have no analogous provisions in the Senior Secured Credit Agreement or credit agreements generally), which shall be no more restrictive upon the Company and its Subsidiaries, while any Loans (as defined in the Senior Secured Credit Agreement) or the Commitments (as defined in the Senior Secured Credit Agreement) are outstanding, than those set forth in the Loan Documents (as defined in the Senior Secured Credit Agreement); *provided* that, upon the Company's written request in connection with the incurrence of any Unsecured Longer-Term Indebtedness that otherwise would not meet the requirements set forth in this parenthetical of this clause (b), the Senior Secured Credit Agreement will be deemed automatically amended (and, upon the request of the Administrative Agent or the Required Lenders (as defined in the Senior Secured Credit Agreement), the Company shall promptly enter into a written amendment evidencing such amendment), mutatis mutandis, solely to the extent necessary such that the financial covenants and events of default, as applicable, in the Senior Secured Credit Agreement shall be as restrictive as such provisions in the Unsecured Longer-Term Indebtedness) (it being understood that put rights or repurchase or redemption obligations (x) in the case of convertible securities, in connection with the suspension or delisting of the capital stock of the Company or the failure of the Company to satisfy a continued listing rule with respect to its capital stock or (y) arising out of circumstances that would constitute a "fundamental change" (as such term is customarily defined in convertible note offerings) or be Events of Default under the Senior Secured Credit Agreement shall not be deemed to be more restrictive for purposes of this definition) and (c) is not secured by any assets of any Obligor or other Person. "Unsecured Longer-Term Indebtedness" shall also include the Company's 6.75% Senior Notes due 2042.

"*Unsecured Shorter-Term Indebtedness*" means, collectively, (a) any Indebtedness of the Company or any Subsidiary that is not secured by any assets of any Obligor and that does not constitute Unsecured Longer-Term Indebtedness and (b) any Indebtedness that is designated as "Unsecured Shorter-Term Indebtedness" pursuant to Section 6.11(a) of the Senior Secured Credit Agreement.

"*U.S. Economic Sanctions*" is defined in **Section 5.16(a)**.

"*U.S. Government Securities*" means securities that are direct obligations of, and obligations the timely payment of principal and interest on which is fully guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are backed by the full faith and credit of the United States and in the form of conventional bills, bonds, and notes.

"*USA Patriot Act*" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*Value*" is defined in the Senior Secured Credit Agreement.

"*Withdrawal Liability*" means liability to a Multiemployer Plan as a result of a "complete withdrawal" or "partial withdrawal" from such Multiemployer Plan, as such terms are defined in Section 4203 and 4205 in Part I of Subtitle E of Title IV of ERISA.

SUBSIDIARIES AND DIRECTORS AND SENIOR OFFICERS

(I) SUBSIDIARIES (OTHER THAN ANY TAX BLOCKER OR INVESTMENT HELD BY SUCH TAX BLOCKER): NONE.

(II) THE COMPANY'S DIRECTORS AND SENIOR OFFICERS:

NAME	TITLE(S)
MICHAEL S. GROSS	CHIEF EXECUTIVE OFFICER, PRESIDENT, CHAIRMAN OF THE BOARD AND DIRECTOR (PRINCIPAL EXECUTIVE OFFICER)
STEVEN HOCHBERG	DIRECTOR
DAVID S. WACHTER	DIRECTOR
LEONARD A. POTTER	DIRECTOR
BRUCE SPOHLER	CHIEF OPERATING OFFICER AND DIRECTOR
RICHARD PETEKA	CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER), TREASURER AND SECRETARY
GUY TALARICO	CHIEF COMPLIANCE OFFICER

SCHEDULE 5.4
(to Note Purchase Agreement)

DESCRIPTION OF NECESSARY CONSENTS, APPROVALS, ETC.

[NONE.]

LIENS AND INDEBTEDNESS

PART A:

EXISTING INDEBTEDNESS

SENIOR SECURED CREDIT AGREEMENT AND RELATED DOCUMENTATION

TOTAL AMOUNT OUTSTANDING: $236,700,000

RATE OF INTEREST: FLOATING RATE BASED ON LIBOR

– THE SENIOR SECURED CREDIT AGREEMENT

– THE RESTATED GUARANTEE AND SECURITY AGREEMENT

– VARIOUS STANDBY LETTERS OF CREDIT ISSUED UNDER THE JUNE 2012 CREDIT AGREEMENT, TOTALING $0

SOLAR CAPITAL LTD. SENIOR SECURED NOTES

TOTAL AMOUNT OUTSTANDING: $75,000,000

RATE OF INTEREST: 5.875%

– THE NOTE PURCHASE AGREEMENT, DATED AS OF MAY 10, 2012, AMONG THE COMPANY AND EACH OF THE PURCHASERS LISTED IN SCHEDULE A THERETO, AS AMENDED (THE "2012 NOTE PURCHASE AGREEMENT")

– THE RESTATED GUARANTEE AND SECURITY AGREEMENT AND RELATED JOINDER AGREEMENTS

– THE NOTES ISSUED PURSUANT TO THE 2012 NOTE PURCHASE AGREEMENT

SOLAR CAPITAL LTD. SERIES 2016A SENIOR NOTES

TOTAL AMOUNT OUTSTANDING: $50,000,000

RATE OF INTEREST: 4.40%

– THE NOTE PURCHASE AGREEMENT, DATED AS OF NOVEMBER 8, 2016, AMONG THE COMPANY AND EACH OF THE PURCHASERS LISTED IN SCHEDULE A THERETO, AS AMENDED (THE "2016 NOTE PURCHASE AGREEMENT")

– THE NOTES ISSUED PURSUANT TO THE 2016 NOTE PURCHASE AGREEMENT

SOLAR CAPITAL LTD. SENIOR NOTES

TOTAL AMOUNT OUTSTANDING: $100,000,000

RATE OF INTEREST: 6.75%

– THE INDENTURE, DATED AS OF NOVEMBER 16, 2012, BETWEEN THE COMPANY AND U.S. BANK NATIONAL ASSOCIATION AS TRUSTEE, AS SUPPLEMENTED (THE "INDENTURE")

– THE NOTES ISSUED PURSUANT TO THE INDENTURE

INTERCOMPANY LOAN TO SLRC ADI CORPORATION

TOTAL AMOUNT OUTSTANDING: $30,500,000

RATE OF INTEREST: 18%

– INTERCOMPANY LOAN, FROM THE COMPANY TO SLRC ADI CORPORATION, AS AMENDED (THE "INTERCOMPANY LOAN")

PART B:
LIENS:
LIENS ON SUBSTANTIALLY ALL OF THE ASSETS OF THE COMPANY AND THE OTHER OBLIGORS GRANTED PURSUANT TO THE RESTATED GUARANTEE AND SECURITY AGREEMENT.

INVESTMENTS

[Redacted]

PERMITTED TRANSFEREES/PERMITTED ADVISORS
[REDACTED]

AFFILIATE TRANSACTIONS

AMENDED AND RESTATED ADMINISTRATION AGREEMENT, DATED AS OF OCTOBER 29, 2013, BETWEEN SOLAR CAPITAL LTD. AND SOLAR CAPITAL MANAGEMENT, LLC
FIRST AMENDED AND RESTATED INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT, DATED AS OF AUGUST 2, 2016, BETWEEN SOLAR CAPITAL LTD. AND SOLAR CAPITAL PARTNERS, LLC
TRADEMARK LICENSE AGREEMENT, DATED AS OF DECEMBER 17, 2009, BETWEEN SOLAR CAPITAL PARTNERS, LLC AND SOLAR CAPITAL LTD.
[FORM OF SERIES 2016A NOTE]
THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*ACT*"), OR THE SECURITIES LAWS OF ANY JURISDICTION. SUCH SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED, PLEDGED, ASSIGNED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (I) PURSUANT TO A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES THAT IS EFFECTIVE UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS, OR (II) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE ACT OR APPLICABLE STATE SECURITIES LAW, INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULE 144 OR RULE 144A, *PROVIDED* THAT AN OPINION OF COUNSEL (WHICH MAY BE INTERNAL COUNSEL) SHALL BE FURNISHED TO THE COMPANY (IF REASONABLY REQUESTED BY THE COMPANY), IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE ACT AND/OR APPLICABLE STATE SECURITIES LAW.

SOLAR CAPITAL LTD.
4.40% SERIES 2016A SENIOR NOTE, DUE MAY 8, 2022

No. [ ] [DATE]
$[ ] PPN 83413U A@9

FOR VALUE RECEIVED, THE UNDERSIGNED, SOLAR CAPITAL LTD. (HEREIN CALLED THE "*COMPANY*"), A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF MARYLAND, HEREBY PROMISES TO PAY TO [ ], OR REGISTERED ASSIGNS, THE PRINCIPAL SUM OF [ ] DOLLARS (OR SO MUCH THEREOF AS SHALL NOT HAVE BEEN PREPAID) ON MAY 8, 2022, WITH INTEREST (COMPUTED ON THE BASIS OF A 360-DAY YEAR OF TWELVE 30-DAY MONTHS) ON THE UNPAID BALANCE HEREOF AT THE RATE OF (A) 4.40% PER ANNUM FROM THE DATE HEREOF, PAYABLE SEMIANNUALLY, ON THE EIGHTH DAY OF MAY AND NOVEMBER IN EACH YEAR, COMMENCING WITH THE MAY 8 OR NOVEMBER 8 NEXT SUCCEEDING THE DATE HEREOF, AND ON THE MATURITY DATE UNTIL THE PRINCIPAL HEREOF SHALL HAVE BECOME DUE AND PAYABLE, AND (B) TO THE EXTENT PERMITTED BY LAW, ON ANY OVERDUE PAYMENT OF INTEREST AND, DURING THE CONTINUANCE OF AN EVENT OF DEFAULT, ON SUCH UNPAID BALANCE AND ON ANY OVERDUE PAYMENT OF ANY MAKE-WHOLE AMOUNT, AT A RATE PER ANNUM FROM TIME TO TIME EQUAL TO THE DEFAULT RATE (AS DEFINED IN THE HEREINAFTER DEFINED NOTE PURCHASE AGREEMENT).

PAYMENTS OF PRINCIPAL OF, INTEREST ON AND ANY MAKE-WHOLE AMOUNT WITH RESPECT TO THIS NOTE ARE TO BE MADE IN LAWFUL MONEY OF THE UNITED STATES OF AMERICA AT THE PRINCIPAL OFFICE OF GOLDMAN SACHS BANK USA IN NEW YORK, NEW YORK OR AT SUCH OTHER PLACE AS THE COMPANY SHALL HAVE DESIGNATED BY WRITTEN NOTICE TO THE HOLDER OF THIS NOTE AS PROVIDED IN THE NOTE PURCHASE AGREEMENT REFERRED TO BELOW.

THIS NOTE IS ONE OF A SERIES OF SENIOR NOTES (HEREIN CALLED THE "*NOTES*") ISSUED PURSUANT TO THE NOTE PURCHASE AGREEMENT, DATED AS OF NOVEMBER 8, 2016 (AS FROM TIME TO TIME AMENDED, SUPPLEMENTED OR MODIFIED, THE "*NOTE PURCHASE AGREEMENT*"), AMONG THE COMPANY AND THE RESPECTIVE PURCHASERS NAMED THEREIN AND ADDITIONAL PURCHASERS OF NOTES FROM TIME TO TIME ISSUED PURSUANT TO ANY SUPPLEMENT TO THE NOTE PURCHASE AGREEMENT. THIS NOTE AND THE HOLDER HEREOF ARE ENTITLED EQUALLY AND RATABLY WITH THE HOLDERS OF ALL OTHER NOTES OF ALL SERIES FROM TIME TO TIME OUTSTANDING UNDER THE NOTE PURCHASE AGREEMENT TO ALL THE BENEFITS PROVIDED FOR THEREBY OR REFERRED TO THEREIN. EACH HOLDER OF THIS NOTE WILL BE DEEMED, BY ITS ACCEPTANCE HEREOF, TO HAVE (I) AGREED TO THE CONFIDENTIALITY PROVISIONS SET FORTH IN SECTION 20 OF THE NOTE PURCHASE AGREEMENT, (II) MADE THE REPRESENTATIONS AND AGREEMENTS SET FORTH IN SECTIONS 6.2 AND 6.1(B), (D) AND (F) OF THE NOTE PURCHASE AGREEMENT AND (III) AGREED THAT ANY TRANSFER OR OTHER DISPOSITION OF THIS NOTE IS OTHERWISE SUBJECT TO THE TERMS AND CONDITIONS CONTAINED IN THE NOTE PURCHASE AGREEMENT. UNLESS OTHERWISE INDICATED, CAPITALIZED TERMS USED IN THIS NOTE SHALL HAVE THE RESPECTIVE MEANINGS ASCRIBED TO SUCH TERMS IN THE NOTE PURCHASE AGREEMENT.

THIS NOTE IS A REGISTERED NOTE AND, AS PROVIDED IN THE NOTE PURCHASE AGREEMENT, UPON SURRENDER OF THIS NOTE FOR REGISTRATION OF TRANSFER, DULY ENDORSED, OR ACCOMPANIED BY A WRITTEN INSTRUMENT OF TRANSFER DULY EXECUTED, BY THE

REGISTERED HOLDER HEREOF OR SUCH HOLDER'S ATTORNEY DULY AUTHORIZED IN WRITING, A NEW NOTE OF THE SAME SERIES AND TRANCHE FOR A LIKE PRINCIPAL AMOUNT WILL BE ISSUED TO, AND REGISTERED IN THE NAME OF, THE TRANSFEREE. PRIOR TO DUE PRESENTMENT FOR REGISTRATION OF TRANSFER, THE COMPANY MAY TREAT THE PERSON IN WHOSE NAME THIS NOTE IS REGISTERED AS THE OWNER HEREOF FOR THE PURPOSE OF RECEIVING PAYMENT AND FOR ALL OTHER PURPOSES, AND THE COMPANY WILL NOT BE AFFECTED BY ANY NOTICE TO THE CONTRARY.

THIS NOTE AND THE HOLDER HEREOF ARE ENTITLED EQUALLY AND RATABLY WITH THE HOLDERS OF ALL OF THE NOTES TO THE RIGHTS AND BENEFITS PROVIDED PURSUANT TO THE TERMS AND PROVISION OF THE SUBSIDIARY GUARANTEE (AS SUCH TERM IS DEFINED IN THE NOTE PURCHASE AGREEMENT). REFERENCE IS HEREBY MADE TO THE FOREGOING FOR A STATEMENT OF THE NATURE AND EXTENT OF THE BENEFITS FOR THE NOTES AFFORDED THEREBY AND THE RIGHTS OF THE HOLDERS OF THE NOTES.

THIS NOTE IS SUBJECT TO OPTIONAL PREPAYMENT, IN WHOLE OR FROM TIME TO TIME IN PART, AT THE TIMES AND ON THE TERMS SPECIFIED IN THE NOTE PURCHASE AGREEMENT, BUT NOT OTHERWISE.

IF AN EVENT OF DEFAULT OCCURS AND IS CONTINUING, THE PRINCIPAL OF THIS NOTE MAY BE DECLARED OR OTHERWISE BECOME DUE AND PAYABLE IN THE MANNER, AT THE PRICE (INCLUDING ANY APPLICABLE MAKE-WHOLE AMOUNT) AND WITH THE EFFECT PROVIDED IN THE NOTE PURCHASE AGREEMENT.

THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE COMPANY AND THE HOLDER OF THIS NOTE SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD PERMIT APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

SOLAR CAPITAL LTD.

BY
NAME:
TITLE:

SOLAR CAPITAL LTD.

[NUMBER] SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of

RE: $ % SERIES SENIOR NOTES
Due

Solar Capital Ltd.
500 Park Ave.
New York, New York 10022

Dated as of
, 20

To the Series [ ] Additional
Purchaser(s) named in
Schedule A hereto

Ladies and Gentlemen:

This [Number] Supplement to Note Purchase Agreement (the *"Supplement"*) is among Solar Capital Ltd., a Maryland corporation (the *"Company"*), and the institutional investors named on Schedule A attached hereto (the *"Series [ ] Additional Purchasers"*).

Reference is hereby made to that certain Note Purchase Agreement dated as of November 8, 2016 (the *"Note Purchase Agreement"*) among the Company, the Purchasers listed on Schedule A thereto. All capitalized terms not otherwise defined herein shall have the same meanings as specified in the Note Purchase Agreement. Reference is further made to Section 4.18 of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Series [ ] Additional Purchaser(s) as follows:

1. The Company has authorized the issue and sale of $ aggregate principal amount of its % Series Senior Notes due , (the *"Series Notes"*). The Series Notes, together with the Series 2016A Notes issued pursuant to the Note Purchase Agreement and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.4 of the Note Purchase Agreement, are collectively referred to as the *"Notes"* (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Series Notes shall be substantially in the form set out in Exhibit 1 hereto with such changes therefrom, if any, as may be approved by the Series [ ] Additional Purchaser(s) and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each Series [ ] Additional Purchaser, and each Series [ ] Additional Purchaser agrees to purchase from the Company, Series Notes in the principal amount set forth opposite such Series [ ] Additional Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereinafter mentioned.

3. The sale and purchase of the Series Notes to be purchased by each Series [ ] Additional Purchaser shall occur at the offices of [Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603,] at 10:00 a.m. [Chicago time], at a closing (the *"Series [ ] Closing"*) on , or on such other Business Day thereafter on or prior to , as may be agreed upon by the Company and the Series [ ] Additional Purchasers. At the Series [ ] Closing, the Company will deliver to each Series [ ] Additional Purchaser the Series Notes to be purchased by such Purchaser in the form of a single Series Note (or such greater number of Series Notes in denominations of at least $100,000 as such Series [ ] Additional Purchaser may request) dated the date of the Series [ ] Closing and registered in such Series [ ] Additional Purchaser's name (or in the name of such Series [ ] Additional Purchaser's nominee), against delivery by such Series [ ] Additional Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number [ ] at Bank, [*Insert Bank address, ABA number for wire transfers, and any other relevant wire transfer information*]. If, at the Series [ ] Closing, the Company shall fail to tender such Series Notes to any Series [ ] Additional Purchaser

as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Series [ ] Additional Purchaser's satisfaction, such Series [ ] Additional Purchaser shall, at such Series [ ] Additional Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Series [ ] Additional Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Series [ ] Additional Purchaser to purchase and pay for the Series Notes to be sold to such Series [ ] Additional Purchaser at the Series [ ] Closing is subject to the fulfillment to such Series [ ] Additional Purchaser's satisfaction, prior to the Series [ ] Closing, of the conditions set forth in Section 4 of the Note Purchase Agreement with respect to the Series Notes to be purchased at the Series [ ] Closing as if each reference to "2016A Notes" or "Notes," "Closing" and "Purchaser" set forth therein was modified to refer the "Series Notes," the "Series [ ] Closing" and the "Series [ ] Additional Purchaser" (each as defined in this Supplement) and to the following additional conditions:

(a) Except as supplemented, amended or superceded by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be correct as of the date of Series [ ] Closing (except for representations and warranties which apply to a specific earlier date which shall be true as of such earlier date or as of the date specified in Exhibit A to the extent such provision is superceded in Exhibit A) and the Company shall have delivered to each Series [ ] Additional Purchaser an Officer's Certificate, dated the date of the Series [ ] Closing certifying that such condition has been fulfilled.

(b) Contemporaneously with the Series [ ] Closing, the Company shall sell to each Series [ ] Additional Purchaser, and each Series [ ] Additional Purchaser shall purchase, the Series Notes to be purchased by such Series [ ] Additional Purchaser at the Series [ ] Closing as specified in Schedule A.

5. [Here insert special provisions for Series Notes including mandatory prepayment provisions applicable to Series Notes and any series-specific closing conditions applicable to Series Notes].

6. Each Series [ ] Additional Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct on the date hereof with respect to the purchase of the Series Notes by such Series [ ] Additional Purchaser as if each reference to "2016A Notes" or "Notes," "Series [ ] Closing" and "Purchaser" set forth therein was modified to refer the "Series Notes," the "Series [ ] Closing" and the "Series [ ] Additional Purchaser" and each reference to "this Agreement" therein was modified to refer to the Note Purchase Agreement as supplemented by this Supplement.

7. The Company and each Series [ ] Additional Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as fully and completely as if such Series [ ] Additional Purchaser were an original signatory to the Note Purchase Agreement.

The execution hereof shall constitute a contract between the Company and the Series [ ] Additional Purchaser(s) for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

Solar Capital Ltd.

By _____
Name: _____
Title: _____

Accepted as of ,

[Series [ ] Additional Purchaser]

By _____
Name: _____
Title: _____

INFORMATION RELATING TO SERIES [ ] ADDITIONAL PURCHASERS

Name and Address of Series [ ] Additional Purchaser	Principal Amount of Series Notes to Be Purchased
[Name of Series [ ] Additional Purchaser]	$

(1) All payments by wire transfer of immediately available funds to:

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

(3) All other communications:

SCHEDULE A
(to Supplement)

SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that except as hereinafter set forth in this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement (other than representations and warranties that apply solely to a specific earlier date which shall be true as of such earlier date) is true and correct in all material respects as of the date hereof with respect to the Series Notes with the same force and effect as if each reference to "Notes" set forth therein was modified to refer the "Series Notes" and each reference to "this Agreement" therein was modified to refer to the Note Purchase Agreement as supplemented by the Supplement. The Section references hereinafter set forth correspond to the similar sections of the Note Purchase Agreement which are supplemented hereby:

Section 5.3. Disclosure. [The Company, through its agent, (the "*Placement Agent*"), has delivered to each Series [ ] Additional Purchaser a copy of a (the "*Memorandum*"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries.]

The Company has disclosed to the Series [ ] Additional Purchasers all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Company to the Series [ ] Additional Purchasers in connection with the negotiation of this Agreement and the other Note Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) when taken together with the Company's public filings contains any material misstatement of fact therein (or omits to state any material fact necessary to make the statements therein not misleading), in the light of the circumstances under which they were made; *provided* that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Since the date of the most recent Applicable Financial Statements, there has not been any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (i) the business, Portfolio Investments and other assets, liabilities and financial condition of the Company and its Subsidiaries taken as a whole (excluding in any case a decline in the net asset value of the Company or a change in general market conditions or values of the Company's or any of its Subsidiaries' Portfolio Investments), or (ii) the validity or enforceability of any of the Note Documents or the rights or remedies of the Purchasers and the holders of the Notes thereunder.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary (other than any tax blocker or investment held by such tax blocker), and (ii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except Permitted Liens, Liens created pursuant to the Security Documents or as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and, where legally applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where legally applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than this Agreement, the Senior Secured Credit Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements; Material Liabilities. The Company has heretofore delivered to each Purchaser the audited consolidated statement of assets and liabilities (or balance sheet) and statements of operations, changes in net assets and cash flows of the Company and its Subsidiaries as of and for the fiscal year ending on December 31, ; such financial statements present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Company and its Subsidiaries as of such date in accordance with GAAP. The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar Securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes for [refinancing of existing debt and] general corporate purposes and in

compliance with all laws referenced in Section 5.16. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the sale of the Notes hereunder will be used to buy or carry any Margin Stock, or to extend credit to others for the purpose of buying or carrying Margin Stock. After application of the proceeds of the sale of the Notes, not more than 25% of the value (as determined by any reasonable method) of the assets of the Company subject to any provision of this Agreement under which the sale, pledge or disposition of assets is restricted will consist of Margin Stock.

[Add any additional Sections as appropriate at the time the Series Notes are issued]

[FORM OF SERIES NOTE]

The securities represented by this Certificate have not been registered under the Securities Act of 1933, as amended (the *"Act"*), or the securities laws of any jurisdiction. Such securities may not be offered, sold, transferred, pledged, assigned, encumbered, hypothecated or otherwise disposed of except (i) pursuant to a registration statement with respect to such securities that is effective under the Act or applicable state securities laws, or (ii) in a transaction that does not require registration under the Act or applicable state securities law, including, without limitation, pursuant to Rule 144 or rule 144A, *provided* that an opinion of counsel (which may be internal counsel) shall be furnished to the Company (if reasonably requested by the Company), in form and substance reasonably satisfactory to the Company, to the effect that such transaction does not require registration under the Act and/or applicable state securities law.

SOLAR CAPITAL LTD.

% SERIES SENIOR NOTE, DUE

No. [ ] [Date]
$[ ] PPN 83413U [ ]

For Value Received, the undersigned, Solar Capital Ltd. (herein called the *"Company"*), a corporation organized and existing under the laws of the State of Maryland, hereby promises to pay to [ ], or registered assigns, the principal sum of [ ] Dollars (or so much thereof as shall not have been prepaid) on , with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance hereof at the rate of (a) % per annum from the date hereof, payable semiannually, on the [ ] day of and in each year, commencing with the or next succeeding the date hereof, and on the Maturity Date until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the Default Rate (as defined in the hereinafter defined Note Purchase Agreement).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Goldman Sachs Bank USA in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the *"Notes"*) issued pursuant to a Supplement to the Note Purchase Agreement, dated as of November 8, 2016 (as from time to time amended, supplemented or modified, the *"Note Purchase Agreement"*), among the Company and the respective Purchasers named therein and Additional Purchasers of Notes from time to time issued pursuant to any Supplement to the Note Purchase Agreement. This Note and the holder

hereof are entitled equally and ratably with the holders of all other Notes of all series from time to time outstanding under the Note Purchase Agreement to all the benefits provided for thereby or referred to therein. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement, (ii) made the representations and agreements set forth in Sections 6.2 and 6.1(b), (d) and (f) of the Note Purchase Agreement and (iii) agreed that any transfer or other disposition of this Note is otherwise subject to the terms and conditions contained in the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note of the same Series and tranche for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note and the holder hereof are entitled equally and ratably with the holders of all of the Notes to the rights and benefits provided pursuant to the terms and provision of the Subsidiary Guarantee (as such term is defined in the Note Purchase Agreement). Reference is hereby made to the foregoing for a statement of the nature and extent of the benefits for the Notes afforded thereby and the rights of the holders of the Notes.

This Note is subject to [mandatory] [optional] prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit application of the laws of a jurisdiction other than such State.

Solar Capital Ltd.

By _____
Name:
Title:

Exhibit 10.15

SOLAR CAPITAL LTD.
500 Park Ave.
New York, New York 10022

Dated as of
February 15, 2017

To the Series 2016B Additional
Purchasers named in
Schedule A hereto

Ladies and Gentlemen:

This First Supplement to Note Purchase Agreement (the *"Supplement"*) is among Solar Capital Ltd., a Maryland corporation (the *"Company"*), and the institutional investors named on Schedule A attached hereto (the *"Series 2016B Additional Purchasers"*).

Reference is hereby made to that certain Note Purchase Agreement dated as of November 8, 2016 (the *"Note Purchase Agreement"*) among the Company and the Purchasers listed on **Schedule A** thereto. All capitalized terms not otherwise defined herein shall have the same meanings as specified in the Note Purchase Agreement. Reference is further made to **Section 4.18** of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Series 2016B Additional Purchasers as follows:

1. The Company has authorized the issue and sale of $100,000,000 aggregate principal amount of its 4.60% Series 2016B Senior Notes due May 8, 2022 (the *"Series 2016B Notes"*). The Series 2016B Notes, together with the Series 2016A Notes issued pursuant to the Note Purchase Agreement and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of **Section 2.4** of the Note Purchase Agreement, are collectively referred to as the *"Notes"* (such term shall also include any such notes issued in substitution therefor pursuant to **Section 13** of the Note Purchase Agreement). The Series 2016B Notes shall be substantially in the form set out in Exhibit 1 hereto with such changes therefrom, if any, as may be approved by the Series 2016B Additional Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each Series 2016B Additional Purchaser, and each Series 2016B Additional Purchaser agrees to purchase from the Company, Series 2016B Notes in the principal amount set forth opposite such Series 2016B Additional Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereinafter mentioned.

EXHIBIT 1
(to Supplement)

3. The sale and purchase of the Series 2016B Notes to be purchased by each Series 2016B Additional Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 A.M. Chicago time, at a closing (the *"Series 2016B Closing"*) on February 15, 2017 or on such other Business Day thereafter on or prior to February 18, 2017 as may be agreed upon by the Company and the Series 2016B Additional Purchasers. At the Series 2016B Closing, the Company will deliver to each Series 2016B Additional Purchaser the Series 2016B Notes to be purchased by such Purchaser in the form of a single Series 2016B Note (or such greater number of Series 2016B Notes in denominations of at least $100,000 as such Series 2016B Additional Purchaser may request) dated the date of the Series 2016B Closing and registered in such Series 2016B Additional Purchaser's name (or in the name of such Series 2016B Additional Purchaser's nominee), against delivery by such Series 2016B Additional Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number [Redacted] If, at the Series 2016B Closing, the Company shall fail to tender such Series 2016B Notes to any Series 2016B Additional Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Series 2016B Additional Purchaser's satisfaction, such Series 2016B Additional Purchaser shall, at such Series 2016B Additional Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Series 2016B Additional Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Series 2016B Additional Purchaser to purchase and pay for the Series 2016B Notes to be sold to such Series 2016B Additional Purchaser at the Series 2016B Closing is subject to the fulfillment to such Series 2016B Additional Purchaser's satisfaction, prior to the Series 2016B Closing, of the conditions set forth in **Section 4** of the Note Purchase Agreement with respect to the Series 2016B Notes to be purchased at the Series 2016B Closing as if each reference to "2016A Notes" or "Notes," "Closing" and "Purchaser" set forth therein was modified to refer the "Series 2016B Notes," the "Series 2016B Closing" and the "Series 2016B Additional Purchaser" (each as defined in this Supplement) and to the following additional conditions:

(a) Each of the representations and warranties of the Company set forth in Exhibit A hereto shall be correct as of the date of Series 2016B Closing (except for representations and warranties which apply to a specific earlier date which shall be true as of such earlier date) and the Company shall have delivered to each Series 2016B Additional Purchaser an Officer's Certificate, dated the date of the Series 2016B Closing certifying that such condition has been fulfilled.

(b) Contemporaneously with the Series 2016B Closing, the Company shall sell to each Series 2016B Additional Purchaser, and each Series 2016B Additional Purchaser shall purchase, the Series 2016B Notes to be purchased by such Series 2016B Additional Purchaser at the Series 2016B Closing as specified in Schedule A hereto.

5. [Reserved].

6. Each Series 2016B Additional Purchaser represents and warrants that the representations and warranties set forth in **Section 6** of the Note Purchase Agreement are true and correct on the date hereof with respect to the purchase of the Series 2016B Notes by such Series 2016B Additional Purchaser as if each reference to "2016A Notes" or "Notes," "Closing" and "Purchaser" set forth therein was modified to refer the "Series 2016B Notes," the "Series 2016B Closing" and the "Series 2016B Additional Purchaser" and each reference to "this Agreement" therein was modified to refer to the Note Purchase Agreement as supplemented by this Supplement.

7. The Company and each Series 2016B Additional Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as fully and completely as if such Series 2016B Additional Purchaser were an original signatory to the Note Purchase Agreement.

8. This Supplement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

The execution hereof shall constitute a contract between the Company and the Series 2016B Additional Purchasers for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

SOLAR CAPITAL LTD.

By _____
Name: _____
Title: _____

Accepted as of , 2017.

By: [Redacted]

By _____
Name:
Title:

INFORMATION RELATING TO SERIES 2016B ADDITIONAL PURCHASERS

[Redacted]

SUPPLEMENTAL REPRESENTATIONS

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Section 5.1. Organization; Power and Authority. Each of the Company and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required of the Company or such Subsidiary, as applicable.

Section 5.2. Authorization, Etc. The Transactions are within the Company's corporate powers and have been duly authorized by all necessary corporate action and, if required, by all necessary shareholder action. This Agreement and the First Supplement have been duly executed and delivered by the Company and this Agreement as supplemented by the First Supplement constitutes, and each of the other Note Documents to which it is a party when executed and delivered will constitute, a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company has disclosed to the Series 2016B Additional Purchasers all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Company to the Series 2016B Additional Purchasers in connection with the negotiation of this Agreement, the First Supplement and the other Note Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) when taken together with the Company's public filings contains any material misstatement of fact therein (or omits to state any material fact

necessary to make the statements therein not misleading), in the light of the circumstances under which they were made; *provided* that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Since the date of the most recent Applicable Financial Statements, there has not been any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (i) the business, Portfolio Investments and other assets, liabilities and financial condition of the Company and its Subsidiaries taken as a whole (excluding in any case a decline in the net asset value of the Company or a change in general market conditions or values of the Company's or any of its Subsidiaries' Portfolio Investments), or (ii) the validity or enforceability of any of the Note Documents or the rights or remedies of the Purchasers and the holders of the Notes thereunder.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) **Schedule 5.4** contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary (other than any tax blocker or investment held by such tax blocker), and (ii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in **Schedule 5.4** as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except Permitted Liens, Liens created pursuant to the Security Documents or as otherwise disclosed in **Schedule 5.4**).

(c) Each Subsidiary identified in **Schedule 5.4** is a corporation or other legal entity duly organized, validly existing and, where legally applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where legally applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than this Agreement, the First Supplement, the Senior Secured Credit Agreement, the agreements listed on **Schedule 5.4** and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements; Material Liabilities. The Company has heretofore delivered to each Purchaser the audited consolidated statement of assets and liabilities (or balance

sheet) and statements of operations, changes in net assets and cash flows of the Company and its Subsidiaries as of and for the fiscal year ending on December 31, 2015; such financial statements present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Company and its Subsidiaries as of such date in accordance with GAAP. The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements.

Section 5.6. Compliance with Laws. Each of the Company and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is subject to any contract or other arrangement, the performance of which by the Company or any such Subsidiary could reasonably be expected to result in a Material Adverse Effect.

Section 5.7. Governmental Authorizations, Compliance with Laws, Other Instruments, Etc. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for such as have been or will be obtained or made and are in full force and effect and are described in **Schedule 5.7**, (b) will not violate any applicable law or regulation or the limited liability company operating agreement, charter, by-laws or other organizational documents of the Company or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default in any material respect under any indenture, agreement or other instrument binding upon the Company or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that if adversely determined could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve this Agreement, the First Supplement, this Agreement as supplemented by the First Supplement or the Transactions.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. Each of the Company and its Subsidiaries has timely filed or caused to be filed all material Tax returns and reports required to have been filed and has paid or caused to be paid all material Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its

books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate in all material respects.

Section 5.10. Title to Property; Leases. Each of the Company and the other Obligors has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

Section 5.11. Licenses, Permits, Etc. Each of the Company and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Company and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.12. ERISA. (a) The execution and delivery of this Agreement or the First Supplement and the issuance and sale of the Series 2016B Notes under this Agreement as supplemented by the First Supplement will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this **Section 5.12(a)** is made in reliance upon and subject to the accuracy of such Purchaser's representation in **Section 6.2** as to the sources of the funds used to pay the purchase price of the Series 2016B Notes to be purchased by such Purchaser.

(b) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2016B Notes or any similar Securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than not more than 8 Institutional Investors (including the Series 2016B Additional Purchasers and, for purposes of this representation, all Series 2016B Additional Purchasers that are affiliated with each other are deemed one offeree), each of which has been offered the Series 2016B Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Series 2016B Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series 2016B Notes for refinancing of existing debt and general corporate purposes and in compliance with all laws referenced in **Section 5.16**. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the sale of the Series 2016B Notes hereunder

will be used to buy or carry any Margin Stock, or to extend credit to others for the purpose of buying or carrying Margin Stock. After application of the proceeds of the sale of the Series 2016B Notes, not more than 25% of the value (as determined by any reasonable method) of the assets of the Company subject to any provision of this Agreement under which the sale, pledge or disposition of assets is restricted will consist of Margin Stock.

Section 5.15. Existing Indebtedness; Future Liens. (a) Part A of **Schedule 5.15** is a complete and correct list of each note, bond, certificate, credit agreement, loan agreement, indenture, note purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Company or any of its Subsidiaries outstanding on the date of the Series 2016B Closing, and the aggregate principal or face amount outstanding or that is, or may become, outstanding, the interest rate, collateral and related guaranties under each such arrangement is correctly described in Part A of **Schedule 5.15**.

(b) Part B of **Schedule 5.15** is a complete and correct list of each Lien securing Indebtedness of any Person outstanding or consented to on the date of the Series 2016B Closing covering any property of the Company or any Subsidiary Guarantor, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Part B of **Schedule 5.15**.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except for the Senior Secured Credit Agreement (and the other documents related thereto) and except as specifically indicated in **Schedule 5.15**.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Affiliated Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury ("*OFAC*") (an "*OFAC Listed Person*") (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act ("*CISADA*") or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, "*U.S. Economic Sanctions*") (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a "*Blocked Person*").

Neither the Company nor any Affiliated Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Series 2016B Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or Canada Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person or Canada Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions or Canadian Economic Sanctions.

(c) Neither the Company nor any Affiliated Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act, any similar provisions of the Criminal Code (Canada), any U.S. Economic Sanctions, any Canadian Economic Sanctions or any other United States or Canadian law or regulation governing such activities (collectively, *"Anti-Money Laundering Laws"*) or any U.S. Economic Sanctions violations or violations of Canadian Economic Sanctions Laws, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any governmental authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations or violations of Canadian Economic Sanctions Laws, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions or Canadian Economic Sanctions Laws, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions and Canadian Economic Sanctions Laws.

(d) (1) Neither the Company nor any Affiliated Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and any similar provisions of the Criminal Code (Canada) (collectively, *"Anti-Corruption Laws"*) in the past five years, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws in the past five years or (iv) has been or is the target of sanctions imposed by the United Nations, Canada or the European Union;

(2) To the Company's actual knowledge after making due inquiry, neither the Company nor any Affiliated Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Governmental Official in his or her official capacity or such

commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to improperly obtain, retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any Anti-Corruption Laws; and

(3) No part of the proceeds from the sale of the Series 2016B Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to improperly obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Affiliated Entity is and will continue to be in compliance with the Anti-Corruption Laws.

(e) Neither the Company nor any Affiliated Entity is (i) a Canada Blocked Person, (ii) an agent, department, or instrumentality of, or is otherwise controlled by or knowingly acting on behalf of, directly or indirectly, any such Person, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of any Canadian Economic Sanctions Laws. Neither the Company nor any Affiliated Entity has been notified by a governmental authority in Canada that its name appears or has been proposed for inclusion on a list of Persons maintained by a governmental authority in Canada that engage in investment or other commercial activities in any country that is subject to Canadian Economic Sanctions Laws. Neither the Company nor any Affiliated Entity knowingly engages in any dealings or transactions with any Canada Blocked Person.

Section 5.17. Status under Certain Statutes. (a) The Company is a company that has elected to be regulated as a "business development company" within the meaning of the Investment Company Act and qualifies as a RIC.

(b) The business and other activities of the Company and its Subsidiaries, including the issuance of the Series 2016B Notes under this Agreement as supplemented by the First Supplement, the application of the proceeds and repayment thereof by the Company and the consummation of the Transactions contemplated by the Note Documents do not result in a violation or breach in any material respect of the applicable provisions of the Investment Company Act or any rules, regulations or orders issued by the SEC thereunder.

(c) The Company is in compliance with its Investment Policies, except to the extent that the failure to so comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.18. Series 2016B Notes Rank Pari Passu. The obligations of the Company under this Agreement as supplemented by the First Supplement and the Series 2016B Notes rank at least *pari passu* in right of payment with all other Senior Unsecured Indebtedness (actual or contingent) of the Company, including, without limitation, the Series 2016A Notes and all other Senior Unsecured Indebtedness of the Company described in **Schedule 5.15** hereto.

Section 5.19. Investments. Set forth in **Schedule 5.19** is a complete and correct list of all Investments (other than Investments of the types referred to in clauses (b), (c) and (d) of **Section 10.4**) held by the Company or any Subsidiary Guarantor in any Person on the date of the Series 2016B Closing and, for each such Investment, (x) the identity of the Person or Persons holding such Investment and (y) the nature of such Investment. Except as disclosed in **Schedule 5.19**, as of the date of the Series 2016B Closing each of the Company and the Subsidiary Guarantors owns, free and clear of all Liens (other than Permitted Liens or Liens created pursuant to the Security Documents), all such Investments.

Section 5.20. Affiliate Agreements. As of the date of the Series 2016B Closing, the Company has heretofore delivered (to the extent not otherwise publicly filed with the SEC) to each of the Purchasers true and complete copies of each of the Affiliate Agreements (including schedules and exhibits thereto, and any amendments, supplements or waivers executed and delivered thereunder). As of the date of the Series 2016B Closing, each of the Affiliate Agreements is in full force and effect.

SUBSIDIARIES AND DIRECTORS AND SENIOR OFFICERS

(i) Subsidiaries (other than any tax blocker or investment held by such tax blocker):

None.

(ii) The Company's Directors and Senior Officers:

NAME	TITLE(S)
MICHAEL S. GROSS	CHIEF EXECUTIVE OFFICER, PRESIDENT, CHAIRMAN OF THE BOARD AND DIRECTOR (PRINCIPAL EXECUTIVE OFFICER)
STEVEN HOCHBERG	DIRECTOR
DAVID S. WACHTER	DIRECTOR
LEONARD A. POTTER	DIRECTOR
BRUCE SPOHLER	CHIEF OPERATING OFFICER AND DIRECTOR
RICHARD PETEKA	CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER), TREASURER AND SECRETARY
GUY TALARICO	CHIEF COMPLIANCE OFFICER

DESCRIPTION OF NECESSARY CONSENTS, APPROVALS, ETC.

None.

LIENS AND INDEBTEDNESS

Part A:

Existing Indebtedness

Senior Secured Credit Agreement and related documentation

Total amount outstanding: $128,500,000

Rate of interest: floating rate based on LIBOR

- The Senior Secured Credit Agreement
- The Restated Guarantee and Security Agreement
- Various standby letters of credit issued under the June 2012 Credit Agreement, totaling $0

Solar Capital Ltd. Senior Secured Notes

Total amount outstanding: $75,000,000

Rate of interest: 5.875%

- The Note Purchase Agreement, dated as of May 10, 2012, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the "2012 Note Purchase Agreement")
- The Restated Guarantee and Security Agreement and related joinder agreements
- The notes issued pursuant to the 2012 Note Purchase Agreement

Solar Capital Ltd. Series 2016A Senior Notes

Total amount outstanding: $50,000,000

Rate of interest: 4.40%

- The Note Purchase Agreement, dated as of November 8, 2016, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the "2016 Note Purchase Agreement")
- The notes issued pursuant to the 2016 Note Purchase Agreement

Solar Capital Ltd. Series 2016B Senior Notes

Total amount outstanding: $100,000,000

Rate of interest: 4.60%

- The Note Purchase Agreement, dated as of November 8, 2016, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the *"2016 Note Purchase Agreement"*)
- The First Supplement to Note Purchase Agreement, dated as of February 15, 2017, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the *"First Supplement"*)
- The notes issued pursuant to the First Supplement

Solar Capital Ltd. Senior Notes

Total amount outstanding: $100,000,000

Rate of interest: 6.75%

- The Indenture, dated as of November 16, 2012, between the Company and U.S. Bank National Association as Trustee, as supplemented (the "Indenture")
- The notes issued pursuant to the Indenture

Intercompany Loan to SLRC ADI Corporation

Total amount outstanding: $30,500,000
Rate of interest: 18%

- Intercompany Loan, from the Company to SLRC ADI Corporation, as amended (the "Intercompany Loan")

Part B:

Liens:

Liens on substantially all of the assets of the Company and the other Obligors granted pursuant to the Restated Guarantee and Security Agreement.

[FORM OF SERIES 2016B NOTE]

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE *"ACT"*), OR THE SECURITIES LAWS OF ANY JURISDICTION. SUCH SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED, PLEDGED, ASSIGNED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (I) PURSUANT TO A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES THAT IS EFFECTIVE UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS, OR (II) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE ACT OR APPLICABLE STATE SECURITIES LAW, INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULE 144 OR RULE 144A, *PROVIDED* THAT AN OPINION OF COUNSEL (WHICH MAY BE INTERNAL COUNSEL) SHALL BE FURNISHED TO THE COMPANY (IF REASONABLY REQUESTED BY THE COMPANY), IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE ACT AND/OR APPLICABLE STATE SECURITIES LAW.

SOLAR CAPITAL LTD.

4.60% SERIES 2016B SENIOR NOTE, DUE MAY 8, 2022

No. **[**] **[**Date]
$**[**] PPN 83413U A#7

FOR VALUE RECEIVED, the undersigned, SOLAR CAPITAL LTD. (herein called the "*Company*"), a corporation organized and existing under the laws of the State of Maryland, hereby promises to pay to [ ], or registered assigns, the principal sum of [ ] DOLLARS (or so much thereof as shall not have been prepaid) on May 8, 2022, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance hereof at the rate of (a) 4.60% per annum from the date hereof, payable semiannually, on the eighth day of May and November in each year, commencing with the May 8 or November 8 next succeeding the date hereof, and on the Maturity Date until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the Default Rate (as defined in the hereinafter defined Note Purchase Agreement).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Goldman Sachs Bank USA in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "*Notes*") issued pursuant to the First Supplement to the Note Purchase Agreement, dated as of November 8, 2016 (as from time to time amended, supplemented or modified, the "*Note Purchase Agreement*"), among the Company and the respective Purchasers named therein and Additional Purchasers of Notes from time to time issued pursuant to any Supplement to the Note Purchase Agreement. This Note and the holder hereof are entitled equally and ratably with the holders of all other Notes of all series from time to time outstanding under the Note Purchase Agreement to all the benefits provided for thereby or referred to therein. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in **Section 20** of the Note Purchase Agreement, (ii) made the representations and agreements set forth in **Sections 6.2** and **6.1(b), (d)** and **(f)** of the Note Purchase Agreement and (iii) agreed that any transfer or other disposition of this Note is otherwise subject to the terms and conditions contained in the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note of the same Series and tranche for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note and the holder hereof are entitled equally and ratably with the holders of all of the Notes, the Series 2016A Notes and any Additional Notes issued and outstanding from time to time to the rights and benefits provided pursuant to the terms and provision of the Subsidiary Guarantee (as such term is defined in the Note Purchase Agreement). Reference is hereby made to the foregoing for a statement of the nature and extent of the benefits for the Notes afforded thereby and the rights of the holders of the Notes.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit application of the laws of a jurisdiction other than such State.

SOLAR CAPITAL LTD.

By _____
Name: _____
Title: _____

Exhibit 10.16

EXECUTION COPY

SOLAR CAPITAL LTD.
500 Park Ave.
New York, New York 10022

Dated as of
December 28, 2017

To the Series 2016C Additional
Purchasers named in
Schedule A hereto

Ladies and Gentlemen:

This Second Supplement to Note Purchase Agreement (the *"Supplement"*) is among Solar Capital Ltd., a Maryland corporation (the *"Company"*), and the institutional investors named on Schedule A attached hereto (the *"Series 2016C Additional Purchasers"*).

Reference is hereby made to that certain Note Purchase Agreement dated as of November 8, 2016 (the *"Note Purchase Agreement"*) among the Company and the Purchasers listed on **Schedule A** thereto. All capitalized terms not otherwise defined herein shall have the same meanings as specified in the Note Purchase Agreement. Reference is further made to **Section 4.18** of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Series 2016C Additional Purchasers as follows:

1. The Company has authorized the issue and sale of $21,000,000 aggregate principal amount of its 4.50% Series 2016C Senior Notes due December 28, 2022 (the *"Series 2016C Notes"*). The Series 2016C Notes, together with the Series 2016A Notes issued pursuant to the Note Purchase Agreement, the Series 2016B Notes issued pursuant to the First Supplement to Note Purchase Agreement dated as of February 15, 2017 and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of **Section 2.4** of the Note Purchase Agreement, are collectively referred to as the *"Notes"* (such term shall also include any such notes issued in substitution therefor pursuant to **Section 13** of the Note Purchase Agreement). The Series 2016C Notes shall be substantially in the form set out in Exhibit 1 hereto with such changes therefrom, if any, as may be approved by the Series 2016C Additional Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each Series 2016C Additional Purchaser, and each

Series 2016C Additional Purchaser agrees to purchase from the Company, Series 2016C Notes in the principal amount set forth opposite such Series 2016C Additional Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereinafter mentioned.

3. The sale and purchase of the Series 2016C Notes to be purchased by each Series 2016C Additional Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 A.M. Chicago time, at a closing (the *"Series 2016C Closing"*) on December 28, 2017. At the Series 2016C Closing, the Company will deliver to each Series 2016C Additional Purchaser the Series 2016C Notes to be purchased by such Purchaser in the form of a single Series 2016C Note (or such greater number of Series 2016C Notes in denominations of at least $100,000 as such Series 2016C Additional Purchaser may request) dated the date of the Series 2016C Closing and registered in such Series 2016C Additional Purchaser's name (or in the name of such Series 2016C Additional Purchaser's nominee), against delivery by such Series 2016C Additional Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number [Redacted] If, at the Series 2016C Closing, the Company shall fail to tender such Series 2016C Notes to any Series 2016C Additional Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Series 2016C Additional Purchaser's satisfaction, such Series 2016C Additional Purchaser shall, at such Series 2016C Additional Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Series 2016C Additional Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Series 2016C Additional Purchaser to purchase and pay for the Series 2016C Notes to be sold to such Series 2016C Additional Purchaser at the Series 2016C Closing is subject to the fulfillment to such Series 2016C Additional Purchaser's satisfaction, prior to the Series 2016C Closing, of the conditions set forth in **Section 4** of the Note Purchase Agreement with respect to the Series 2016C Notes to be purchased at the Series 2016C Closing as if each reference to "2016A Notes" or "Notes," "Closing" and "Purchaser" set forth therein was modified to refer the "Series 2016C Notes," the "Series 2016C Closing" and the "Series 2016C Additional Purchaser" (each as defined in this Supplement) and to the following additional conditions:

(a) Each of the representations and warranties of the Company set forth in Exhibit A hereto shall be correct as of the date of Series 2016C Closing (except for representations and warranties which apply to a specific earlier date which shall be true as of such earlier date) and the Company shall have delivered to each Series 2016C Additional Purchaser an Officer's Certificate, dated the date of the Series 2016C Closing certifying that such condition has been fulfilled.

(b) Contemporaneously with the Series 2016C Closing, the Company shall sell to each Series 2016C Additional Purchaser, and each Series 2016C Additional Purchaser shall purchase, the Series 2016C Notes to be purchased by such Series 2016C Additional Purchaser at the Series 2016C Closing as specified in Schedule A hereto.

5. The Company covenants and agrees with the holders of the Series 2016C Notes that:

(a) Notwithstanding **Sections 9.11** and **9.12** of the Note Purchase Agreement but subject to clause (b) below, the Company shall not be required to deliver to the 2016C Additional Purchasers evidence in form and substance satisfactory to the 2016C Additional Purchasers that the Series 2016C Notes have been rated Investment Grade or better by either Fitch, S&P or another NRSRO.

(b) If requested by holders of more than 50% of the outstanding principal amount of the Series 2016C Notes, the Company shall, within 30 days after the date of such request, deliver to the holders of the Series 2016C Notes in the manner provided in **Section 18** of the Note Purchase Agreement evidence in form and substance satisfactory to such holders that the Series 2016C Notes have been rated Investment Grade or better by either Fitch, S&P or another NRSRO.

(c) Following a request in accordance with clause (b) above, the Company covenants and agrees that, at its sole cost and expense, it shall cause to be maintained at all times a Rating of the Series 2016C Notes from at least one NRSRO that indicates that it will monitor the rating on an ongoing basis. No later than November 8 of each year, commencing in the year following a request in accordance with clause (b) above, the Company shall provide a notice to each of the holders of the Series 2016C Notes sent in the manner provided in **Section 18** of the Note Purchase Agreement with respect to any then current Ratings of the Series 2016C Notes, which shall include a Rating from at least one NRSRO, and which notice shall include a copy of such Rating.

6. Each Series 2016C Additional Purchaser represents and warrants that the representations and warranties set forth in **Section 6** of the Note Purchase Agreement are true and correct on the date hereof with respect to the purchase of the Series 2016C Notes by such Series 2016C Additional Purchaser as if each reference to “2016A Notes” or “Notes,” “Closing” and “Purchaser” set forth therein was modified to refer the “Series 2016C Notes,” the “Series 2016C Closing” and the “Series 2016C Additional Purchaser” and each reference to “this Agreement” therein was modified to refer to the Note Purchase Agreement as supplemented by this Supplement.

7. The Company and each Series 2016C Additional Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as fully and completely as if such Series 2016C Additional Purchaser were an original signatory to the Note Purchase Agreement.

8. This Supplement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

The execution hereof shall constitute a contract between the Company and the Series 2016C Additional Purchasers for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

SOLAR CAPITAL LTD.

By _____
Name: _____
Title: _____

SCHEDULE A
(to Supplement)

Accepted as of December , 2017.

By: [Redacted]By _____
Name:
Title:

Information Relating to Series 2016C Additional Purchasers[Redacted]

SUPPLEMENTAL REPRESENTATIONS

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Section 5.1. Organization; Power and Authority. Each of the Company and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required of the Company or such Subsidiary, as applicable.

Section 5.2. Authorization, Etc. The Transactions are within the Company's corporate powers and have been duly authorized by all necessary corporate action and, if required, by all necessary shareholder action. The Note Purchase Agreement and the Second Supplement have been duly executed and delivered by the Company and the Note Purchase Agreement as supplemented by the Second Supplement constitutes, and each of the other Note Documents to which it is a party when executed and delivered will constitute, a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company has disclosed to the Series 2016C Additional Purchasers all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Company to the Series 2016C Additional Purchasers in connection with the negotiation of the Note Purchase Agreement, the Second Supplement and the other Note Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) when taken together with the Company's public filings contains any material misstatement of fact therein (or omits to state any material fact necessary to make the statements therein not misleading), in the light of the circumstances under which they were made; *provided* that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Since the date of the most recent Applicable Financial Statements, there has not been any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (i) the business, Portfolio Investments and other assets, liabilities and financial condition of the Company and its Subsidiaries taken as a whole (excluding in any case a decline in the net asset value of the Company or a change in general market conditions or values

EXHIBIT A
(to Supplement)

of the Company's or any of its Subsidiaries' Portfolio Investments), or (ii) the validity or enforceability of any of the Note Documents or the rights or remedies of the Purchasers and the holders of the Notes thereunder.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) **Schedule 5.4** contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary (other than any tax blocker or investment held by such tax blocker), and (ii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in **Schedule 5.4** as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except Permitted Liens, Liens created pursuant to the Security Documents or as otherwise disclosed in **Schedule 5.4**).

(c) Each Subsidiary identified in **Schedule 5.4** is a corporation or other legal entity duly organized, validly existing and, where legally applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where legally applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than the Note Purchase Agreement, the Second Supplement, the Senior Secured Credit Agreement, the agreements listed on **Schedule 5.4** and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements; Material Liabilities. The Company has heretofore delivered to each Purchaser the audited consolidated statement of assets and liabilities (or balance sheet) and statements of operations, changes in net assets and cash flows of the Company and its Subsidiaries as of and for the fiscal year ending on December 31, 2016; such financial statements present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Company and its Subsidiaries as of such date in accordance with GAAP. The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements.

Section 5.6. Compliance with Laws. Each of the Company and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it

or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is subject to any contract or other arrangement, the performance of which by the Company or any such Subsidiary could reasonably be expected to result in a Material Adverse Effect.

Section 5.7. Governmental Authorizations, Compliance with Laws, Other Instruments, Etc. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for such as have been or will be obtained or made and are in full force and effect and are described in **Schedule 5.7**, (b) will not violate any applicable law or regulation or the limited liability company operating agreement, charter, by-laws or other organizational documents of the Company or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default in any material respect under any indenture, agreement or other instrument binding upon the Company or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that if adversely determined could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve the Note Purchase Agreement, the Second Supplement, the Note Purchase Agreement as supplemented by the Second Supplement or the Transactions.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. Each of the Company and its Subsidiaries has timely filed or caused to be filed all material Tax returns and reports required to have been filed and has paid or caused to be paid all material Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate in all material respects.

Section 5.10. Title to Property; Leases. Each of the Company and the other Obligors has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

Section 5.11. Licenses, Permits, Etc. Each of the Company and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Company and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.12. ERISA. (a) The execution and delivery of the Note Purchase Agreement or the Second Supplement and the issuance and sale of the Series 2016C Notes under the Note Purchase Agreement as supplemented by the Second Supplement will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this **Section 5.12(a)** is made in reliance upon and subject to the accuracy of such Purchaser's representation in **Section 6.2** as to the sources of the funds used to pay the purchase price of the Series 2016C Notes to be purchased by such Purchaser.

(b) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2016C Notes or any similar Securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than not more than 3 Institutional Investors (including the Series 2016C Additional Purchasers and, for purposes of this representation, all Series 2016C Additional Purchasers that are affiliated with each other are deemed one offeree), each of which has been offered the Series 2016C Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Series 2016C Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series 2016C Notes for refinancing of existing debt and general corporate purposes and in compliance with all laws referenced in **Section 5.16**. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the sale of the Series 2016C Notes hereunder will be used to buy or carry any Margin Stock, or to extend credit to others for the purpose of buying or carrying Margin Stock. After application of the proceeds of the sale of the Series 2016C Notes, not more than 25% of the value (as determined by any reasonable method) of the assets of the Company subject to any provision of the Note Purchase Agreement under which the sale, pledge or disposition of assets is restricted will consist of Margin Stock.

Section 5.15. Existing Indebtedness; Future Liens. (a) Part A of **Schedule 5.15** is a complete and correct list of each note, bond, certificate, credit agreement, loan agreement, indenture, note purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Company or any of its Subsidiaries outstanding on the date of the Series 2016C Closing, and the aggregate principal or face amount outstanding or that is, or may become, outstanding, the interest rate, collateral and related guaranties under each such arrangement is correctly described in Part A of **Schedule 5.15**.

(b) Part B of **Schedule 5.15** is a complete and correct list of each Lien securing Indebtedness of any Person outstanding or consented to on the date of the Series 2016C Closing covering any property of the Company or any Subsidiary Guarantor, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Part B of **Schedule 5.15**.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except for the Senior Secured Credit Agreement (and the other documents related thereto) and except as specifically indicated in **Schedule 5.15**.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Affiliated Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury ("*OFAC*") (an "*OFAC Listed Person*") (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act ("*CISADA*") or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, "*U.S. Economic Sanctions*") (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a "*Blocked Person*"). Neither the Company nor any Affiliated Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Series 2016C Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or Canada Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person or Canada Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions or Canadian Economic Sanctions.

(c) Neither the Company nor any Affiliated Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act, any similar provisions of the Criminal Code (Canada), any U.S. Economic Sanctions, any Canadian Economic Sanctions or any other United States or Canadian law or regulation governing such activities (collectively, *"Anti-Money Laundering Laws"*) or any U.S. Economic Sanctions violations or violations of Canadian Economic Sanctions Laws, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any governmental authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations or violations of Canadian Economic Sanctions Laws, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions or Canadian Economic Sanctions Laws, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions and Canadian Economic Sanctions Laws.

(d) (1) Neither the Company nor any Affiliated Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and any similar provisions of the Criminal Code (Canada) (collectively, *"Anti-Corruption Laws"*) in the past five years, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws in the past five years or (iv) has been or is the target of sanctions imposed by the United Nations, Canada or the European Union;

(2) To the Company's actual knowledge after making due inquiry, neither the Company nor any Affiliated Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Governmental Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to improperly obtain, retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any Anti-Corruption Laws; and

(3) No part of the proceeds from the sale of the Series 2016C Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to improperly obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Affiliated Entity is and will continue to be in compliance with the Anti-Corruption Laws.

(e) Neither the Company nor any Affiliated Entity is (i) a Canada Blocked Person, (ii) an agent, department, or instrumentality of, or is otherwise controlled by or knowingly acting on behalf of, directly or indirectly, any such Person, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of any Canadian Economic Sanctions Laws. Neither the Company nor any Affiliated Entity has been notified by a governmental authority in Canada that its name appears or has been proposed for inclusion on a list of Persons maintained by a governmental authority in Canada that engage in investment or other commercial activities in any country that is subject to Canadian Economic Sanctions Laws. Neither the Company nor any Affiliated Entity knowingly engages in any dealings or transactions with any Canada Blocked Person.

Section 5.17. Status under Certain Statutes. (a) The Company is a company that has elected to be regulated as a "business development company" within the meaning of the Investment Company Act and qualifies as a RIC.

(b) The business and other activities of the Company and its Subsidiaries, including the issuance of the Series 2016C Notes under the Note Purchase Agreement as supplemented by the Second Supplement, the application of the proceeds and repayment thereof by the Company and the consummation of the Transactions contemplated by the Note Documents do not result in a violation or breach in any material respect of the applicable provisions of the Investment Company Act or any rules, regulations or orders issued by the SEC thereunder.

(c) The Company is in compliance with its Investment Policies, except to the extent that the failure to so comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.18. Series 2016C Notes Rank Pari Passu. The obligations of the Company under the Note Purchase Agreement as supplemented by the Second Supplement and the Series 2016C Notes rank at least *pari passu* in right of payment with all other Senior Unsecured Indebtedness (actual or contingent) of the Company, including, without limitation, the Series 2016A Notes, the Series 2016B Notes and all other Senior Unsecured Indebtedness of the Company described in **Schedule 5.15** hereto.

Section 5.19. Investments. Set forth in **Schedule 5.19** is a complete and correct list of all Investments (other than Investments of the types referred to in clauses (b), (c) and (d) of **Section 10.4**) held by the Company or any Subsidiary Guarantor in any Person on the date of the Series 2016C Closing and, for each such Investment, (x) the identity of the Person or Persons holding such Investment and (y) the nature of such Investment. Except as disclosed in **Schedule 5.19**, as of the date of the Series 2016C Closing each of the Company and the Subsidiary Guarantors owns, free and clear of all Liens (other than Permitted Liens or Liens created pursuant to the Security Documents), all such Investments.

Section 5.20. Affiliate Agreements. As of the date of the Series 2016C Closing, the Company has heretofore delivered (to the extent not otherwise publicly filed with the SEC) to each of the Purchasers true and complete copies of each of the Affiliate Agreements (including schedules and exhibits thereto, and any amendments, supplements or waivers executed and delivered thereunder). As of the date of the Series 2016C Closing, each of the Affiliate Agreements is in full force and effect.

SUBSIDIARIES AND DIRECTORS AND SENIOR OFFICERS

(i) Subsidiaries (other than any tax blocker or investment held by such tax blocker):

NEFPASS, LLC

(ii) The Company's Directors and Senior Officers:

NAME	TITLE(S)
MICHAEL S. GROSS	CHIEF EXECUTIVE OFFICER, PRESIDENT, CHAIRMAN OF THE BOARD AND DIRECTOR (PRINCIPAL EXECUTIVE OFFICER)
STEVEN HOCHBERG	DIRECTOR
DAVID S. WACHTER	DIRECTOR
LEONARD A. POTTER	DIRECTOR
BRUCE SPOHLER	CHIEF OPERATING OFFICER AND DIRECTOR
RICHARD PETEKA	CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER), TREASURER AND SECRETARY
GUY TALARICO	CHIEF COMPLIANCE OFFICER

DESCRIPTION OF NECESSARY CONSENTS, APPROVALS, ETC.

None.

LIENS AND INDEBTEDNESS

Part A:

Existing Indebtedness

Senior Secured Credit Agreement and related documentation

Total amount outstanding: $310,600,000

EXHIBIT 1
(to Supplement)

Rate of interest: floating rate based on LIBOR

- The Senior Secured Credit Agreement
- The Restated Guarantee and Security Agreement
- Various standby letters of credit issued under the June 2012 Credit Agreement, totaling $0

Solar Capital Ltd. Series 2016A Senior Notes

Total amount outstanding: $50,000,000

Rate of interest: 4.40%

- The Note Purchase Agreement, dated as of November 8, 2016, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the "2016 Note Purchase Agreement")
- The notes issued pursuant to the 2016 Note Purchase Agreement

Solar Capital Ltd. Series 2016B Senior Notes

Total amount outstanding: $100,000,000

Rate of interest: 4.60%

- The Note Purchase Agreement, dated as of November 8, 2016, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the "2016 Note Purchase Agreement")
- The First Supplement to Note Purchase Agreement, dated as of February 15, 2017, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the "First Supplement")
- The notes issued pursuant to the First Supplement

Solar Capital Ltd. Series 2016C Senior Notes

Total amount outstanding: $21,000,000

Rate of interest: 4.50%

- The Note Purchase Agreement, dated as of November 8, 2016, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the "2016 Note Purchase Agreement")
- The Second Supplement to Note Purchase Agreement, dated as of December 28, 2017, among the Company and each of the purchasers listed in Schedule A thereto, as amended (the "Second Supplement")
- The notes issued pursuant to the Second Supplement

Solar Capital Ltd. Notes

Total amount outstanding: $75,000,000

Rate of interest: 4.50%

Intercompany Loan to SLRC ADI Corporation

Total amount outstanding: $30,500,000

Rate of interest: 18%

- Intercompany Loan, from the Company to SLRC ADI Corporation, as amended (the "Intercompany Loan")

Part B:

Liens:

Liens on substantially all of the assets of the Company and the other Obligors granted pursuant to the Restated Guarantee and Security Agreement.

[FORM OF SERIES 2016C NOTE]

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE *"ACT"*), OR THE SECURITIES LAWS OF ANY JURISDICTION. SUCH SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED, PLEDGED, ASSIGNED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (I) PURSUANT TO A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES THAT IS EFFECTIVE UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS, OR (II) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE ACT OR APPLICABLE STATE SECURITIES LAW, INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULE 144 OR RULE 144A, *PROVIDED* THAT AN OPINION OF COUNSEL (WHICH MAY BE INTERNAL COUNSEL) SHALL BE FURNISHED TO THE COMPANY (IF REASONABLY REQUESTED BY THE COMPANY), IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, TO THE EFFECT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE ACT AND/OR APPLICABLE STATE SECURITIES LAW.

SOLAR CAPITAL LTD.

4.50% SERIES 2016C SENIOR NOTE, DUE DECEMBER 28, 2022

No. [ ] [Date]
$[ ] PPN 83413U B*0

FOR VALUE RECEIVED, the undersigned, SOLAR CAPITAL LTD. (herein called the *"Company"*), a corporation organized and existing under the laws of the State of Maryland, hereby promises to pay to [ ], or registered assigns, the principal sum of [ ] DOLLARS (or so much thereof as shall not have been prepaid) on December 28, 2022, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance hereof at the rate of (a) 4.50% per annum from the date hereof, payable semiannually, on the twenty-eighth day of June and December in each year, commencing with the June 28 or December 28 next succeeding the date hereof, and on the Maturity Date until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the Default Rate (as defined in the hereinafter defined Note Purchase Agreement).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Goldman Sachs Bank USA in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the *"Notes"*) issued pursuant to the Second Supplement to the Note Purchase Agreement, dated as of November 8, 2016 (as from time to time amended, supplemented or modified, the *"Note Purchase Agreement"*), among the Company and the respective Purchasers named therein and Additional Purchasers of Notes from

time to time issued pursuant to any Supplement to the Note Purchase Agreement. This Note and the holder hereof are entitled equally and ratably with the holders of all other Notes of all series from time to time outstanding under the Note Purchase Agreement to all the benefits provided for thereby or referred to therein. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in **Section 20** of the Note Purchase Agreement, (ii) made the representations and agreements set forth in **Sections 6.2** and **6.1(b), (d)** and **(f)** of the Note Purchase Agreement and (iii) agreed that any transfer or other disposition of this Note is otherwise subject to the terms and conditions contained in the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note of the same Series and tranche for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note and the holder hereof are entitled equally and ratably with the holders of all of the Notes, the Series 2016A Notes, the Series 2016B Notes and any Additional Notes issued and outstanding from time to time to the rights and benefits provided pursuant to the terms and provision of the Subsidiary Guarantee (as such term is defined in the Note Purchase Agreement). Reference is hereby made to the foregoing for a statement of the nature and extent of the benefits for the Notes afforded thereby and the rights of the holders of the Notes.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit application of the laws of a jurisdiction other than such State.

SOLAR CAPITAL LTD.

By _____

Name: _____

Title: _____

Exhibit 10.17

EXECUTION VERSION

SOLAR CAPITAL LTD.
500 Park Ave.
New York, New York 10022

Dated as of
December 18, 2019

To the Series 2016D Additional
Purchasers named in
Schedule A hereto

Ladies and Gentlemen:

This Third Supplement to Note Purchase Agreement (the *"Supplement"*) is among Solar Capital Ltd., a Maryland corporation (the *"Company"*), and the institutional investors named on Schedule A attached hereto (the *"Series 2016D Additional Purchasers"*).

Reference is hereby made to that certain Note Purchase Agreement dated as of November 8, 2016 (the *"Note Purchase Agreement"*) among the Company and the Purchasers listed on **Schedule A** thereto. All capitalized terms not otherwise defined herein shall have the same meanings as specified in the Note Purchase Agreement. Reference is further made to **Section 4.18** of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Series 2016D Additional Purchasers as follows:

1. The Company has authorized the issue and sale of (a) $125,000,000 aggregate principal amount of its 4.20% Series 2016D, Senior Notes, Tranche A, due December 15, 2024 (the *"Tranche A Notes"*) and (b) $75,000,000 aggregate principal amount of its 4.375% Series 2016D, Senior Notes, Tranche B, due December 15, 2026 (the *"Tranche B Notes"* and together with the Tranche A Notes, the *"Series 2016D Notes"*). The Series 2016D Notes, together with the Series 2016A Notes issued pursuant to the Note Purchase Agreement, the Series 2016B Notes issued pursuant to the First Supplement to Note Purchase Agreement dated as of February 15, 2017, the Series 2016C Notes issued pursuant to the Second Supplement to Note Purchase Agreement dated as of December 28, 2017 and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of **Section 2.4** of the Note Purchase Agreement, are collectively referred to as the *"Notes"* (such term shall also include any such notes issued in substitution therefor pursuant to **Section 13** of the Note Purchase Agreement). The Series 2016D Notes shall be substantially in the forms set out in Exhibits 1-A and 1-B hereto with such changes therefrom, if any, as may be approved by the Series 2016D Additional Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each Series 2016D Additional Purchaser, and each Series 2016D Additional Purchaser agrees to purchase from the Company, Series 2016D Notes in the principal amount and in the tranche set forth opposite such Series 2016D Additional Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereinafter mentioned.

3. The sale and purchase of the Series 2016D Notes to be purchased by each Series 2016D Additional Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 A.M. Chicago time, at a closing (the *"Series 2016D Closing"*) on December 18, 2019. At the Series 2016D Closing, the Company will deliver to each Series 2016D Additional Purchaser the Series 2016D Notes of the tranche to be purchased by such Purchaser in the form of a single Series 2016D Note (or such greater number of Series 2016D Notes in denominations of at least $100,000 as such Series 2016D Additional Purchaser may request) dated the date of the Series 2016D Closing and registered in such Series 2016D Additional Purchaser's name (or in the name of such Series 2016D Additional Purchaser's nominee), against delivery by such Series 2016D Additional Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number [Redacted] If, at the Series 2016D Closing, the Company shall fail to tender such Series 2016D Notes to any Series 2016D Additional Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Series 2016D Additional Purchaser's satisfaction, such Series 2016D Additional Purchaser shall, at such Series 2016D Additional Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Series 2016D Additional Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Series 2016D Additional Purchaser to purchase and pay for the Series 2016D Notes to be sold to such Series 2016D Additional Purchaser at the Series 2016D Closing is subject to the fulfillment to such Series 2016D Additional Purchaser's satisfaction, prior to the Series 2016D Closing, of the conditions set forth in **Section 4** of the Note Purchase Agreement with respect to the Series 2016D Notes to be purchased at the Series 2016D Closing as if each reference to "2016A Notes" or "Notes," "Closing" and "Purchaser" set forth therein was modified to refer the "Series 2016D Notes," the "Series 2016D Closing" and the "Series 2016D Additional Purchaser" (each as defined in this Supplement) and to the following additional conditions:

(a) Each of the representations and warranties of the Company set forth in Exhibit A hereto shall be correct as of the date of the Series 2016D Closing (except for representations and warranties which apply to a specific earlier date which shall be true as of such earlier date) and the Company shall have delivered to each Series 2016D Additional Purchaser an Officer's Certificate, dated the date of the Series 2016D Closing certifying that such condition has been fulfilled.

(b) Contemporaneously with the Series 2016D Closing, the Company shall sell to each Series 2016D Additional Purchaser, and each Series 2016D Additional Purchaser shall purchase, the Series 2016D Notes to be purchased by such Series 2016D Additional Purchaser at the Series 2016D Closing as specified in Schedule A hereto.

(c) Contemporaneously with the Series 2016D Closing, the Company shall provide to each Series 2016D Additional Purchaser:

(i) a copy of each of the Subsidiary Guarantees delivered by NEFCORP, LLC and NEFPASS, LLC, respectively;

(ii) a certificate signed by an authorized responsible officer of such Subsidiary Guarantors dated the date of the Series 2016D Closing certifying that the representations and warranties of each Subsidiary Guarantor made at the time of the execution and delivery of its Subsidiary Guarantee are true and correct as of the date of the Series 2016D Closing;

(iii) a certificate of its Secretary or Assistant Secretary dated the date of the Series 2016D Closing certifying as to the due organization, continuing existence and good standing of such Subsidiary and the due authorization by all requisite action on the part of such Subsidiary of the execution and delivery of such Subsidiary Guaranty and the performance by such Subsidiary of its obligations thereunder; and

(iv) a reliance letter of counsel dated the date of the Series 2016D Closing permitting reliance by the Series 2016D Additional Purchasers on the opinions of Latham & Watkins LLP delivered in accordance with Section 9.7(b)(iv) of the Note Purchase Agreement at the time of the execution and delivery of each Subsidiary Guarantee.

5. [Reserved]

6. (a) Each Series 2016D Additional Purchaser severally represents and warrants that the representations and warranties set forth in **Section 6.1(a), (b), (c), (e)** and **(f)** and in **Section 6.2** of the Note Purchase Agreement are true and correct on the date hereof with respect to the purchase of the Series 2016D Notes by such Series 2016D Additional Purchaser as if each reference to “2016A Notes” or “Notes,” “Closing” and “Purchaser” set forth therein was modified to refer the “Series 2016D Notes,” the “Series 2016D Closing” and the “Series 2016D Additional Purchaser” and each reference to “this Agreement” therein was modified to refer to the Note Purchase Agreement as supplemented by this Supplement.

(b) Each Series 2016D Additional Purchaser for itself represents that it is either (i) an Institutional Accredited Investor acting for its own account or as a fiduciary or agent for others (which others are also Institutional Accredited Investors) or (ii) a “qualified institutional buyer” as defined under Rule 144A acting for its own account or as a fiduciary or agent for others (which others are also “qualified institutional buyers”).

7. The Company and each Series 2016D Additional Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as fully and completely as if such Series 2016D Additional Purchaser were an original signatory to the Note Purchase Agreement.

8. This Supplement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

9. The Company covenants and agrees with the holders of the Series 2016D Notes that the definitions of "*Canada Blocked Person*" and "*Canadian Economic Sanctions Laws*" shall be amended and restated in their entirety to read as follows:

"*Canada Blocked Person*" means (i) a "terrorist group" as defined for the purposes of Part II.1 of the Criminal Code (Canada), as amended or (ii) a Person identified in or pursuant to (w) Part II.1 of the Criminal Code (Canada), as amended or (x) the Proceeds of Crime (Money Laundering) and Terrorist Finance Act, as amended or (y) the Justice for Victims of Corrupt Foreign Officials Act (Sergei Magnitsky Law), as amended or (z) regulations or orders promulgated pursuant to the Special Economic Measures Act (Canada), as amended, the United Nations Act (Canada), as amended, or the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, in any case pursuant to this clause (ii) as a Person in respect of whose property or benefit a holder of Notes would be prohibited from entering into or facilitating a related financial transaction.

"*Canadian Economic Sanctions Laws*" means those laws, including enabling legislation, orders-in-council or other regulations administered and enforced by Canada or a political subdivision of Canada pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including Part II.1 of the Criminal Code (Canada), as amended, the Special Economic Measures Act (Canada), as amended, the Proceeds of Crime (Money Laundering) and Terrorist Finance Act, as amended, the Justice for Victims of Corrupt Foreign Officials Act (Sergei Magnitsky Law), as amended, the United Nations Act (Canada), as amended, the Export and Import Permits Act (Canada), as amended, and the Freezing Assets of Corrupt Foreign Officials Act (Canada), as amended, and including all regulations promulgated under any of the foregoing, or any other similar sanctions program or action.

10. The Company covenants and agrees with the holders of the Series 2016D Notes that, notwithstanding **Section 9.12** of the Note Purchase Agreement, the Company shall not be required to deliver to the 2016D Additional Purchasers in the manner provided in **Section 18** of the Note Purchase Agreement evidence in form and substance satisfactory to the 2016D Additional Purchasers that the Series 2016D Notes have been rated Investment Grade or better by either Fitch, S&P or another NRSRO, until 60 days after the 2016D Closing.

The execution hereof shall constitute a contract between the Company and the Series 2016D Additional Purchasers for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

SOLAR CAPITAL LTD.

By _____
Name: _____
Title: _____

SCHEDULE A
(to Supplement)

Accepted as of the date of this Supplement.

[PURCHASER]

By: [Investment Advisor]

By _____
Name: _____
Title: _____

INFORMATION RELATING TO SERIES 2016D ADDITIONAL PURCHASERS

NAME AND ADDRESS OF SERIES 2016D ADDITIONAL PURCHASER	REGISTERED NOTE NO.	PRINCIPAL AMOUNT OF SERIES 2016D NOTES TO BE PURCHASED	
		TRANCHE A	TRANCHE B
		$	$

SUPPLEMENTAL REPRESENTATIONS

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Section 5.1. Organization; Power and Authority. Each of the Company and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required of the Company or such Subsidiary, as applicable.

Section 5.2. Authorization, Etc. The Transactions are within the Company's corporate powers and have been duly authorized by all necessary corporate action and, if required, by all necessary shareholder action. The Note Purchase Agreement and the Third Supplement have been duly executed and delivered by the Company and the Note Purchase Agreement as supplemented by the Third Supplement constitutes, and each of the other Note Documents to which it is a party when executed and delivered will constitute, a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company has disclosed to the Series 2016D Additional Purchasers all agreements, instruments and corporate, limited liability company or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Company to the Series 2016D Additional Purchasers in connection with the negotiation of the Note Purchase Agreement, the Third Supplement and the other Note Documents or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) when taken together with the Company's public filings contains any material misstatement of fact therein (or omits to state any material fact necessary to make the statements therein not misleading), in the light of the circumstances under which they were made; *provided* that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Since the date of the most recent Applicable Financial Statements, there has not been any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (i) the business, Portfolio Investments and other assets, liabilities and financial condition of the Company and its Subsidiaries taken as a whole (excluding in any case a decline in the net asset value of the Company or a change in general market conditions or values of the Company's or any of its Subsidiaries' Portfolio Investments), or (ii) the validity or enforceability of any of the Note Documents or the rights or remedies of the Purchasers and the holders of the Notes thereunder.

EXHIBIT A
(to Supplement)

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) **Schedule 5.4** contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary (other than any tax blocker or investment held by such tax blocker), and (ii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in **Schedule 5.4** as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except Permitted Liens, Liens created pursuant to the Security Documents or as otherwise disclosed in **Schedule 5.4**).

(c) Each Subsidiary identified in **Schedule 5.4** is a corporation or other legal entity duly organized, validly existing and, where legally applicable, in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and, where legally applicable, is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than the Note Purchase Agreement, the Third Supplement, the Senior Secured Credit Agreement, the agreements listed on **Schedule 5.4** and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements; Material Liabilities. The Company has heretofore delivered to each Purchaser the audited consolidated statement of assets and liabilities (or balance sheet) and statements of operations, changes in net assets and cash flows of the Company and its Subsidiaries as of and for the fiscal year ending on December 31, 2018; such financial statements present fairly, in all material respects, the consolidated financial position and results of operations and cash flows of the Company and its Subsidiaries as of such date in accordance with GAAP. The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements.

Section 5.6. Compliance with Laws. Each of the Company and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property,

except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is subject to any contract or other arrangement, the performance of which by the Company or any such Subsidiary could reasonably be expected to result in a Material Adverse Effect.

Section 5.7. Governmental Authorizations, Compliance with Laws, Other Instruments, Etc. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for such as have been or will be obtained or made and are in full force and effect and are described in **Schedule 5.7**, (b) will not violate any applicable law or regulation or the limited liability company operating agreement, charter, by-laws or other organizational documents of the Company or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default in any material respect under any indenture, agreement or other instrument binding upon the Company or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) will not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that if adversely determined could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve the Note Purchase Agreement, the Third Supplement, the Note Purchase Agreement as supplemented by the Third Supplement or the Transactions.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. Each of the Company and its Subsidiaries has timely filed or caused to be filed all material Tax returns and reports required to have been filed and has paid or caused to be paid all material Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate in all material respects.

Section 5.10. Title to Property; Leases. Each of the Company and the other Obligors has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

Section 5.11. Licenses, Permits, Etc. Each of the Company and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Company and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.12. ERISA. (a) The execution and delivery of the Note Purchase Agreement or the Third Supplement and the issuance and sale of the Series 2016D Notes under the Note Purchase Agreement as supplemented by the Third Supplement will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this **Section 5.12(a)** is made in reliance upon and subject to the accuracy of such Purchaser's representation in **Section 6.2** as to the sources of the funds used to pay the purchase price of the Series 2016D Notes to be purchased by such Purchaser.

(b) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2016D Notes or any similar Securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than not more than 40 Institutional Investors (including the Series 2016D Additional Purchasers and, for purposes of this representation, all Series 2016D Additional Purchasers that are affiliated with each other are deemed one offeree), each of which has been offered the Series 2016D Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Series 2016D Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series 2016D Notes for refinancing of existing debt and general corporate purposes and in compliance with all laws referenced in **Section 5.16**. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock, and no part of the proceeds of the sale of the Series 2016D Notes hereunder will be used to buy or carry any Margin Stock, or to extend credit to others for the purpose of buying or carrying Margin Stock. After application of the proceeds of the sale of the Series 2016D Notes, not more than 25% of the value (as determined by any reasonable method) of the assets of the Company subject to any provision of the Note Purchase Agreement under which the sale, pledge or disposition of assets is restricted will consist of Margin Stock.

Section 5.15. Existing Indebtedness; Future Liens. (a) Part A of **Schedule 5.15** is a complete and correct list of each note, bond, certificate, credit agreement, loan agreement, indenture, note purchase agreement, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any

extension of credit) to, or guarantee by, the Company or any of its Subsidiaries outstanding on the date of the Series 2016D Closing, and the aggregate principal or face amount outstanding or that is, or may become, outstanding, the interest rate, collateral and related guaranties under each such arrangement is correctly described in Part A of **Schedule 5.15**.

(b) Part B of **Schedule 5.15** is a complete and correct list of each Lien securing Indebtedness of any Person outstanding or consented to on the date of the Series 2016D Closing covering any property of the Company or any Subsidiary Guarantor, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Part B of **Schedule 5.15**.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except for the Senior Secured Credit Agreement (and the other documents related thereto) and except as specifically indicated in **Schedule 5.15**.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Affiliated Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury ("*OFAC*") (an "*OFAC Listed Person*"), (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act ("*CISADA*") or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, "*U.S. Economic Sanctions*") (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a "*Blocked Person*"). Neither the Company nor any Affiliated Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Series 2016D Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or Canada Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person or Canada Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions or Canadian Economic Sanctions.

(c) Neither the Company nor any Affiliated Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act, any similar provisions of the Criminal Code (Canada), any U.S. Economic Sanctions, any Canadian Economic Sanctions or any other United States or Canadian law or regulation governing such activities (collectively, *"Anti-Money Laundering Laws"*) or any U.S. Economic Sanctions violations or violations of Canadian Economic Sanctions Laws, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any governmental authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations or violations of Canadian Economic Sanctions Laws, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions or Canadian Economic Sanctions Laws, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions and Canadian Economic Sanctions Laws.

(d) (1) Neither the Company nor any Affiliated Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and any similar provisions of the Criminal Code (Canada) (collectively, *"Anti-Corruption Laws"*) in the past five years, (ii) to the Company's actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws in the past five years or (iv) has been or is the target of sanctions imposed by the United Nations, Canada or the European Union;

(2) To the Company's actual knowledge after making due inquiry, neither the Company nor any Affiliated Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Governmental Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official's lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to improperly obtain, retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any Anti-Corruption Laws; and

(3) No part of the proceeds from the sale of the Series 2016D Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to improperly obtain, retain or direct business or

obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Affiliated Entity is and will continue to be in compliance with the Anti-Corruption Laws.

(e) Neither the Company nor any Affiliated Entity is (i) a Canada Blocked Person, (ii) an agent, department, or instrumentality of, or is otherwise controlled by or knowingly acting on behalf of, directly or indirectly, any such Person, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of any Canadian Economic Sanctions Laws. Neither the Company nor any Affiliated Entity has been notified by a governmental authority in Canada that its name appears or has been proposed for inclusion on a list of Persons maintained by a governmental authority in Canada that engage in investment or other commercial activities in any country that is subject to Canadian Economic Sanctions Laws. Neither the Company nor any Affiliated Entity knowingly engages in any dealings or transactions with any Canada Blocked Person.

Section 5.17. Status under Certain Statutes. (a) The Company is a company that has elected to be regulated as a "business development company" within the meaning of the Investment Company Act and qualifies as a RIC.

(b) The business and other activities of the Company and its Subsidiaries, including the issuance of the Series 2016D Notes under the Note Purchase Agreement as supplemented by the Third Supplement, the application of the proceeds and repayment thereof by the Company and the consummation of the Transactions contemplated by the Note Documents do not result in a violation or breach in any material respect of the applicable provisions of the Investment Company Act or any rules, regulations or orders issued by the SEC thereunder.

(c) The Company is in compliance with its Investment Policies, except to the extent that the failure to so comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.18. Series 2016D Notes Rank Pari Passu. The obligations of the Company under the Note Purchase Agreement as supplemented by the Third Supplement and the Series 2016D Notes rank at least *pari passu* in right of payment with all other Senior Unsecured Indebtedness (actual or contingent) of the Company, including, without limitation, the Series 2016A Notes, the Series 2016B Notes, the Series 2016C Notes and all other Senior Unsecured Indebtedness of the Company described in **Schedule 5.15** hereto.

Section 5.19. Investments. Set forth in **Schedule 5.19** is a complete and correct list of all Investments (other than Investments of the types referred to in clauses (b), (c) and (d) of **Section 10.4**) held by the Company or any Subsidiary Guarantor in any Person on the date of the Series 2016D Closing and, for each such Investment, (x) the identity of the Person or Persons holding such Investment and (y) the nature of such Investment. Except as disclosed in **Schedule 5.19**, as of the date of the Series 2016D Closing each of the Company and the Subsidiary Guarantors owns, free and clear of all Liens (other than Permitted Liens or Liens created pursuant to the Security Documents), all such Investments.

Section 5.20. Affiliate Agreements. As of the date of the Series 2016D Closing, the Company has heretofore delivered (to the extent not otherwise publicly filed with the SEC) to each of the Purchasers true and complete copies of each of the Affiliate Agreements (including schedules and exhibits thereto, and any amendments, supplements or waivers executed and delivered thereunder). As of the date of the Series 2016D Closing, each of the Affiliate Agreements is in full force and effect.

SUBSIDIARIES AND DIRECTORS AND SENIOR OFFICERS

(I) SUBSIDIARIES (OTHER THAN ANY TAX BLOCKER OR INVESTMENT HELD BY SUCH TAX BLOCKER):

NEFPASS LLC, A DELAWARE LIMITED LIABILITY COMPANY, 100% OWNED BY THE COMPANY

NEFCORP LLC, A DELAWARE LIMITED LIABILITY COMPANY, 100% OWNED BY THE COMPANY

NEFPASS SPV LLC, A DELAWARE LIMITED LIABILITY COMPANY, 100% OWNED BY NEFPASS LLC

(II) THE COMPANY'S DIRECTORS AND SENIOR OFFICERS:

NAME	TITLE(S)
MICHAEL S. GROSS	CO-CHIEF EXECUTIVE OFFICER, PRESIDENT, CHAIRMAN OF THE BOARD AND DIRECTOR (PRINCIPAL EXECUTIVE OFFICER)
STEVEN HOCHBERG	DIRECTOR
DAVID S. WACHTER	DIRECTOR
LEONARD A. POTTER	DIRECTOR
BRUCE SPOHLER	CO-CHIEF EXECUTIVE OFFICER (PRINCIPAL EXECUTIVE OFFICER), CHIEF OPERATING OFFICER AND DIRECTOR
RICHARD PETEKA	CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER), TREASURER AND SECRETARY
GUY TALARICO	CHIEF COMPLIANCE OFFICER

SCHEDULE 5.4
(to Note Purchase Agreement)

DESCRIPTION OF NECESSARY CONSENTS, APPROVALS, ETC.

NONE.

LIENS AND INDEBTEDNESS

PART A:

EXISTING INDEBTEDNESS

SENIOR SECURED CREDIT AGREEMENT

TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $545,000,000

RATE OF INTEREST: FLOATING RATE BASED ON LIBOR

THE SENIOR SECURED CREDIT AGREEMENT

THE GUARANTEE AND SECURITY AGREEMENT

VARIOUS STANDBY LETTERS OF CREDIT ISSUED UNDER THE SENIOR SECURED CREDIT AGREEMENT, TOTALING $0

NEFPASS SPV LLC LOAN SECURITY AND SERVICING AGREEMENT

TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $50,000,000

RATE OF INTEREST: FLOATING RATE BASED ON LIBOR

LOAN, SECURITY AND SERVICING AGREEMENT, DATED AS OF SEPTEMBER 26, 2018, BY AND AMONG NEFPASS SPV LLC AS THE BORROWER, THE COMPANY, AS THE SERVICER, THE LENDERS PARTY THERETO AND KEYBANK NATIONAL ASSOCIATION AS THE ADMINISTRATIVE AGENT (AS AMENDED BY AMENDMENT NO. 1 TO LOAN, SECURITY AND SERVICING AGREEMENT, DATED FEBRUARY 8, 2019, AND AS FURTHER AMENDED, RESTATED, AMENDED

EXHIBIT 1-A
(to Supplement)

AND RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME, THE "NEFPASS LSA")
PURCHASE AND SALE AGREEMENT (THE "NEFPASS SPV PURCHASE AND SALE AGREEMENT"), DATED AS OF SEPTEMBER 26, 2018, AMONG THE COMPANY AND NEFPASS LLC, AS THE TRANSFERORS, AND NEFPASS SPV LLC, AS THE PURCHASER
SOLAR CAPITAL LTD. SERIES 2016A SENIOR NOTES
TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $50,000,000
RATE OF INTEREST: 4.40%
THE NOTE PURCHASE AGREEMENT
THE NOTES ISSUED PURSUANT TO THE NOTE PURCHASE AGREEMENT
SOLAR CAPITAL LTD. SERIES 2016B SENIOR NOTES
TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $100,000,000
RATE OF INTEREST: 4.60%
THE NOTE PURCHASE AGREEMENT
THE FIRST SUPPLEMENT TO NOTE PURCHASE AGREEMENT, DATED AS OF FEBRUARY 15, 2017, AMONG THE COMPANY AND EACH OF THE PURCHASERS LISTED IN SCHEDULE A THERETO, AS AMENDED (THE "FIRST SUPPLEMENT")

THE NOTES ISSUED PURSUANT TO THE FIRST SUPPLEMENT
SOLAR CAPITAL LTD. SERIES 2016C SENIOR NOTES
TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $21,000,000
RATE OF INTEREST: 4.50%
THE NOTE PURCHASE AGREEMENT
THE SECOND SUPPLEMENT TO NOTE PURCHASE AGREEMENT, DATED AS OF DECEMBER 28, 2017, AMONG THE COMPANY AND EACH OF THE PURCHASERS LISTED IN SCHEDULE A THERETO, AS AMENDED (THE "SECOND SUPPLEMENT")

THE NOTES ISSUED PURSUANT TO THE SECOND SUPPLEMENT
SOLAR CAPITAL LTD. SERIES 2016D TRANCHE A SENIOR NOTES
TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $125,000,000
RATE OF INTEREST: 4.20%
THE NOTE PURCHASE AGREEMENT
THE SUPPLEMENT

THE NOTES ISSUED PURSUANT TO THE SUPPLEMENT
SOLAR CAPITAL LTD. SERIES 2016D TRANCHE B SENIOR NOTES
TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $75,000,000
RATE OF INTEREST: 4.375%
THE NOTE PURCHASE AGREEMENT
THE SUPPLEMENT

THE NOTES ISSUED PURSUANT TO THE SUPPLEMENT
SOLAR CAPITAL LTD. SENIOR NOTES
TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $75,000,000
RATE OF INTEREST: 4.50%

THE INDENTURE, DATED AS OF NOVEMBER 16, 2012, AMONG THE COMPANY AND U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE (THE "INDENTURE")
THE SECOND SUPPLEMENTAL INDENTURE, DATED AS OF NOVEMBER 22, 2017, AMONG THE COMPANY AND U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE (THE "SECOND SUPPLEMENTAL INDENTURE")
THE NOTES ISSUED PURSUANT TO THE SECOND SUPPLEMENTAL INDENTURE
INTERCOMPANY LOAN TO SLRC ADI CORPORATION
TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $30,500,000

RATE OF INTEREST: 18%
INTERCOMPANY LOAN, FROM THE COMPANY TO SLRC ADI CORPORATION, AS AMENDED (THE "INTERCOMPANY LOAN")
INTERCOMPANY LOAN TO NEFCORP LLC
TOTAL AMOUNT OUTSTANDING OR THAT IS, OR MAY BECOME, OUTSTANDING: $70,243,785
RATE OF INTEREST: 6.5%
INTERCOMPANY LOAN, FROM THE COMPANY TO NEFCORP LLC, AS AMENDED (THE "NEFCORP INTERCOMPANY LOAN")

PART B:
LIENS:
LIENS ON SUBSTANTIALLY ALL OF THE ASSETS OF THE COMPANY AND THE OTHER OBLIGORS GRANTED PURSUANT TO THE GUARANTEE AND SECURITY AGREEMENT.

LIENS ON LOANS SOLD BY THE COMPANY TO SSLP 2016-1, LLC GRANTED PURSUANT TO THE SSLP PURCHASE AND SALE AGREEMENT.

LIENS ON LOANS SOLD BY THE COMPANY TO NEFPASS SPV LLC GRANTED PURSUANT TO THE NEFPASS SPV PURCHASE AND SALE AGREEMENT.

LIENS ON LOANS SOLD BY NEFPASS LLC TO NEFPASS SPV LLC GRANTED PURSUANT TO THE NEFPASS SPV PURCHASE AND SALE AGREEMENT INVESTMENTS
[REDACTED]
[FORM OF SERIES 2016D TRANCHE A NOTE]

The securities represented by this Certificate have not been registered under the Securities Act of 1933, as amended (the "*Act*"), or the securities laws of any jurisdiction. Such securities may not be offered, sold, transferred, pledged, assigned, encumbered, hypothecated or otherwise disposed of except (i) pursuant to a registration statement with respect to such securities that is effective under the Act or applicable state securities laws, or (ii) in a transaction that does not require registration under the Act or applicable state securities law, including, without limitation, pursuant to Rule 144 or rule 144A, *provided* that an opinion of counsel (which may be internal counsel) shall be furnished to the Company (if reasonably requested by the Company), in form and substance reasonably satisfactory to the Company, to the effect that such transaction does not require registration under the Act and/or applicable state securities law.

SOLAR CAPITAL LTD.

4.20% SERIES 2016D, SENIOR NOTE, TRANCHE A, DUE DECEMBER 15, 2024

No. [ ] [Date]
$[ ] PPN 83413U B@8

For Value Received, the undersigned, Solar Capital Ltd. (herein called the *"Company"*), a corporation organized and existing under the laws of the State of Maryland, hereby promises to pay to [ ], or registered assigns, the principal sum of [ ] Dollars (or so much thereof as shall not have been prepaid) on December 15, 2024, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance hereof at the rate of (a) 4.20% per annum from the date hereof, payable semiannually, on the 15th day of June and December in each year, commencing June 15, 2020, and on the Maturity Date until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the Default Rate (as defined in the hereinafter defined Note Purchase Agreement).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Goldman Sachs Bank USA in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the *"Notes"*) issued pursuant to the Third Supplement to the Note Purchase Agreement, dated as of December 18, 2019 (as from time to time amended, supplemented or modified, the *"Note Purchase Agreement"*), among the Company and the respective Purchasers named therein and Additional Purchasers of Notes from time to time issued pursuant to any Supplement to the Note Purchase Agreement. This Note and the holder hereof are entitled equally and ratably with the holders of all other Notes of all series from time to time outstanding under the Note Purchase Agreement to all the benefits provided for thereby or referred to therein. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement, (ii) made the representations and agreements set forth in Sections 6.2 and 6.1(b), (d) and (f) of the Note Purchase Agreement and (iii) agreed that any transfer or other disposition of this Note is otherwise subject to the terms and conditions contained in the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note of the same Series and tranche for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note and the holder hereof are entitled equally and ratably with the holders of all of the Notes, the Series 2016A Notes, the Series 2016B Notes, the Series 2016C Notes and any Additional Notes issued and outstanding from time to time to the rights and benefits provided pursuant to the terms and provision of the Subsidiary Guarantee (as such term is defined in the Note Purchase Agreement). Reference is hereby made to the foregoing for a statement of the nature and extent of the benefits for the Notes afforded thereby and the rights of the holders of the Notes.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit application of the laws of a jurisdiction other than such State.

Solar Capital Ltd.

By _____
Name: _____
Title: _____

[FORM OF SERIES 2016D TRANCHE B, NOTE]

The securities represented by this Certificate have not been registered under the Securities Act of 1933, as amended (the *"Act"*), or the securities laws of any jurisdiction. Such securities may not be offered, sold, transferred, pledged, assigned, encumbered, hypothecated or otherwise disposed of except (i) pursuant to a registration statement with respect to such securities that is effective under the Act or applicable state securities laws, or (ii) in a transaction that does not require registration under the Act or applicable state securities law, including, without limitation, pursuant to Rule 144 or rule 144A, *provided* that an opinion of counsel (which may be internal counsel) shall be furnished to the Company (if reasonably requested by the Company), in form and substance reasonably satisfactory to the Company, to the effect that such transaction does not require registration under the Act and/or applicable state securities law.

SOLAR CAPITAL LTD.

4.375% SERIES 2016D, SENIOR NOTE, TRANCHE B, DUE DECEMBER 15, 2026

No. [ ] [Date]
$[ ] PPN 83413U B#6

For Value Received, the undersigned, Solar Capital Ltd. (herein called the *"Company"*), a corporation organized and existing under the laws of the State of Maryland, hereby promises to pay to [ ], or registered assigns, the principal sum of [ ] Dollars (or so much thereof as shall not have been prepaid) on December 15, 2026, with interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid balance hereof at the rate of (a) 4.375% per annum from the date hereof, payable semiannually, on the 15th day of June and December in each year, commencing June 15, 2020, and on the Maturity Date until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, on any overdue payment of interest and, during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the Default Rate (as defined in the hereinafter defined Note Purchase Agreement).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Goldman Sachs Bank USA in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the *"Notes"*) issued pursuant to the Third Supplement to the Note Purchase Agreement, dated as of December 18, 2019 (as from time to time amended, supplemented or modified, the *"Note Purchase Agreement"*), among the Company and the respective Purchasers named therein and Additional Purchasers of Notes from time to time issued pursuant to any Supplement to the Note Purchase Agreement. This Note and the holder hereof are entitled equally and ratably with the holders of all other Notes of all series from time to time outstanding under the Note Purchase Agreement to all the benefits provided for

thereby or referred to therein. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement, (ii) made the representations and agreements set forth in Sections 6.2 and 6.1(b), (d) and (f) of the Note Purchase Agreement and (iii) agreed that any transfer or other disposition of this Note is otherwise subject to the terms and conditions contained in the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note of the same Series and tranche for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note and the holder hereof are entitled equally and ratably with the holders of all of the Notes, the Series 2016A Notes, the Series 2016B Notes, the Series 2016C Notes and any Additional Notes issued and outstanding from time to time to the rights and benefits provided pursuant to the terms and provision of the Subsidiary Guarantee (as such term is defined in the Note Purchase Agreement). Reference is hereby made to the foregoing for a statement of the nature and extent of the benefits for the Notes afforded thereby and the rights of the holders of the Notes.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would permit application of the laws of a jurisdiction other than such State.

Solar Capital Ltd.

By _____
Name: _____
Title: _____

JOINT CODE OF ETHICS AND INSIDER TRADING POLICY

I. INTRODUCTION

Solar Capital Partners, LLC (the **"Adviser"**) seeks to foster and maintain a reputation for honesty, integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in Adviser are highly valued and must be protected. Adviser has adopted this Code of Ethics (the **"Code"**) in accordance with Rules 204A-1 under the Investment Advisers Act of 1940 and Rule 17j-l under the Investment Company Act of 1940, as amended. The Code includes Adviser's policy with respect to personal investment and trading and its insider trading policy and procedures. Solar Capital Ltd., Solar Senior Capital Ltd. and SCP Private Credit Income BDC LLC (collectively referred to as, the **"BDC"** or the **"Company")** have similarly and jointly adopted this Code of Ethics. Thus, this Code of Ethics is applicable to all Access Persons (as defined below) of the Adviser and the Company (collectively **"Solar Capital"**).

II. DEFINITIONS

A. Access Person. The term "**Access Person**" means (i) any Supervised Person who (1) has access to nonpublic information regarding a Client's purchase or sale of securities; (2) has access to nonpublic information regarding the portfolio holdings of any Reportable Fund; and/or (3) is involved in making securities recommendations to Clients or who has access to such recommendations that are nonpublic and (ii) all of the directors, officers, employees, members or partners of Solar Capital. By way of example, Access Persons include portfolio management personnel and service representatives who communicate investment advice to Clients. Administrative, technical, and clerical personnel may also be Access Persons if their functions or duties provide them with access to nonpublic information.

B. Advisers Act. The term "**Advisers Act**" means the Investment Advisers Act of 1940, as amended.

C. Automatic Investment Plan. An "**Automatic Investment Plan**" is a program in which regular periodic purchases or withdrawals are made automatically in or from investment accounts according to a predetermined schedule and allocation. An Automatic Investment Plan includes a dividend reinvestment plan.

D. Beneficial Ownership Interest. You will be considered to have "**Beneficial Ownership Interest**" in a Security if: (i) you have a Pecuniary Interest in the Security; (ii) you have voting power with respect to the Security, meaning the power to vote or direct the voting of the Security; or (iii) you have the power to dispose, or direct the disposition of, the Security. If you have any question about whether an interest in a Security or an account constitutes Beneficial Ownership of that Security, you should contact the Chief Compliance Officer.

E. Chief Compliance Officer. The "**Chief Compliance Officer**" is the Access Person designated respectively by Adviser and BDC for each entity respectively as such, as identified in Solar Capital's Compliance Policies and Procedures Manual.

F. Client. The term "**Client**" means any investment entity or account advised or managed or sub-advised by Adviser, including any pooled investment vehicle advised or sub-advised by Adviser.

G. Commission. The term "**Commission**" means the United States Securities and Exchange Commission.

H. Compliance Officer. The term **"Compliance Officer"** shall mean an Access Person deemed by Solar Capital to be sufficiently experienced to perform senior-level compliance functions, and shall include the Chief Compliance Officer.

I. Disinterested Director. The term **"Disinterested Director"** means a director of the Company who is not an "interested person" of the Company within the meaning of Section 2(a)(19) of the Investment Company Act.

J. Exchange Act. The term "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

K. Federal Securities Laws. The term "**Federal Securities Laws**" means the Securities Act, the Exchange Act, the Sarbanes-Oxley Act of 2002, the Investment Company Act, the Advisers Act, Title V of the Gramm-Leach-Bliley Act, any rules adopted by the Commission under any of these statutes, the Bank Secrecy Act as it applies to funds and investment advisers, and any rules adopted under the Bank Secrecy Act by the Commission or the Department of the Treasury.

L. Fund. The term "**Fund**" means any pooled investment vehicle, whether registered, required to be registered, or exempt from registration as an "investment company" pursuant to the Investment Company Act.

M. Immediate Family. The term "**Immediate Family**" includes a Supervised Person's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and includes any adoptive relationship.

N. Index Securities. The term "**Index Securities**" means interests in exchange-traded funds or derivatives based on broad-based market indices.

O. Initial Public Offering. The term "**Initial Public Offering**" means an offering of securities registered under the Securities Act, the issuer of which, immediately before the registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act.

P. Investment Company Act. The term "**Investment Company Act**" means the Investment Company Act of 1940, as amended.

Q. Limited Offering. The term "**Limited Offering**" means an offering, typically referred to as a "private placement", that is exempt from registration under the Securities Act.

R. Non-Reportable Securities. The term "**Non-Reportable Securities**" means: (i) direct obligations of the U.S. Government; (ii) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments (defined as any instrument that has a maturity at issuance of less than 366 days and that is rated in one of the two highest rating categories by a Nationally Recognized Statistical Rating Organization), including repurchase agreements; (iii) shares issued by money market funds; (iv) shares issued by open-end funds registered under the Investment Company Act, other than Reportable Funds; and (v) shares issued by unit investment trusts that are invested exclusively in one or more open-end funds, none of which are Reportable Funds.

S. Partners. The term "**Partners**" refers to Michael Gross and Bruce Spohler.

T. Pecuniary Interest. You will be considered to have a "**Pecuniary Interest**" in a Security if you, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, have the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the Security. The term "Pecuniary Interest" is construed very broadly. The following examples illustrate this principle: (i) ordinarily, you will be deemed to have a "Pecuniary Interest" in all Securities owned by members of your Immediate Family who share the same household with you; (ii) if you are a general partner of a general or limited partnership, you will be deemed to have a "Pecuniary Interest" in all Securities held by the partnership; (iii) if you are a shareholder of a corporation or similar business entity, you will be deemed to have a "Pecuniary Interest" in all Securities held by the corporation if you are a controlling shareholder or have or share investment control over the corporation's investment portfolio; (iv) if you have the right to acquire equity Securities through the exercise or conversion of a derivative Security, you will be deemed to have a Pecuniary Interest in the Securities, whether or not your right is presently exercisable; (v) if you are the sole member or a manager of a limited liability company, you will be deemed to have a Pecuniary Interest in the Securities held by the limited liability company; and (vi) ordinarily, if you are a trustee or beneficiary of a trust, where either you or members of your Immediate Family have a vested interest in the principal or income of the trust, you will be deemed to have a Pecuniary Interest in all Securities held by that trust. If you have any question about whether an interest in a Security or an account constitutes a Pecuniary Interest, you should contact the Chief Compliance Officer.

U. Reportable Fund. The term "**Reportable Fund**" means (i) any Fund for which Adviser serves as investment adviser; or (ii) any Fund whose investment adviser or principal underwriter controls Adviser, is controlled by Adviser, or is under common control with Adviser. As used in this definition, the term **control** has the same meaning as it does in Section 2(a)(9) of the Investment Company Act.

V. Reportable Security. The term "**Reportable Security**" means all Securities other than Non-Reportable Securities. Reportable Securities include Index Securities, municipal securities and any other securities not specifically included in the definition of a Non-Reportable Security.

W. Restricted List. The "**Restricted List**" is a list maintained by the Chief Compliance Officer as specified by Solar Capital's **Insider Trading Policies and Procedures**.

X. SEC. The term "**SEC**" means the U.S. Securities and Exchange Commission.

Y. Securities Act. The term "**Securities Act**" means the Securities Act of 1933, as amended.

Z. Security. The term "**Security**" has the same meaning as it has in section 202(a)(18) of the Advisers Act. For purposes of this Code, the following are Securities:

> Any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a security, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any security.

The following are **not** Securities:

> Commodities, futures and options traded on a commodities exchange, including currency futures, except that (i) options on any group or index of Securities and (ii) futures on any group or narrow-based index of Securities are Securities.
>
> You should note that "**Security**" includes a right to acquire a Security, as well as an interest in a collective investment vehicle (such as a limited partnership or limited liability company).

AA. Supervised Person. The term "**Supervised Person**" means (i) any partner, member, officer or director of Solar Capital, or other person occupying a similar status or performing similar function; (ii) any employee of Solar Capital; (iii) any U.S. consultant who has been contracted by Solar Capital for more than ninety (90) days; and (iv) any other person who provides advice on behalf of Solar Capital and is subject to Solar Capital's supervision and control.

III. ANTI-BRIBERY REQUIREMENTS

The Adviser is committed to complying with the laws and regulations designed to combat bribery and corruption (herein after referred to as "anti-bribery") and to seeking and retaining business on the basis of merit, not through bribery or corruption.

It is the Adviser's policy that:

- Personnel may not provide anything of value to obtain or retain business or favored treatment from public officials; candidates for office; employees of state-owned enterprises; clients/customers, or suppliers; any agent of the aforementioned parties; or any other person with whom the Adviser does or anticipates doing business.
- The prohibition against providing "anything of value" to obtain or retain business or favored treatment includes obvious improper payments, such as cash bribes or kickbacks, but also may include other direct or indirect benefits and advantages, such as gifts, meals, entertainment, charitable contributions, and offers of employment or internships that are inappropriate.
- The prohibition extends not only to public officials, but also to corporate clients and other private parties.
- The Adviser prohibits its personnel from requesting or accepting bribes and other improper financial advantages, as well as offering them.

The Adviser maintains written policies, procedures and internal controls reasonably designed to comply with anti-bribery laws (the "Anti-Bribery Program"). The Anti-Bribery Program includes a risk assessment process, education and training, review and approval processes, due diligence procedures, accounting processes and independent testing processes. The Adviser expects all of its agents and vendors to (i) maintain policies and procedures applicable to their circumstances and proportionate to the risks they face and (ii) to act at all times in a manner consistent with the Adviser's anti-bribery policies.

Personnel who engage in or facilitate bribery, or who fail to comply with all applicate anti-bribery laws, regulations, and the Adviser's anti-bribery and related policies, may be subject to disciplinary action. The Adviser reserves the right to terminate immediately any business relationship that violates the Adviser's anti-bribery policies.

The Adviser will conduct targeted email reviews, discussion of the policy will be conducted in code of ethics training. Any exceptions to the policy will be reported to Management.

IV. PERSONAL INVESTMENT AND TRADING POLICY

A. General Statement

Solar Capital is committed to maintaining the highest standard of business conduct.

Solar Capital and its Supervised Persons must not act or behave in any manner or engage in any activity that (1) involves or creates even the suspicion or appearance of the misuse of material, nonpublic information by Solar Capital or any Supervised Person or (2) gives rise to, or appears to give rise to, any breach of fiduciary duty owed to any Client or investor.

In addition, the Federal Securities Laws require that investment advisers maintain a record of every transaction in any Security, with certain exceptions, as described below, in which any

Access Person acquires or disposes of Beneficial Ownership where the Security is or was held in an account over which the Access Person has direct or indirect influence or control. Given the current size of its operations, **Solar Capital has chosen to require reporting of transactions, as well as pre-approval of certain transactions, for all Supervised Persons (subject to the specific exceptions in the Code), rather than only Access Persons. Notwithstanding the foregoing, Disinterested Directors are not subject to the preclearance and reporting requirements of the Code. However, with respect to the Company's securities Disinterested Directors must transact during the window periods and subsequently report the transaction detail to the Company on the day of the transaction.**

Solar Capital has developed the following policies and procedures relating to personal trading in Securities and the reporting of such personal trading in Securities in order to ensure that each Supervised Person satisfies the requirements of this Code.

B. Requirements of this Code

1. Duty to Comply with Applicable Laws.

All Supervised Persons are required to comply with the Federal Securities Laws, the fiduciary duty owed by Adviser to its Clients, as applicable, and this Code.

2. Insider Trading Controls

All Supervised Persons are required to comply with the **Insider Trading Policies and Procedures** adopted by the Adviser and the BDC which appears as ***Appendix VII*** of this Code of Ethics and is incorporated herein by this reference.

3. Duty to Report Violations.

Each Supervised Person is required by law to promptly notify the Chief Compliance Officer or designee in the event he or she knows or has reason to believe that he or she or any other Supervised Person has violated any provision of this Code. If a Supervised Person knows or has reason to believe that the Chief Compliance Officer has violated any provision of this Code, the Supervised Person must promptly notify the Chief Financial Officer and is not required to notify the Chief Compliance Officer.

Solar Capital is committed to fostering a culture of compliance. Solar Capital therefore urges you to contact the Chief Compliance Officer or designee if you have any questions regarding compliance. You will not be penalized and your status at Solar Capital will not be jeopardized by communicating with the Chief Compliance Officer. Reports of violations or a suspected violations also may be submitted anonymously to the Chief Compliance Officer or designee. Any retaliatory action taken against any person who in good faith reports a violation or a suspected violation of this Code is itself a violation of this Code and cause for appropriate corrective action, including dismissal.

4. Supervised Personnel to be Supplied Copies, and Furnish Acknowledgements of Receipt of the Code of Ethics and Any Amendments Thereof.

Solar Capital will provide all Supervised Persons with a copy of this Code and all subsequent amendments. By law, all Supervised Persons must in turn provide written acknowledgement to the Chief Compliance Officer or designee of their initial receipt and review of this Code, their annual review of this Code and their receipt and review of any subsequent amendments to this Code.

C. Restrictions on Supervised Persons Trading in Securities

1. Generally.

Purchases of Reportable Securities (other than Index Securities) by Supervised Persons and participation by Supervised Persons in an Initial Public Offering or Limited Offering require advance preclearance approval, in writing, by a Compliance Officer together with the **specific approval** of both Partners.

Sales of Reportable Securities (other than Index Securities) by Supervised Persons require advance preclearance approval, in writing, by a Compliance Officer together with the **specific approval** of both Partners.

All Supervised Person personal trading in Securities (other than Index Securities) is subject to the following further requirements and/or restrictions.

(a) Any transaction in a Security subject to the Restricted List of issuers maintained by Solar Capital is strictly prohibited.

(b) Any transaction in a Security which the Supervised Person knows or has reason to know is being purchased or sold, or is being considered for purchase or sale, by or on behalf of a Client is prohibited until the Client's transaction has been completed or consideration of the transaction is abandoned. A Security is "**being considered for purchase or sale**" the earlier of (i) when a recommendation to purchase or sell has been made and communicated or (ii) the Security is placed on Adviser's research project lists or, (iii) with respect to the Supervised Person making the recommendation, when the Supervised Person seriously considers making such a recommendation.

(c) No Supervised Person may engage in a transaction in a Security, which includes an interest in a Fund, if the Supervised Person's transaction would otherwise disadvantage or appear to disadvantage a Client or if the Supervised Person would inappropriately profit from or appear to so profit from the transaction, whether or not at the expense of the Client. **For the avoidance of doubt, this prohibition applies to any Security held, at the time of a personal transaction, in any Client account**.

(d) Any transaction in a Security during the period which begins three days before and ends three days after any Client has traded in that Security is prohibited, unless approved by a Compliance Officer.

(e) No matched purchases and sales, or sales and purchases, in the same Security within a thirty-day period may be transacted without the advance approval of a Compliance Officer.

(f) Personal account trading must be done on the Supervised Person's own time without placing undue burden on Solar Capital's time.

(g) No personal trades should be undertaken which are beyond the financial resources of the Supervised Person.

(h) **For the avoidance of doubt**:

(i) Supervised Person Transactions in Index Securities are subject to the reporting, but not the preclearance requirements of this Code.

(ii) Supervised Person Transactions in Reportable Securities other than Index Securities are subject to both the preclearance and the reporting requirements of this Code.

(iii) Supervised Person Transactions by Disinterested Directors are not subject to the preclearance and reporting requirements of this Code. However, with respect to the Company's securities Disinterested Directors must transact during the window periods and subsequently report the transaction detail to the Company on the day of the transaction.

2. Accounts of Record

(a) You may not hold, and you may not permit any other person or entity to hold, on your behalf, any publicly traded Reportable Securities in which you have, or by reason of a Supervised Person Purchase Transaction (as hereinafter defined) will acquire, a Beneficial Ownership Interest, except through an "**account of record**" with the Adviser maintained with a bank or registered broker-dealer custodian (a "**custodian**") or a registered investment adviser.

(b) You must provide written notice to a Compliance Officer of your opening of an account with a bank or broker-dealer custodian or an investment adviser through which you (or your investment adviser, acting on your behalf) have the ability to purchase or sell publicly traded Reportable Securities promptly after opening the account, and in any event before the first order for the purchase or sale of such Securities is placed through the account. A Compliance Officer will then ask you to complete and sign a written notice to the account custodian or investment adviser (the forms of which are attached as Appendix IV and Appendix V hereto) which discloses your affiliation with the Adviser and requests that duplicate hard copies of trade confirmations and periodic statements reflecting all holdings and transactions within the account be promptly and confidentially sent to the attention of the Chief Compliance Officer.[1] A Compliance Officer will review and, upon approval, transmit the notice to your account custodian or investment adviser.

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1 In lieu of using the referenced Appendices requesting the forwarding of *hard-copy* confirmations and account statements, the Adviser will ordinarily ask, if feasible, that the account custodian agree to establish an *automatic electronic feed* of all account holding and transaction activity to the Adviser's area of the *Personal Trade Compliance Center* ("PTCC") online "cloud" system which the Adviser has licensed from Compliance Science, Inc.

3. Transactions of Immediate Family Members.

There is a presumption that a Supervised Person can exert some measure of influence or control over accounts held by members of such person's Immediate Family sharing the same household. Therefore, transactions by Immediate Family members sharing the same household are subject to the policies herein. A Supervised Person may rebut this presumption by presenting convincing evidence, in writing, to the Chief Compliance Officer and request an exemption to one or more policies herein. All exemptions must be approved by the Chief Compliance Officer, in writing.

4. The following are Exempt Transactions that do not require preclearance by a Compliance Officer:

(a) Any transaction in Securities in an account over which a Supervised Person does not have any direct or indirect influence or control (such as a fully discretionary managed account through a registered investment adviser). To rely upon this exemption, Supervised Persons must provide: (1) information about a trustee or third–party manager's relationship to the Supervised Person (i.e., independent professional versus friend or relative; unaffiliated versus affiliated firm); (2) periodic certifications regarding the Supervised Persons' influence or control over trusts or accounts (or obtain the certification from the third party manager or trustee when requested); and (3) when requested, reports on holdings and/or transactions made in the trust or discretionary account to identify transactions that would have been prohibited pursuant to the Code of Ethics, absent reliance on the reporting exemption.

(b) Purchases of Securities under Automatic Investment Plans (such as an employer-sponsored 401(k) plan).

(c) Purchases of Securities by exercise of rights issued to the holders of a class of Securities pro rata, to the extent they are issued with respect to Securities in which a Supervised Person has a Beneficial Ownership Interest.

(d) Acquisitions or dispositions of Securities as the result of a stock dividend, stock split, reverse stock split, merger, consolidation, spin-off or other similar corporate distribution or reorganization applicable to all holders of a class of Securities in which a Supervised Person has a Beneficial Ownership Interest.

(e) Such other specific or classes of transactions as may be exempted from time to time by the Chief Compliance Officer based upon a determination that the transactions are unlikely to violate Rule 204A-1 under the Advisers Act.

5. Supervised Person Transaction Preclearance and Execution Procedures

The following procedures shall govern all transactions in which a Supervised Person intends to sell (a "Supervised Person Sale Transaction") or intends to acquire (a "Supervised Person Purchase Transaction"; together with "Supervised Person Sale Transaction", a "Supervised Person Transaction") a Beneficial Ownership Interest and which are subject to the requirement of securing advance preclearance approval, in writing, by a Compliance Officer.

(a) Preclearance.

Requests for preclearance of Supervised Person Transactions are to be delivered, confidentially and in writing (via the Adviser's email network), to the attention of a Compliance Officer and both Partners. Responses on behalf of such Compliance Officer and both Partners will be conveyed, confidentially and in writing ordinarily via email, within two (2) business days regarding Supervised Person Transaction requests involving publicly traded Reportable Securities and five (5) business days regarding Transaction requests involving other Reportable Securities.

(i) Supervised Person Purchase Transactions.

Preclearance of Supervised Person Purchase Transactions may be withheld for any reason, or no reason, in the sole discretion of the Chief Compliance Officer and both Partners.

(ii) Supervised Person Sale Transactions.

A Supervised Person Sale may be disapproved if it is determined by the Chief Compliance Officer and both Partners that the Supervised Person is unfairly benefiting from, or that the transaction is in conflict with, or appears to be in conflict with, any Client Transaction (as defined below), any of the above-described trading restrictions, or otherwise by this Code. The determination that a Supervised Person may unfairly benefit from, or that a Supervised Person Sale may conflict with or appears to be in conflict with, a Client Transaction will be subjective and individualized, and may include questions about the timely and adequate dissemination of information, availability of bids and offers, and other factors deemed pertinent for an individual Client transaction or series of transactions. It is possible that a disapproval of a Supervised Person Sale could be costly to a Supervised Person or members of a Supervised Person's family; therefore, each Supervised Person should take great care to adhere to Solar Capital's trading restrictions and avoid conflicts of interest or the appearance of conflicts of interest.

Any disapproval of a Supervised Person Sale Transaction shall be in writing. A Supervised Person may appeal any such disapproval by written notice to the Partners within two business days after receipt of notice of disapproval.

(b) Executions of Supervised Person Transactions.

(i) Transactions in Publicly Traded Reportable Securities.

Supervised Person Transactions in publicly traded Reportable Securities must, except upon the advance written approval of a Compliance Officer, be executed through an account of record with the Adviser in accordance with Section III.C.3(b).

(ii) Transactions in Other Reportable Securities.

Confirmation of Supervised Person Transactions in all other Reportable Securities must be promptly conveyed, confidentially and in writing, to the attention of the Chief Compliance Officer.

V. REPORTING

A. Reports About Securities Holdings and Transactions

Supervised Persons (other than Disinterested Directors) must submit to the Chief Compliance Officer or designee periodic written reports about their Securities holdings, transactions, and accounts, and the Securities of other persons if the Supervised Person has a Beneficial Ownership Interest in such Securities and the accounts of other persons if the Supervised Person has direct or indirect influence or control over such accounts.[2] The obligation to submit these reports and the content of these reports are governed by the Federal Securities Laws. The reports are intended to identify conflicts of interest that could arise when a Supervised Person invests in a Security or holds accounts that permit these investments, and to promote compliance with this Code. Adviser is sensitive to privacy concerns and will try not to disclose your reports to anyone unnecessarily. Report forms are attached.

Failure to file a timely, accurate, and complete report is a serious breach of Commission rules and this Code. If a Supervised Person is late in filing a report, or files a report that is misleading or incomplete, the Supervised Person may face sanctions including identification by name to the Chief Compliance Officer, withholding of salary or bonuses, or termination of employment.

2. **Initial Disclosure Reports:** Within ten days after you become a Supervised Person (other than Disinterested Directors), you must submit to the Chief Compliance Officer or designee a securities accounts report (a form of which is attached as Appendix II thereto) and private investments report (a form of which is attached as Appendix VI thereto) based on information that is current as of a date not more than 45 days prior to the date you become a Supervised Person.

(a) The Initial Report of Securities Accounts contains the following:

(i) The name/title and type of Security, and, as applicable, the exchange ticker symbol or CUSIP number, the number of equity shares and principal amount of each Reportable Security in which you had a Beneficial Ownership Interest. You may provide this information by referring to attached copies of broker transaction confirmations or account statements from the applicable record keepers that contain the information.

(ii) The name and address of any broker, dealer, or bank or other institution (such as a general partner of a limited partnership, or transfer agent of a company) that maintained any account holding any Securities in which you have a Beneficial Ownership Interest, and the account numbers and names of the persons for whom the accounts are held.

(iii) An executed statement (and a letter or other evidence) pursuant to which you have instructed each broker, dealer, bank, or other institution to provide duplicate

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[2] In lieu of employing the referenced Appendices, Supervised Personnel will ordinarily perform required reporting by utilizing the PTCC online system which the Adviser has licensed from Compliance Science, Inc.

account statements and confirmations of all Securities transactions, unless Adviser indicates that the information is otherwise available to it. The form of this statement is attached as Appendix IV (for personal accounts) and Appendix V (for related accounts) hereto.

(iv) The date you submitted the report.

(b) The Initial Report of Private Investments contains the following:

(i) A description of all private investments in which you have a Beneficial Ownership Interest, the principal amount of those private investments, the approximate dates of acquisition, and whether the private investments involve or are associated with companies that have publicly traded debt or equity.

(ii) The date you submitted the report.

3. **Quarterly Transaction Report:** Unless, as noted below, the Chief Compliance Officer already receives trade confirmations or account statements for all of your transactions in Reportable Securities, within 30 days after the end of each calendar quarter, you, as a Supervised Person (other than Disinterested Directors), must submit to the Chief Compliance Officer or designee a transaction report, a form of which is attached as Appendix III hereto, that contains:

(a) With respect to any transaction during the quarter in any Reportable Security in which you had, or as a result of the transaction acquired, a Beneficial Ownership Interest:

(i) The date of the transaction, the name/title and as applicable, the exchange ticker symbol or CUSIP number, interest rate and maturity date, the number of equity shares of, or the principal amount of debt represented by, and principal amount of each Reportable Security involved;

(ii) The nature of the transaction, i.e., purchase, sale or other type of acquisition or disposition;

(iii) The price at which the transaction in the Reportable Security was effected;

(iv) The name of the broker, dealer, bank, or other institution with or through which the transaction was effected.

(b) The name and address of any broker, dealer, bank, or other institution, such as a general partner of a limited partnership, or transfer agent of a company, that maintained any account in which any Securities were held during the quarter in which you have a Beneficial Ownership Interest, the account numbers and names of the persons for whom the accounts were held, and the date when each account was established.

(c) An executed statement, and a letter or other evidence, pursuant to which you have instructed each broker, dealer, bank, or other institution that has established a new

account over which you have direct or indirect influence or control during the past quarter to provide duplicate account statements and confirmations of all Securities transactions to Solar Capital, unless Solar Capital indicates that the information is otherwise available to it. The form of this statement is attached as Appendix IV and Appendix V hereto.

(d) The date that you submitted the report.

*****You need not submit a quarterly transaction report to the Chief Compliance Officer or designee if it would duplicate information contained in trade confirmations or account statements already received by the Chief Compliance Officer or designee, provided that those trade confirmations or statements are received not later than 30 days after the close of the calendar quarter in which the transaction takes place. *****

4. **Annual Employee Certification:** You (other than Disinterested Directors) must, no later than February 15 of each year, submit to the Chief Compliance Officer or designee an Annual Employee Certification, that is current as of a date no earlier than December 31 of the prior calendar year (the "**Annual Report Date**") and that contains:

(a) The name and address of any broker, dealer, investment advisor or bank or other institution, such as a general partner of a limited partnership, or transfer agent of a company, that maintained any account holding any Securities in which you have a Beneficial Ownership Interest on the Annual Report Date, the account numbers and names of the persons for whom the accounts are held, and the date when each account was established; this information may be provided through copies of statements of each such account.

(b) A description of any private investments in which you have a Beneficial Ownership Interest on the Annual Report Date, the principal amount of the investment, the approximate date of the acquisition, and whether the private investment involves or is associated with a company that has publicly trade debt or equity.

(c) The date that you submitted the report.

Exception to requirement to list transactions or holdings subject to IV.2 and IV.3(a) above: You are not required to submit (i) holdings or transactions reports for any account over which you had no direct or indirect influence or control (such as a fully discretionary managed account through a registered investment advisor) or (ii) transaction reports with respect to transactions effected pursuant to an Automatic Investment Plan, unless requested by Solar Capital. You must still identify the existence of the account in your list of accounts. Transactions that override pre-set schedules or allocations of an automatic investment plan or trades that are directed by you in a fully discretionary managed account, however, must be included in a quarterly transaction report.

In order to take advantage of part (i) of the exception (accounts over which you had no direct or indirect influence or control), Access Persons must provide:

- Information about a trustee or third–party manager's relationship to the Access Person (i.e., independent professional versus friend or relative; unaffiliated versus affiliated firm);

- periodic certifications regarding the Access Persons' influence or control over trusts or accounts (or obtain the certification from the third party manager or trustee when requested);
- when requested, reports on holdings and/or transactions made in the trust or discretionary account to identify transactions that would have been prohibited pursuant to the Code of Ethics, absent reliance on the reporting exemption.

5. Please ask the Chief Compliance Officer if you have questions about the above-described disclosure and transaction reporting requirements.

B. Review of Reports and Other Documents

The Chief Compliance Officer or designee will review each report submitted by Supervised Persons, and each account statement or confirmation from institutions that maintain their accounts, as promptly as practicable. In any event all Initial Disclosure Reports will be reviewed within 20 business days of receipt, and the review of all timely-submitted Quarterly Transaction Reports will be completed by the end of the quarter in which received. As part of his or her review, the Chief Compliance Officer or his or her designee will confirm that all necessary pre-approvals have been obtained. To ensure adequate scrutiny, documents concerning a member of the Compliance Office will be reviewed by a different member of the Compliance Office, or if there is only one member of the Compliance Office, by the Chief Financial Officer.

A report documenting the above review and any exceptions noted will be prepared by the Chief Compliance Officer and circulated to the Partners within 60 days of the end of the quarter in which the reports were received.

Review of submitted holding and transaction reports will include not only an assessment of whether the Supervised Person followed all required procedures of this Code, such as preclearance, but may also: compare the personal trading to any restricted lists; assess whether the Supervised Person is trading for his or her own account in the same securities he or she is trading for Clients, and, if so, whether the Clients are receiving terms as favorable as the Supervised Person receives; periodically analyze the Supervised Person's trading for patterns that may indicate abuse, including market timing; investigate any substantial disparities between the quality of performance the Supervised Person achieves for his or her own account and that he or she achieves for Clients; and investigate any substantial disparities between the percentage of trades that are profitable when the Supervised Person trades for his or her own account and the percentage that are profitable when he or she places trades for Clients.

VI. POLICY ON GIFTS

Gifts. A Supervised Person is prohibited from improperly using his or her position to obtain an item of value from any person or company that does business with Solar Capital. Supervised Persons must report to a Compliance Officer receipt of any gift greater than $300 in value from any person or company that does business with the Company. Unsolicited business entertainment, including meals or tickets to cultural and sporting events do not need to be reported if: a) they are not so frequent or of such high value as to raise a question of impropriety and b) the person providing the entertainment is present at the event.

Regardless of dollar value, Supervised Persons may not give a gift or provide entertainment that is inappropriate under the circumstances, or inconsistent with applicable law or regulations, to persons associated with securities or financial organizations, exchanges, member firms, commodity firms, news media, or Clients. Persons must obtain clearance from the either Partner and a Compliance Officer prior giving any gift greater than $300 in value to any person or company that does business with the Company.

Supervised Persons should not give or receive gifts or entertainment that would be embarrassing to themselves or to Solar Capital if made public.

VII. COMPLIANCE

A. Certificate of Receipt

Supervised Persons are required to acknowledge receipt of the Compliance Manual and, therefore, your copy of this Code and that you have read and understood the Compliance Manual. A form for this purpose is attached to this Code as Appendix I.

B. Annual Certificate of Compliance

Supervised Persons are required to certify upon becoming a Supervised Person or the effective date of this Code, whichever occurs later, and annually thereafter, that you have read and understand this Code and recognize that you are subject to this Code. Each annual certificate will also state that you have complied with all of the requirements of this Code during the prior year.

C. Remedial Actions

If you violate this Code, including filing a late, inaccurate or incomplete holdings or transaction report, you will be subject to remedial actions, which may include, but are not limited to, any one or more of the following: (1) a warning; (2) disgorgement of profits; (3) imposition of a fine, which may be substantial; (4) demotion, which may be substantial; (5) suspension of employment, with or without pay; (6) termination of employment; or (7) referral to civil or governmental authorities for possible civil or criminal prosecution. If you are normally eligible for a discretionary bonus, any violation of the Code may also reduce or eliminate the discretionary portion of your bonus.

VIII. RETENTION OF RECORDS

The Chief Compliance Officer will maintain, for a period of five years unless specified in further detail below, the records listed below. The records will be maintained at the Adviser’s principal place of business for at least two years and in an easily accessible, but secured, place for the entire five years.

A. A record of the names of persons who are currently, or within the past five years were, Access Persons of Adviser.

B. The Annual Certificate of Compliance signed by all persons subject to this Code acknowledging receipt of copies of the Code and acknowledging they are subject to it and will comply with its terms. All Annual Certificates of each Supervised Person must be kept for five years after the individual ceases to be a Supervised Person.

C. A copy of each Code that has been in effect at any time during the five-year period.

D. A copy of each report made by a Supervised Person pursuant to this Code, including any broker trade confirmations or account statements that were submitted in lieu of the persons' quarterly transaction reports.

E. A record of all known violations of the Code and of any actions taken as a result thereof, regardless of when the violations were committed.

F. A record of any decision, and the reasons supporting the decision, to approve the acquisition of securities by Supervised Persons, for at least five years after the end of the fiscal year in which the approval is granted.

G. A record of all reports made by the Chief Compliance Officer related to this Code.

IX. NOTICES.

For purposes of this Code, all notices, reports, requests for clearance, questions, contacts, or other communications to the Chief Compliance Officer will be considered delivered if provided to the Chief Compliance Officer via the Adviser's email network.

X. REVIEW.

This Code will be reviewed by the Chief Compliance Officer on an annual basis to ensure that it is meeting its objectives, is functioning fairly and effectively, and is not unduly burdensome to Adviser or Supervised Persons. The Chief Compliance Officer shall issue a report, in writing, to the Board of Directors of the Company stating his or her findings and recommendations as a result of each such review on no less frequently than an annual basis.

Supervised Persons are encouraged to contact the Chief Compliance Officer with any comments, questions or suggestions regarding implementation or improvement of the Code.

SOLAR CAPITAL
ACKNOWLEDGMENT AND CERTIFICATION

COMPLIANCE POLICIES AND PROCEDURES MANUAL

I hereby certify to Solar Capital that:

(1) I have received and reviewed Solar Capital's Compliance Policies and Procedures Manual (the "Compliance Manual");

(2) To the extent I had questions regarding any policy or procedure contained in the Compliance Manual, I received satisfactory answers to those questions from appropriate Solar Capital personnel;

(3) I fully understand the policies and procedures contained in the Compliance Manual;

(4) I understand and acknowledge that I am subject to the Compliance Manual;

(5) I will comply with the policies and procedures contained in the Compliance Manual at all times during my association with Solar Capital, and agree that the Compliance Manual may, under certain circumstances, continue to apply to me subsequent to the termination of my association with Solar Capital.

(6) I understand and acknowledge that if I violate any provision of the Compliance Manual, I will be subject to remedial actions, which may include, but are not limited to, any one or more of the following: (a) a warning; (b) disgorgement of profits; (c) imposition of a fine, which may be substantial; (d) demotion, which may be substantial; (e) suspension of employment, with or without pay; (f) termination of employment; or (g) referral to civil or governmental authorities for possible civil or criminal prosecution. I further understand that, to the extent I would otherwise be eligible for a discretionary bonus, if I violate the Compliance Manual this may reduce or eliminate the discretionary portion of my bonus.

Date: _____

_____
Signature

_____
Print Name

SOLAR CAPITAL
INITIAL REPORT OF SECURITIES ACCOUNTS

In accordance with Solar Capital's policies and procedures, please indicate whether you maintain securities accounts over which you have influence or control and/or in which any securities are held in which you have a Beneficial Ownership Interest[3] ("Securities Accounts"). Securities Accounts include accounts of any kind held at a broker, bank, investment advisor, or money manager.

☐ I do maintain Securities Accounts.

☐ I do not maintain Securities Accounts.

If you indicated above that you do maintain Securities Accounts, please (1) complete the Personal Trading Account and/or Related Trading Account letters of direction (*enclosed*), (2) provide the information in the following table (*use additional paper if necessary*), and (3) attach a copy of the most recent account statement listing holdings for each account identified below:

Account Name	Broker/Institution Name	Account Number	Broker/Institution's Address	Is this account managed by a 3rd party (such as an investment advisor) on a fully discretionary basis in which you do not direct any transactions? (Yes/No)

I certify that this form is accurate and complete, and I have attached statements (if any) for all of my Securities Accounts.

_____
Signature

_____
Date

_____
Print Name

3 You will be considered to have a "Beneficial Ownership Interest" in a Security if: (i) you have a Pecuniary Interest in the Security; (ii) you have voting power with respect to the Security, meaning the power to vote or direct the voting of the Security; or (iii) you have the power to dispose, or direct the disposition of, the Security. You will be considered to have a "Pecuniary Interest" in a security if you, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, have the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the security. The term "Pecuniary Interest" is construed very broadly. The following examples illustrate this principle: (i) ordinarily, you will be deemed to have a "Pecuniary Interest" in all Securities owned by members of your Immediate Family who share the same household with you; (ii) if you are a general partner of a general or limited partnership, you will be deemed to have a "Pecuniary Interest" in all Securities held by the partnership; (iii) if you are a shareholder of a corporation or similar business entity, you will be deemed to have a "Pecuniary Interest" in all Securities held by the corporation if you are a controlling shareholder or have or share investment control over the corporation's investment portfolio; (iv) if you have the right to acquire equity Securities through the exercise or conversion of a derivative Security, you will be deemed to have a Pecuniary Interest in the Securities, whether or not your right is presently exercisable; (v) if you are the sole member or a manager of a limited liability company, you will be deemed to have a Pecuniary Interest in the Securities held by the limited liability company; and (vi) ordinarily, if you are a trustee or beneficiary of a trust, where either you or members of your Immediate Family have a vested interest in the principal or income of the trust, you will be deemed to have a Pecuniary Interest in all Securities held by that trust.

SOLAR CAPITAL
QUARTERLY BROKERAGE ACCOUNT
AND NON-BROKER TRANSACTION REPORT

Notes:

1. Capitalized terms not defined in this report are defined in the Code of Ethics of Solar Capital (the "Code").

2. You must cause each broker-dealer that maintains an account over which you have influence or control and holds Securities in which you have a Beneficial Ownership Interest to provide to the Chief Compliance Officer, on a timely basis, duplicate copies of confirmations of all transactions in the account and duplicate statements for the account and you must report to the Chief Compliance Officer, within 30 days of the end of each calendar quarter, all transactions effected without the use of a registered broker-dealer in Securities, other than transactions in Non-Reportable Securities.

The undersigned has requested that you receive duplicate statements and confirmations on his or her behalf from the following brokers:

Name	Broker	Account Number	Date	Date Account Opened

The following are Securities transactions that have **not** been reported and/or executed through a broker-dealer, i.e. during the previous calendar quarter.

Date	Buy/Sell	Security Name	Amount	Price	Broker/Issuer

By signing this document, I am certifying that I have caused duplicate confirmations and duplicate statements to be sent to the Chief Compliance Officer of Solar Capital for every brokerage account that trades in Securities.

_____ _____

Date ***Signature***

1. *Transactions required to be reported*. You should report every transaction in which you acquired or disposed of any Security in which you had a Pecuniary Interest during the calendar quarter. The term "Beneficial Ownership Interest" is the subject of a long history of opinions and releases issued by the Securities and Exchange Commission and generally means that you would receive the pecuniary benefits of owning a Security. The term includes, but is not limited to the following cases and any other examples in the Code:

   (A) Where the Security is held for your benefit by others, such as brokers, custodians, banks and pledgees;

   (B) Where the Security is held for the benefit of members of your Immediate Family sharing the same household;

   (C) Where Securities are held by a corporation, partnership, limited liability company, investment club or other entity in which you have an equity interest if you are a controlling equityholder or you have or share investment control over the Securities held by the entity;

   (D) Where Securities are held in a trust for which you are a trustee and under which either you or any member of your Immediate Family have a vested interest in the principal or income; and

   (E) Where Securities are held in a trust for which you are the settlor, unless the consent of all of the beneficiaries is required in order for you to revoke the trust.

   Notwithstandingthe foregoing, the following transactions are not required to be reported:

   (A) Transactions in Securities which are direct obligations of the United States;

   (B) Transactions effected in any account over which you have no direct or indirect influence or control; or

   (C) Shares of registered open-end investment companies.

2. *Security Name*. State the name of the issuer and the class of the Security, e.g., common stock, preferred stock or designated issue of debt securities, including the interest rate, principal amount and maturity date, if applicable. In the case of the acquisition or disposition of a futures contract, put, call option or other right, referred to as "options," state the title of the Security subject to the option and the expiration date of the option.

3. *Futures Transactions*. Please remember that duplicates of all Confirmations, Purchase and Sale Reports, and month-end Statements must be sent to Adviser by your broker. Please double check to be sure this occurs if you report a future transaction.

4. *Transaction Date*. In the case of a market transaction, state the trade date, not the settlement date.

5. *Nature of Transaction (Buy or Sale)*. State the character of the transaction, e.g., purchase or sale of Security, purchase or sale of option, or exercise of option.

6. *Amount of Security Involved (No. of Shares)*. State the number of shares of stock, the face amount of debt Securities or other units of other Securities. For options, state the amount of Securities subject to the option. If your ownership interest was through a spouse, relative or other natural person or through a partnership, trust, other entity, state the entire amount of Securities involved in the transaction. In such cases, you may also indicate, if you wish, the extent of your interest in the transaction.

7. *Purchase or Sale Price*. State the purchase or sale price per share or other unit, exclusive of brokerage commissions or other costs of execution. In the case of an option, state the price at which it is currently exercisable. No price need be reported for transactions not involving cash.

8. *Broker, Dealer or Bank Effecting Transaction*. State the name of the broker, dealer or bank with or through whom the transaction was effected.

9. *Signature*. Sign the form in the space provided.

10. *Filing of Report*. This report should be filed NO LATER THAN 30 CALENDAR DAYS following the end of each calendar quarter.

SOLAR CAPITAL
PERSONAL TRADING ACCOUNT
LETTER OF DIRECTION

To Whom This May Concern:

I, (print name), currently maintain an investment account with your institution, and hereby request that duplicate trade confirmations and monthly account statements be disseminated to my employer, Solar Capital, at the following address:

Attn: Chief Compliance Officer
Solar Capital
500 Park Avenue, 5th Floor
New York, NY 10022

If you should have any questions, please do not hesitate to contact me. Thank you for your cooperation.

Sincerely,

NAME: _____

DATE: _____

PHONE: _____

SOLAR CAPITAL
RELATED TRADING ACCOUNT
LETTER OF DIRECTION

To Whom This May Concern:

I, (print your name), currently maintain an investment account with your institution. Due to my relationship with (print employee's name), who is an employee of Solar Capital, I hereby request that duplicate trade confirmations and monthly account statements be disseminated to the following address:

Attn: Chief Compliance Officer
Solar Capital
500 Park Avenue, 5th Floor
New York, NY 10022

If you should have any questions, please do not hesitate to contact me. Thank you for your cooperation.

Sincerely,

NAME: _____

DATE: _____

PHONE: _____

SOLAR CAPITAL
INITIAL REPORT OF PRIVATE INVESTMENTS

In accordance with Solar Capital policies and procedures, please indicate whether you maintain private investments over which you have influence or control and in which any private investments are held in which you have a Beneficial Ownership Interest.[1] The term private investment is typically defined as an intangible investment and is very broadly construed by Solar Capital. Examples of private investments may include equity in a business or company, a loan to a business or company, an investment in a hedge fund or limited partnership, or securities held in your home or in a safe deposit box. Examples of investments that generally are not considered private investments are your primary residence, vacation home, automobiles, artwork, jewelry, antiques, stamps, and coins.

☐ I do maintain private investments.

☐ I do not maintain private investments.

If you indicated above that you do maintain private investments, please provide the information in the following table (*use additional paper if necessary*):

Description of Private Investment	Value of Private Investment	Approximate Acquisition Date	Does the private investment involve a company that has publicly traded debt or equity? (Yes/No)

I certify that this form and any attachments are accurate and complete and constitute all of my private investments.

_____
Signature

_____
Date

_____
Print Name

[1] You will be considered to have a "Beneficial Ownership Interest" in an investment if: (i) you have a Pecuniary Interest in the investment; (ii) you have voting power with respect to the investment, meaning the power to vote or direct the voting of the investment; or (iii) you have the power to dispose, or direct the disposition of, the investment. You will be considered to have a "Pecuniary Interest" in an investment if you, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, have the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in the investment. The term "Pecuniary Interest" is construed very broadly. The following examples illustrate this principle: (i) ordinarily, you will be deemed to have a "Pecuniary Interest" in all investments owned by members of your Immediate Family who share the same household with you; (ii) if you are a general partner of a general or limited partnership, you will be deemed to have a "Pecuniary Interest" in all investments held by the partnership; (iii) if you are a shareholder of a corporation or similar business entity, you will be deemed to have a "Pecuniary Interest" in all investments held by the corporation if you are a controlling shareholder or have or share investment control over the corporation's investment portfolio; (iv) if you have the right to acquire equity security through the exercise or conversion of a derivative investment, you will be deemed to have a Pecuniary Interest in the investment, whether or not your right is presently exercisable; (v) if you are the sole member or a manager of a limited liability company, you will be deemed to have a Pecuniary Interest in the investments held by the limited liability company; and (vi) ordinarily, if you are a trustee or beneficiary of a trust, where either you or members of your Immediate Family have a vested interest in the principal or income of the trust, you will be deemed to have a Pecuniary Interest in all investments held by that trust.

INSIDER TRADING POLICIES AND PROCEDURES

I. BACKGROUND

All personal securities trades are subject to these Insider Trading Policies and Procedures. However, compliance with the trading restrictions imposed by these procedures by no means assures full compliance with the prohibition on trading while in the possession of inside information, as defined in these procedures.

Insider trading — trading Securities while in possession of material, nonpublic information or improperly communicating such information to others — may expose a person to stringent penalties. Criminal sanctions may include a fine of up to $1,000,000 and/or ten years' imprisonment. The Commission may recover the profits gained, or losses avoided, through insider trading, obtain a penalty of up to three times the illicit gain or avoided loss, and/or issue an order permanently barring any person engaging in insider trading from the securities industry. In addition, investors may sue seeking to recover damages for insider trading violations.

These Insider Trading Policies and Procedures are drafted broadly and will be applied and interpreted in a similar manner. Regardless of whether a federal inquiry occurs, Solar Capital views seriously any violation of these Insider Trading Policies and Procedures. Any violation constitutes grounds for disciplinary sanctions, including dismissal and/or referral to civil or governmental authorities for possible civil or criminal prosecution.

The law of insider trading is complex; a Supervised Person legitimately may be uncertain about the application of these Insider Trading Policies and Procedures in a particular circumstance. A question could forestall disciplinary action or complex legal problems. Supervised Persons should direct any questions relating to these Insider Trading Policies and Procedures to a Compliance Officer. A Supervised Person must also notify a Compliance Officer immediately if he or she knows or has reason to believe that a violation of these Insider Trading Policies and Procedures has occurred or is about to occur.

Any capitalized terms used but not defined in the Insider Trading Policies and Procedures shall have their respective meanings as defined in the Code of Ethics of Solar Capital.

II. STATEMENT OF FIRM POLICY

A. At all times, the interests of Solar Capital's Clients must prevail over the individual's interest.

B. Buying or selling Securities in the public markets on the basis of material, nonpublic information is prohibited. Similarly, buying and selling securities in a private transaction on the basis of material, nonpublic information is prohibited, except in the limited circumstance in which the information is obtained in connection with a private transaction with an issuer of securities, in which case the private transaction itself is permitted. A prohibited transaction would include purchasing or selling (i) for a Supervised Person's own account or one in which the Supervised Person has direct or indirect influence or control, (ii) for a Client's account, or (iii) for Adviser's inventory account. If any Supervised Person is uncertain as to whether information is "material" or "nonpublic," he or she should consult the Chief Compliance Officer.

C. Disclosing material, nonpublic information to inappropriate personnel, whether or not for consideration, i.e., "tipping," is prohibited. Material, nonpublic information must be disseminated on a "need to know basis" only to appropriate personnel. This would include any confidential discussions between the issuer and personnel of Adviser. The Chief Compliance Officer should be consulted should a question arise as to who is privy to material, nonpublic information.

D. Assisting anyone transacting business on the basis of material, nonpublic information through a third party is prohibited.

E. In view of the Gabelli & Co./GAMCO Investments, Inc. SEC proceeding, it is clear that when a portfolio manager is in a position, due to his official duties at an issuer, to have access to inside information on a relatively continuous basis, self-reporting procedures are not adequate to detect and prevent insider trading. Accordingly, neither Adviser nor an Adviser employee may trade in any securities issued by any company of which any Adviser employee is an employee or insider. ***All Supervised Persons must report to the Chief Compliance Officer or designee any affiliation or business relationship they may have with any issuer (a form of which is attached as Appendix A hereto.)***

F. Supervised Persons should understand that if Solar Capital becomes aware of material, nonpublic information about the issuer of the underlying securities, even if the particular Supervised Person in question does not himself or herself have such knowledge, or enters into certain transactions for clients, Solar Capital will not bear any losses resulting in personal accounts through the implementation of these Insider Trading Policies and Procedures.

G. It is the Company's policy that Supervised Persons may purchase or sell Company securities only during the "window period" that generally begins on the second business day after the Company publicly releases quarterly or annual financial results and extends until the 15th day of the last calendar month of the quarter in which the results are announced (or such shorter time that may be designated by the Chief Executive Officer of the BDC ("CEO") or the Chief Operating Officer of the BDC ("COO") and the CCO). However, the ability of a Supervised Person to engage in transactions in Company securities during window periods is not automatic or absolute. Circumstances may prevent or delay the opening of the window period or cause the window period to be shortened. Further, no trades may be made even during a window period by an individual who possesses material, nonpublic information, other than in accordance with a previously approved Trading Plan.

Notwithstanding the foregoing, Supervised Persons may also purchase or sell Company securities pursuant to a Trading Plan. As used herein, the term "Trading Plan" shall mean a pre-arranged trading plan adopted in accordance with and meeting all of the requirements of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended, that has been approved by the Company's Chief Compliance Officer. A Trading Plan may only be entered into, modified or terminated (i) prior to expiration by Supervised Persons at a time they would otherwise be

permitted to purchase or sell Company securities, and (ii) with the prior approval of the Company's Chief Compliance Officer. Each Supervised Person shall be responsible for ensuring compliance with the requirements of Rule 10b5-1(c) with respect to any Trading Plan they may enter into, modify or terminate prior to expiration, notwithstanding the prior approval thereof by the Company's Chief Compliance Officer.

In addition, the Adviser may, subject to regulatory restrictions, award Restricted Stock Units ("RSUs") representing discretionary bonuses as part of an employee deferred compensation plan (the "award") during a closed window period provided that (1) the Adviser, the CEO and the COO are not in possession of material non-public information ("MNPI"); (2) the award does not require a purchase of Company securities on the open market but instead represents a transfer or potential transfer of Company securities then held by the Adviser; and (3) the CCO approves the award in advance. To the extent an award represents non-discretionary compensation, the RSUs may only be awarded in open window periods at a time when the Adviser, the CEO and the COO are not in possession of MNPI.

H. The following reviews principles important to these Insider Trading Policies and Procedures:

1. What is "Material" Information?

Information is "material" when there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions. Generally, information is material if its disclosure will have a substantial effect on the price of a company's Securities. No simple "bright line" test exists to determine whether information is material; assessments of materiality involve highly fact-specific inquiries. ***However, if the information you have received is or could be a factor in your trading decision, you must assume that the information is material.*** Supervised Persons should direct any questions regarding the materiality of information to the Chief Compliance Officer or designee.

Material information often relates to a company's results and operations, including, for example, dividend changes, earnings results, changes in previously released earnings estimates, significant merger or acquisition proposals or agreements, major litigation, liquidation problems, and extraordinary management developments. Material information may also relate to the market for a Security. Information about a significant order to purchase or sell Securities, in some contexts, may be deemed material; similarly, prepublication information regarding reports in the financial press may also be deemed material.

2. What is "Nonpublic" Information?

Information is "nonpublic" until it has been disseminated broadly to investors in the marketplace. Tangible evidence of this dissemination is the best indication that the information is public. For example, information is public after it has become available to the general public through a public filing with the Commission or some other government agency, or available to the Dow Jones "tape" or The Wall Street Journal or some other general circulation publication, and after sufficient time has passed so that the information has been disseminated widely. ***If you believe that you have information concerning an issuer which gives you an advantage over other investors, the information is, in all likelihood, non-public.***

3. Identifying Inside Information.

Before executing any trade for oneself or others, including Clients, a Supervised Person must determine whether he or she has access to material, nonpublic information. If a Supervised Person believes he or she might have access to material, nonpublic information, he or she should:

a. Immediately alert the Chief Compliance Officer or designee, so that the applicable Security is placed on the Restricted List.

b. Not purchase or sell the Securities on his or her behalf or for others, including Clients (except in the limited circumstance in which the information is obtained in connection with a private transaction with an issuer of securities, in which case the private transaction itself is permitted).

c. Not communicate the information inside or outside of Adviser, other than to the Chief Compliance Officer or designee (or, in the limited circumstance of a private transaction with an issuer of securities, to Supervised Persons within Adviser involved in the transaction with a need to know the information).

The Chief Compliance Officer will review the issue, determine whether the information is material and nonpublic, and, if so, what action Adviser should take.

4. Contacts With Public Companies.

Contacts with public companies may represent part of Adviser's research efforts and Adviser may make investment decisions on the basis of its conclusions formed through these contacts and analysis of publicly available information. Difficult legal issues may arise, however, when a Supervised Person, in the course of these contacts, becomes aware of material, nonpublic information. For example, a company's Chief Financial Officer could prematurely disclose quarterly results, or an investor relations representative could make a selective disclosure of adverse news to certain investors. In these situations, Adviser must make a judgment about its further conduct. To protect oneself, Clients, and Adviser, a Supervised Person should immediately contact the Chief Compliance Officer if he or she believes he or she may have received material, nonpublic information.

5. Tender Offers.

Tender offers represent a particular concern in the law of insider trading for two reasons. First, tender offer activity often produces extraordinary movement in the price of the target company's securities. Trading during this time is more likely to attract regulatory attention, and produces a disproportionate percentage of insider trading cases. Second, the Commission has adopted a rule expressly forbidding trading and "tipping" while in possession of material, nonpublic information regarding a tender offer received from the company making the tender offer, the target company, or anyone acting on behalf of either. Supervised Persons must exercise particular caution any time they become aware of nonpublic information relating to a tender offer.

III. INSIDER TRADING PROCEDURES APPLICABLE TO ALL SUPERVISED PERSONS

The following procedures have been established to aid Supervised Persons in avoiding insider trading, and to aid Adviser in preventing, detecting and imposing sanctions against insider trading. Every Supervised Person must follow these procedures or risk serious sanctions, including dismissal, substantial personal liability and criminal penalties. If a Supervised Person has any questions about these procedures, he or she should consult the Chief Compliance Officer or designee.

A. Responsibilities of Supervised Persons.

All Supervised Persons must make a diligent effort to ensure that a violation of these Insider Trading Policies and Procedures does not either intentionally or inadvertently occur. In this regard, all Supervised Persons (other than Disinterested Directors) are responsible for:

(a) Reading, understanding and consenting to comply with these Insider Trading Policies and Procedures. Supervised Persons will be required to sign an acknowledgment that they have read and understood the Compliance Manual and therefore their responsibilities under the Code;

(b) Ensuring that no trading occurs for their account, for any account over which they have direct or indirect influence or control or for any Client's account in Securities included on the Restricted List, or as to which they possess material, nonpublic information, regardless of the Securities being included on the Restricted List (except in the limited circumstance in which the information is obtained in connection with a private transaction with an issuer of securities, in which case the private transaction itself is permitted);

(c) Not disclosing inside information obtained from any source whatsoever to inappropriate persons. Disclosure to family, friends or acquaintances will be grounds for immediate termination and/or referral to civil or governmental authorities for possible civil or criminal prosecution;

(d) Consulting the Chief Compliance Officer or designee when questions arise regarding insider trading or when potential violations of these Insider Trading Policies and Procedures are suspected;

(e) Ensuring that Adviser receives copies of confirmations and statements from both internal and external brokerage firms for accounts of Supervised Persons and members of the Immediate Family of such Supervised Persons sharing the same household;

(f) Advising the Chief Compliance Officer or designee of all outside business activities, directorships, or ownership of over 5% of the shares of a public company. No Supervised Person may engage in any outside business activities as employee, proprietor, partner, consultant, trustee officer or director without prior written consent of the Chief Compliance Officer, or a designee of the Chief Compliance Officer (a form of which is attached as ***Appendix A*** hereto); and

(g) Being aware of, and monitoring, any Clients who are shareholders, directors, and/or senior officers of public companies. Any unusual activity including a purchase or sale of restricted stock must be brought to the attention of the Chief Compliance Officer or designee.

B. Security.

In order to prevent accidental dissemination of material, nonpublic information, personnel must adhere to the following guidelines:

1. Inform management when unauthorized personnel enter the premises.

2. Lock doors at all times in areas that have confidential and secure files.

3. Refrain from discussing sensitive information in public areas.

4. Refrain from leaving confidential information on message devices.

5. Maintain control of sensitive documents, including handouts and copies, intended for internal dissemination only.

6. Ensure that faxes and e-mail messages containing sensitive information are properly sent, and confirm that the recipient has received the intended message.

7. Do not allow passwords to be given to unauthorized personnel.

IV. SUPERVISORY PROCEDURES

Supervisory procedures can be divided into two classifications — prevention of insider trading and detection of insider trading.

A. Prevention of Insider Trading

To prevent insider trading, the Chief Compliance Officer or designee should:

1. Maintain a Restricted List which includes the name of any company, whether or not a client of Adviser, as to which one or more individuals at Adviser has a fiduciary relationship or may have material information which has not been publicly disclosed. The Restricted List is maintained by the Chief Compliance Officer and his or her designees. The Chief Compliance Officer or such other Compliance Officer as may be designated shall be responsible for: (i) determining whether any particular securities should be included on the Restricted List; (ii) determining when Securities should be removed from the Restricted List; and (iii) ensuring that Securities are timely added to and removed from the Restricted List, as appropriate, no less frequently than on a quarterly basis.

2. Answer questions regarding Solar Capital’s policies and procedures;

3. Resolve issues of whether information received by an officer, director or employee of Solar Capital constitutes Inside Information and determine what action, if any, should be taken;

4. Review these Insider Trading Policies and Procedures on a regular basis and update them as necessary;

5. When it has been determined that a Supervised Person has Inside Information:

(a) Implement measures to prevent dissemination of such information other than to appropriate Supervised Persons on a "need to know" basis, and

(b) Not permit any Solar Capital employee to execute any transaction in any securities of the issuer in question (except in the limited circumstance in which the information is obtained in connection with a private transaction with an issuer of securities, in which case the private transaction itself is permitted);

6. Implement a program of periodic "reminder" notices regarding insider trading;

7. Confirm with each trader no less frequently than quarterly whether there are any issuers for whom Adviser has Inside Information; and

8. Compile and maintain the Restricted List of securities in which no Supervised Person may trade because Adviser as an entity is deemed to have Inside Information concerning the issuers of such securities and determine when to remove securities from the Restricted List.

B. Detection of Insider Trading

To detect insider trading, the Chief Compliance Officer or designee should:

1. Review daily confirmations and quarterly trading activity reports filed by Supervised Persons; and

2. Promptly investigate all reports of any possible violations of these Insider Trading Policies and Procedures.

C. Special Reports to Management

Promptly upon learning of a potential violation of Solar Capital's Insider Trading Policies and Procedures, the Chief Compliance Officer or designee shall prepare a written report to management providing full details, which may include (1) the name of particular securities involved, if any, (2) the date(s) Solar Capital learned of the potential violation and began investigating; (3) the accounts and individuals involved; (4) actions taken as a result of the investigation, if any; and (5) recommendations for further action.

D. General Reports to Management

At least yearly, the Chief Compliance Officer will prepare a written report to the management of Adviser setting forth some or all of the following:

1. A summary of existing procedures to detect and prevent insider trading;

2. A summary of changes in procedures made in the last year;

3. Full details of any investigation, whether internal or by a regulatory agency, since the last report regarding any suspected insider trading, the results of the investigation and a description of any changes in procedures promptly by any such investigation; and

4. An evaluation of the current procedures and a description of anticipated changes in procedures.

SOLAR CAPITAL
INITIAL REPORT OF OUTSIDE BUSINESS ACTIVITIES

In accordance with Solar Capital policies and procedures, please indicate whether you engage in any outside business activities. Outside business activities include, but are not limited to, serving as owner, partner, trustee, officer, director, finder, referrer, or employee of another business organization for compensation, or any activity for compensation outside my usual responsibilities at Solar Capital.[1]

☐ I do engage in outside business activities

☐ I do not engage in any outside business activities

If you indicated above that you do engage in outside business activities, please complete the following table (*use additional paper if necessary*):

Name of Business Entity	Summary of Outside Business Activity	Summary of Compensation	Is the Business Entity Related to a Publicly Traded Company? (Yes/No)

I certify that this form and any attachments are accurate and complete and constitute all of my outside business activities.

_____
Signature

_____
Date

_____
Print Name

1 Compensation includes salaries, director's fees, referral fees, stock options, finder's fees, and anything of present or future value.

Exhibit 21.1

Subsidiaries of Solar Capital Ltd.

The following list sets forth our consolidated subsidiaries, the state or country under whose laws the subsidiaries are organized, and the percentage of voting securities or membership interests owned by us in each such subsidiary:

NEFCORP LLC (Delaware) – 100%

NEFPASS LLC (Delaware) – 100%

SLRC ADI Corp. (Delaware) – 100%

The subsidiaries listed above are consolidated for financial reporting purposes. We may also be deemed to control certain portfolio companies.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Solar Capital Ltd.:

We consent to the incorporation by reference in the registration statement on Form N-2 of Solar Capital Ltd. of our report dated February 20, 2020, with respect to the consolidated statements of assets and liabilities of Solar Capital Ltd. and its subsidiaries, including the consolidated schedule of investments, as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes, and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the annual report on Form 10-K of Solar Capital Ltd. for the year ended December 31, 2019, and the report dated February 20, 2020 on the senior securities table attached as an exhibit to the Form 10-K. We also consent to the references to our firm under the headings “Selected Financial and Other Data” and “Independent Registered Public Accounting Firm” in the Form N-2.

/s/ KPMG LLP

New York, New York
February 20, 2020

Exhibit 31.1

Certification Pursuant to Section 302

Certification of Co-Chief Executive Officer

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

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

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

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

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

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

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

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

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

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

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

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

Dated this 20th day of February 2020.

By: /S/ MICHAEL S. GROSS

Michael S. Gross
Co-Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302

Certification of Co-Chief Executive Officer

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

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

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

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

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

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

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

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

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

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

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

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

Dated this 20th day of February 2020.

By: /S/ BRUCE J. SPOHLER

Bruce J. Spohler
Co-Chief Executive Officer

Exhibit 31.3

Certification Pursuant to Section 302

Certification of Chief Financial Officer

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

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

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

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

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

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

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

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

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

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

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

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

Dated this 20th day of February 2020.

By: /S/ RICHARD L. PETEKA

Richard L. Peteka
Chief Financial Officer

Exhibit 32.1

Certification of Co-Chief Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report") of Solar Capital Ltd. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Michael S. Gross, the Co-Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

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

/S/ MICHAEL S. GROSS

Name: **Michael S. Gross**
Date: **February 20, 2020**

Exhibit 32.2

Certification of Co-Chief Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report") of Solar Capital Ltd. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Bruce J. Spohler, the Co-Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

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

/S/ BRUCE J. SPOHLER

Name: **Bruce J. Spohler**
Date: **February 20, 2020**

Exhibit 32.3

Certification of Chief Financial Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 (the "Report") of Solar Capital Ltd. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Richard L. Peteka, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

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

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

/S/ RICHARD L. PETEKA

Name: **Richard L. Peteka**
Date: **February 20, 2020**

Crystal Financial LLC
(A Delaware Limited Liability Company)
Consolidated Financial Statements
Years Ended December 31, 2019 and 2018

Crystal Financial LLC
Index
Years Ended December 31, 2019 and 2018

Independent Auditors' Report

To the Board of Directors and Member of
Crystal Financial LLC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Crystal Financial LLC and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2019, and the related consolidated statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crystal Financial LLC and its subsidiary as of December 31, 2019, and the results of their operations, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of Crystal Financial LLC and its subsidiary as of and for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 13, 2019.

/s/ BakerTillyVirchowKrause, LLP

Philadelphia, Pennsylvania
February 13, 2020

Crystal Financial LLC
Consolidated Balance Sheets
December 31, 2019 and 2018

	2019	2018
Assets:		
Cash and cash equivalents	$ 4,847,497	$ 20,506,906
Restricted cash	3,422,373	9,967,576
Loan interest and fees receivable	4,086,110	2,939,698
Loans	496,832,856	413,918,584
Less: Unearned fee income	(7,394,397)	(6,359,566)
Allowance for loan losses	(17,769,054)	(7,783,068)
Total loans, net	471,669,405	399,775,950
Investment in equity securities	1,468,869	8,984,205
Property and equipment, net	48,917	48,316
Tradename	3,700,000	3,700,000
Goodwill	5,156,542	5,156,542
Investment in Crystal Financial SBIC LP	20,548,275	32,139,735
Other assets	3,075,970	548,005
Total assets	$518,023,958	$483,766,933
Liabilities:		
Revolving credit facility, net of unamortized debt issuance costs of $1,982,588 and $2,652,654, respectively	$273,971,305	$203,337,548
Accrued expenses	3,343,581	12,288,608
Distributions payable	7,500,000	7,500,000
Other liabilities	1,909,140	3,099,787
Collateral held for borrower obligations	11,447	4,273,937
Total liabilities	286,735,473	230,499,880
Commitments and Contingencies (Note 6)		
Member's equity:		
Class A units	279,191,400	279,191,400
Accumulated deficit	(47,902,915)	(25,924,347)
Total member's equity	231,288,485	253,267,053
Total liabilities and member's equity	$518,023,958	$483,766,933

The accompanying notes are an integral part of these consolidated financial statements.

Crystal Financial LLC
Consolidated Statements of Operations
Years Ended December 31, 2019 and 2018

	2019	2018
Net interest income:		
Interest income	$58,779,718	$48,521,345
Interest expense	13,690,240	10,144,031
Net interest income	45,089,478	38,377,314
Provision for loan losses	31,819,626	2,438,767
Net interest income after provision for loan losses	13,269,852	35,938,547
Operating expenses:		
Compensation and benefits	4,542,771	10,657,015
Occupancy and equipment	883,896	901,541
General and administrative expenses	2,226,383	1,577,534
Total operating expenses	7,653,050	13,136,090
Other income:		
Interest in earnings of equity method investee	1,905,583	6,458,627
Realized gain on investment in equity securities	3,777,593	—
Net change in unrealized (loss) gain on investment in equity securities	(3,286,189)	3,777,593
Total other income, net	2,396,987	10,236,220
Realized gain from foreign currency transactions, net	213,398	90,395
Unrealized loss from foreign currency translations, net	(205,755)	(103,198)
Net income	$ 8,021,432	$33,025,874

The accompanying notes are an integral part of these consolidated financial statements.

Crystal Financial LLC
Consolidated Statements of Changes in Member's Equity
Years Ended December 31, 2019 and 2018

	Class A Units	Accumulated Deficit	Total Member's Equity
Balance, December 31, 2017	$279,191,400	$ (28,730,221)	$ 250,461,179
Distributions	—	(30,220,000)	(30,220,000)
Net income	—	33,025,874	33,025,874
Balance, December 31, 2018	279,191,400	(25,924,347)	253,267,053
Distributions	—	(30,000,000)	(30,000,000)
Net income	—	8,021,432	8,021,432
Balance, December 31, 2019	$279,191,400	$ (47,902,915)	$ 231,288,485

The accompanying notes are an integral part of these consolidated financial statements.

Crystal Financial LLC
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net income	$ 8,021,432	$ 33,025,874
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	31,819,626	2,438,767
Accretion of original issue discount	(4,717,429)	(797,509)
Amortization of deferred financing costs	718,585	627,157
Non-cash gain on loan restructuring	(11,916)	—
Depreciation and amortization	45,233	66,112
Paid-in-kind interest and fee income	—	(81,913)
Interest in earnings of equity method investee	(1,905,583)	(6,458,627)
Unrealized loss on foreign currency transactions	214,209	103,198
Realized loss (gain) on foreign currency transactions	116,249	(1,255)
Realized gain on sale of equity securities	(3,777,593)	—
Unrealized loss (gain) on investment in equity securities	3,286,189	(3,777,593)
Net change in loan interest and fees receivable	(395,451)	(1,120,078)
Net change in other assets	194,765	984,204
Net change in unearned fees	768,644	1,613,372
Net change in accrued expenses	(8,953,894)	1,227,227
Net change in other liabilities	(1,369,561)	1,375,154
Net cash provided by operating activities	24,053,506	29,224,090
Cash flows from investing activities:		
Purchases of property and equipment	(29,383)	(28,848)
Investment in term loans	(234,625,547)	(314,748,908)
Repayment of term loans	149,539,798	191,405,834
Proceeds from sale of equity securities	8,932,000	—
Lending on revolving lines of credit, net	(17,323,154)	3,318,373
Repayment of loan to Crystal Financial SBIC LP, net	—	1,025,000
Distributions received from Crystal Financial SBIC LP	13,497,043	5,627,623
Net change in collateral held for borrower obligations	(4,262,490)	3,129,751
Net cash used in investing activities	(84,271,733)	(110,271,175)
Cash flows from financing activities:		
Net borrowings on revolving credit facility	68,057,459	31,750,718
Distributions to members	(30,000,000)	(30,620,000)
Payment of debt issuance costs	(39,653)	(1,751,020)
Payment of capital lease obligations	(4,191)	(5,808)
Net cash provided by (used in) financing activities	38,013,616	(626,110)
Net change in cash, cash equivalents, and restricted cash	(22,204,612)	(81,673,195)
Cash, cash equivalents, and restricted cash at beginning of year	30,474,482	112,147,677
Cash, cash equivalents and restricted cash at end of year	$ 8,269,870	$ 30,474,482
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 12,715,591	$ 9,388,441
Noncash investment in equity securities	$ 977,465	$ 5,206,612

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization

Crystal Financial LLC ("Crystal Financial" or the "Company"), along with its wholly owned subsidiary, Crystal Financial SPV LLC ("Crystal Financial SPV"), is a commercial finance company based in Boston, Massachusetts, that primarily originates, underwrites, and manages secured debt to middle market companies within various industries. The Company was formed in the state of Delaware on March 18, 2010.

At December 31, 2019 and 2018, Solar Capital Ltd. ("Solar") owns 100% of the outstanding ownership units of the Company.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies adopted by the Company:

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of Crystal Financial and its wholly owned subsidiary Crystal Financial SPV. All inter-company investments, accounts and transactions have been eliminated in these consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates most susceptible to change include the allowance for loan losses, the valuation of the Company's investment in equity securities, and the valuation of intangible assets as determined during impairment testing. Actual results could differ materially from those estimates.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash includes all deposits held at banks. Deposits in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") are exposed to loss in the event of nonperformance by the institution. The Company has had cash deposits in excess of the FDIC insurance coverage and has not experienced any losses on such accounts.

Restricted cash consists of interest and fees collected on those loans held within Crystal Financial SPV that serve as collateral against the Company's outstanding line of credit. Upon receipt, these funds are restricted from the Company's access until the fifteenth of the following month. Also included in restricted cash may be funds that serve as collateral against loans outstanding to certain borrowers as well as funds that serve as collateral to outstanding letters of credit.

In accordance with *Statement of Cash Flows (Topic 230)*, the Company presents the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash in the consolidated statements of cash flows. Accordingly, amounts generally described as restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows.

2. Summary of Significant Accounting Policies…continued

Cash, Cash Equivalents, and Restricted Cash…continued

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	December 31,	
	2019	2018
Cash and cash equivalents	$4,847,497	$20,506,906
Restricted cash	3,422,373	9,967,576
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$8,269,870	$30,474,482

Loans

The Company typically classifies all loans as held to maturity. Loans funded by the Company are recorded at the amount of unpaid principal, net of unearned fees, discounts and the allowance for loan losses in the Company's consolidated balance sheets.

Interest income is recorded on the accrual basis in accordance with the terms of the respective loan. Generally, interest is not accrued on loans with interest or principal payments 90 days or greater past due or on other loans when management believes collection is doubtful. Loans considered impaired, as defined below, are non-accruing. When a loan is placed on nonaccrual status, all interest previously accrued, but not collected, is reversed against current interest income and all future proceeds received will generally be applied against principal or interest, in the judgment of management. Interest on loans classified as nonaccrual is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual status. Loans are generally returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured. At December 31, 2019, there are three loans on nonaccrual status. At December 31, 2018, there are two loans on nonaccrual status. The loans on nonaccrual status at December 31, 2019 and December 31, 2018 are the same loans classified as Criticized, as defined by the Company's Loan Loss Policy, in the "Allowance for Loan Losses" note below.

Allowance for Loan Losses

The allowance for loan losses is maintained at the amount estimated to be sufficient to absorb probable losses, net of recoveries, inherent in the loan portfolio at year end. Internal credit ratings assigned to the loans are periodically evaluated and adjusted to reflect the current credit risk of the loan. In accordance with applicable guidance, for loans not deemed to be impaired, management assigns a general loan allowance based on the borrower's overall risk rating. All loans in the Company's portfolio are individually evaluated when determining the overall risk rating. The risk ratings are derived upon consideration of a number of factors related to both the borrower and the borrower's facility, with those factors related to the borrower's facility being the key determinant of the overall risk rating. Risk factors of the borrower that are considered include asset and earnings quality, historical and projected financial performance, borrowing liquidity and/or access to capital. Risk factors of the facility that are considered include collateral coverage and the facility's position within the overall capital structure. Upon consideration of each of the aforementioned factors, among others, the Company assigns each loan a borrower risk rating and a facility risk rating, which are then collectively used in developing the overall risk rating. The overall risk rating corresponds with an applicable reserve percentage which is applied to the face value of the loan in order to determine the Company's allowance for loan losses. In establishing the applicable reserve percentages, the Company considers various factors including historical industry loss experience, the credit profile of the Company's borrowers, as well as economic trends and conditions.

2. Summary of Significant Accounting Policies…continued

Allowance for Loan Losses…continued

Specific allowances for loan losses are generally applied to impaired loans and are typically measured based on a comparison of the recorded carrying value of the loan to the present value of the loan's expected cash flow using the loan's effective interest rate, the loan's estimated market price, or the estimated fair value of the underlying collateral, if the loan is collateral-dependent. Loans are charged off against the allowance at the earlier of either the substantial completion of the liquidation of assets securing the loan, or when senior management deems the loan to be permanently impaired.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement. All loans are individually evaluated for impairment according to the Company's normal loan review process, including overall credit evaluation, nonaccrual status and payment experience. Loans identified as impaired are further evaluated to determine the estimated extent of impairment.

At December 31, 2019, three loans with aggregate principal balances outstanding of $14,918,729, are deemed to be impaired. Reserves totaling $9,503,062 have been applied against these loans at December 31, 2019. Principal payments totaling $326,620 and interest payments totaling $672,428 are considered to be past due on the impaired loans at December 31, 2019.

Two loans, with aggregate principal balances outstanding of $4,671,278, are deemed to be impaired at December 31, 2018. Reserves totaling $374,094 have been applied against these loans. There are no interest or principal payments considered to be past due at December 31, 2018.

The Company's average recorded investment in the impaired loans totaled $14,998,537 and $4,817,589 during the years ended December 31, 2019 and 2018, respectively.

Depending on the assigned internal risk rating, loans are classified as either Pass or Criticized. Generally, once a loan is classified as Criticized, a specific reserve analysis is required. Three loans, totaling $14,918,729 at December 31, 2019, are classified as Criticized. Two loans, totaling $4,671,278 at December 31, 2018 are classified as Criticized.

The Company also maintains an allowance on unfunded revolver and delayed draw term loan commitments. At December 31, 2019 and 2018, an allowance of $468,122 and $406,669, respectively, was recorded relating to these commitments. This amount is recorded as a component of other liabilities on the Company's consolidated balance sheets with changes recorded in the provision for loan losses on the Company's consolidated statements of operations. The methodology for determining the allowance for unfunded revolver and delayed draw term loan commitments is consistent with the methodology used for determining the allowance for loan losses, with the exception that only the portion of the outstanding commitment expected to be drawn is applied against the unfunded commitments.

2. Summary of Significant Accounting Policies…continued

Allowance for Loan Losses…continued

The summary of changes in the allowance for loan losses relating to funded commitments for the years ended December 31, 2019 and December 31, 2018 is as follows:

	Year Ended December 31, 2019		
	Revolvers	Term Loans	Total
Balance, beginning of period	$ 94,942	$ 7,688,126	$ 7,783,068
Provision for loan losses-general	292,985	1,117,453	1,410,438
Provision (credit) for loan losses-specific	(42,924)	30,390,659	30,347,735
Charge- offs, net of recoveries	—	(21,772,187)	(21,772,187)
Balance, end of period	$ 345,003	$ 17,424,051	$ 17,769,054
Balance, end of period- general	$ 345,003	$ 7,920,989	$ 8,265,992
Balance, end of period- specific	$ —	$ 9,503,062	$ 9,503,062
Loans			
Loans collectively evaluated with general allowance	$20,105,620	$461,808,507	$481,914,127
Loans individually evaluated with specific allowance	—	14,918,729	14,918,729
Total loans	$20,105,620	$476,727,236	$496,832,856

	Year Ended December 31, 2018		
	Revolvers	Term Loans	Total
Balance, beginning of period	$ 192,188	$ 5,472,254	$ 5,664,442
Provision (credit) for loan losses-general	(98,594)	2,293,811	2,195,217
Provision (credit) for loan losses-specific	1,348	(24,518)	(23,170)
Charge- offs, net of recoveries	—	(53,421)	(53,421)
Balance, end of period	$ 94,942	$ 7,688,126	$ 7,783,068
Balance, end of period- general	$ 52,018	$ 7,356,956	$ 7,408,974
Balance, end of period- specific	$ 42,924	$ 331,170	$ 374,094
Loans			
Loans collectively evaluated with general allowance	$ 2,747,228	$406,500,078	$409,247,306
Loans individually evaluated with specific allowance	858,479	3,812,799	4,671,278
Total loans	$ 3,605,707	$410,312,877	$413,918,584

Debt Issuance Costs

Debt issuance costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings against its revolving credit facility (see Note 3). These amounts are amortized using the straight-line method into earnings as interest expense ratably over the contractual term of the facility. Net unamortized debt issuance costs totaled $1,982,588 and $2,652,654 at December 31, 2019 and 2018 and are recorded as a direct deduction in the carrying amount of the revolving credit facility on the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies…continued

Tradename Intangible Asset

The Company was acquired by Solar on December 28, 2012 (the "Acquisition Date"). On the Acquisition Date, the Crystal Financial tradename was identified as an acquired intangible asset. The tradename has an indefinite life and therefore is not amortized. The Company reviews its intangible assets for impairment on an annual basis, at the end of the third quarter, or whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. When considering whether or not the tradename is impaired, the Company utilizes both qualitative and quantitative factors. The qualitative assessment involves determining whether events or circumstances exist that indicate that it is more likely than not that the intangible asset is impaired. If the qualitative assessment indicates that it is more likely than not that the intangible asset is impaired, or if the Company elects to not perform a qualitative assessment, then a quantitative assessment is performed, in which the Company is required to perform a recoverability test. An intangible asset is considered impaired if the carrying value of the asset exceeds the estimated fair value of the asset.

To estimate fair value, management primarily utilizes the relief from royalty method, which is an income approach. The income approach states that the value of an intangible asset is the present value of the future economic benefits that are generated by its ownership. Based on factors such as the projected revenue stream associated with the tradename, the estimated royalty rate, estimated long term growth rates, and discount rates, the fair value exceeds the carrying value of the tradename at December 31, 2019 and 2018. No impairment was recorded during the years ended December 31, 2019 and 2018.

Goodwill

In connection with the acquisition, the Company recorded goodwill equal to the excess of the purchase price over the fair value of assets acquired and liabilities assumed. Goodwill recognized on the Acquisition Date totaled $5,156,542. The Company assesses the realizability of goodwill annually at the end of the third quarter, or more frequently if events or circumstances indicate that impairment may exist.

In accordance with *Intangibles- Goodwill and Other (Topic 350)*, the Company performed the goodwill impairment test during both the years ended December 31, 2019 and 2018, which indicated that the fair value of the reporting entity was in excess of its carrying value. As such, no impairment was recorded.

As part of the goodwill impairment test, the fair value of the reporting unit is estimated by applying weighted percentages to the calculated fair values of the Company derived using both the income and market approaches. Under the income approach, the fair value is determined using a discounted cash flow analysis, which involves significant estimates and assumptions, including market conditions, discount rates, and projections of future cash flows. Using the market approach, the fair value is estimated by using comparable publicly traded companies, whose values are known, as a benchmark to establish an estimate of a multiple that is then applied to the Company. In accordance with Topic 350, if it is determined during testing that the carrying value of the reporting entity exceeds the fair value, the Company would record an impairment charge equal to the amount by which the carrying value exceeds its fair value.

In accordance with the accounting guidance, the Company continues to have the option to perform a qualitative goodwill impairment assessment before determining whether to proceed to the impairment test. Further, the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment is eliminated.

2. Summary of Significant Accounting Policies…continued

Interest Income

Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. In accordance with the Company's policy, accrued interest is evaluated periodically for collectability. The Company stops accruing interest on loans when it is determined that all amounts contractually owed to the Company are unlikely to be collected. Interest was not being recognized on three loans in the portfolio during the year ended December 31, 2019, and on two loans in the portfolio during the year ended December 31, 2018. All other accrued interest recognized is deemed to be collectible at December 31, 2019 and 2018.

Fee Income Recognition

Certain loans in the Company's portfolio have been issued at a discount. Others have been issued with equity securities, such as warrants, which require the Company to allocate a portion of the cost of the loan to the initial value of the warrants, as discussed further in the Investment in Equity Securities section of this footnote. This allocation of value to the warrants creates a discount on the loan. Both the discounts on issuance and the discounts created as a result of allocating value to the Company's warrants are accreted into income and added to the value of the respective loan over its contractual life using the effective interest method. Income related to the accretion of these discounts totals $4,717,429 and $797,509 during 2019 and 2018, respectively.

Nonrefundable loan fees and costs associated with the origination or purchase of loans are deferred and included in loans, net, in the consolidated balance sheets. These commitment fees, as well as certain other fees charged to borrowers, such as amendment and prepayment fees, are recorded in interest income, after receipt, over the remaining life of the loan using a method which approximates the interest method. Unused line fees are recorded in interest income when received. Unamortized fees totaling $7,394,397 and $6,359,566 are recorded as a component of unearned fee income on the accompanying consolidated balance sheets at December 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment includes furniture and fixtures, computer equipment and software, which are carried at cost. Such items are depreciated or amortized on a straight-line basis over the following useful lives:

Furniture and fixtures	5-7 years
Computer equipment	3-5 years
Computer software	3 years
Leasehold improvements	shorter of remaining lease term or the asset's estimated useful life

2. Summary of Significant Accounting Policies…continued

Property and Equipment…continued

The cost basis of the Company's property and equipment as well as the accumulated depreciation at December 31, 2019 and 2018, are as follows:

	December 31, 2019	December 31, 2018
Capital leases	$ 17,310	$ 21,989
Furniture and fixtures	26,954	26,954
Computer equipment	191,240	185,746
Computer software	22,947	42,499
Leasehold improvements	—	145,080
	$ 258,451	$ 422,268
Less: Accumulated depreciation	(209,534)	(373,952)
	$ 48,917	$ 48,316

Depreciation expense of $28,782 and $50,668 was recognized during the years ended December 31, 2019 and 2018, and is included as a component of occupancy and equipment expenses on the accompanying consolidated statements of operations.

Investment in Equity Securities

At times, the Company may receive equity securities such as warrants in conjunction with a loan funding. Upon the receipt of such securities, the Company allocates a value to the securities equal to their fair value on the date of issuance, which creates an original issue discount on the corresponding loan. This discount is accreted into interest income over the life of the loan using the effective interest method. The initial value of warrants obtained during the years ended December 31, 2019 and 2018 totaled $977,465 and $5,206,612, respectively.

The Company accounts for equity securities in accordance with the guidance set forth in *Financial Instruments (Topic 825).* In accordance with the guidance, a net unrealized loss totaling $3,286,189 and a net unrealized gain totaling $3,777,593 have been recorded on the Company's securities and are recorded as a component of unrealized gain on investment in equity securities in the accompanying consolidated statements of operations at December 31, 2019 and 2018, respectively. During 2019, the Company received cash proceeds on the sale of equity securities totaling $8,932,000 and recorded a realized gain on the sale of these securities totaling $3,777,593.

Foreign Currency

The functional currency of the Company is the US Dollar. At December 31, 2019, the Company had four loans denominated in foreign currencies in its portfolio. At December 31, 2018, the Company had three loans in its portfolio denominated in foreign currencies. The Company also has the ability to borrow foreign currency denominated funds under its revolving line of credit (see Note 3). Gains and losses arising from exchange rate fluctuations on transactions denominated in currencies other than the US Dollar are included in earnings as incurred. The Company recorded unrealized losses on foreign currency translations totaling $205,755 and $103,198 and realized gains totaling $213,398 and $90,395 during the years ended December 31, 2019 and 2018, respectively.

2. Summary of Significant Accounting Policies…continued

Distributions

Distributions to members are recorded as of the date of declaration and are approved by the Company's Board of Managers. Distributions totaling $7,500,000 have been declared by the Company at both December 31, 2019 and 2018, but were not paid until the following year.

Income Taxes

The Company is a single member LLC treated as a disregarded entity for tax purposes. The sole member of Crystal Financial is individually liable for the taxes, if any, on its share of Crystal Financial's income and expenses.

The Company applies the provisions set forth in *Accounting for Uncertainty in Income Taxes (Topic 740-10)*. Topic 740-10 provides a comprehensive model for the recognition, measurement and disclosure of uncertain income tax positions. The Company recognizes the tax effect of certain tax positions when it is more likely than not that the tax position will sustain upon examination, based solely on the technical merits of the tax position. As of December 31, 2019 and December 31, 2018, the Company does not have any uncertain tax positions that meet the recognition or measurement criteria of Topic 740-10.

As a disregarded entity, the Company has no obligation to file a U.S. federal return for tax periods beginning after July 28, 2016, the date the Company became a disregarded entity for tax purposes. The Company does however continue to file certain state tax returns. As of December 31, 2019, the Company is subject to examination by various state tax authorities for tax years beginning after December 31, 2015.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 amends existing guidance related to the accounting for leases. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on the effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than twelve months, regardless of their classification. Leases with a term of twelve months or less will be accounted for in a manner similar to existing guidance for operating leases today. In 2019, the FASB voted to defer the effective date of the guidance set forth in ASU 2016-02. Accordingly, ASU 2016-02 will be effective for the Company for its fiscal year beginning after December 15, 2020. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses (Topic 326).* ASU 2016-13 sets forth a current expected credit loss ("CECL") model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. During 2019, the FASB voted to defer the effective date of the guidance set forth in ASU 2016-13 for certain entities. Accordingly, ASU 2016-13 will be effective for the Company for its fiscal year beginning after December 15, 2022. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

2. Summary of Significant Accounting Policies…continued

Recently Issued Accounting Pronouncements…continued

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement.* ASU 2018-13 improves the effectiveness of disclosure requirements on fair value measurement by eliminating certain disclosure requirements for fair value measurements for all entities, requiring public entities to disclose certain new information and modifying some of the existing disclosure requirements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of the new guidance on the Company's consolidated financial statements.

3. Debt Obligations and Financings

Revolving Credit Facility

On May 12, 2011, the Company entered into a Loan Financing and Servicing Agreement (the "Credit Agreement") with Deutsche Bank AG (the "Lender") in the form of a revolving credit facility. After various amendments, the lender group was expanded and includes both Citibank, N.A. and Citizens Business Capital (together with Deutsche Bank AG, the "Lenders") at both December 31, 2019 and 2018.

The Company has the ability to borrow funds denominated in certain foreign currencies under the facility. The maximum amount available to be borrowed in foreign denominated currencies is the USD equivalent of $132,000,000. During 2019 and 2018, the Company incurred fees and expenses totaling $48,519 and $1,770,514 in connection with certain amendments to the credit facility. These costs were deferred and are being amortized on a straight-line basis over the contractual term of the Credit Agreement as an adjustment to interest expense.

At December 31, 2019, the amount available to be borrowed under the facility is the lesser of (a) $330,000,000 or (b) the amount calculated and available per the Borrowing Base, as defined in the amended Credit Agreement. Borrowings on the facility bear interest at a rate of 2.85% plus the Lenders' cost of funds, as defined in the Credit Agreement. The applicable cost of funds varies depending on the currency in which the funds are borrowed. At December 31, 2019, the effective rates were between 2.85% and 4.82%. The Company also pays an undrawn fee on unfunded commitments and an administrative agent fee.

The revolving credit facility is comprised of the following at December 31, 2019 and 2018:

	December 31,	
	2019	2018
Principal borrowings	$275,953,893	$205,990,202
Unamortized debt issuance costs	(1,982,588)	(2,652,654)
Revolving credit facility, net	$273,971,305	$203,337,548

The remaining capacity under the facility at December 31, 2019, subject to borrowing base constraints, totals $54,046,107. The facility terminates on the earlier of September 20, 2022 or upon the occurrence of a Facility Termination Event, as defined in the amended Credit Agreement.

Commencing on March 20, 2021 and continuing every three months until the facility's termination date, the Company may be required to make principal pay-downs on certain amounts outstanding. The amount to be paid down is contingent upon the future amount outstanding as well as the amount of future non-mandatory prepayments made on the credit facility.

3. Debt Obligations and Financings…continued

Revolving Credit Facility…continued

Cash, as well as those of the Company's loans that are held within Crystal Financial SPV, serve as collateral against the facility. At December 31, 2019 and 2018, the amount of cash and the face value of loans pledged as collateral totaled $5,153,718 and $485,926,725, and $25,541,882 and $407,253,844, respectively. The Company has made certain customary representations and warranties under the facility, and is required to comply with various covenants, reporting requirements, and other customary requirements for similar credit facilities. The Credit Agreement includes usual and customary events of default for credit facilities of this nature. The Company is in compliance with all covenants at December 31, 2019 and 2018.

Operating and Capital Leases

The Company leases office space and equipment under various operating and capital lease agreements. Future minimum lease commitments under these leases are as follows:

	Operating Leases	Capital Leases
2020	$ 685,289	$ 4,584
2021	662,346	4,584
2022	640,989	4,584
2023	653,787	2,674
2024	441,650	—
	$3,084,061	$16,426
Less: Amount representing interest		(828)
Present value of minimum capital lease payments, including current maturities of $4,194		$15,598

Capital lease liabilities are recorded as a component of other liabilities on the accompanying consolidated balance sheets.

4. Related Party Activity

On March 15, 2013, Crystal Financial committed $50,750,000 of capital to Crystal Financial SBIC LP (the "Fund") in exchange for a 65.91% limited partner interest. Crystal Financial SBIC LP was established to operate as a small business investment company under the Small Business Investment Company ("SBIC") Act. Of the total amount committed, $21,883,314 remains unfunded at December 31, 2019 and 2018.

Certain of the managing members of the Fund's general partner, Crystal SBIC GP LLC (the "General Partner"), are also members of Crystal Financial's management team. Crystal Financial and the General Partner have entered into a Services Agreement whereby Crystal Financial provides certain administrative services to the General Partner in exchange for a waiver of the quarterly management fee that it owes to the General Partner. Crystal Financial also entered into a Loan Agreement with the Fund in order to meet short term capital needs. The total commitment of the Loan Agreement was $30,000,000 at December 31, 2018. The Loan Agreement terminated effective June 18, 2019 and was not extended. There were no amounts outstanding under the Loan Agreement at December 31, 2018. Amounts outstanding on the Loan Agreement accrued interest at Prime plus 0.50%, unless such amount is less than 4.00%, in which case interest is accrued at LIBOR plus 4.00%, up to a maximum of 5.00%. At December 31, 2018, borrowings on the facility accrued interest at 5.00%. Crystal Financial earned interest income on this facility totaling $48,304 during 2018. There were no borrowings under the Loan Agreement during 2019, and therefore no accrued interest during the year.

4. Related Party Activity…continued

The Company accounts for its limited partner interest in the Fund as an equity method investment in the accompanying consolidated financial statements (see Note 7). Crystal Financial did not make any contributions to the Fund during 2019 or 2018. Cash distributions from the Fund totaled $13,497,043 and $5,627,623 during 2019 and 2018, respectively. In accordance with the equity method of accounting, the Company was allocated net income from the Fund totaling $1,905,583 and $6,458,627 for the years ended December 31, 2019 and December 31, 2018. These amounts represent the Company's allocation of the Fund's net income in accordance with the Fund's Limited Partnership Agreement. Crystal Financial's investment in the Fund is recorded as Investment in Crystal Financial SBIC LP in the accompanying consolidated balance sheets and its share of earnings and losses are recorded as Interest in earnings of equity method investee on the consolidated statements of operations.

5. Member's Capital

Crystal Financial has issued limited liability company interests, referred to as Class A Units. Each unit entitles its holder to one vote on all matters submitted to a vote of the members. At December 31, 2019 and 2018, the Company has 280,303 outstanding Class A Units, all of which are owned by Solar.

6. Commitments and Contingencies

The Company is party to financial instruments with off-balance sheet risk including unfunded revolver and delayed draw term loan commitments to certain borrowers.

Under the revolving credit and delayed draw term loans, aggregate unfunded commitments total $66,552,200 and $61,357,090 at December 31, 2019 and 2018, respectively. These agreements have fixed expiration dates. The revolving credit agreements typically require payment of a monthly fee equal to a certain percentage times the unused portion of the revolving line of credit. As the unfunded commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of credit that can be extended under each of the revolving credit agreements and delayed draw term loan agreements is typically limited to the borrower's available collateral, which is used in calculating the borrower's borrowing base at the time of a respective draw.

Effective January 1, 2013, certain employees of Crystal Financial, including members of management, entered into a long- term incentive plan agreement ("LTIP Agreement"). In accordance with the terms of the LTIP Agreement, a bonus pool is calculated each calendar year, beginning with the amount calculated in 2014 with respect to results for the year ended December 31, 2013 and is based upon the achievement of certain operating results during the year. The bonus pool calculated and earned for each calendar year will be paid out two years after the year in which the bonus pool is calculated and earned. The calculated bonus pool is subject to a look-back calculation which could cause the amount that is ultimately paid out to be less than the amount originally calculated. Amounts recorded pursuant to the LTIP Agreement during the years ended December 31, 2019 and 2018, are included as a component of accrued expenses on the accompanying consolidated balance sheets and as a component of compensation and benefits expense on the accompanying consolidated statements of operations.

7. Variable Interest Entity

In accordance with the consolidation guidance, the Company evaluates (a) whether it holds a variable interest in an entity, (b) whether the entity is a variable interest entity ("VIE") and (c) whether the Company is the primary beneficiary of the VIE. The granting of substantive kick-out rights is a key consideration in determining whether a limited partnership is a VIE and whether or not that entity should be consolidated. In evaluating whether or not Crystal Financial SBIC LP is a VIE of the Company, it is noted that the Limited Partnership Agreement of Crystal Financial SBIC LP does not permit a simple majority of the limited partners to exercise kick-out rights, and therefore these rights are deemed to not be substantive. Accordingly, Crystal Financial SBIC LP is deemed to be a VIE. In assessing whether or not the VIE should be consolidated, it was determined that substantially all of the VIE's activities are not conducted on behalf of Crystal Financial or its de facto agents. Accordingly, the Company does not consolidate Crystal Financial SBIC LP in the accompanying consolidated financial statements.

The following table sets forth the information with respect to the unconsolidated variable interest entity in which the Company holds a variable interest as of December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018
Equity interest included on the Consolidated Balance Sheets	$ 20,548,275	$ 32,139,735
Maximum risk of loss (1)	42,431,589	54,023,049

(1) includes the equity investment the Company has made, or could be required to make

8. Fair Value of Financial Instruments

Fair Value Measurements (Topic 820) establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1- inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2- inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

Level 3- inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables present recorded amounts of financial assets measured at fair value on a recurring basis at December 31, 2019 and 2018.

8. Fair Value of Financial Instruments…continued

December 31, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value in Consolidated Balance Sheet
Assets:				
Investment in equity securities	$ —	$ —	$ 1,468,869	$1,468,869
Total assets recorded at fair value on a recurring basis	$ —	$ —	$ 1,468,869	$1,468,869

December 31, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value in Consolidated Balance Sheet
Assets:				
Investment in equity securities	$ —	$ —	$ 8,932,000	$8,932,000
Total assets recorded at fair value on a recurring basis	$ —	$ —	$ 8,932,000	$8,932,000

The fair values of the Company's investments in equity securities are determined using widely accepted valuation techniques. The initial values of the Company's equity securities were determined using the market approach combined with the option-pricing model. Both observable and unobservable inputs, including expected term and implied volatilities were utilized in the valuation of these securities. Net unrealized losses totaling $3,286,189 and unrealized gains totaling $3,777,593 were recorded in the accompanying consolidated statements of operations during 2019 and 2018, respectively.

The table below illustrates the change in balance sheet amounts during the years ended December 31, 2019 and 2018, for financial instruments measured on a recurring basis and classified by the Company as level 3 in the valuation hierarchy. When a determination is made to classify a financial instrument as level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. Level 3 financial instruments typically include, in addition to the unobservable or level 3 components, observable components.

	Investment in Equity Securities
Fair value, January 1, 2018	$ —
Investment in equity securities	5,154,407
Total gains or losses included in earnings:	
Net change in unrealized gain	3,777,593
Fair value, December 31, 2018	$ 8,932,000
Investment in equity securities	977,465
Total gains or losses included in earnings:	
Realized gain	3,777,593
Net change in unrealized loss	(3,286,189)
Proceeds from sale of equity securities	(8,932,000)
Fair value, December 31, 2019	$ 1,468,869

8. Fair Value of Financial Instruments…continued

Financial instruments that are not recorded at fair value on a recurring basis consist of cash, restricted cash, interest receivable, loans receivable, investment in Crystal Financial SBIC LP, collateral held for borrower obligations and the revolving credit facility. Due to the short-term nature of the Company's cash, restricted cash, interest receivable, and collateral held for borrower obligations, the carrying value approximates fair value.

The Company's loans receivable are recorded at outstanding principal, net of any deferred fees and costs, unamortized purchase discounts and the allowance for loan losses. If the Company elected the fair value option, the estimated fair value of the Company's loans receivable would be derived using among other things, a discounted cash flow methodology that considers various factors including the type of loan and related collateral, current market yields for similar debt investments, estimated cash flows, as well as a discount rate that reflects the Company's assessment of risk inherent in the cash flow estimates.

If the Company elected the fair value option, the estimated fair value of the Company's revolving credit facility at December 31, 2019 and 2018, would approximate the carrying value. The fair value is estimated based on consideration of current market interest rates for similar debt instruments.

The following table presents the carrying amounts, estimated fair values, and placement in the fair value hierarchy of the Company's long-term financial instruments, at December 31, 2019 and 2018.

December 31, 2019

			Fair Value Measurements		
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	$ 496,832,856	$487,329,794	$ —	$ —	$487,329,794
Investment in Crystal Financial SBIC LP	20,548,275	20,548,275	—	—	20,548,275
Financial liabilities:					
Revolving credit facility	275,953,893	275,953,893	—	—	275,953,893

December 31, 2018

			Fair Value Measurements		
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Loans receivable	$ 413,918,584	$413,587,414	$ —	$ —	$413,587,414
Investment in Crystal Financial SBIC LP	32,139,735	32,139,735	—	—	32,139,735
Financial liabilities:					
Revolving credit facility	205,990,202	205,990,202	—	—	205,990,202

9. Subsequent Events

The Company has evaluated subsequent events through February 13, 2020, the date which the financial statements were available to be issued. Other than those described in the preceding notes, no material subsequent events have occurred through this date.

Exhibit 99.2

CONSOLIDATED FINANCIAL STATEMENTS

NEF Holdings, LLC and Subsidiaries
(A Limited Liability Company)
Years ended December 31, 2019 and December 31, 2018
With Independent Auditors' Report

NEF Holdings, LLC and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2019 and December 31, 2018

Contents

Independent Auditors' Report

Board of Managers

NEF Holdings, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of NEF Holdings, LLC and Subsidiaries, which comprise the consolidated statement of financial condition as of December 31, 2019, and the related consolidated statements of operations, changes in members' capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NEF Holdings, LLC and Subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ BakerTillyVirchowKrause, LLP

Philadelphia, Pennsylvania
February 13, 2020

NEF Holdings, LLC and Subsidiaries

Consolidated Balance Sheets

At December 31, 2019 and December 31, 2018
(In Thousands)

	2019	2018
Assets		
Cash	$ 6,609	$ 6,411
Restricted cash	120	120
Financing receivables:		
Net investment in direct finance leases	203,186	196,883
Secured loans, net	48,705	45,783
Total financing receivables, gross	251,891	242,666
Allowance for losses on financing receivables	(6,895)	(5,445)
Total financing receivables, net	244,996	237,221
Equipment off lease - held-for-sale	7,344	572
Fixed assets, net	2,967	3,030
Equipment on lease, net	2,496	4,584
Goodwill	29,832	29,832
Other assets	9,839	11,415
Total assets	$304,203	$293,185
Liabilities and Members' Capital		
Liabilities:		
Senior secured credit facility *(see note 9)*	$127,250	$118,823
Loans from affiliate	44,544	32,968
Accrued expenses	2,591	2,871
Good faith deposits	1,074	1,043
Accounts payable	615	236
Other liabilities	4,178	3,970
Total liabilities	180,252	159,911
Members' capital:		
Members' capital	123,951	133,274
Total members' capital	123,951	133,274
Total liabilities & members' capital	$304,203	$293,185

See accompanying notes to the consolidated financial statements.

NEF Holdings, LLC and Subsidiaries

Consolidated Statements of Operations

For the Years Ended December 31, 2019 and December 31, 2018
(In Thousands)

	2019	2018
Income:		
Interest income from direct finance leases	$19,905	$19,025
Interest income from secured loans	5,949	5,367
Operating lease income	1,018	1,395
Other income	5,056	4,257
Total income	31,928	30,044
Expenses:		
Provision for losses	11,942	2,979
Interest expense	10,560	9,971
Compensation and benefits	8,759	8,317
Depreciation and amortization	1,878	540
Occupancy and office expenses	1,423	1,114
Lease and loan restructuring costs	834	992
Professional fees	613	602
Impairments of equipment off lease	339	489
Unrealized loss on equity investment	266	568
Other expenses	1,337	1,046
Total expenses	37,951	26,618
Net income/(loss)	$ (6,023)	$ 3,426

See accompanying notes to the consolidated financial statements.

NEF Holdings, LLC and Subsidiaries

Consolidated Statements of Changes in Members' Capital

For the Years Ended December 31, 2019 and December 31, 2018
(In Thousands)

Members' capital at December 31, 2017	$138,187
Capital distributions	(8,339)
Net income	3,426
Members' capital at December 31, 2018	133,274
Capital distributions	(3,300)
Net loss	(6,023)
Members' capital at December 31, 2019	$123,951

See accompanying notes to the consolidated financial statements.

NEF Holdings, LLC and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019 and December 31, 2018
(In Thousands)

	2019	2018
Cash flows from operating activities		
Net income/(loss)	$ (6,023)	$ 3,426
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Impairments of equipment off lease	339	489
Provision for losses	11,942	2,979
Depreciation and amortization of intangible asset	1,878	540
Amortization of deferred financing costs	382	994
Amortization of upfront fees received and initial direct costs paid	586	716
Amortization of notes payable discounts	—	1,174
Unrealized loss on equity investment	266	568
Changes in operating assets and liabilities:		
(Increase)/Decrease in other assets	1,656	1,734
(Increase)/Decrease in interest receivable	387	(242)
Increase/(Decrease) in interest payable	(75)	276
Increase/(Decrease) in accrued expenses	(280)	(1,999)
Increase/(Decrease) in good faith deposits	31	(28)
Increase/(Decrease) in accounts payable	379	(171)
Increase/(Decrease) in other liabilities	(1,642)	(1,164)
Net cash provided by operating activities	9,826	9,292
Cash flows from investing activities		
(Purchases)/sales of secured loans and direct finance leases from an affiliate	(21,709)	26,417
Investments in secured loans and direct finance leases	(106,503)	(139,752)
Collections of principal on secured loans and direct finance leases	92,572	88,264
Non-refundable upfront fees received	81	201
Initial direct costs paid	(714)	(666)
Proceeds from sales of equipment on lease	1,819	51
Proceeds from sales of equipment off lease	8,860	1,127
Proceeds/(Purchases) from sales of fixed assets	54	(134)
Cash paid for acquisition, net	(884)	(218)
Net cash used in investing activities	(26,424)	(24,710)
Cash flows from financing activities		
Borrowings on credit facility and loans from affiliate	149,031	168,905
Repayments on credit facility and loans from affiliate	(128,608)	(87,715)
Payment of credit facility closing fees	(727)	—
Repayments of notes	—	(71,657)
Capital distributions	(2,900)	(8,339)
Net cash provided by financing activities	16,796	1,194
Net increase/(decrease) in cash and restricted cash	198	(14,224)
Cash and restricted cash at the beginning of period	6,531	20,755
Cash and restricted cash at the end of period	$ 6,729	$ 6,531
Supplemental disclosures of cash flow information		
Interest paid	$ 8,934	$ 7,568
Non-cash consideration paid for acquisition	$ —	$ 6,832
Non-cash exchange of right of use assets for lease obligations	$ 1,595	$ —

See accompanying notes to the consolidated financial statements

1. Organization and Business

NEF Holdings, Inc. was organized on June 7, 2013 as a Delaware corporation and commenced its operations in June 2013. Effective January 1, 2014, NEF Holdings, Inc. converted from a corporation to a limited liability company ("LLC"), NEF Holdings, LLC ("NEF Holdings"), pursuant to Section 18-214 of the Limited Liability Act in the State of Delaware. Subsequent to the close of business on July 31, 2017, NEF Holdings was acquired by Solar Capital Ltd. ("Solar").

As of December 31, 2019, NEF Holdings had six wholly-owned subsidiaries: Nations Fund I, LLC ("Fund I"), Nations Equipment Finance Funding III, LLC ("Issuer III"), Nations Equipment Finance, LLC ("NEF"), Equipment Operating Leases, LLC ("EOL"), NEF Auto Transport, LLC ("NEF Auto Transport") and Loyer Capital LLC ("Loyer Capital") (collectively, the "Company"). The Company is headquartered in Norwalk, Connecticut.

Nations Fund I, Inc. was organized on September 17, 2010 as a Delaware corporation. Effective January 1, 2014, Nations Fund I, Inc. converted from a corporation to a LLC, Nations Fund I, LLC, pursuant to Section 18-214 of the Limited Liability Act in the State of Delaware. Fund I is a commercial equipment finance company that provides term loans and leases primarily to middle market and privately held companies. Fund I focuses on direct origination of loans and equipment leases secured by equipment collateral, such as trailers, trucks, transportation and construction equipment.

NEF was organized as a LLC under the laws of the State of Delaware and commenced operations on August 24, 2010. NEF was formed for the purposes of serving as the investment manager for Fund I and later as the servicer for the Company's securitization entities. Services provided by NEF include, among other things, identifying, structuring and negotiating transactions, monitoring, advising and managing investments, exercising control rights, options or warrants, liquidating investments, cash management, accounting, tax, compliance and legal services.

NEF Investments, a wholly owned subsidiary of NEF Holdings, was organized as a Delaware LLC on January 22, 2018. On April 18, 2018, NEF Investments' LLC agreement was amended which changed the company's name from NEF Investments, LLC to Equipment Operating Leases, LLC. EOL is a commercial equipment finance company that provides term loans and leases primarily to middle market and privately held companies.

NEF Auto Transport was organized as a LLC under the laws of the State of Delaware and commenced operations in December 2018 through the acquisition of a former customer (see note 4). NEF Auto Transport is an auto transport carrier providing direct auto-hauling services.

During August 2014, NEF Holdings formed Nations Equipment Finance Funding II, LLC ("Issuer II") as a Delaware LLC. Issuer II, formerly a wholly owned subsidiary of NEF Holdings, was formed as a bankruptcy remote vehicle with the intention to acquire net financing receivables from NEF Holdings in order to leverage these assets through a term securitization and take advantage of a low interest rate market environment. In 2018, Issuer II executed the clean-up call provisions associated with the outstanding notes payable, and on November 5, 2018 was dissolved.

During November 2015, NEF Holdings formed Issuer III as a Delaware LLC. Issuer III, a wholly owned subsidiary of NEF Holdings, was formed as a bankruptcy remote vehicle with the intention to acquire net financing receivables from NEF Holdings in order to leverage these assets through a term securitization and take advantage of a lower interest rate market environment. In 2018, Issuer III executed the clean-up call provisions associated with the outstanding notes payable and ceased operations.

1. Organization and Business (continued)

Loyer Capital was organized as a LLC under the laws of the State of Delaware and commenced operations in May 2019. Loyer Capital is a commercial equipment finance company that provides term loans and leases primarily to middle market and privately held companies.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These consolidated financial statements include the accounts of NEF Holdings and its wholly owned subsidiaries, Fund I, Issuer II, Issuer III, NEF, EOL, Loyer Capital and NEF Auto Transport. All significant intercompany balances and transactions are eliminated in consolidation. Certain amounts in the prior period financial statements have been reclassified to conform to the current year's presentation.

Use of Estimates

The presentation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that impact the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to change in the future as additional information becomes available or as circumstances are modified. Actual results could differ materially from these estimates. Management's estimates and assumptions are used in estimating an allowance for losses on financing receivables, impairments of equipment off lease, useful lives of leasing equipment and fixed assets, fair values of unguaranteed residual values, intangible assets and fair values of assets acquired and liabilities assumed.

Cash

At December 31, 2019 and December 31, 2018, the Company's cash balance totaled $6,729, and $6,531, of which $120 and $120, respectively, was restricted. The restricted cash balance as of December 31, 2019 and December 31, 2018 is maintained in connection with the lease of the Company's office space in Norwalk, Connecticut.

Direct Finance Leases

Net investment in direct finance leases is reported net of unearned income, deferred non-refundable fees and initial direct costs associated with their origination, and inclusive of guaranteed and unguaranteed residual values. Direct finance leases are usually long-term in nature, typically ranging for a period of three to seven years and include either a nominal or fair market value purchase option at the end of the lease term.

Non-refundable fees received and initial direct costs incurred associated with the origination of direct finance leases are deferred and are recognized as an adjustment to interest income over the contractual life of the direct finance leases using the interest method.

Secured Loans

Secured loans, net are reported at the principal amount outstanding, net of non-refundable fees, initial direct costs and accrued interest. Non-refundable loan fees and initial direct costs are deferred and included in secured loans, net in the consolidated balance sheets. These fees are recognized as an adjustment to interest income over the contractual life of the loans using the interest method.

2. Summary of Significant Accounting Policies (continued)

Income Recognition

The Company recognizes revenue in accordance with the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is for an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. While this guidance replaces most existing revenue recognition guidance in U.S. GAAP, ASC 606 is not applicable to financial instruments and, therefore, does not impact most of the Company's revenues.

For direct finance leases, the difference between the cost of the equipment and the total finance lease receivable plus, where applicable, the unguaranteed or guaranteed residual value is recorded as unearned income. Unearned income is amortized as earned income over the term of the transaction using the interest method. For secured loans, interest income is recorded on the accrual basis in accordance with the terms of the respective loan.

The Company's revenue recognition pattern for revenue streams within the scope of ASC 606 include fees for providing administrative and collateral monitoring services, which are earned ratably over the period in which the services are provided, and revenues associated with its auto-hauling operations acquired in 2018 and 2019 (see note 4). Such revenues are recognized when evidence of an arrangement exist, the performance obligations are satisfied, collections are probable and the price is fixed or determinable. With respect to the Company's auto-hauling operations, the sole performance obligation is deemed to be satisfied at a single point in time, when the customer takes physical possession of the automobile.

Other Income

Amounts in other income in the consolidated statements of operations primarily include gains on sales of equipment, fees charged for early terminations of financing arrangements, other miscellaneous fees earned in connection with the administration of such financing arrangements and net foreign currency translation gains. Also included in other income in the consolidated statements of operations are the revenues and cost of sales associated with the Company's auto-hauling business. For the years ended December 31, 2019 and December 31, 2018, such revenues totaled $2,172 and $73, respectively. Direct costs associated with such revenues for the years ended December 31, 2019 and December 31, 2018 totaled $2,102 and $97, respectively.

Other Expenses

Included in other expenses in the consolidated statements of operations are losses on sales of equipment, net foreign currency translation losses and other expenses incurred in connection with the administration of financing arrangements.

Fixed Assets

Fixed assets consist of furniture and fixtures, software, computers, leasehold improvements, automobiles, telephone and office equipment and auto hauling trucks, and are stated at cost less accumulated depreciation and amortization. Expenditures for repairs and maintenance are expensed as incurred and are included in other expenses in the Company's consolidated statements of operations.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Fixed Assets (continued)

Depreciation and amortization of fixed assets are calculated using the straight-line method over their respective useful lives as follows, and recorded in depreciation and amortization in the consolidated statements of operations:

	Useful Life (Years)
Furniture and fixtures	7
Telephone	7
Computers	5
Office equipment	5
Software	5
Automobile	5
Auto Hauling Trucks	5
Leasehold improvements	Lesser of the life of the asset or the life of the lease

Good Faith Deposits

Good faith deposits represent cash received from the Company's customers, when the proposal for a potential transaction is signed. These deposits are used to pay expenses such as third party appraisals, document fees and travel and related costs incurred by the Company in connection with the origination of the transaction. If the deposit exceeds the expenses incurred by the Company, the excess amount is refundable to the customer. If the expenses incurred exceed the deposits received, the Company's customers are liable for the overage. Such overages are included in other assets on the consolidated balance sheets. In the event the Company approves a transaction with a customer and the customer elects not to pursue the transaction, the Company recognizes any remaining good faith deposit into income, as allowed by the agreed upon terms of the signed proposal. Such amounts are included in other income in the consolidated statements of operations.

Allowance for Losses on Financing Receivables

The Company maintains an allowance for losses on financing receivables at a level sufficient to absorb probable losses related to its financing receivables as of the date of the consolidated financial statements. In determining its allowance for losses on financing receivables, the Company considers the creditworthiness of the receivables in the portfolio based on internal customer risk ratings, collateral coverage and remaining term to maturity, which are reviewed and updated, as appropriate, on an ongoing basis.

Individually identified non-performing secured loans and direct finance leases are measured based on the specific circumstances of the transaction and a specific allowance is established, if necessary. Amounts determined to be uncollectible are charged directly to provision for losses in the consolidated statements of operations. During the years ended December 31, 2019 and December 31, 2018, charge-offs of financing receivables totaled $1,867 and $2,421 respectively.

The Company classifies a financing receivable as past due when it is overdue by more than 60 days. As of December 31, 2019, financing receivables with an outstanding balance of $11,874, $5,149, and $10,046 were between 61-90 days past due, 91-120 days past due and greater than 120 days past due, respectively. As of December 31, 2018, financing receivables with an outstanding balance of $4,921, $20,790, and $6,412 were between 61-90 days past due, 91-120 days past due and greater than 120 days past due, respectively.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Non-Accrual Financing Receivables

Income recognition is generally suspended for financing receivables after 90 days of non-payment, or if full recovery becomes doubtful based on the assessment by the Company. Income recognition is resumed when financing receivables are less than 90 days past due. At December 31, 2019 and December 31, 2018, financing receivables with an outstanding balance of $21,566 and $15,030, respectively, were on non-accrual of income.

Equipment on Lease

Leasing equipment is comprised of equipment under operating leases. Leasing equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful life of the equipment. Income is recorded on a straight-line basis over the term of the lease as operating lease income in the consolidated statements of operations.

The estimated useful lives and residual values of the Company's leasing equipment are based on independent third party appraisals and management's judgment. The Company reviews its depreciation policies on a regular basis to determine whether changes have taken place that would suggest that a change in its depreciation policies, useful lives of its equipment or the assigned residual values is warranted. The estimated useful lives of the Company's leasing equipment at December 31, 2019 and December 31, 2018 are as follows:

	Useful Lives (Years)
Truck cranes	11
Drill units	15
Rail cars	30

Leasing equipment is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recovered. Key indicators of impairment on leasing equipment include, among other factors, a sustained decrease in operating profitability, a sustained decrease in utilization, or indications of technological obsolescence.

Equipment off Lease

Equipment off lease arises when the Company repossesses collateral that secured a financing receivable in a customer default scenario. A write-down of the financing receivable is recorded as a charge-off when the carrying amount exceeds the fair value and the difference relates to credit quality. At the time of repossession, the financing receivable is transferred to equipment off lease at the lower of cost or fair value. During the years ended December 31, 2019 and December 31, 2018, the Company recorded $8,625 and $579, respectively, in charge offs, which are included in provisions for losses in the consolidated statements of operations.

A review for impairment of equipment off lease is performed at least annually or when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During the years ended December 31, 2019 and December 31, 2018, the Company recorded impairment charges of $339 and $489, respectively.

At December 31, 2019 and December 31, 2018, equipment off lease totaled $7,344 and $572, respectively, in the consolidated balance sheets. The Company intends to sell such assets, and has classified these assets as held for sale, in accordance with the provisions of ASC 360, *Property, Plant & Equipment*.

2. Summary of Significant Accounting Policies (continued)

Other Assets

Included in other assets in the consolidated balance sheets at December 31, 2019 and December 31, 2018 is an equity investment in a customer's parent company stock, obtained to improve collateral coverage on an existing financing receivable. The Company values equity investments that are traded on a public securities exchange at the reported fair value at year end. During the years ended December 31, 2019 and December 31, 2018, the Company recorded charges of $266 and $568, respectively, which represents the fair value decline of the equity investment.

Derivative Instruments

The Company manages exposure to interest rate through the use of interest rate caps traded in the over-the-counter markets with other financial institutions. The Company does not enter into derivative financial instruments for speculative purposes. Derivative instruments are recognized at fair value and included in other assets in the consolidated balance sheets.

Interest rate caps are used to manage the Company's interest rate exposure on its senior secured credit facility. At December 31, 2019 and December 31, 2018, such derivatives had a notional amount of $90,000 and $85,000, respectively, and a fair value of $24 and $185, respectively, which are included in other assets in the consolidated balance sheets. For the years ended December 31, 2019 and December 31, 2018, changes in fair value of the interest rate caps totaled ($143) and $41, respectively, and are included in interest expense in the consolidated statements of operations.

Deferred Financing Costs

Deferred financing costs represent fees and other incremental costs incurred in connection with the financing of the Company's senior secured credit facility and notes payable. Deferred financing costs for its senior secured credit facility are amortized using the straight-line method into earnings over the contractual term of the facility. Deferred financing costs for notes payable are amortized into earnings using the effective interest rate method over the contractual terms of the respective notes. In 2018, $609 of deferred financing costs associated with the notes payable were fully amortized during the year as a result of the Issuer II and Issuer III notes being fully repaid.

Debt

Senior secured credit facility represents the Company's borrowings under its long-term revolver, which are carried at amortized cost, along with the related accrued interest payable and unamortized deferred financing costs.

Loans from affiliate represent the Company's unpaid principal balance on term loans, along with the related accrued interest payable. Maturity dates range from August 1, 2022 through April 27, 2025 and carry interest rates ranging from 7.53% - 11.52%. Future scheduled payments on loans from affiliate are $3,401 in 2020, $3,680 in 2021, $5,643 in 2022, $2,025 in 2023, $16,932 in 2024 and $12,788 in 2025.

Contingencies and Commitments

The Company may be subject to various legal proceedings, claims, and litigation, either asserted or unasserted that arise in the ordinary course of business. The Company records accruals for contingent losses when such losses are probable and reasonably estimable. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information. Legal fees are expensed as incurred.

2. Summary of Significant Accounting Policies (continued)

Financial Asset Transfers

The Company accounts for transfers of financial assets under FASB ASC 860, Transfers and Servicing, utilizing a control oriented, financial components approach to financial asset transfer transactions whereby the Company: (1) recognizes the financial and servicing assets it controls and the liabilities it has incurred; (2) derecognizes financial assets when control has been surrendered; and (3) derecognizes liabilities once they are extinguished. Control is considered to have been surrendered only if: (i) the transferred assets have been isolated from the Company and its creditors, even in the event of bankruptcy or other receivership; (ii) the purchaser has the right to pledge or exchange the transferred assets, or, is a qualifying special purpose entity (as defined) and the holders of beneficial interests in that entity have the right to pledge or exchange those interests; and (iii) the Company does not maintain effective control over the transferred assets through an agreement which both entitles and obligates it to repurchase or redeem those assets prior to maturity, or through an agreement which both entitles or obligates it to repurchase or redeem those assets if they were not readily obtainable elsewhere. If any of these conditions are not met, the Company accounts for the transfer as a secured borrowing.

Foreign Currencies

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the date of the consolidated balance sheets. Income and expenses are translated at average rates of exchange prevailing during the year. Translation adjustments resulting from this process, which totaled $9 and ($18) for the years ended December 31, 2019 and December 31, 2018, respectively, are recorded in other income and other expenses, respectively, in the consolidated statements of operations. At December 31, 2019 and December 31, 2018, the Company had cash, financing receivables and debt denominated in the Canadian dollar.

Income Taxes

The Company is a LLC and has elected to be taxed as a partnership. Accordingly, the Company is not subject to federal or state income taxes. Taxable income, losses and deductions flow through to the Company’s members.

Fair Value Measurement

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction at the measurement date. In determining fair value of financial instruments and intangibles, the Company uses various valuation approaches, which often utilize certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. The inputs can be readily observable, market corroborated or generally unobservable internal inputs. The Company utilizes valuation techniques that rely on both observable and unobservable inputs.

Goodwill and Intangible Asset

Goodwill, which represents the excess of consideration paid for the Company over the fair value of the related assets acquired, liabilities assumed and contractual rights arising from the acquisition of the Company on July 31, 2017 as discussed in note 1. As discussed in note 4, in connection with the acquisition of one of its former customers, the Company acquired an intangible asset related to customer relationships with a five year useful life. The intangible asset was acquired in December of 2018 and therefore no amortization expense was recorded for the year ended December 31, 2018. For the year ended December 31, 2019, the Company recorded $812 in amortization expense. At December 31, 2019, the carrying value of the intangible asset is $3,247 and is included in other assets in the consolidated balance sheets. Such balance will be fully amortized, ratably, over the remaining four year useful life.

2. Summary of Significant Accounting Policies (continued)

Goodwill and Intangible Asset (continued)

The Company assesses goodwill for impairment, annually or more frequently if events or changes in circumstance occur, by comparing the carrying value to its fair value. If the fair value is less than the carrying value, an impairment charge is recorded in that period. The fair value of the reporting unit is estimated by applying the weighted percentages to the calculated fair values of the Company derived using both the income and market approaches. Under the income approach, the fair value is determined using a discounted cash flow analysis, which involves significant estimates and assumptions, including market conditions, discount rates, and projections of future cash flows. Using the market approach, the fair value is estimated by using comparable publicly traded companies, whose values are known, as a benchmark to establish an estimate of a multiple that is then applied to the Company. For the years ended December 31, 2019 and December 31, 2018, there was no impairment to goodwill.

3. New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02 – *Leases*. This amendment requires companies that lease assets to recognize on the consolidated statement of financial condition the assets and liabilities for the rights and obligations created by those leases. This amendment is effective for the Company for the fiscal year beginning after December 15, 2018. The Company adopted this guidance during the year ended December 31, 2019 and it did not have a material impact on the consolidated financial statements. Included in other assets and other liabilities is a right to use asset and a corresponding lease obligation associated with the Company's leases for its office spaces.

In June 2016, the FASB issued ASU 2016-13 – *Financial Instruments – Credit Losses*. This amendment will require companies to broaden the information considered in developing its expected credit loss estimates on financing receivables measured either individually or collectively. This amendment is effective for the Company for the fiscal year beginning after December 15, 2019. The Company is currently evaluating the impact the new standard will have on its consolidated financial statements.

4. Business Combinations

On December 11, 2018, the Company, through its wholly owned subsidiary NEF Auto Transport, acquired a privately held auto transport hauler. The entity, which was one of the Company's former customers, was acquired out of bankruptcy in satisfaction of all of the amounts due the Company. Total consideration of $7,082 (of which $250 was in the form of cash) was allocated to the fair value of the identifiable assets acquired and liabilities assumed, which included cash of $32, receivables of $287, fixed assets of $2,813 and a customer relationship related intangible asset of $3,950, which is included in other assets in the consolidated balance sheet at December 31, 2018.

On January 17, 2019, the Company, through its wholly owned subsidiary NEF Auto Transport, acquired a privately owned auto transport carrier based in Enumclaw, Washington. Total consideration of $975 was allocated to the fair value of the identifiable assets acquired and liabilities assumed, which included cash of $33, receivables of $197, fixed assets of $788, other assets of $37, and payables of $80.

During 2019, the Company integrated the operations of both acquisitions to form one business and reporting unit. For the years ended December 31, 2019 and December 31, 2018 such operations generated net losses of $3,235 and $210, respectively.

(In Thousands)

5. Financing Receivables

Net investment in direct finance leases consists of the following at December 31, 2019 and December 31, 2018:

	2019	2018
Gross finance lease receivables	$180,707	$173,819
Guaranteed residuals	37,634	36,258
Unguaranteed residuals	32,792	33,109
Unearned income	(48,766)	(46,710)
Deferred non-refundable fees collected	(549)	(171)
Deferred initial direct costs paid	2,233	2,097
	204,051	198,402
Purchase accounting valuation discount	(865)	(1,519)
Total net investment in direct finance leases	$203,186	$196,883

Secured loans, net, consist of the following at December 31, 2019 and December 31, 2018:

	2019	2018
Secured loans, principal	$49,187	$48,175
Accrued interest receivable	606	993
Total secured loans, gross	49,793	49,168
Deferred non-refundable fees collected	(202)	(467)
Deferred initial direct costs paid	90	199
	49,681	48,900
Purchase accounting valuation discount	(976)	(3,117)
Total secured loans, net	$48,705	$45,783

Aggregate scheduled payments, contractual maturities including guaranteed residuals and unguaranteed residuals by year on the fixed and floating-rate secured loans and direct finance leases, are as follows:

	2020	2021	2022	2023	2024	Thereafter	Total
Secured loans:							
Fixed rate	$25,756	$ 5,335	$11,572	$ 1,727	$ 1,954	$ —	$ 46,344
Floating rate	2,843	—	—	—	—	—	2,843
Direct finance leases	63,140	57,856	48,228	31,835	18,944	31,130	251,133
Total	$91,739	$63,191	$59,800	$33,562	$20,898	$ 31,130	$300,320

6. Allowance for Losses on Financing Receivables

A financing receivable is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the agreement. As of December 31, 2019 and December 31, 2018, the Company maintained a specific allowance for losses of $3,349 and $2,514 on financing receivables of $14,020 and $3,667, respectively, and a general allowance for losses of $3,546 and $2,931, respectively, on the remaining portfolio of financing receivables.

(In Thousands)

6. Allowance for Losses on Financing Receivables (continued)

The Company monitors the internal risk rating of each customer. The internal risk rating was developed by the Company and is fully described in the Company's credit policies and procedures. The internal risk rating gives heavy weighting to collateral coverage and fixed charge coverage of the customer. It also takes into account the customer's leverage as well as subjective factors including industry cyclicality, quality of management and liquidity. The internal risk ratings range from 1 to 8, with 1 being the best and 8 being the worst.

Customer's risk ratings are computed quarterly during a quarterly portfolio review process. If during the life of a transaction, a customer's risk rating is downgraded to a risk rating of 4 or beyond, the Company's credit team follows more stringent procedures for monitoring the credit, as specified in the Company's credit policies and procedures.

7. Equipment on Lease, net

At December 31, 2019, equipment under operating leases consists of a cost basis of $3,670, net of accumulated depreciation of $348 and a purchase accounting valuation discount of $826 for a net balance of $2,496. At December 31, 2018, equipment under operating leases consists of a cost basis of $5,736, net of accumulated depreciation of $558 and a purchase accounting valuation discount of $594 for a net balance of $4,584. Total depreciation expense relating to equipment under operating leases for the years ended December 31, 2019 and December 31, 2018 was $269 and $396, respectively, and recorded as depreciation expense on the consolidated statement of operations. Aggregate remaining contractual payments to be received on equipment under operating leases total $155 and are scheduled to be collected in 2020.

8. Fixed Assets, net

At December 31, 2019 and December 31, 2018, fixed assets, net consists of the following:

	2019	2018
Auto hauling trucks	$3,494	$2,776
Leasehold improvements	113	112
Computers	112	77
Furniture and fixtures	97	97
Automobiles	59	96
Software	17	12
Office equipment	14	14
Telephone	6	6
Fixed assets, gross	3,912	3,190
Accumulated depreciation	(945)	(160)
Fixed assets, net	$2,967	$3,030

Depreciation and amortization expense related to fixed assets totaled $797 and $144 for the years ended December 31, 2019 and December 31, 2018, respectively. For the years ending 2020, 2021 and thereafter, the Company will recognize annual amortization expense related to software of $2, $2 and $13, respectively.

(In Thousands)

9. Senior Secured Credit Facility

Senior secured credit facility consists of the following at December 31, 2019 and December 31, 2018:

	2019	2018
Senior secured credit facility, principal	$128,150	$119,316
Accrued interest payable	440	503
Unamortized deferred financing costs	(1,340)	(996)
Total senior secured credit facility	$127,250	$118,823

At December 31, 2018, Fund I maintained a revolving credit facility (the "Facility") with total availability of $150,000. Interest was based on the London Interbank Offering Rate ("LIBOR"), plus an applicable margin. The applicable margin ranged from 2.50% to 2.75% based on Fund I's leverage ratio. Included in the total availability was a sublimit of $50,000 that was reserved to fund transactions in Canadian dollars ("CAD").

On September 19, 2019, the Facility was amended. The amendment created two separate revolvers, one for U.S. dollars and one for Canadian dollars. The total availability on the U.S. dollar revolver is $180,000 and the total availability on the Canadian dollar revolver is the lesser of CAD 45,000 and the U.S. dollar equivalent of $33,957. Interest is based on LIBOR, plus an applicable margin. The applicable margin ranges from 2.25% to 2.50% based on Fund I's leverage ratio. The leverage ratio represents the ratio of the outstanding balance of the Facility to Fund I's total member's capital, as described in the Facility agreement. All assets of Fund I are pledged as collateral under the Facility. Fund I is also required to pay a 0.375% per annum unused line fee. The Company provides a limited guaranty to the Facility for all interest, fees and expenses that cannot otherwise be charged to Fund I. The amendment also extended the maturity date of the Facility to July 31, 2023, with the principal payable in full at maturity.

The Facility requires Fund I and the Company to maintain certain periodic financial covenants surrounding capitalization, cash flow and default, delinquency and charge-off ratios. As of December 31, 2019 and December 31, 2018, Fund I and the Company were in full compliance with all the requirements of the Facility.

10. Notes Payable

Issuer II and Issuer III issued two equipment contract backed notes on October 10, 2014 and February 19, 2016, respectively. Each issuance of equipment contract backed notes entered into indentures with US Bank National Association, as Trustee and Custodian (collectively, the "Indentures"), and issued Class A, Class B and Class C notes (collectively "Notes Payable"). The Indentures define the terms of the transaction whereby equipment backed term loans and leases were pledged as collateral to secure the note holders. NEF was engaged to act as servicer (the "Servicer") of the Notes Payable based on servicing agreements executed at issuance of the Notes Payable.

Upon issuance, the Notes Payable of Issuer II and Issuer III were rated by DBRS and Moody's. As of December 31, 2018, Moody's ratings for Issuer II Class A, Class B and Class C notes were A2, Baa1 and Ba2, respectively, while Class A was rated AAA by DBRS. As of December 31, 2018, Moody's ratings for Issuer III Class A, Class B and Class C notes were A3, Baa3 and Ba2, respectively, while the Class A was rated AA by DBRS.

Interest on the Issuer II Notes Payable was fixed at 1.558%, 3.276% and 5.227% on the Class A, Class B and Class C notes, respectively. Interest on the Issuer III Notes Payable was fixed at 3.61%, 4.75% and 5.00% on the Class A, Class B and Class C notes, respectively. All contractual payments, excluding residuals, on leases and all principal and interest payments on loans are pledged as collateral. Issuer II Class A Notes Payable were set to mature in July 2018, the Class B notes in January 2018 and the Class C notes in September 2018. Issuer III Class A Notes Payable were set to mature in February 2021, and the Class B and Class C notes in January 2025.

10. Notes Payable (continued)

Under the terms of indentures, the Issuers were required to maintain certain financial covenants surrounding net losses and delinquencies. Throughout 2018, while the notes were outstanding, both Issuer II and Issuer III were in full compliance with all covenants.

During 2018, Issuer II and Issuer III elected to redeem all of the then outstanding Notes Payable pursuant to the clean up call provisions of the Indentures. Accordingly, the lien on the underlying collateral was then released by the trustee.

11. Financial Asset Transfers

In connection with the repayment of the Issuer II and Issuer III notes discussed above, the Company entered into an assignment agreement with NEFPASS to transfer, convey and assign the net investment of certain financing receivables as of February 28, 2018 for Issuer II and July 31, 2018 for Issuer III. The purchase price for the Issuer II and Issuer III financing receivables was $12,440 and $13,977, respectively, which was paid in cash. The purchase price was equivalent to the net investment of the financing receivables at the time of purchase; therefore, no gain or loss was recorded on the transaction.

12. Employee Compensation and Benefit Plans

As of December 31, 2019, the Company employed personnel at its headquarters in Norwalk, Connecticut and its sales offices in Florida, Ohio, Texas, and California. Employee compensation and benefits are comprised of base salaries, discretionary bonuses, health care benefits, employer 401(k) contributions and payroll taxes. As a part of their employment agreements, certain members of senior management are eligible for an annual bonus amount, which is calculated as a percentage of their annual salaries, based on the performance of NEF Holdings, as described in their employment agreements.

Effective August 1, 2017, the Company formed a Long Term Incentive Plan (“LTIP”) that provides for an annual bonus pool to certain members of senior management based on the Company achieving certain performance criteria.

The Company sponsors a 401(k) plan, where the Company contributes 3% of employees’ annual earnings up to the maximum annual contribution amount as determined by the Internal Revenue Service.

13. Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements* (“ASC 820”), establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect management’s market assumptions.

These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, such as interest rates and foreign exchange rates that are observable at commonly quoted intervals. Financial assets utilizing Level 2 inputs include currency swaps and interest rate caps.

Level 3 – Unobservable inputs.

(In Thousands)

13. Fair Value of Financial Instruments (continued)

As of December 31, 2019 and December 31, 2018, the Company measured its interest rate caps, at fair value on a recurring basis. Total fair value of such derivative instruments as of December 31, 2019 and December 31, 2018 was $24 and $185, respectively, which was classified as Level 2 in the fair value hierarchy by the Company. The fair value of interest rate caps are measured using discounted cash flow calculations based on observable inputs from the relevant interest/exchange rate curves in effect at December 31, 2019 and December 31, 2018.

ASC 820 also requires that the Company disclose estimated fair values for its financial instruments. No quoted market exists for the Company's financial instruments. Therefore, fair value estimates are based on judgments, risk characteristics of various financial instruments and other factors. Changes in these assumptions could significantly affect the estimates.

The Company estimates the carrying amounts of cash approximated its fair values as of December 31, 2019 and December 31, 2018. Since there is no liquid secondary market for the Company's financing receivables, the Company estimates the fair value of its secured loans and net investment in direct finance leases by comparing the average yield of the portfolio to recent issuances of similar loans and leases. Further, based on the Company's review of the terms of the Facility and its loans from affiliate, as well as valuations from its lenders, management determined that the carrying value of its senior secured credit facility approximated fair value.

The carrying amount and estimated fair values of the Company's financial instruments at December 31, 2019 and December 31, 2018 were as follows:

	2019		2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and restricted cash	$ 6,729	$ 6,729	$ 6,531	$ 6,531
Net investment in direct finance leases	198,213	197,612	192,537	192,520
Secured loans, net	46,783	47,225	44,684	44,590
Total financing receivables, net of allowances	244,996	244,837	237,221	237,110
Financial liabilities:				
Senior secured credit facility	$127,250	$127,250	$118,823	$118,823
Loans from Affiliate	44,544	44,544	32,968	32,968

14. Concentration of Credit Risk

Financing receivables subject the Company to credit risk. The Company monitors its portfolios by evaluating each of the customer's financial condition and collateral. The Company's maximum exposure to credit risk at December 31, 2019 and December 31, 2018, without considering the underlying collateral, is represented by the carrying value of the financing receivables in the consolidated balance sheets. The Company monitors its financing receivables for geographic concentrations.

(In Thousands)

14. Concentration of Credit Risk (continued)

The following table reflects such concentrations as of December 31, 2019 and December 31, 2018:

Geographic Concentration

	2019		2018
Texas	$ 53,128	Texas	$ 48,348
Washington	27,034	Washington	28,816
Colorado	19,557	Kansas	17,352
Kansas	17,637	Colorado	17,233
Pennsylvania	16,283	Alberta (Canada)	12,455
Florida	12,374	Pennsylvania	12,332
North Dakota	10,095	Ohio	8,388
North Carolina	9,304	Oregon	8,002
Quebec (Canada)	8,712	Indiana	7,792
Ohio	7,303	Quebec (Canada)	6,933
Massachusetts	6,170	Florida	6,356
Indiana	6,009	Tennessee	5,714
Maine	5,149	Maine	5,659
Nevada	4,900	Michigan	5,514
Michigan	4,854	Connecticut	4,919
Tennessee	4,332	Louisiana	4,294
Other U.S. states / Canada	39,050	Other U.S. states / Canada	42,559
Total financing receivables, gross	$251,891	Total financing receivables, gross	$242,666

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. Typically, the Company obtains access to collateral either through direct ownership or by a first lien security interest.

The Company also monitors its financing receivables for collateral concentrations. The following tables reflect such concentrations as of December 31, 2019 and December 31, 2018:

Collateral Concentrations

	2019		2018
Cranes	$ 44,837	Tow boats	$ 36,350
Tractors	34,756	Tractors	30,026
Tow boats	33,907	Aircrafts	19,612
Aircrafts	26,053	Cranes	17,979
Barge rigs	16,615	Barge rigs	16,487
Trucks	16,257	Trailers	16,026
Trailers	12,745	Trucks	13,025
All other	66,721	All other	93,161
Total financing receivables, gross	$251,891	Total financing receivables, gross	$242,666

At December 31, 2019, the Company had financing receivables outstanding to one customer that approximated 11% of total financing receivables.

15. Contingencies and Commitments

As of December 31, 2019, the Company had a U.S. and a Canadian revolver financing arrangement with a total outstanding balance of $2,868 and CAD 476 respectively, which are included in secured loans, net in the consolidated balance sheets. As of December 31, 2018, the Company had three U.S. and one Canadian revolver financing arrangements with a total outstanding balance of $2,548 and CAD 2,497 respectively, which are included in secured loans, net in the consolidated balance sheets. The Company's maximum commitments under the U.S. and Canadian revolvers were $3,500 and CAD 1,500, respectively, as of December 31, 2019. The Company's maximum commitments under the U.S. and Canadian revolvers were $3,500 and CAD 4,000, respectively, as of December 31, 2018.

16. Member's Capital

At December 31, 2019 and December 31, 2018, NEFCORP owns 100 Class A units and NEFPASS owns 100 Class B units, which represent the entire capital of the Company.

17. Subsequent Events

The Company has evaluated subsequent events through February 13, 2020, the issuing date of the consolidated financial statements and has no subsequent events requiring disclosure.

Exhibit 99.3

Report of Independent Registered Public Accounting Firm on Supplemental Information

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

We have audited and reported separately herein on the consolidated financial statements of Solar Capital Ltd. (and subsidiaries) (the Company) as of December 31, 2019 and 2018 and for each of the years in the three-year period ended December 31, 2019, and our report dated February 20, 2020 expressed an unqualified opinion on those financial statements.

We have also previously audited, in accordance with the standards of the PCAOB, the consolidated balance sheets of the Company, including consolidated schedules of investments, as of December 31, 2017, 2016, 2015, 2014, 2013, 2012, 2011, and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years ended December 31, 2016, 2015, 2014, 2013, 2012, 2011, and 2010 (none of which is presented herein), and we expressed unqualified opinions on these consolidated financial statements.

The senior securities table included in Part II, Item 7 of the Annual Report on Form 10-K of the Company for the year ended December 31, 2019, under the caption “Senior Securities” (the Senior Securities Table) has been subjected to audit procedures performed in conjunction with the audit of the Company’s consolidated financial statements. The Senior Securities Table is the responsibility of the Company’s management. Our audit procedures included determining whether the Senior Securities Table reconciles to the respective consolidated financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the Senior Securities Table. In forming our opinion on the Senior Securities Table, we evaluated whether the Senior Securities Table, including its form and content, is presented in conformity with the instructions to Form N-2. In our opinion, the Senior Securities Table is fairly stated, in all material respects, in relation to the respective consolidated financial statements as a whole.

/s/ KPMG LLP

New York, New York
February 20, 2020