Solar Capital Ltd.
Form 497
November 05, 2010
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This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but the information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and are not soliciting an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.

Filed Pursuant to Rule 497
Registration Statement No. 333-147937

SUBJECT TO COMPLETION, DATED NOVEMBER 4, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT

(to Prospectus dated May 12, 2010)

1,691,458 Shares

Solar Capital Ltd.

Common Stock

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

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. On February 9, 2010, Solar Capital LLC was merged with and into Solar Capital Ltd., an externally managed, non-diversified, closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act. We are managed by Solar Capital Partners, LLC. Solar Capital Management, LLC provides the administrative services necessary for us to operate.

This is an offering of 1,691,458 shares of our common stock by the selling stockholders named in this prospectus supplement. See Selling Stockholders. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders, including pursuant to any exercise by the underwriters of their option to purchase additional shares.

Our common stock is listed on the NASDAQ Global Select Market under the symbol SLRC. On November 4, 2010, the last reported sales price on the NASDAQ Global Select Market for our common stock was $23.21 per share.

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

An investment in our common stock is very risky and highly speculative. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. In addition, the companies in which we invest are subject to special risks. See Risk Factors beginning on page S-17 of this prospectus supplement and page 16 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in our common stock.

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

	Per Share	**Total(1)**
Public Offering Price	$	$
Sales Load (Underwriting Discounts and Commissions)	$	$
Proceeds to Selling Stockholders (before expenses) (2)	$	$

(1) The selling stockholders have granted the underwriters a 30-day option, which we refer to as the over-allotment option, to purchase from the selling stockholders up to an additional 253,719 shares of our common stock at the public offering price, less underwriting discounts and commissions (sales load). If the over-allotment option is exercised in full, the total public offering price will be $ and the total underwriting discounts and commissions (sales load) will be $. We will not receive any proceeds from this offering. All underwriting discounts and commissions (sales load) will be borne by the selling stockholders identified in this prospectus supplement. See Underwriting.

(2) We estimate that we will incur approximately $120,000 in offering expenses in connection with this offering. Stockholders will indirectly bear such expenses as investors in Solar Capital Ltd.

The underwriters expect to deliver the shares on or about November , 2010.

Joint Book-Running Managers

Citi	**Morgan Stanley**	**Wells Fargo Securities**

Lead Managers

Deutsche Bank Securities	**SunTrust Robinson Humphrey**

Co-Managers

BMO Capital Markets	**BB&T Capital Markets** A division of Scott & Stringfellow, LLC	**RBC Capital Markets**

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information from that contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to buy, any shares of our common stock by any person in any jurisdiction where it is unlawful for that person to make such an offer or solicitation or to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. The information contained in this prospectus supplement and the accompanying prospectus is complete and accurate only as of their respective dates, regardless of the time of their delivery or sale of our common stock. This prospectus supplement supersedes the accompanying prospectus to the extent it contains information different from or additional to the information in that prospectus.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock and also adds to and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading, Available Information before investing in our common stock.

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PROSPECTUS SUPPLEMENT SUMMARY

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

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. On February 9, 2010, Solar Capital LLC was merged with and into Solar Capital Ltd., a Maryland corporation, which we refer to as the Solar Capital Merger, concurrent with the pricing of our initial public offering. Except where the context suggests otherwise, the terms we, us, our and Solar Capital refer to Solar Capital LLC prior to the Solar Capital Merger, and Solar Capital Ltd. after the Solar Capital Merger. In addition, the terms Solar Capital Partners or investment adviser refer to Solar Capital Partners, LLC, and Solar Capital Management or the administrator refers to Solar Capital Management, LLC.

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

Solar Capital

Solar Capital Ltd., a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the 1940 Act. In addition, for tax purposes we intend to elect 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, including the underwriters over-allotment, at a price of $18.50 per share. Concurrent with our initial public offering, Michael S. Gross, our Chief Executive Officer, and Bruce Spohler, our Chief Operating Officer, collectively purchased an additional 0.6 million shares through a private placement transaction exempt from registration under the Securities Act of 1933, as amended, or the Securities Act (the Concurrent Private Placement) also at $18.50 per share.

Immediately prior to our initial public offering, through a series of transactions Solar Capital LLC merged with and into Solar Capital Ltd., leaving Solar Capital Ltd. as the surviving entity. Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in senior unsecured notes (the Senior Unsecured Notes) to the existing Solar Capital LLC unit holders in connection with the Solar Capital Merger. Solar Capital Ltd. had no assets or operations prior to completion of the Solar Capital Merger and as a result, the books and records of Solar Capital LLC have become the books and records of the surviving entity.

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Solar Capital LLC, a Maryland limited liability company, was formed in February 2007 and conducted a private placement of units of membership interest (units) in March 2007, at such time a total of 81.70 million units were outstanding. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, the Company s investment adviser, acquired approximately 3.33 million units in connection with the initial private placement. In addition, in connection with the initial private placement, certain funds managed by Magnetar Financial LLC (Magnetar) and certain entities affiliated therewith (collectively, the Magnetar entities), acquired approximately 35.00 million units.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle market companies in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base. We are managed by Solar Capital Partners. Solar Capital Management provides the administrative services necessary for us to operate. In addition, we may invest a portion of our portfolio in other types of investments, which we refer to as opportunistic investments, which are not our primary focus but are intended to enhance our overall returns. These investments may include, but are not limited to, direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States.

As of September 30, 2010, our long term investments totaled $906.0 million and our net asset value was $732.6 million. Our portfolio was comprised of debt and equity investments in 34 portfolio companies and our income producing assets, which represent 92.9% of our total portfolio, had a weighted average annualized yield on a fair value basis of approximately 14.1%.

About Solar Capital Partners

Solar Capital Partners is controlled by Michael S. Gross, our chairman and chief executive officer, and is led by Mr. Gross and Bruce Spohler, our chief operating officer, and is supported by a team of 12 dedicated investment professionals, including Brian Gerson, Cedric Henley and David Mait. We refer to Messrs. Gross, Spohler, Gerson, Henley and Mait as Solar Capital Partners senior investment professionals. Solar Capital Partners investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. The investment team led by Messrs. Gross and Spohler has invested in 58 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 50 different financial sponsors, through September 30, 2010. Since Solar Capital s inception, these investment professionals have used their relationships in the middle-market financial sponsor and financial intermediary community to originate direct investment opportunities.

Mr. Gross, the former chairman and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded, has over 20 years of experience in the private equity, distressed debt and mezzanine lending businesses and has been involved in originating, structuring, negotiating, consummating and managing private equity, distressed debt and mezzanine lending transactions.

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

public offering in April 2004, built a dedicated investment team and infrastructure and invested approximately $2.3 billion in over 65 companies in conjunction with 50 different private equity sponsors. Mr. Gross was also the managing partner of Apollo Distressed Investment Fund, L.P., an investment fund he founded in 2003 to invest principally in debt and other securities of leveraged companies.

Mr. Gross also currently serves on the boards of directors of 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 more than 20 years of experience of Mr. Spohler, who has served as our chief operating officer and a partner of Solar Capital Partners since inception. 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.

In addition to Messrs. Gross and Spohler, Solar Capital Partners senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners senior investment professionals have an average of over 20 years of experience in the private equity and leveraged lending industries.

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 experience and credit market expertise has led them through various stages of the economic cycle as well as several market disruptions.

Market Opportunity

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

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, until recently, financed their lending and investing activities through securitization transactions have lost that source of funding and cut back lending significantly.

There is a large pool of uninvested private equity capital likely to seek additional capital to support their private investments. We believe there is a large pool of uninvested private equity capital available to middle-market companies. While we expect the rate of investment to be slower than in prior periods, we expect that private equity firms will continue to be active investors in middle-market companies and that these private equity firms will seek to supplement their investments with senior and junior debt securities and loans and equity co-investments from other sources, such as Solar Capital.

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Middle-market companies are increasingly seeking private sources for debt and equity capital. We believe that many middle-market companies prefer to execute transactions with private capital providers such as Solar Capital, rather than execute high-yield bond or equity transactions in the public markets, which may necessitate increased financial and regulatory compliance and reporting obligations. We expect that the volume of domestic public-to-private transactions, as well as the number of companies selecting a sale alternative versus raising capital in the public equity markets as a means of increasing liquidity, will remain large.

Consolidation among commercial banks has reduced the focus on middle-market business. We believe that many senior lenders have de-emphasized their service and product offerings to middle-market companies in favor of lending to large corporate clients, managing capital markets transactions and providing other non-credit services to their customers. We believe this has resulted in fewer key players and the reduced availability of debt capital to the companies we target.

Recent disruptions within the credit markets generally have brought a reduction in competition and a more lender-friendly environment. Recent credit market dislocation has caused many of the alternative methods of obtaining middle-market debt financing to significantly decrease in scope and availability while demand for financings has remained robust. We believe the segment s strong growth prospects, combined with the growing demand for the capital and corporate finance and advisory services we offer, creates an attractive investment environment for us.

Furthermore, we believe that given the credit market uncertainty, Solar Capital has a greater opportunity to move beyond middle-market deals into larger transactions, as banks are less willing to commit capital. We believe these larger deals can be structured with more attractive terms such as lower leverage, higher yields, better covenants, and longer duration than was typical before the current market dislocation.

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

Competitive Advantages and Strategy

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

Management Expertise

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

In addition to Messrs. Gross and Spohler, Solar Capital Partners senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners senior investment professionals have an average of over 20 years of experience in the private equity and leveraged lending industries.

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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 experience and credit market expertise has led them through various stages of the economic cycle as well as several market disruptions.

Investment Portfolio

Our portfolio investments consist of portfolio companies that have strong cash flows and have maintained financial and operating performance despite the recent economic climate. As of September 30, 2010, over 99% of our total portfolio value was comprised of performing assets. The majority of our assets have been seasoned, which has allowed us to gain a solid understanding of our borrowers and the industries in which they compete. Additionally, over time, we have established productive relationships with our portfolio companies.

Investment Capacity

The proceeds from our initial public offering and the Concurrent Private Placement, the borrowing capacity under our credit facility and our $35 million senior secured term loan (the Term Loan), 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. We believe that in the current economic environment financing needs of many companies will increase while funding options are limited, allowing us to capitalize on favorable investment opportunities.

Solar Capital s Limited Leverage

As of November 2, 2010, we had borrowings of $160.0 million. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. To the extent borrowing conditions improve and leverage becomes available on more attractive terms, 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. Furthermore, by maintaining prudent leverage levels, we believe we will be better positioned to weather future market downturns.

Proprietary Sourcing and Origination

We believe that Solar Capital Partners senior investment professionals longstanding relationships with financial sponsors, commercial and investment banks, management teams and other financial intermediaries provide us with a strong pipeline of proprietary origination opportunities. We believe the broad expertise of Solar Capital Partners senior investment professionals and their ability to draw upon their average of 20 years of investment experience enable us to identify, assess and structure investments successfully. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation as well as the financial sponsor relationships Mr. Spohler developed while he was a co-head of CIBC World Markets U.S. Leveraged Finance Group.

Our investment team s strong relationship network is enhanced by the collaborative role Solar Capital plays in the private equity industry. We offer tailored solutions to our portfolio companies, and we believe that this role provides us with greater deal flow as opposed to being viewed as a competitor bidding for control stakes. Because Solar Capital is not associated with a private equity firm, we are not precluded from partnering with most of the top tier financial sponsors.

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These direct investments enable us to perform more in-depth due diligence and play an active role in structuring financings. We believe that effectuating the transaction terms and having greater insight into a portfolio company s operations and financial picture assist Solar Capital in minimizing downside potential, while reinforcing Solar Capital as a trusted partner who delivers comprehensive financing solutions. Since our inception, Solar Capital Partners has sourced investments in 58 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 50 different financial sponsors, through September 30, 2010.

Versatile Transaction Structuring and Flexibility of Capital

We believe our senior investment professionals broad expertise and ability to draw upon their extensive experience enable us to identify, assess and structure investments successfully across all levels of a company s capital structure and to manage potential risk and return at all stages of the economic cycle. While we are subject to significant regulation as a business development company, 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. We believe financial sponsors, management teams and investment banks see this flexibility as a benefit, making us an attractive financing partner. We believe that this approach enables us to procure attractive investment opportunities throughout the economic cycle so that we can make investments consistent with our stated investment objective even during turbulent periods in the capital markets.

Emphasis on Achieving Strong Risk-Adjusted Returns

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

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

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

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Deep Industry Focus with Substantial Information Flow

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

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 on invested capital and enables us to be a better long-term partner for our portfolio companies.

Risk Factors

The value of our assets, as well as the market price of our shares, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. Investing in Solar Capital involves other risks, including the following:

- We have a limited operating history of only three and a half years;
- We are dependent upon Solar Capital Partners key personnel for our future success;
- We operate in a highly competitive market for investment opportunities;
- The lack of liquidity in our investments may adversely affect our business;
- 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;

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

There will be uncertainty as to the value of our portfolio investments;

We may experience fluctuations in our quarterly results;

We will become subject to corporate-level income tax on all of our income if we are unable to qualify as a RIC, under Subchapter M of the Code, which would have a material adverse effect on our financial performance;

We cannot assure you that shares of our common stock will not trade at a market price below our net asset value per share;

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- Our common stock price may be volatile and may decrease substantially;
- There is a risk that our stockholders may not receive distributions or that our distributions may not grow over time;
- 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; and
- Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital. As a business development company, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

See Risk Factors beginning on page S-17 and the other information included in the accompanying prospectus, for additional discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

Operating and Regulatory Structure

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

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

Our Corporate Information

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

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THE OFFERING

Common Stock Offered by the Selling Shareholders	1,691,458 shares plus 253,719 shares issuable pursuant to the over-allotment granted to the underwriters.
Common Stock Currently Outstanding	Approximately 33,270,844 shares.
Use of Proceeds	We will not receive any proceeds from the sale of the shares of common stock covered by this prospectus supplement.
Distributions	To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders. The amount of our dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution. On November 2, 2010, the Board of Directors declared a dividend of $0.60 per share payable on December 30, 2010 to stockholders of record on December 17, 2010. Shares offered in this prospectus supplement will be entitled to receive this dividend payment. We anticipate that the dividend will be paid from post-offering taxable earnings, including interest and capital gains generated by our investment portfolio. However, if we do not generate sufficient taxable earnings during the year, the dividend may constitute a return of capital. The specific tax characteristics of our dividends will be reported to shareholders after the end of each calendar year.
Taxation	We intend to elect to be treated for federal income tax purposes, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Additional Material U.S. Federal Income Tax Considerations in this prospectus supplement and Distributions and Material U.S. Federal Income Tax Considerations in the accompanying prospectus.
Investment Advisory Fees	We pay Solar Capital Partners a fee for its services under the Investment Advisory and Management Agreement consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% of our gross assets, which includes any borrowings for investment purposes. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of our pre-incentive fee net investment income for the immediately preceding quarter, subject to a preferred return, or hurdle, and a catch up feature.

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	The second part is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement) in an amount equal to 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. See Investment Advisory and Management Agreement in the accompanying prospectus.
Administration Agreement	We reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services. In addition, we reimburse Solar Capital Management for the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer and any administrative support staff. See Administration Agreement in the accompanying prospectus.
Trading	Shares of closed-end investment companies frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.
License Agreement	We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has agreed to grant us a non-exclusive license to use the name Solar Capital. See License Agreement in the accompanying prospectus.
Dividend Reinvestment Plan	We have adopted an opt out dividend reinvestment plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under our dividend reinvestment plan in additional whole and fractional shares of common stock, unless you opt out of our dividend reinvestment plan so as to receive cash dividends by delivering a written notice to our plan administrator. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of our dividend reinvestment plan. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See Dividend Reinvestment Plan in the accompanying prospectus.
Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us.

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	These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock. See Description of Securities in the accompanying prospectus.
Available Information	We are required to file periodic reports, current reports, proxy statements and other information with the SEC. This information is available at the SEC s public reference room at 100 F Street, NE, Washington, D.C. 20549 and on the SEC s website at *http://www.sec.gov*. The public may obtain information on the operation of the SEC s public reference room by calling the SEC at (202) 551-8090. This information is also available free of charge by contacting us at Solar Capital Ltd., 500 Park Avenue, 5th Floor, New York, NY 10022, by telephone at (212) 993-1670 or on our website at *http://www.solarcapltd.com*.

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FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load borne by us (as a percentage of offering price)	None (1)
Offering expenses borne by us (as a percentage of offering price)	0.31%(2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses (as a percentage of offering price)	0.31%(2)
Annual expenses (as a percentage of net assets attributable to common stock):	
Base management fee	2.44%(4)
Incentive fees payable under our Investment Advisory and Management Agreement	2.36%(5)
Interest payments on borrowed funds	2.29%(6)
Other expenses (estimated)	0.58%(7)
Total annual expenses (estimated)	7.67%

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. See Note 6 below for additional information regarding certain assumptions regarding our level of leverage.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 56	$ 161	$ 266	$ 525

(1) All underwriting discounts and commissions (sales load) will be borne by the selling stockholders.
(2) The offering expenses of this offering are estimated to be approximately $120,000. The offering expenses as a percentage of the offering price of shares to be sold in this offering is based on the last reported sales price of our common stock on the NASDAQ Global Select Market on November 3, 2010.
(3) The expenses of the dividend reinvestment plan are included in other expenses.
(4) Our base management fee under the Investment Advisory and Management Agreement is based on our gross assets, which is defined as all the assets of Solar Capital, including those acquired using borrowings for investment purposes, and assumes the base management fee remains consistent with the annualized fee incurred for the nine months ended September 30, 2010. See Investment Advisory and Management Agreement in the accompanying prospectus.
(5) Assumes that annual incentive fees earned by our investment adviser, Solar Capital Partners, remain consistent with the annualized incentive fees earned by Solar Capital Partners for the nine months ended September 30, 2010. 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%;

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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). For a more detailed discussion of the calculation of this fee, see Investment Advisory and Management Agreement in the accompanying prospectus.

(6) We may 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 balance outstanding on our revolving credit facility balance during the nine months ended September 30, 2010, plus our $35 million dollar Term Loan. We used the LIBOR rate on, September 30, 2010 and the interest rate on our revolving credit facility and our Term Loan of LIBOR plus 3.25%. We have also included the estimated amortization of fees incurred in establishing our revolving credit facility, and our senior secured term loan. We also have approximately $125 million of the Senior Unsecured Notes outstanding. For purposes of this section we have included estimated annual interest expense as well as the amortization of any deferred costs associated with the Senior Unsecured Notes. As of September 30, 2010, we had $300 million outstanding and $55 million remaining available to us under our revolving credit facility and we had $35 million outstanding under our Term Loan. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Other expenses are based on the annualized amounts for the nine months ended September 30, 2010 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. See Administration Agreement in the accompanying prospectus.

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Management Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. In addition, the example assumes no sales load and estimated offering expenses of $120,000. Also, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the dividend payment date, which may be at, above or below net asset value. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

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SELECTED FINANCIAL AND OTHER DATA

The selected financial and other data below should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto. Financial information is presented for the period from March 13, 2007 (inception) through December 31, 2007, for the fiscal years ended December 31, 2008 and 2009, and for the nine months ended September 30, 2010. Financial information for the periods ending 2007, 2008 and 2009 has been derived from our financial statements that were audited by KPMG LLP (KPMG), an independent registered public accounting firm. See Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus for more information.

	Nine months ended September 30, 2010 (unaudited) (dollars in thousands)	Year ended December 31, 2009 (dollars in thousands)	Year ended December 31, 2008 (dollars in thousands)	Period from March 13, 2007 (inception) through December 31, 2007 (dollars in thousands)
Income statement data:				
Total investment income	$ 92,997	$ 109,670	$ 133,959	$ 78,455
Total expenses	52,210	42,408	46,560	25,461
Net investment income	51,828	67,262	87,399	52,994
Net realized gain (loss)	(23,389)	(264,898)	(937)	(10,489)
Net change in unrealized gain (loss)	71,088	284,572	(492,290)	6,595
Net increase (decrease) in net assets resulting from operations	99,527	86,936	(405,828)	49,100
Other data:				
Weighted average annualized yield on income producing investments:				
On fair value(1)(4)	14.1%	14.8%	17.1%	12.9%
On cost(2)(4)	13.5%	13.7%	11.9%	12.7%
Number of portfolio companies at period end(4)	34	36	44	38

	As of September 30, 2010 (unaudited) (dollars in thousands)	As of December 31, 2009 (dollars in thousands)	As of December 31, 2008 (dollars in thousands)	As of December 31, 2007 (dollars in thousands)
Balance sheet data:				
Total investment portfolio	$ 905,979	$ 863,140	$ 768,215	$ 1,178,736
Total cash and cash equivalents	334,375	5,675	65,841	169,692
Total assets	1,270,337	885,421	873,026	1,396,545
Credit facility payable	300,000	88,114		
Senior secured term loan	35,000			
Senior unsecured notes	125,000			
Net assets	732,597	697,903	852,673	1,258,501
Per share data:(3)				
Net asset value per share	22.09	21.24	25.95	38.30
Net investment income	1.57	2.05	2.66	1.62
Net realized and unrealized gain (loss)	1.45	0.60	(15.01)	(0.12)
	1.54	(7.36)		

Dividends and distributions declared	
Offering costs(5)	0.00

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(1) Throughout this prospectus supplement and the accompanying prospectus, the weighted average yield on income producing investments is computed as the (a) annual stated interest on accruing loans and debt securities plus the annual amortization of loan origination fees, original issue discount, and market discount on accruing loans and debt securities, plus the effective interest yield on preferred shares divided by (b) total income producing investments at fair value. The weighted average yield is computed as of the balance sheet date and excludes assets on non-accrual status or on a cost recovery basis as of such date.

(2) For this calculation, the weighted average yield on income producing investments is computed as the (a) annual stated interest on accruing loans and debt securities plus the annual amortization of loan origination fees, original issue discount, and market discount on accruing loans and debt securities, plus the effective interest yield on preferred shares divided by (b) total income producing investments at cost. The weighted average yield is computed as of the balance sheet date and excludes assets on non-accrual status or on a cost recovery basis as of such date.

(3) 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 Solar Capital Merger. The per share calculations are based on 32,860,454 weighted average shares outstanding as of December 31, 2009, 2008, and 2007 and 33,168,872 shares and 32,918,479 weighted average shares outstanding as of September 30, 2010.

(4) Unaudited.

(5) Rounds to less than $0.01.

Selected Quarterly Financial Data (Unaudited)

(dollar amounts in thousands, except per share data)

	2010 Q3	2010 Q2	2010 Q1
Total investment income	$ 29,403	$ 28,284	$ 35,310
Net investment income (loss)	$ 15,551	$ 15,220	$ 21,111
Net realized and unrealized gain (loss)	$ 5,458	$ 1,348	$ 40,893
Net increase (decrease) in net assets resulting from operations	$ 21,009	$ 16,514	$ 62,004
Earnings per share(1)	$ 0.63	$ 0.50	$ 1.90
Net asset value per share at the end of the quarter(2)	$ 22.09	$ 22.07	$ 22.18

	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Total investment income	$ 28,456	$ 27,785	$ 25,252	$ 28,177
Net investment income (loss)	$ 17,685	$ 16,383	$ 16,099	$ 17,095
Net realized and unrealized gain (loss)	$ 22,271	$ 22,181	$ 17,899	$ (42,677)
Net increase (decrease) in net assets resulting from operations	$ 39,956	$ 38,564	$ 33,998	$ (25,582)
Earnings per share(3)	$ 1.22	$ 1.17	$ 1.04	$ (0.78)
Net asset value per share at the end of the quarter(4)	$ 21.24	$ 22.30	$ 23.61	$ 22.57

	2008 Q4	2008 Q3	2008 Q2	2008 Q1
Total investment income	$ 38,035	$ 32,464	$ 32,367	$ 31,093
Net investment income (loss)	$ 22,080	$ 21,990	$ 21,305	$ 22,024
Net realized and unrealized gain (loss)	$ (339,193)	$ (108,641)	$ 17,680	$ (63,073)
Net increase (decrease) in net assets resulting from operations	$ (317,113)	$ (86,651)	$ 38,985	$ (41,049)
Earnings per share(3)	$ (9.65)	$ (2.64)	$ 1.19	$ (1.25)
Net asset value per share at the end of the quarter(4)	$ 25.95	$ 35.60	$ 38.24	$ 37.05

(1) Based on 32,918,479, 32,792,734 and 32,553,322 weighted average shares of Solar Capital Ltd. outstanding during each of the third, second and first quarter of 2010, respectively.

(2) Based on 33,168,872, 33,030,641 and 32,928,257 shares of Solar Capital Ltd. outstanding as of the end of the third, second and first quarter of 2010, respectively.
(3) Based on 32,860,454 weighted average shares of Solar Capital Ltd. outstanding during each respective quarter.
(4) Based on 32,860,454 shares of Solar Capital Ltd. outstanding as of the end of the respective quarter.

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RISK FACTORS

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

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 do, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

We 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.

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.

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. The unprecedented declines in prices and liquidity in the corporate debt markets from 2008 through mid-2010 have resulted in significant net unrealized depreciation in our portfolio, reducing our net asset value. Depending on market conditions, we could continue to 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.

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.

In connection with our initial public offering, each of Messrs. Gross and Spohler agreed not to dispose of or hedge any shares of our common stock or securities convertible or exchangeable for shares of our common stock, without the prior written consent of Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., for a period of 180 days from February 9, 2010, the date of our initial public offering, with respect to 50% of shares of our common stock they held immediately prior to completion of our initial public offering and for a period of 365 days from February 9, 2010 with respect to the remaining 50% of shares of our common stock they held immediately prior to our initial public offering. The 180-day lock-up period with respect to 50% of the shares of common stock held by Messrs. Gross and Spohler immediately prior to the completion of our initial public offering has expired and, hence, such shares are available for resale without restriction. The shares of our common stock beneficially owned by each of Messrs. Gross and Spohler that are subject to the foregoing 365-day lock-up restrictions, and any additional shares that are attributable to such shares issued to Messrs. Gross and Spohler pursuant to our dividend reinvestment plan, will generally be available for resale without restriction beginning on February 10, 2011, subject to the provisions of Rule 144 promulgated under the Securities Act.

In addition, the Magnetar entities have agreed that, until February 10, 2011, they will not, without our prior written consent, dispose of or hedge an aggregate of 3,931,875, after taking into account the shares sold in this offering, shares of our common stock or securities convertible or exchangeable for shares of our common stock. We may in our sole discretion release the Magnetar entities from this lock-up agreement at any time without notice. Of the 1,691,458 shares of our common stock being sold by the Magnetar entities in this offering (without giving effect to the overallotment option), 280,040 of such shares are not currently subject to lock-up restrictions. We have agreed to release the Magnetar entities from the lock-up restrictions on the remaining 1,411,418 shares of our common stock being sold in this offering. To the extent the underwriters exercise the overallotment option, we will release the Magnetar entities from the lock-up restrictions on any such shares to be sold under the overallotment option. The Magnetar entities will generally be able to resell their shares of our common stock without restriction beginning on February 10, 2011, 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.

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

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted, as a 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. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss.

As of November 2, 2010, we had no borrowings outstanding under our revolving credit facility, $35 million outstanding under our Term Loan and $125 million of Senior Unsecured Notes. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights 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

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

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

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

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

In addition, our revolving credit facility, our Term Loan and the outstanding Senior Unsecured Notes 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 our status as a RIC under Subchapter M of the Code.

As of November 2, 2010, we had no borrowings outstanding under our revolving credit facility, $35 million outstanding under our Term Loan and $125 million of Senior Unsecured Notes.

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Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on the portfolio, net of expenses. 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 on our portfolio (net of expenses)				
	(10)%	(5)%	0%	5%	10%
Corresponding return to stockholder(1)	(12.9)%	(7.9)%	2.9%	2.1%	7.7%

(1) Assumes $1,270 million in total assets and $335 million in total debt outstanding, which reflects our total assets and total debt outstanding as of September 30, 2010, and a cost of funds of 7.9%. Excludes non-leverage related liabilities.

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

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

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

As of November 2, 2010, we had no borrowings outstanding under our revolving credit facility, $35 million outstanding under our Term Loan and $125 million of Senior Unsecured Notes.

Our relationship with Magnetar may create conflicts of interest.

Certain funds managed by Magnetar, which we refer to as the Magnetar entities, own as of November 2, 2010, either directly or indirectly, 19.47% of our outstanding shares of common stock and will continue to own, either directly or indirectly, 13.63% of our outstanding shares of common stock after the completion of this offering, assuming the full exercise of the overallotment option. Magnetar also provides certain services to Solar Capital Partners and Solar Capital Management, and is reimbursed by Solar Capital Partners and Solar Capital Management for the expenses it incurs in connection with providing such services.

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FORWARD-LOOKING STATEMENTS AND PROJECTIONS

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

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

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

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USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of common stock covered by this prospectus supplement.

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on the NASDAQ Global Select Market under the symbol SLRC . The following table sets forth, for each fiscal quarter since our initial public offering on February 9, 2010, the net asset value (NAV) per share of our common stock, the high and low 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 High	Price Range Low	High Sales Price as a Percentage of NAV(2)	Low Sales Price as a Percentage of NAV(2)	Cash Distributions Per Share(3)
Fiscal 2010						
Fourth Quarter (through November 3, 2010)	*	$ 23.50	$ 21.32	*	*	$ 0.60(4)
Third Quarter	$ 22.09	21.80	18.75	98.7%	81.4%	0.60
Second Quarter	22.07	24.14	18.77	109.4%	85.1%	0.60
First Quarter (from February 9, 2010 through March 31, 2010)	22.18	22.22	17.29	100.2%	78.0%	0.34

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value 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 the respective high or low sales price divided by NAV.
(3) Represents the cash distribution declared in the specified quarter.
(4) On November 2, 2010, our board of directors declared a quarterly dividend of $0.60 per share payable on December 30, 2010 to holders of record as of December 17, 2010.
* Not determinable at the time of filing.

On November 4, 2010, the last reported sales price of our common stock was $23.21 per share. As of November 2, 2010, we had 22 shareholders of record.

Shares of business development companies may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. Since our initial public offering on February 9, 2010, our shares of common stock have traded at both a discount and a premium to the net assets attributable to those shares. As of November 3, 2010, our shares of common stock traded at a premium equal to approximately 5% of the net assets attributable to those shares based upon our net asset value as of September 30, 2010. It is not possible to predict whether the shares offered hereby will trade at, above, or below net asset value.

We intend to distribute quarterly dividends to our stockholders. Our quarterly dividends, if any, will be determined by our board of directors.

On November 2, 2010, our board of directors declared a quarterly dividend of $0.60 per share payable on December 30, 2010 to holders of record as of December 17, 2010. For the three and nine months ended September 30, 2010, declared dividends to stockholders totaled $0.60 per share or $19.9 million and $1.54 per share or $50.9 million, respectively. The $0.34 dividend declared during the first quarter of 2010 was a

$0.60 dividend prorated for the number of days that remained in the quarter after our initial public offering. Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year. Our quarterly dividends, if any, will be determined by our board of directors.

We intend to elect to be taxed as a RIC under Subchapter M of the Code. To obtain and maintain our RIC status, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In addition,

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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 dividend, then stockholders cash dividends 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 dividends.

We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. In addition, we may be limited in our ability to make dividends and distributions due to the asset coverage test for borrowings when applicable to us as a BDC under the 1940 Act and due to provisions in current and future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our RIC status. We cannot assure stockholders that they will receive any dividends and distributions or dividends and distributions at a particular level.

All dividends 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 dividends 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 dividend payable to a stockholder.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section only contains information about our results of operation for the three- and nine-month periods ended September 30, 2010 and our financial condition as of September 30, 2010. The information contained in this section supplements, and should be read in conjunction with, the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operation in the accompanying prospectus. The information contained in this section and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operation in the accompanying prospectus should be read in conjunction with Selected Financial and Other Data and our financial statements and notes thereto appearing elsewhere in this prospectus.

Overview

Solar Capital, a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for tax purposes the Company intends to elect to be treated as a RIC under Subchapter M of the Code.

On February 9, 2010, Solar Capital Ltd. priced its initial public offering (the IPO) selling 5.68 million shares, including the underwriters over-allotment, at a price of $18.50 per share. Net of underwriting fees the Company raised a total of $97.7 million and its shares began to trade on the NASDAQ Global Select Market under the ticker SLRC . In addition, Solar Capital Ltd. sold 0.60 million shares at $18.50 in a concurrent private placement to management.

Immediately prior to our initial public offering, through a series of transactions Solar Capital LLC merged with and into Solar Capital Ltd., leaving Solar Capital Ltd. as the surviving entity. Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in Senior Unsecured Notes to the existing Solar Capital LLC unit holders in connection with the Solar Capital Merger. Solar Capital LLC, a Maryland limited liability company, was formed in February 2007 and conducted a private placement of units in March 2007. Solar Capital Ltd. had no assets or operations prior to completion of the Solar Capital Merger and as a result, the historical books and records of Solar Capital LLC have become the books and records of the surviving entity.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle market companies in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base. We are managed by Solar Capital Partners LLC. Solar Capital Management LLC provides the administrative services necessary for us to operate.

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

As of September 30, 2010, our long term investments totaled $906.0 million and our net asset value was $732.6 million. Our portfolio was comprised of debt and equity investments in 34 portfolio companies and our income producing assets, which represent 92.9% of our total portfolio, had a weighted average annualized yield on a fair value basis of approximately 14.1%.

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Recent Developments

Dividend

On November 2, 2010, our board of directors declared a quarterly dividend of $0.60 per share payable on December 30, 2010 to holders of record as of December 17, 2010. We expect the dividend to be paid from taxable earnings with specific tax characteristics reported to stockholders after the end of the calendar year.

Critical Accounting Policies

The preparation of 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 financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

Valuation of Portfolio Investments

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

Securities for which market quotations are readily available on an exchange are valued at the closing price on the valuation date. We may also obtain quotes with respect to certain of our investments from pricing services or brokers or dealers in order to value assets. When doing so, we determine whether the quote obtained is sufficient according to GAAP to determine the fair value of the security. If determined adequate, we use the quote obtained.

Securities for which reliable market quotations are not readily available or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of our investment adviser or board of directors, does not represent fair value, shall be valued as follows: (i) each portfolio company or investment is initially valued by the investment professionals responsible for the portfolio investment; (ii) preliminary valuation conclusions are documented and discussed with our senior management; (iii) independent third-party valuation firms engaged by, or on behalf of, the board of directors will conduct independent appraisals and review management s preliminary valuations and make their own assessment for all material assets; (iv) the board of directors will discuss valuations and determine the fair value of each investment in our portfolio in good faith based on the input of the investment adviser and, where appropriate, the respective third-party valuation firms.

The recommendation of fair value will generally be based on the following factors, as relevant:

- the nature and realizable value of any collateral;
- the portfolio company s ability to make payments;
- the portfolio company s earnings and discounted cash flow;
- the markets in which the issuer does business; and
- comparisons to publicly traded securities.

Securities for which market quotations are not readily available or for which a pricing source is not sufficient may include, but are not limited to, the following:

- private placements and restricted securities that do not have an active trading market;
- securities whose trading has been suspended or for which market quotes are no longer available;
- debt securities that have recently gone into default and for which there is no current market;
- securities whose prices are stale;

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securities affected by significant events; and

securities that the investment adviser believes were priced incorrectly.

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

GAAP fair value measurement guidance classifies the inputs used to measure these fair values into the following hierarchy:

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 (examples include active exchange-traded equity securities and exchange-traded derivatives).

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 (examples include corporate and municipal bonds, which trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); 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 own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain of our private debt and equity investments) and long-dated or complex derivatives (including certain equity and currency derivatives).

At September 30, 2010 the fair value of investments classified as Level 3 was $745.5 million or 58.7% of total assets. There were no investments transferred into Level 3 during the first or second quarter or third quarter of 2010. During the second quarter of 2010, two investments with a then current total market value of $98.0 million were transferred from Level 3 to Level 2 due to the reliability of broker quotes for these assets resulting from increased market liquidity. During the third quarter of 2010, one investment with a current market value of $0.3 million was transferred from level 2 to level 1, when its listed common stock became freely tradable as restrictions expired, and one investment with a current market value of $12.3 million was transferred from level 3 to level 2, as it completed an initial public offering and its shares became listed on an exchange but were still restricted from sale.

Revenue Recognition

Our revenue recognition policies are as follows:

Sales: Gains or losses on the sale of investments are calculated by using the specific identification method.

Interest Income: Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as part of interest income. We have loans in our portfolio that contain a PIK provision. PIK interest is accrued at the contractual rates and added to the loan principal on the reset dates. For us to maintain our status as a RIC, substantially all of this income must be paid out to stockholders in the form of dividends, even though we have not collected any cash with respect to PIK securities.

Non-accrual: Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment about ultimate collectability of principal. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management s judgment, are likely to remain current.

Portfolio Investments

At September 30, 2010, we had investments in securities of 34 portfolio companies with a total fair value of approximately $906.0 million compared to investments in securities of 36 portfolio companies with a total fair value of approximately $863.1 million at December 31, 2009. At September 30, 2010, we had investments in debt and preferred securities of 28 portfolio companies, totaling approximately $847.1 million, and equity investments in 9 portfolio companies, totaling approximately $58.9 million. At December 31, 2009, we had investments in debt and preferred securities of 31 portfolio companies, totaling approximately $805.5 million, and equity investments in 10 portfolio companies, totaling approximately $57.6 million.

During the three months ended September 30, 2010, we originated approximately $72.3 million of investments in one new and three existing portfolio companies. We also received principal repayments of approximately $6.6 million and sold securities in one portfolio company for approximately $2.9 million. During the three months ended September 30, 2009, we invested approximately $4.9 million in one existing portfolio company, had approximately $4.2 million in principal repayments in five portfolio companies, and sold securities in six portfolio companies for approximately $39.9 million.

During the nine months ended September 30, 2010, we originated approximately $178.9 million of investments in five new and one existing portfolio company. We also received principal repayments of approximately $187.4 million and sold securities in four portfolio companies for approximately $23.5 million. During the nine months ended September 30, 2009, we invested approximately $79.2 million in four existing and two new portfolio companies, had approximately $32.2 million in principal repayments in seven portfolio companies, and sold securities in eight portfolio companies for approximately $57.2 million.

For the three months ended September 30, 2010 we had net unrealized and realized gains on 15 portfolio company investments totaling approximately $21.0 million, which was offset by net unrealized and realized losses on 15 portfolio company investments totaling approximately $6.1 million. For the three months ended September 30, 2009 we had net unrealized and realized gains on 31 portfolio company investments totaling approximately $40.3 million, which was offset by net unrealized and realized losses on 10 portfolio company investments totaling approximately $15.7 million.

For the nine months ended September 30, 2010 we had net unrealized and realized gains on 28 portfolio company investments totaling approximately $58.7 million, which was offset by net unrealized and realized losses on 11 portfolio company investments totaling approximately $10.8 million. For the nine months ended September 30, 2009 we had net unrealized and realized gains on 28 portfolio company investments totaling approximately $122.9 million, which was offset by net unrealized and realized losses on 17 portfolio company investments totaling approximately $112.2 million.

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The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2010 and December 31, 2009:

	September 30, 2010 (unaudited)		December 31, 2009	
(in thousands)	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	$ 189,852	$ 185,689	$ 170,896	$ 163,499
Subordinated Debt/Corporate Notes	722,705	661,289	778,163	641,992
Preferred Equity	39	42	39	40
Common Equity/Partnership Interests/Warrants	118,562	58,959	114,890	57,609
Total	$ 1,031,158	$ 905,979	$ 1,063,988	$ 863,140

As of September 30, 2010, the weighted average yield on income producing investments in our portfolio was approximately 14.1%, compared to 14.8% at December 31, 2009. The decrease in yield during the first nine months of 2010 was primarily due to an increase in fair value of portfolio assets and the repayment of certain assets since December 2009.

As of September 30, 2010, there were two investments on non-accrual status with a market value of $5.1 million compared to three assets with a market value of zero at December 31, 2009. At the end of 2009, there were three assets that were performing but interest payments were being applied as principal payments (cost-recovery assets), rather than being included in interest income because management believed, at that time, that it was unlikely there would be a full repayment of principal. As of September 30, 2010, there were no performing cost-recovery assets.

Results of Operations for the Quarter Ended September 30, 2010 compared to the Quarter Ended September 30, 2009

Revenue

	Three Months Ended September 30, (unaudited)		
	2010	2009	% Change
	(in thousands)		
Investment income	$ 29,403	$ 27,785	6%

The increase in investment income for the three months ended September 30, 2010 compared to the three months ended September 30, 2009 was primarily due to higher average interest rates on higher income producing invested balances during the third quarter of 2010.

Expenses

	Three Months Ended September 30, (unaudited)		
	2010	2009	% Change
	(in thousands)		
Investment advisory and management fees	$ 4,607	$ 4,273	8%
Performance-based incentive fee	3,887	4,096	(5%)
Interest and other credit facility expenses	3,943	536	636%
Administrative service fee	387	479	(19%)
Other general and administrative expenses	972	1,947	(50%)
Total operating expenses	$ 13,796	$ 11,331	22%

Combined performance-based incentive fee, which is calculated as a percentage of net investment income above a certain hurdle rate, and investment advisory and management fees, which are calculated based on average gross assets, were comparable for the three months ended September 30, 2010 and 2009.

Interest and other credit facility expenses for the three months ended September 30, 2010 were higher than the comparable period in 2009 primarily due to higher average debt balances outstanding including the newly issued Term Loan, higher loan fee amortization expense, and higher unused facility fees.

Administrative service fees and other general and administrative fees were lower during the third quarter of 2010 because the third quarter of 2009 included costs related to pre-IPO private fund administration and reporting.

Net Realized and Unrealized Gains and Losses

	Three Months Ended September 30, (unaudited)	
	2010	2009
	(in thousands)	
Net realized (loss) on investments	$ (24)	$ (151,269)
Net realized gain (loss) on forward contracts	(8,832)	(1,844)
Net realized (loss) on foreign currency exchange		(284)
Net unrealized gain (loss) on investments	14,942	175,839
Net unrealized gain (loss) on forward contracts	(669)	1,726
Net unrealized gain (loss) on foreign currency exchange	41	(1,987)
Total realized and unrealized gain	$ 5,458	$ 22,181

Total realized and unrealized gain was $5.5 million for the third quarter of 2010 compared to $22.2 million for the same period in 2009. The combined net gain during the third quarter of 2010 was primarily due to continued credit improvement in the portfolio. The net gain during the third quarter of 2009 was primarily due to certain asset valuations that were beginning to recover from technical recession lows. We analyze this section on a combined basis because offsets may exist in the individual line items due to foreign exchange fluctuations and movements from unrealized to realized.

Our investments denominated in Euro, British Pounds and Australian dollars are converted into U.S. dollars at the balance sheet date, and as such, we are exposed to movements in exchange rates. To limit our exposure to movements in foreign currency exchange rates we enter into foreign exchange forward contracts or borrow in foreign currencies under our multi-currency revolving credit facility. For the third quarter of 2010 the total net realized and unrealized gain on forward contracts and foreign currency exchange was a loss of $9.5 million compared to a loss of $2.4 million for the same line items in the third quarter of 2009. This was due to the weakening of the U.S. dollar during the third quarter 2010.

Results of Operations for the Nine Months Ended September 30, 2010 compared to the Nine Months Ended September 30, 2009

Revenue

	Nine Months Ended September 30, (unaudited)		
	2010	**2009**	**% Change**
	(in thousands)		
Investment income	$ 92,997	$ 81,214	15%

The increase in investment income for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009 was primarily due to prepayment premiums and the accelerated amortization of fees resulting from debt assets repaying during the first half of 2010. This was offset by lower average LIBOR rates during the nine months ended September 30, 2010 compared to the same period in 2009.

Expenses

	Nine Months Ended September 30, (unaudited)		
	2010	2009	% Change
	(in thousands)		
Investment advisory and management fees	$ 13,404	$ 12,348	9%
Performance-based incentive fee	12,958	12,395	5%
Interest and other credit facility expenses	10,540	1,565	573%
Administrative service fee	1,098	1,512	(27%)
Other general and administrative expenses	2,978	3,590	(17%)
Total operating expenses	$ 40,978	$ 31,410	30%

The performance-based incentive fee was higher for the nine months ended September 30, 2010 primarily due to higher investment income resulting from prepayment premiums received and accelerated amortization of fees as a result of debt assets repaying before maturity. Investment advisory and management fees, which are calculated based on average gross assets, were higher during the nine months ended September 30, 2010 compared to the same period in 2009 due to higher average gross assets during the nine months ended September 30, 2010 compared to the same period in 2009.

Interest and other credit facility expenses were higher for the nine months ended September 30, 2010 primarily due to higher average debt balances outstanding during the period, including the newly issued Senior Unsecured Notes and Term Loan, higher loan fee amortization expense, and higher unused facility fees.

Administrative service fees and other general and administrative expenses were lower during the first nine months of 2010 because the first nine months of 2009 included costs related to pre-IPO private fund administration and reporting.

Net Realized and Unrealized Gains and Losses

	Nine Months Ended September 30, (unaudited)	
	2010	2009
	(in thousands)	
Net realized (loss) on investments	$ (27,836)	$ (227,191)
Net realized gain (loss) on forward contracts	916	(9,674)
Net realized gain (loss) on foreign currency exchange	3,531	(751)

Net unrealized gain on investments	75,750	237,940
Net unrealized (loss) on forward contracts	(3,995)	(963)
Net unrealized gain (loss) on foreign currency exchange	(667)	(1,958)
Total realized and unrealized gain (loss)	$ 47,699	$ (2,597)

The combination of the net realized and unrealized gains or losses resulted in a net gain of $47.7 million for the nine months ended September 30, 2010 compared to a net loss of $2.6 million for the same period in 2009. The net gain for the nine months ended September 30, 2010 was primarily due to increases in the fair value of our portfolio assets during the period as well as realizations in excess of prior valuations. The net increase in the fair value of our portfolio assets was primarily due to continued credit improvement in the portfolio, the tightening of credit spreads in the high yield market and portfolio realizations. The net loss during the nine

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months ended September 30, 2009 was primarily due to overall weakening in the economy during the period resulting in lower portfolio asset values. We analyze this section on a combined basis because offsets may exist in the individual line items due to foreign exchange fluctuations and movements from unrealized to realized.

Our investments denominated in Euro, British Pounds and Australian dollars are converted into U.S. dollars at the balance sheet date, and as such, we are exposed to movements in exchange rates. To limit our exposure to movements in foreign currency exchange rates we enter into foreign exchange forward contracts or borrow in foreign currencies under our multi-currency revolving credit facility. For the nine months ended September 30, 2010 the total net realized and unrealized gain on forward contracts and foreign currency exchange was a loss of $0.2 million compared to a loss of $13.3 million for the same line items for the nine months ended September 30, 2009. This is due to a lower relative weakening of the U.S. dollar during the nine months ended September 30, 2010 compared to the same period in 2009.

Liquidity and Capital Resources

The Company s liquidity is generated and generally available through its multi-currency $355 million revolving credit facility maturing in February 2013, its $35 million Term Loan, from cash flows from operations, investment sales of liquid assets, repayments of senior and subordinated loans, income earned on investments and cash equivalents, and we expect through periodic follow-on equity offerings. On February 9, 2010, Solar Capital Ltd. priced its initial public offering selling 5.68 million shares, including the underwriters over-allotment, at a price of $18.50 per share. Net of underwriting fees the Company raised a total of $97.7 million and its shares began to trade on the NASDAQ Global Select Market under the ticker SLRC . In addition, Solar Capital Ltd. sold 0.60 million shares at $18.50 in a concurrent private placement to management. The primary use of our liquidity is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our shareholders or for other general corporate purposes.

At September 30, 2010 and December 31, 2009, we had cash and cash equivalents of approximately $344.4 million and $5.7 million, respectively. Cash provided by operating activities for the nine months ended September 30, 2010 and 2009 was approximately $73.4 million and $11.8 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

Credit Facility, Term Loan and Senior Unsecured Notes

Credit Facility. On February 12, 2010, Solar Capital Ltd. amended and restated Solar Capital LLC s $250 million Senior Secured Revolving Credit Facility (the Credit Facility), extending the maturity to February 2013 and increasing the total commitments under the facility to $270 million. Per the amended agreement, borrowings bear interest at a rate per annum equal to the base rate plus 3.25% or the alternate base rate plus 2.25%. The commitment fee on unused balances is 0.375%. The amendment also reduced the advance rates permitted on certain asset types and placed limitations on the secured borrowing amount. On May 26, 2010, the Credit Facility was amended to remove the limitations on the secured borrowing and increase the advance rates permitted on certain asset types. Total commitments under the Credit Facility have been increased to $355 million as a result of the addition of two new lenders on May 12, 2010 and June 23, 2010. The facility size may be increased up to $600 million with additional new lenders or the increase in commitments of current lenders. The Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change of control. 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 debt to total assets ratio. As of November 2, 2010, no borrowings were outstanding under the Credit Facility.

Term Loan. On September 2, 2010, Solar Capital Ltd. entered into a fully funded $35 million Term Loan, which matures in September 2013, bears interest at a rate per annum equal to the base rate plus 3.25%, and has terms substantially similar to our revolving credit facility.

Senior Unsecured Notes. In February 2010, as a component of the Solar Capital Merger, Solar Capital Ltd. issued $125 million of Senior Unsecured Notes. The Senior Unsecured Notes mature in February 2014 and have a coupon of 8.75%, payable quarterly in cash beginning May 1, 2010. The Senior Unsecured Notes are

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redeemable at any time, in whole or in part, at a price of 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. Further, we must use the net cash proceeds from the issuance of any other senior notes either to redeem or make an offer to purchase the outstanding Senior Unsecured Notes at a price of 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. The Senior Unsecured Notes subject us to customary covenants, including, among other things, (i) a requirement to maintain an asset coverage ratio of at least 2.00 to 1.00; (ii) a requirement that in the event of a change of control (as defined in the agreement governing the Senior Unsecured Notes) we will be required to offer to repurchase the Senior Unsecured Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase; and (iii) a restriction on incurring any debt on a junior lien basis, or any debt that is contractually subordinated in right of payment to any other debt unless it is also subordinated to the Senior Unsecured Notes on substantially identical terms. The agreement under which the Senior Unsecured Notes have been issued contains customary events of default.

Certain covenants 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.

Contractual Obligations

A summary of our significant contractual payment obligations as of September 30, 2010:

		Payments Due by Period (unaudited)			
(in millions)	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Senior secured revolving credit facility(1)	$ 300.0	$	$ 300.0	$	$
Senior secured term loan	$ 35.0	$	$ 35.0	$	$
Senior Unsecured Notes	$ 125.0	$	$	$ 125.0	$

(1) As of September 30, 2010, we had $55.0 million of unused borrowing capacity under our credit facility. As of November 2, 2010, no borrowings were outstanding under the Credit Facility.

We have certain commitments pursuant to our Investment Advisory and Management Agreement entered into with Solar Capital Partners. We have agreed to pay a fee for investment advisory and management services consisting of two components a base management fee and an incentive fee. Payments under the Investment Advisory and Management Agreement are equal to (1) a percentage of the value of our average gross assets and (2) a two-part incentive fee. We have also entered into a contract with Solar Capital Management to serve as our administrator. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of Solar Capital Management s overhead in performing its obligation under the agreement, including rent, fees, and other expenses inclusive of our allocable portion of the compensation of our chief financial officer and any administrative staff.

Off-Balance Sheet Arrangements

In the normal course of our business, we trade various financial instruments and may enter into various investment activities with off-balance sheet risk, which 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.

Borrowings

We had borrowings of $460.0 million and $88.1 million outstanding as of September 30, 2010 and December 31, 2009, respectively. As of November 2, 2010, we had borrowings of $160.0 million.

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Distributions and Dividends

On November 2, 2010, our board of directors declared a quarterly dividend of $0.60 per share payable on December 30, 2010 to holders of record as of December 17, 2010. For the three and nine months ended September 30, 2010, declared dividends to stockholders totaled $0.60 per share or $19.9 million and $1.54 per share or $50.9 million, respectively. The $0.34 dividend declared during the first quarter of 2010 was a $0.60 dividend prorated for the number of days that remained in the quarter after our initial public offering. Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year. Our quarterly dividends, if any, will be determined by our board of directors.

We intend to elect to be taxed as a RIC under Subchapter M of the Code. To maintain our RIC status, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In addition, although we currently intend to distribute net realized capital gains (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 dividend, then stockholders cash dividends 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 dividends.

Related Parties

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

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

- Solar Capital Management provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement. We reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and the compensation of our chief compliance officer, our chief financial officer and any administrative support staff. Solar Capital Partners, our investment adviser, is the sole member of and controls Solar Capital Management.

- We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has granted us a non-exclusive, royalty-free license to use the name Solar Capital.

Certain entities affiliated with Magnetar Financial LLC own as of November 2, 2010, approximately 19.47% of our outstanding shares of common stock, and will continue to own approximately 13.63% of our outstanding shares of common stock after the completion of this offering, assuming the full exercise of the overallotment option.

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

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SENIOR SECURITIES

Information about our senior securities is shown in the following tables as of September 30, 2010, unaudited, and December 31, 2009, 2008 and 2007. The report of our independent registered public accounting firm on the senior securities table as of December 31, 2009 is attached as an exhibit to the registration statement of which this prospectus is a part.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities(1)	Asset Coverage Ratio Per Unit(2)	Involuntary Liquidation Preference Per Unit(3)	Average Market Value Per Unit(4)
Senior Secured Revolving Credit Facility				
2010 (as of September 30, 2010, unaudited)	$ 300,000	$ 2,593		N/A
2009	$ 88,114	$ 8,920		N/A
2008				N/A
2007				N/A
Senior Secured Term Loan				
2010 (as of September 30, 2010, unaudited)	$ 35,000	$ 2,593		N/A
Senior Unsecured Notes				
2010 (as of September 30, 2010, unaudited)	$ 125,000	$ 2,593		N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.
(2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness.
(3) The amount to which such class of senior security would be entitled upon the voluntary liquidation of the issuer in preference to any security junior to it. The in this column indicates that the Securities and Exchange Commission expressly does not require this information to be disclosed for certain types of senior securities.
(4) Not applicable because senior securities are not registered for public trading.

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ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

As described more fully in the accompanying prospectus, we intend to elect to be taxed as a RIC under Subchapter M of the Code and the applicable Treasury Regulations, which set forth the requirements for qualification as a RIC. The following discussion, which supplements and updates the discussion under the heading Material U.S. Federal Income Tax Considerations in the accompanying prospectus, is a summary of certain additional material U.S. federal income tax considerations. **You are urged to consult your own tax advisor regarding the specific tax consequences of the purchase, ownership and sale of our common stock.**

Sunset of Reduced Tax Rate Provisions

Several of the tax considerations described under the heading Material U.S. Federal Income Tax Considerations in the accompanying prospectus are subject to sunset provisions. These sunset provisions generally provide that for taxable years beginning after December 31, 2010, certain provisions in the Code that are currently applicable will revert back to earlier versions of such provisions. As a result, the federal income tax rates applicable to ordinary income, long-term capital gain and qualified dividend income for taxpayers taxed at individual rates will increase beginning January 1, 2011, absent congressional action. Consequently, prospective investors should consult their own tax advisors regarding the effect of the sunset provisions on an investment in our common stock.

Recent Tax Legislation

Recently enacted legislation that becomes effective after December 31, 2012, generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions that fail to enter into an agreement with the United States Treasury to report certain required information with respect to accounts held by United States persons (or held by foreign entities that have United States persons as substantial owners). The types of income subject to the tax include U.S. source interest and dividends and the gross proceeds from the sale of any property that could produce U.S.-source interest or dividends. The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and transaction activity within the holder s account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. When these provisions become effective, depending on the status of a non-U.S. stockholder and the status of the intermediaries through which they hold their common stock, non-U.S. stockholders could be subject to this 30% withholding tax with respect to distributions on their common stock and proceeds from the sale of their common stock. Under certain circumstances, a non-U.S. stockholder might be eligible for refunds or credits of such taxes.

For taxable years beginning after December 31, 2012, individuals with income in excess of $200,000 ($250,000 in the case of married individuals filing jointly or $125,000 in the case of married individuals filing separately) and certain estates and trusts are subject to an additional 3.8% tax on their net investment income, which generally includes net income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses).

Prospective investors are encouraged to consult with their tax advisors regarding the possible implications of the recent legislation described herein on an investment in our common stock.

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SELLING STOCKHOLDERS

The following table sets forth:

- The name of each selling stockholder;
- The number of shares of common stock and the percentage of the total shares of common stock outstanding that each selling stockholder beneficially owned as of November 2, 2010;
- The number of shares of common stock beneficially owned by each selling stockholder that are being offered under this prospectus supplement; and
- The number of shares of common stock and the percentage of total shares of common stock outstanding to be beneficially owned by each selling stockholder following the offering contemplated by this prospectus supplement.

The information regarding the identity of the selling stockholders and their affiliations, including their beneficial ownership of shares of our common stock, is based solely on information provided by or on behalf of the selling stockholders.

	Shares Beneficially Owned Prior to Offering(1)				Shares Beneficially Owned After Offering(2)			
Name	Number	Percent	Number of Shares Being Offered	Number of Shares Subject to Over-Allotment Option	Number	Percent	Number with Over-Allotment Option	Percent with Over-Allotment Option
MAGNETAR CAPITAL FUND LP(3)	1,361,451	4.09%	258,034	38,705	1,103,417	3.32%	1,064,712	3.20%
MAGNETAR CAPITAL MASTER FUND, LTD(3)	5,117,202	15.38%	1,433,424	215,014	3,683,778	11.07%	3,468,764	10.43%
TOTAL	6,478,653	19.47%	1,691,458	253,719	4,787,195	14.39%	4,533,476	13.63%

(1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act.
(2) Applicable percentage of ownership is based on 33,270,844 shares of our common stock outstanding on November 2, 2010.
(3) This entity is controlled and/or managed by Magnetar Financial LLC or its affiliates.

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UNDERWRITING

Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC are acting as joint bookrunning managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and the selling stockholders have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter s name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
Morgan Stanley & Co. Incorporated	
Wells Fargo Securities, LLC	
Deutsche Bank Securities Inc.	
SunTrust Robinson Humphrey, Inc.	
BMO Capital Markets Corp.	
BB&T Capital Markets, a division of Scott & Stringfellow, LLC	
RBC Capital Markets Corporation	
Total	1,691,458

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

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

The selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase from the selling stockholders up to 253,719 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter s initial purchase commitment.

The Magnetar entities have agreed that, until February 10, 2011, they will not, without our prior written consent, dispose of or hedge an aggregate of 3,931,875 shares of our common stock or securities convertible or exchangeable for shares of our common stock. We may in our sole discretion release the Magnetar entities from this lock-up agreement at any time without notice. Of the 1,691,458 shares of our common stock being sold by the Magnetar entities in this offering (without giving effect to the overallotment option), 280,040 of such shares are not currently subject to lock-up restrictions. We have agreed to release the Magnetar entities from the lock-up restrictions on the remaining 1,411,418 shares of our common stock being sold in this offering. To the extent the underwriters exercise the overallotment option, we will release the Magnetar entities from the lock-up restrictions on any such shares to be sold under the overallotment option.

Our common stock is listed on the NASDAQ Global Select Market under the symbol SLRC .

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The following table shows the underwriting discounts and commissions that the selling stockholders are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase from the selling stockholders additional shares of common stock. This offering will conform with the requirements set forth in Financial Industry Regulatory Authority Rule 2310. In compliance with such requirements, the underwriting discounts and commissions in connection with the sale of securities will not exceed 8% of gross proceeds of this offering.

	Paid by the Selling Stockholders	
	No Exercise	**Full Exercise**
Per share	$	$
Total	$	$

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

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

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

We estimate that our portion of the total expenses of this offering will be $120,000.

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

Citibank, N.A., an affiliate of Citigroup Global Markets Inc., is a lender and administrative agent under our Credit Facility. In addition, Citigroup Global Markets Inc. acted as the sole lead bookrunner and the sole lead arranger for the amendment of our Credit Facility in February

2010. Citigroup Global Markets Inc. provided structuring services related to the distribution of our Senior Unsecured Notes to certain equity holders in connection with the Solar Capital Merger. Affiliates of Morgan Stanley & Co. Incorporated, SunTrust Robinson Humphrey, Inc., Deutsche Bank Securities Inc. and BMO Capital Markets Corp. are lenders under our Credit Facility.

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

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of ours.

The principal business address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, NY 10013. The principal business address of Morgan Stanley & Co. Incorporated is 1585 Broadway, New York, NY 10036. The principal business address of Wells Fargo Securities, LLC is 375 Park Avenue, New York, NY 10152.

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LEGAL MATTERS

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP, our independent registered public accounting firm located at 345 Park Avenue, New York, New York 10154, has audited our financial statements as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 and the period March 13, 2007 (inception) through December 31, 2007, as set forth in their reports. We have included our financial statements in this prospectus and elsewhere in the registration statement in reliance on such reports, given on their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information for the periods ended March 31, 2010 and 2009 and September 30, 2010 and 2009, included herein, the independent registered public accounting firm has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included in the Company s quarterly reports on Form 10-Q for the quarters ended March 31, 2010 and September 30, 2010, and included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The accountants are not subject to the liability provisions of Section 11 of the Securities Act for their report on the unaudited interim financial information because that report is not a report or a part of the registration statement prepared or certified by the accountants within the meaning of Sections 7 and 11 of the Securities Act.

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AVAILABLE INFORMATION

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

We are required to file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC s website at *http://www.sec.gov*. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing to the SEC s Public Reference Section, Washington, D.C. 20549. This information will also be available free of charge by contacting us at Solar Capital Ltd., 500 Park Avenue, 5th Floor, New York, NY 10022, by telephone at (212) 993-1670, or on our website at *http://www.solarcapltd.com*.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Solar Capital Ltd.:

We have reviewed the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Capital Ltd. (the Company) as of September 30, 2010, and the related consolidated statements of operations for the three and nine-month periods ended September 30, 2010 and 2009, changes in net assets for the nine-month period ended September 30, 2010 and cash flows for the nine-month periods ended September 30, 2010 and 2009, and the financial highlights (included in Note 11) for the nine-month period ended September 30, 2010. These consolidated financial statements and financial highlights are the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Capital LLC as of December 31, 2009, and the related consolidated statement of changes in net assets for the year ended December 31, 2009 and we expressed an unqualified opinion on them in our report dated March 1, 2010.

/s/ KPMG LLP
New York, New York

November 2, 2010

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SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except shares)

	September 30, 2010 (unaudited)	December 31, 2009
Assets		
Investments at value:		
Companies more than 25% owned (cost: $10,000 and $10,000, respectively)	$ 10,000	$ 9,000
Companies 5% to 25% owned (cost: $34,806 and $85,102, respectively)	24,966	93,423
Companies less than 5% owned (cost: $986,352 and $968,886, respectively)	871,013	760,717
Total investments (cost: $1,031,158 and $1,063,988, respectively)	905,979	863,140
Cash and cash equivalents	334,375	5,675
Receivable for investments sold	10,204	
Interest and dividends receivable	9,408	7,547
Deferred borrowing costs	4,940	914
Fee revenue receivable	4,573	5,824
Deferred offering costs		1,478
Derivative assets		294
Prepaid expenses and other receivables	858	549
Total Assets	1,270,337	885,421
Liabilities		
Payable for investment purchased	38,490	
Credit facility payable	300,000	88,114
Term loan payable	35,000	
Senior unsecured notes payable	125,000	
Dividends payable	19,901	
Distributions payable		75,136
Due to Solar Capital Partners LLC:		
Investment advisory and management fee payable	4,607	8,663
Performance-based incentive fee payable	3,887	8,517
Deferred fee revenue	1,790	3,532
Interest payable	1,969	153
Derivative liabilities	3,725	25
Due to Solar Capital Management LLC	727	912
Income taxes payable	801	535
Other accrued expenses and payables	1,843	1,931
Total Liabilities	537,740	187,518
Net Assets		
Partners capital		697,903
Common stock, par value $0.01 per share 33,168,872 shares issued and outstanding	331	
Paid in capital in excess of par	670,783	

Distributions in excess of net investment income		(5,002)		
Accumulated net realized gain		646		
Net unrealized appreciation		65,839		
Total Net Assets	$	732,597	$	697,903
Number of shares outstanding		33,168,872		32,860,454
Net Asset Value Per Share	$	22.09	$	21.24

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except shares)

	Three months ended September 30, 2010 (unaudited)	Three months ended September 30, 2009 (unaudited)	Nine months ended September 30, 2010 (unaudited)	Nine months ended September 30, 2009 (unaudited)
INVESTMENT INCOME:				
Interest and dividends:				
Companies more than 25% owned	$ 300	$	$ 300	$
Companies 5% to 25% owned		2,320	7,619	6,877
Other interest and dividend income	29,103	25,465	85,078	74,337
Total interest and dividends	29,403	27,785	92,997	81,214
Total investment income	29,403	27,785	92,997	81,214
EXPENSES:				
Investment advisory and management fees	4,607	4,273	13,404	12,348
Performance-based incentive fee	3,887	4,096	12,958	12,395
Interest and other credit facility expenses	3,943	536	10,540	1,565
Administrative service fee	387	479	1,098	1,512
Other general and administrative expenses	972	1,947	2,978	3,590
Total operating expenses	13,796	11,331	40,978	31,410
Net investment income before income tax expense	15,607	16,454	52,019	49,804
Income tax expense (benefit)	56	71	191	227
Net investment income	15,551	16,383	51,828	49,577
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FORWARD CONTRACTS AND FOREIGN CURRENCIES:				
Net realized gain (loss):				
Investments:				
Companies more than 25% owned		(30)		(30)
Companies 5% to 25% owned			16,397	
Companies less than 5% owned	(24)	(151,239)	(44,233)	(227,161)
Net realized loss on investments	(24)	(151,269)	(27,836)	(227,191)
Forward contracts	(8,832)	(1,844)	916	(9,674)
Foreign currency exchange		(284)	3,531	(751)
Net realized loss	(8,856)	(153,397)	(23,389)	(237,616)
Net change in unrealized gain (loss):				
Investments:				
Companies more than 25% owned	1,000	(800)	1,000	(3,900)

Companies 5% to 25% owned	(81)	613	(18,161)	2,828
Companies less than 5% owned	14,023	176,026	92,911	239,012
Net change unrealized gain on investments	14,942	175,839	75,750	237,940
Forward contracts	(669)	1,726	(3,995)	(963)
Foreign currency exchange	41	(1,987)	(667)	(1,958)
Net change in unrealized gain	14,314	175,578	71,088	235,019
Net realized and unrealized gain (loss) on investments, forward contracts and foreign currencies	5,458	22,181	47,699	(2,597)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 21,009	$ 38,564	$ 99,527	$ 46,980
Earnings per share (see note 10)	$ 0.63	$ 1.17	$ 3.02	$ 1.43

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

	Nine months ended September 30, 2010 (unaudited)	Year ended December 31, 2009
Increase (Decrease) in net assets resulting from operations:		
Net investment income	$ 51,828	$ 67,262
Net realized loss	(23,389)	(264,898)
Net change in unrealized gain	71,088	284,572
Net increase in net assets resulting from operations	99,527	86,936
Dividends and distributions declared	(50,915)	(241,706)
Capital transactions:		
Proceeds from shares sold	116,198	
Common stock offering costs	(10,047)	
Senior notes issued in Solar Capital Merger	(125,000)	
Reinvestment of dividends	4,931	
Net decrease in net assets resulting from capital transactions	(13,918)	
Net increase (decrease) in net assets	34,694	(154,770)
Net assets at beginning of period	697,903	852,673
Net assets at end of period	$ 732,597	$ 697,903

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands except shares)

	Nine months ended September 30, 2010 (unaudited)	Nine months ended September 30, 2009 (unaudited)
Cash Flows from Operating Activities:		
Net increase in net assets from operations	$ 99,527	$ 46,980
Adjustments to reconcile net increase (decrease) in net assets from operations to net cash provided by operating activities:		
Net realized loss from investments	27,836	227,191
Net realized gain from foreign currency exchange on borrowings	(3,536)	
Net change in unrealized gain on investments	(75,750)	(237,940)
Net change in forward contracts	3,995	964
(Increase) decrease in operating assets:		
Purchase of investment securities	(217,663)	(124,675)
Proceeds from disposition of investment securities	222,738	111,245
Receivable for investments sold	(10,204)	(7,256)
Interest and dividends receivable	(1,861)	1,625
Deferred borrowing costs	(4,026)	321
Fee revenue receivable	1,251	(294)
Deferred offering costs	1,478	(266)
Foreign tax receivable		101
Withholding tax receivable		(3,106)
Prepaid expenses and other receivables	(309)	(529)
Increase (decrease) in operating liabilities:		
Payable for investments purchased	38,490	
Investment advisory and management fee payable	(4,056)	(1,021)
Performance-based incentive fee payable	(4,630)	(1,409)
Deferred fee revenue	(1,742)	(652)
Interest payable	1,816	346
Due to Solar Capital Management LLC	(185)	(257)
Income taxes payable	266	(953)
Other accrued expenses and payables	(88)	1,370
Net Cash Provided by Operating Activities	73,347	11,785
Cash Flows from Financing Activities:		
Proceeds from shares sold	116,198	
Common stock offering costs	(10,047)	
Cash dividends paid	(26,083)	
Cash distributions paid	(75,136)	(85,198)
Proceeds from borrowings on the term loan	35,000	
Proceeds from borrowings on credit facility	394,000	142,483
Repayments of borrowings on credit facility	(178,579)	(116,900)

Net Cash Used in Financing Activities		255,353		(59,615)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		328,700		(47,830)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		5,675		65,841
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	334,375	$	18,011
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	1,773	$	128
Cash paid for income taxes	$	18	$	1,180
Non-cash financing activity:				
Distributions payable	$		$	81,508
Dividends payable	$	19,901	$	
Reinvestment of dividends	$	4,931	$	
Issuance of Senior Notes	$	125,000	$	

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2010

(in thousands, except shares)

(unaudited)

Description(1)	Industry	Interest(2)	Maturity	Par Amount/ Shares	Cost	Fair Value
Bank Debt/Senior Secured Loans 20.5%						
Asurion Corporation	Insurance	6.76	7/3/2015	$ 52,000	$ 51,951	$ 49,849
Classic Cruises Holdings(5)	Leisure, Motion Pictures, Entertainment	10.11	1/31/2015	26,000	25,446	22,750
Emdeon Business Services LLC	Healthcare, Education, and Childcare	5.26	5/16/2014	15,000	15,093	14,595
Fulton Holding Corp	Retail Stores	13.83	5/28/2016	35,000	33,916	35,000
Ram Energy Resources, Inc.	Oil & Gas	12.75	11/29/2012	13,098	13,055	12,312
Roundy s Supermarkets, Inc.	Grocery	10.00	4/16/2016	22,000	21,594	22,433
ViaWest, Inc.	Personal, Food and Misc. Services	13.50	5/20/2016	29,639	28,797	28,750
Total Bank Debt/Senior Secured Loans				**$ 192,737**	**$ 189,852**	**$ 185,689**
Subordinated Debt/Corporate Notes 73.0%						
Ares Capital Corporation	Finance	6.00	4/1/2012	$ 15,393	$ 11,534	$ 15,662
Ares Capital Corporation	Finance	6.63	7/15/2011	14,500	11,603	14,790
Adams Outdoor Advertising	Diversified / Conglomerate Service	13.50	6/20/2011	40,000	39,681	37,600
Adams Outdoor Advertising	Diversified / Conglomerate Service	10.88	6/20/2011	17,237	17,312	15,910
AMC Entertainment Holdings, Inc.	Leisure, Motion Pictures, Entertainment	5.29	6/13/2012	25,390	25,189	22,343
Booz Allen	Aerospace & Defense	13.00	7/31/2016	36,355	35,785	37,173
Direct Buy Inc.	Home and Office Furnishing, Consumer Products	16.00	5/30/2013	37,714	37,325	34,263
DS Waters	Beverage, Food, and Tobacco	14.00	4/24/2012	110,514	109,877	108,304
Earthbound	Farming & Agriculture	15.25	7/20/2016	40,000	39,000	40,400
Fleetpride Corporation	Cargo Transport	11.50	10/1/2014	43,000	43,126	40,528
FreedomRoads	Automobile	16.00	6/20/2011	27,500	27,346	26,758
Grakon, LLC(12)	Machinery	14.00	6/19/2013	20,815	18,620	5,101
Iglo Birds Eye Group Limited(3)(4)	Beverage, Food, and Tobacco	11.79	11/3/2016	5,073	5,001	5,050
Iglo Birds Eye Group Limited(3)(4)	Beverage, Food, and Tobacco	11.32	11/3/2016	12,299	15,077	12,375
Magnolia River, LLC	Hotels, Motels, Inns & Gaming	14.00	4/28/2014	19,064	18,468	17,635
Midcap Financial Intermediate Holdings, LLC(18)	Banking	14.25	7/9/2015	75,000	73,153	73,125
ProSieben Sat.1 Media AG(3)(8)	Broadcasting & Entertainment	8.14	3/6/2017	21,484	19,383	13,037
Rug Doctor L.P.	Personal, Food and Misc. Services	14.95	10/31/2014	49,346	47,354	46,879
Seven Media Group Pty Limited(3)	Broadcasting & Entertainment	11.18	12/29/2013	19,573	16,328	18,888
Seven Media Group Pty Limited(3)	Broadcasting & Entertainment	12.00	12/29/2013	7,420	5,283	6,601
Shoes for Crews, LLC	Textiles and Leather	13.75	7/23/2016	15,650	15,233	15,220
Tri-Star Electronics International, Inc.	Aerospace & Defense	15.25	8/2/2013	22,761	22,660	19,802
Wastequip, Inc.(12)	Containers, Packaging and Glass	13.00	2/5/2015	16,475	14,401	
Weetabix Group(3)(7)	Beverage, Food, and Tobacco	10.53	9/14/2016	14,697	17,088	11,390
Weetabix Group(3)(7)	Beverage, Food, and Tobacco	9.96	5/7/2017	29,939	36,878	22,455

Total Subordinated Debt/Corporate Notes	**$ 737,199**	**$ 722,705**	**$ 661,289**

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

September 30, 2010

(in thousands, except shares)

(unaudited)

Description(1)	Industry	Interest(2)	Maturity	Par Amount/ Shares	Cost	Fair Value
Preferred Equity 0.1%						
Wyle Laboratories	Aerospace & Defense	8.00	7/17/2015	$ 387	$ 39	$ 42
Total Preferred Equity				**$ 387**	**$ 39**	**$ 42**
Common Equity / Partnership Interests / Warrants 6.4%						
Ark Real Estate Partners LP(9)(11)	Real Estate			34,806,121	$ 34,806	$ 24,966
Direct Buy Inc.	Home and Office Furnishing, Consumer Products			5,000,000	5,000	2,500
Global Garden Products(3)(6)	Farming & Agriculture			146,983		
Grakon, LLC	Machinery			1,714,286	1,714	
Great American Group Inc.(13)	Personal, Food and Misc. Services			572,800	2,681	258
Great American Group Inc.(14)	Personal, Food and Misc. Services			187,500	3	84
Great American Group Inc.(15)	Personal, Food and Misc. Services			125,000		
National Specialty Alloys, LLC(10)	Mining, Steel, Iron, and Nonprecious Metals			1,000,000	10,000	10,000
Nuveen Investments, Inc.	Finance			3,000,000	30,000	6,000
NXP Semiconductors N.V.(16)	Electronics			1,139,081	31,057	12,251
NXP Semiconductors N.V.(17)	Electronics			12,058		
Seven Media Group Pty Limited(3)	Broadcasting & Entertainment			4,285,714	3,301	2,900
Total Common Equity/Partnerships Interests / Warrants					**$ 118,562**	**$ 58,959**
Total Investments					**$ 1,031,158**	**$ 905,979**

(1) We generally acquire our investments in private transactions exempt from registration under the Securities Act. Our investments are therefore generally subject to certain limitations on resale, and may be deemed to be restricted securities under the Securities Act.

(2) A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to LIBOR or EURIBOR, and which reset daily, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of September 30, 2010.

(3) The following entities are domiciled outside the United States and the investments are denominated in either Euro, British Pounds or Australian Dollars: Iglo Birds Eye Group Limited, Global Garden Products and Weetabix Group in the United Kingdom; ProSieben Sat.1 Media AG in Germany; and Seven Media Group Pty Limited in Australia. All other investments are domiciled in the United States.

(4) Solar Capital Ltd. s investments in Iglo Birds Eye Group Limited are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(5) Solar Capital Ltd. s investments in Classic Cruises Holdings are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(6) Solar Capital Ltd. s investments in Global Garden Products are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(7) Solar Capital Ltd. s investments in Weetabix Group are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(8) Solar Capital Ltd. s investments in ProSieben Sat. 1 Media AG are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(9) Solar Capital Ltd. has an unfunded commitment of $9,946.
(10) Denotes a Control Investment. Control Investments are defined in the 1940 Act as investments in those companies that the Company is deemed to Control. Generally, under the 1940 Act, the Company is deemed to Control a company in which it has invested if it owns 25% or more of the voting securities of such company or has greater than 50% representation on its board.
(11) Denotes an Affiliate Investment. Affiliate Investments are investments in those companies that are Affiliated Companies of the Company, as defined in the 1940 Act, which are not Control Investments. The Company is deemed to be an Affiliate of a company in which it has invested if it owns 5% or more but less than 25% of the voting securities of such company.
(12) Investment is on non-accrual status
(13) Common Shares
(14) Founders Shares
(15) Contingent Founders Shares
(16) Common Stock
(17) Administrative agent to NXP management equity plan
(18) Includes an unfunded commitment of $35 million

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

September 30, 2010

(unaudited)

Industry Classification	Percentage of Total Investments (at fair value) as of September 30, 2010
Beverage, Food, and Tobacco	18%
Personal, Food and Misc. Services	8%
Banking	8%
Aerospace & Defense	6%
Diversified / Conglomerate Service	6%
Insurance	6%
Leisure, Motion Pictures, Entertainment	5%
Broadcasting & Entertainment	5%
Cargo Transport	4%
Farming & Agriculture	4%
Home and Office Furnishing, Consumer Products	4%
Finance	4%
Retail Stores	4%
Automobile	3%
Real Estate	3%
Grocery	2%
Hotels, Motels, Inns & Gaming	2%
Textiles and Leather	2%
Healthcare, Education, and Childcare	2%
Oil & Gas	1%
Electronics	1%
Mining, Steel, Iron, and Nonprecious Metals	1%
Machinery	1%
	100%

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2009

(in thousands, except shares)

Description(1)	Industry	Interest(2)	Maturity	Par Amount/ Shares	Cost	Fair Value
Bank Debt/Senior Secured Loans 18.8%						
Affinity 1st Lien	Printing, Publishing, Broadcasting	12.75	3/31/2010	$ 18,771	$ 18,372	$ 18,489
Asurion Corporation	Insurance	6.73	7/3/2015	55,000	54,939	51,700
Classic Cruises Holdings(5)	Leisure, Motion Pictures, Entertainment	10.02	1/31/2015	26,000	25,350	20,800
Emdeon Business Services LLC	Healthcare, Education, and Childcare	5.29	5/16/2014	15,000	15,112	14,400
National Interest Security Corporation(11)	Aerospace & Defense	15.00	6/11/2013	25,182	24,740	26,152
Ram Energy Resources, Inc.	Oil & Gas	12.75	11/29/2012	12,827	12,769	12,058
Wyle Laboratories	Aerospace & Defense	15.00	1/17/2015	20,000	19,614	19,900
Total Bank Debt/Senior Secured Loans				**$ 172,780**	**$ 170,896**	**$ 163,499**
Subordinated Debt/Corporate Notes 74.4%						
Allied Capital	Finance	6.00	4/1/2012	$ 15,393	$ 9,362	$ 14,392
Allied Capital	Finance	6.63	7/15/2011	14,500	8,880	13,920
Adams Outdoor Advertising	Diversified / Conglomerate Service	13.50	6/20/2011	40,000	39,445	35,360
Adams Outdoor Advertising	Diversified / Conglomerate Service	10.88	6/20/2011	18,237	18,345	15,538
AMC Entertainment Holdings, Inc.	Leisure, Motion Pictures, Entertainment	5.25	6/13/2012	24,383	24,106	20,433
Booz Allen	Aerospace & Defense	13.00	7/31/2016	43,000	42,220	43,000
Casema B.V.(3)	Telecommunications	9.73	9/13/2016	7,860	7,542	7,565
Casema B.V.(3)	Telecommunications	9.69	9/13/2016	8,478	8,135	8,109
Direct Buy Inc.	Home and Office Furnishing, Consumer Products	16.00	5/30/2013	36,593	36,092	31,104
DS Waters	Beverage, Food, and Tobacco	14.00	4/24/2012	99,565	98,664	95,085
Earthbound	Beverage, Food, and Tobacco	15.25	7/20/2016	40,000	38,875	39,800
Fleetpride Corporation	Cargo Transport	11.50	10/1/2014	43,000	43,145	38,754
FreedomRoads	Automotive	16.00	6/20/2011	27,500	27,076	25,603
Global Garden Products(3)(6)(12)	Farming & Agriculture	12.72	10/31/2016	19,674	20,136	
Grakon, LLC(13)	Machinery	12.00	6/19/2013	20,403	19,306	5,101
Iglo Birds Eye Group Limited(3)(4)	Beverage, Food, and Tobacco	8.99	11/3/2016	5,230	4,908	4,942
Iglo Birds Eye Group Limited(3)(4)	Beverage, Food, and Tobacco	8.52	11/3/2016	12,200	14,701	11,527
Jonathan Engineering Solutions Corp.(12)	Diversified/Conglomerate Manufacturing	16.50	6/29/2014	4,219	4,045	
Jonathan Engineering Solutions Corp.(12)	Diversified/ Conglomerate Manufacturing	13.00	6/29/2014	10,641	10,614	
Learning Care Group No.2, Inc	Healthcare, Education, and Childcare	13.50	12/28/2015	31,173	30,797	27,276

Magnolia River, LLC	Hotels, Motels, Inns & Gaming	14.00	4/28/2014	19,064	18,327	13,345
National Interest Security Corporation(11)	Aerospace & Defense	15.00	6/11/2013	30,539	30,229	31,303
Pacific Crane Maintenance Company, L.P. (12)	Machinery	13.00	2/15/2014	9,045	8,920	
ProSieben Sat.1 Media AG(3)(8)(13)	Broadcasting & Entertainment	8.15	3/6/2017	21,437	19,804	5,505
Rug Doctor L.P.	Personal, Food and Misc. Services	14.94	10/31/2014	48,253	45,920	45,841
Seven Media Group Pty Limited(3)	Broadcasting & Entertainment	11.18	12/29/2013	18,086	16,328	16,278
Seven Media Group Pty Limited(3)	Broadcasting & Entertainment	12.00	12/29/2013	6,857	5,283	6,068
Tri-Star Electronics International, Inc.	Aerospace & Defense	15.25	8/2/2013	22,546	22,420	16,008
Wastequip, Inc.(13)	Containers, Packaging and Glass	12.00	2/5/2015	15,745	14,953	3,149
Weetabix Group(3)(7)	Beverage, Food, and Tobacco	10.62	9/14/2016	13,627	16,335	9,879
Weetabix Group(3)(7)	Beverage, Food, and Tobacco	9.83	5/7/2017	29,211	34,948	20,447
Wire Rope Corporation (nka WireCo World Group)	Diversified/Conglomerate Manufacturing	11.00	2/8/2015	39,000	38,302	36,660
Total Subordinated Debt/Corporate Notes				**$ 795,459**	**$ 778,163**	**$ 641,992**

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

December 31, 2009

(in thousands, except shares)

Description(1)	Industry	Interest(2)	Maturity	Par Amount/ Shares	Cost	Fair Value
Preferred Equity 0.1%						
Wyle Laboratories	Aerospace & Defense	8.00	7/17/2015	$ 39	$ 39	$ 40
Total Preferred Equity				**$ 39**	**$ 39**	**$ 40**
Common Equity / Partnership Interests / Warrants 6.7%						
Ark Real Estate Partners LP(9)(11)	Real Estate			28,006,121	$ 28,006	$ 19,675
Direct Buy Inc.	Home and Office Furnishing, Consumer Products			5,000,000	5,000	1,040
Grakon, LLC	Machinery			1,714,286	1,714	
Great American Group Inc.(14)	Business Services			572,800	2,681	1,874
Great American Group Inc.(15)	Business Services			187,500	3	614
Great American Group Inc.(16)	Business Services			125,000		
National Interest Security Corporation(11)	Aerospace & Defense			2,265,023	2,125	16,293
National Specialty Alloys, LLC(10)	Mining, Steel and Nonprecious Metals			1,000,000	10,000	9,000
Nuveen Investments, Inc.	Finance			3,000,000	30,000	6,000
NXP Semiconductors Netherlands B.V.(3)	Electronics			944,628	31,060	1,697
Pacific Crane Maintenance Company, L.P.	Machinery			10,000	1,000	
Seven Media Group Pty Limited(3)	Broadcasting & Entertainment			4,285,714	3,301	1,416
Total Common Equity/Partnerships Interests / Warrants					**$ 114,890**	**$ 57,609**
Total Investments					**$ 1,063,988**	**$ 863,140**

(1) We generally acquire our investments in private transactions exempt from registration under the Securities Act. Our investments are therefore generally subject to certain limitations on resale, and may be deemed to be restricted securities under the Securities Act.

(2) A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to LIBOR or EURIBOR, and which reset daily, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of December 31, 2009.

(3) The following entities are domiciled outside the United States: Casema B.V. and NXP Semiconductors Netherlands B.V. in The Netherlands; Iglo Birds Eye Group Limited, Global Garden Products and Weetabix Group in the United Kingdom; ProSieben Sat.1 Media AG in Germany; and Seven Media Group Pty Limited in Australia. All other investments are domiciled in the United States.

(4) Solar Capital LLC s investments in Iglo Birds Eye Group Limited are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.

(5) Solar Capital LLC s investments in Classic Cruises Holdings are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.

(6) Solar Capital LLC s investments in Global Garden Products are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(7) Solar Capital LLC s investments in Weetabix Group are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(8) Solar Capital LLC s investments in ProSieben Sat. 1 Media AG are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(9) Solar Capital LLC has an unfunded commitment of $16,745.
(10) Denotes a Control Investment. Control Investments are defined in the 1940 Act as investments in those companies that the Company is deemed to Control. Generally, under the 1940 Act, the Company is deemed to Control a company in which it has invested if it owns 25% or more of the voting securities of such company or has greater than 50% representation on its board.
(11) Denotes an Affiliate Investment. Affiliate Investments are investments in those companies that are Affiliated Companies of the Company, as defined in the 1940 Act, which are not Control Investments. The Company is deemed to be an Affiliate of a company in which it has invested if it owns 5% or more but less than 25% of the voting securities of such company.
(12) Investment is on non-accrual status.
(13) Investments are current on all obligations with interest payments being applied to principal.
(14) Common Shares
(15) Founders Shares
(16) Contingent Founders Shares

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

December 31, 2009

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2009
Beverage, Food, and Tobacco	21%
Aerospace & Defense	17%
Diversified / Conglomerate Service	6%
Insurance	6%
Personal, Food and Misc. Services	5%
Healthcare, Education, and Childcare	5%
Leisure, Motion Pictures, Entertainment	4%
Cargo Transport	4%
Diversified / Conglomerate Manufacturing	4%
Finance	4%
Home and Office Furnishing, Consumer Products	4%
Broadcasting & Entertainment	3%
Automotive	3%
Real Estate	2%
Telecommunications	2%
Hotels, Motels, Inns & Gaming	2%
Printing, Publishing, Broadcasting	2%
Oil & Gas	1%
Mining, Steel, Iron, and Nonprecious Metals	1%
Machinery	1%
Containers, packaging and glass	1%
Business Services	1%
Electronics	1%
	100%

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

(in thousands, except shares)

(unaudited)

Note 1. Organization

Solar Capital Ltd. (Solar Capital , the Company or we), a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, for tax purposes the Company intends to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code).

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

Immediately prior to the initial public offering, through a series of transactions Solar Capital Ltd. merged with Solar Capital LLC, leaving Solar Capital Ltd. as the surviving entity (the Merger). Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in Senior Unsecured Notes 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.

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.

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

Note 2. Significant Accounting Policies

Basis of Presentation The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), and include the accounts of the Company and its wholly-owned subsidiary, Solar Capital Luxembourg I S.a.r.l., which was incorporated under the laws of the Grand Duchy of Luxembourg on April 26, 2007. 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.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period s results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2010.

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SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2010

(in thousands, except shares)

(unaudited)

Certain prior period amounts have been reclassified to conform to current period presentation. As required by ASC 260-10, 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.

Accounting Standards Codification The FASB established the Accounting Standards Codification™ (ASC) on July 2, 2009 as the single source of authoritative GAAP to be applied by nongovernmental entities. The ASC supersedes all existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in the ASC is no longer authoritative.

Following the ASC, the FASB no longer issues new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it issues Accounting Standards Updates, which serve to update the ASC, provide background information about the guidance and provide the basis for conclusions on the changes to the ASC. GAAP was not changed as a result of the FASB s codification project, but the codification project changes the way guidance is organized and presented. As a result, these changes have a significant impact on how we reference GAAP in our financial statements for interim and annual periods.

Investments The Company applies fair value accounting in accordance with GAAP. Securities transactions are accounted for on trade date. Securities for which market quotations are readily available on an exchange are valued at such price as of the closing price on the valuation date. The Company may also obtain quotes with respect to certain of its investments from pricing services or brokers or dealers in order to value assets. When doing so, the Company determines whether the quote obtained is sufficient according to GAAP to determine the fair value of the security. If determined adequate, the Company uses the quote obtained.

Securities for which reliable market quotations are not readily available or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of the Company s investment adviser (the Adviser) or Board of Directors (the Board), does not represent fair value, shall each be valued as follows:

1) The quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;

2) Preliminary valuation conclusions are then documented and discussed with senior management;

3) Third-party valuation firms are engaged by, or on behalf of, the Board to conduct independent appraisals and review management s preliminary valuations and make their own independent assessment, for all material assets; and

4) The Board discusses valuations and determines the fair value of each investment in the portfolio in good faith based on the input of our investment adviser (note 4) and, where appropriate, the respective independent valuation firms.

Valuation methods, among other measures and as applicable, may include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public, the nature and realizable value of any collateral, the portfolio company s ability to make payments and its earnings and discounted cash flows, the markets in which the portfolio company does business, and other relevant factors.

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When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Company will consider the pricing indicated by the external event to corroborate the private equity valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Investments of sufficient credit quality purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value.

Cash and Cash Equivalents Cash and cash equivalents include investments in money market accounts or investments with original maturities of three months or less.

Revenue Recognition The Company s revenue recognition policies are as follows:

Sales: Gains or losses on the sale of investments are calculated by using the specific identification method.

Interest Income: Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as part of interest income. The Company has loans in its portfolio that contain a payment-in-kind (PIK) provision. PIK interest is accrued at the contractual rates and added to the loan principal on the reset dates.

Non-accrual: Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management s judgment, are likely to remain current.

U.S. Federal Income Taxes The Company intends to elect to be treated as a RIC under subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. The Company, among other things, has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal income taxes.

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend 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 dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the nine months ended September 30, 2010, there was no U.S. Federal excise tax accrued.

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The Company is also subject to taxes in Luxembourg, through Solar Capital Luxembourg I S.a.r.l., a wholly-owned subsidiary. Under the laws of Luxembourg, the Company pays a corporate income tax and a municipal business tax on its subsidiary s taxable income.

Capital Accounts Certain capital accounts including undistributed net investment income, accumulated net realized gain or loss, net unrealized appreciation or depreciation, and paid in capital in excess of par, are adjusted, at least annually, for permanent differences between book and tax. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP.

Dividends Dividends and distributions to common stockholders are recorded on the ex-dividend date. Quarterly dividend payments are determined by the Board and are generally based upon taxable earnings estimated by management. Net realized capital gains, if any, are distributed at least annually, although we may decide to retain such capital gains for investment.

We have adopted a dividend reinvestment plan that provides for reinvestment of any distributions we declare in cash on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our Board authorizes, and we declare, a cash dividend, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividend. While we generally use newly issued shares to implement the plan (especially if our shares are trading at a premium to net asset value), we may purchase shares in the open market in connection with our obligations under the plan. In particular, if our shares are trading at a significant enough discount to net asset value and we are otherwise permitted under applicable law to purchase such shares, we intend to purchase shares in the open market in connection with our obligations under our dividend reinvestment plan.

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

Derivative Instruments and Hedging Activity In accordance with GAAP, the Company recognizes derivatives as either assets or liabilities at their fair value on its Consolidated Statements of Assets and Liabilities. At this time, the Company does not document formal hedge relationships because the hedged items are recorded at fair value with realized and unrealized gains and losses recognized in current earnings. Realized and unrealized gains and losses from derivatives are also recorded in current earnings. Realized gains or losses from derivatives are recognized when contracts are settled. The Company primarily uses foreign exchange forward contracts to economically hedge its foreign currency risk. The fair value of foreign exchange forward contracts is determined by recognizing the difference between the contract exchange rate and the current market exchange rate. These fair values are recognized as either derivative assets or derivative liabilities in the Company s Consolidated Statements of Assets and Liabilities. The Company may also borrow in foreign currencies on its multicurrency credit lines to reduce foreign currency exposure. Fluctuations in market values of assets and liabilities denominated in the same foreign currency offset in earnings providing a natural foreign currency hedge.

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Deferred Offering Costs Offering costs consist of fees paid in relation to legal, accounting, regulatory and printing work completed in connection with offerings of our common stock.

Use of Estimates in the Preparation of Financial Statements The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

Subsequent Events Evaluation The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the financial statements were issued and determined that none are required.

Note 3. Investments

Investments consisted of the following as of September 30, 2010 and December 31, 2009:

	September 30 2010 (unaudited)		December 31, 2009	
	Cost	Fair Value	Cost	Fair Value
Bank Debt / Senior Secured Loans	$ 189,852	$ 185,689	$ 170,896	$ 163,499
Subordinated Debt / Corporate Notes	722,705	661,289	778,163	641,992
Preferred Equity	39	42	39	40
Common Equity / Partnership Interests / Warrants	118,562	58,959	114,890	57,609
Total	$ 1,031,158	$ 905,979	$ 1,063,988	$ 863,140

As of September 30, 2010, the Company had two investments on non-accrual status with a total market value of $5.1 million. As of December 31, 2009, the Company had three investments on non-accrual status with total market value of zero.

Note 4. Agreements

Solar Capital has an Investment Advisory and Management Agreement with Solar Capital Partners LLC (the Investment Adviser), under which the Investment Adviser will manage the day-to-day operations of, and provide investment advisory services to, Solar Capital. For providing these services, the Investment Adviser receives a fee from Solar Capital, consisting of two components a base management fee and an incentive fee. The base management fee is determined by taking the average value of Solar Capital s gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, 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 dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment

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income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Solar Capital s net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. Solar Capital pays the Investment Adviser an incentive fee with respect to Solar Capital s pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Solar Capital s pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of Solar Capital s pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of Solar Capital s pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro-rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement, as of the termination date), commencing on February 12, 2007, and will equal 20% of Solar Capital s cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the advisor.

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

Note 5. Derivatives

The Company is exposed to foreign exchange risk through its investments denominated in foreign currencies. The Company mitigates this risk through the use of foreign currency forward contracts. As an investment company, all changes in the fair value of assets, including changes caused by foreign currency fluctuation, flow through current earnings. The forward contracts serve as an economic hedge with their realized and unrealized gains and losses also recorded in current earnings. The Company has no derivatives designated as hedging instruments. During the nine months ended September 30, 2010, the Company entered into 59 foreign currency forward contracts with durations of 1 month and an average U.S. dollar value of $25,440. During the year ended December 31, 2009, the Company entered into 81 foreign currency forward contracts with durations of 1 to 3 months and an average U.S. dollar value of $29,757.

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As of September 30, 2010, there were three open forward foreign currency contracts denominated in Euro, Australian Dollar and British Pounds, all of which terminate on October 8, 2010. As of December 31, 2009, there were nine open forward foreign currency contracts denominated in Euro, Australian Dollar and British Pounds, six of which terminated on January 15, 2010 and three of which terminated on February 16, 2010. At September 30, 2010 and December 31, 2009, there was no fixed collateral held by counterparties for the open contracts and no credit-related contingent features associated with any of the open forward contracts. The contract details are as follows:

		September 30, 2010 (unaudited)			December 31, 2009		
Purchase:	**Counterparty**	**Local Currency**	**USD Value**	**Unrealized appreciation (depreciation)**	**Local Currency**	**USD Value**	**Unrealized appreciation (depreciation)**
USD / AUD	SunTrust Bank	30,405	$ 27,778	$ (1,618)	(734)	$ 658	$ 1
USD / AUD	SunTrust Bank				734	669	10
USD / AUD	SunTrust Bank				734	655	(1)
USD / EURO	SunTrust Bank	12,611	16,048	(1,151)	(317)	461	(7)
USD / EURO	SunTrust Bank				317	463	10
USD / EURO	SunTrust Bank				6,317	9,185	135
USD / GBP	SunTrust Bank	37,070	57,302	(956)	(825)	1,351	(17)
USD / GBP	SunTrust Bank				825	1,342	8
USD / GBP	SunTrust Bank				6,825	11,165	130
Total			$ 101,128	$ (3,725)		$ 25,949	$ 269

The following tables show the fair value and effect of the derivative instruments on the Consolidated Statements of Assets and Liabilities and the Consolidated Statements of Operations:

Fair Values of Derivative Instruments

	Derivative Assets			
	September 30, 2010 (unaudited)		**December 31, 2009**	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives not designated as hedging instruments(a)				
Foreign exchange contracts	Derivative assets		Derivative assets	$ 294

Total derivative assets			$ 294

	Derivative Liabilities			
	September 30, 2010 (unaudited)		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments(a)				
Foreign exchange contracts	Derivative liabilities	$ 3,725	Derivative liabilities	$ 25
Total derivative liabilities		$ 3,725		$ 25

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Effect of Derivative Instruments on the Consolidated Statements of Operations

Derivatives not designated as hedging instruments[(a)]	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative			
		Three months ended September 30, 2010 (unaudited)	Three months ended September 30, 2009 (unaudited)	Nine months ended September 30, 2010 (unaudited)	Nine months ended September 30, 2009 (unaudited)
Foreign exchange contracts	Realized gain (loss): Forward contracts	$ (8,832)	$ (1,844)	$ 916	$ (9,674)
Foreign exchange contracts	Unrealized gain (loss): Forward contracts	(669)	1,726	(3,995)	(963)
Total		$ (9,501)	$ (118)	$ (3,079)	$ (10,637)

(a) See Note 2 for additional information on the Company s purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategy.

Note 6. Borrowing Facility, Senior Unsecured Notes, and Term Loan

On February 12, 2010, Solar Capital Ltd. amended and restated Solar Capital LLC s $250 million Senior Secured Revolving Credit Facility (the Credit Facility), extending the maturity to February 2013 and increasing the total commitments under the facility to $270 million. Per the amended agreement, borrowings bear interest at a rate per annum equal to the base rate plus 3.25% or the alternate base rate plus 2.25%. The commitment fee on unused balances is 0.375%. The amendment also reduced the advance rates permitted on certain asset types and placed limitations on the secured borrowing amount. On May 26, 2010, the Credit Facility was amended to remove the limitations on the secured borrowing amount and increase the advance rates permitted on certain asset types. Total commitments under the Credit Facility have been increased to $355 million as a result of the addition of two new lenders on May 12, 2010 and June 23, 2010. The facility size may be increased up to $600 million with additional new lenders or the increase in commitments of current lenders. The Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change of control. 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 debt to total assets ratio.

On September 2, 2010, Solar Capital Ltd. entered into a fully funded $35 million senior secured term loan (the Term Loan), which matures in September 2013, bears interest at a rate per annum equal to the base rate plus 3.25%, and has terms substantially similar to our existing revolving credit facility. The Term Loan contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change of control. In addition, the Term Loan contains certain financial covenants that among other things, requires the Company to maintain a minimum shareholder s equity and a minimum debt to total assets ratio.

On February 9, 2010, through a series of transactions, Solar Capital LLC was merged with and into Solar Capital Ltd., a Maryland corporation, leaving Solar Capital Ltd. as the surviving entity. An aggregate of approximately 26.65 million shares of common stock and $125 million in senior unsecured notes (the Senior

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Unsecured Notes) of Solar Capital Ltd. were issued in connection with the merger. The Senior Unsecured Notes mature in February 2014 and have a coupon of 8.75%, payable quarterly in cash beginning May 1, 2010. The Senior Unsecured Notes are redeemable at any time, in whole or in part, at a price of 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. Further, Solar Capital Ltd. must use the net cash proceeds from the issuance of any other senior notes either to redeem or make an offer to purchase the outstanding Senior Unsecured Notes at a price of 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. The Senior Unsecured Notes subject Solar Capital Ltd. to customary covenants, including, among other things, (i) a requirement to maintain an asset coverage ratio of at least 2.00 to 1.00; (ii) a requirement that in the event of a change of control (as defined in the agreement governing the Senior Unsecured Notes) Solar Capital Ltd. will be required to offer to repurchase the Senior Unsecured Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase; and (iii) a restriction on incurring any debt on a junior lien basis, or any debt that is contractually subordinated in right of payment to any other debt unless it is also subordinated to the Senior Unsecured Notes on substantially identical terms. The agreement under which the Senior Unsecured Notes have been issued contains customary events of default.

The weighted average annualized interest cost for all borrowings for the nine months ended September 30, 2010 and 2009 was 7.90% and 2.56%, respectively. These costs are exclusive of commitment fees and for other prepaid expenses related to establishing the Credit Facility, Senior Unsecured Notes, and Term Loan. This weighted average annualized interest cost reflects the average interest cost for all outstanding borrowings. The average debt outstanding for the nine months ended September 30, 2010 and for the year ended December 31, 2009 were $136,296 and $29,035, respectively. The maximum amounts borrowed on the Credit Facility during the nine months ended September 30, 2010 and year ended December 31, 2009 were $300,000 and $122,065, respectively. There was $300,000 drawn on the Credit Facility as of September 30, 2010 and $88,114 outstanding as of December 31, 2009. At September 30, 2010 and December 31, 2009, the Company was in compliance with all financial and operational covenants required by the Credit Facility and Senior Unsecured Notes.

Note 7. Fair Value

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

GAAP fair value measurement guidance classifies the inputs used to measure these fair values into the following hierarchy:

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 (examples include active exchange-traded equity securities, exchange-traded derivatives, and most U.S. Government and agency securities).

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

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

b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); 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 own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain of our private debt and equity investments) and long-dated or complex derivatives (including certain equity and currency derivatives).

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). Therefore gains and losses for such 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). Further, it should be noted that the following tables do not take into consideration the effect of offsetting Levels 1 and 2 financial instruments entered into by the Company that economically hedge certain exposures to the Level 3 positions.

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. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur.

During the third quarter of 2010, one investment with a current market value of $0.3 million was transferred from level 2 to level 1, when its listed common stock became freely tradable as restrictions expired.

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The following table presents the balances of assets and liabilities measured at fair value on a recurring basis, as of September 30, 2010 and December 31, 2009:

Fair Value Measurements

As of September 30, 2010

(unaudited)

	Level 1	Level 2	Level 3	Total
Assets:				
Bank Debt/Senior Secured Loans	$	$ 49,849	$ 135,840	$ 185,689
Subordinated Debt / Corporate Notes		98,087	563,202	661,289
Preferred Equity			42	42
Common Equity / Partnership Interests / Warrants	342	12,251	46,366	58,959
Derivative assets forward contracts				
Liabilities:				
Derivative liabilities forward contracts		3,725		3,725

Fair Value Measurements

As of December 31, 2009

	Level 1	Level 2	Level 3	Total
Assets:				
Bank Debt/Senior Secured Loans	$	$	$ 163,499	$ 163,499
Subordinated Debt / Corporate Notes		65,961	576,031	641,992
Preferred Equity			40	40
Common Equity / Partnership Interests / Warrants		2,488	55,121	57,609
Derivative assets forward contracts		294		294
Liabilities:				
Derivative liabilities forward contracts		25		25

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The following table provides a summary of the changes in fair value of Level 3 assets and liabilities for the nine months ended September 30, 2010 and the year ended December 31, 2009, as well as the portion of gains or losses included in income attributable to unrealized gains or losses related to those assets and liabilities still held at September 30, 2010 and December 31, 2009:

The Company had no assets or liabilities measured at fair value on a nonrecurring basis during the period.

Fair Value Measurements Using Level 3 Inputs

As of September 30, 2010

(unaudited)

	Bank Debt/Senior Secured Loans	Subordinated Debt/ Corporate Notes	Preferred Equity	Common Equity/ Partnership Interests/Warrants
Fair value, January 1, 2010	$ 163,499	$ 576,031	$ 40	$ 55,121
Total gains or losses included in earnings:				
Net realized gain (loss)	487	(42,564)		15,396
Net change in unrealized gain (loss)	2,099	68,459	2	(10,732)
Purchases, sales, issuances, and settlements (net)	21,455	4,276		(11,722)
Transfers out of Level 3	(51,700)	(43,000)		(1,697)
Fair value, September 30, 2010	$ 135,840	$ 563,202	$ 42	$ 46,366
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:	$ 3,913	$ 20,653	$	$ 2,435

Fair Value Measurements Using Level 3 Inputs

As of December 31, 2009

	Bank Debt/Senior Secured Loans	Subordinated Debt/ Corporate Notes	Preferred Equity	Common Equity/ Partnership Interests/Warrants
Fair value, January 1, 2009	$ 97,665	$ 509,416	$ 6,145	$ 67,752
Total gains or losses included in earnings:				
Net realized loss	(50,032)	(75,837)	(61,101)	(61,081)
Net change in unrealized gain (loss)	82,880	58,509	54,957	48,941
Purchases, sales, issuances, and settlements (net)	(770)	83,943	39	(491)
Transfers into Level 3	33,756			
Fair value, December 31, 2009	$ 163,499	$ 576,031	$ 40	$ 55,121
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):	$ 34,333	$ 23,128	$ 2	$ (9,480)

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The Company had no assets or liabilities measured at fair value on a nonrecurring basis during the year.

Note 9. Stockholders Equity

The table below illustrates the effect of certain transactions on our capital accounts for the nine months ended September 30, 2010:

	Common Stock							
	Shares	Par Amount	Partners Capital	Paid in Capital in Excess of Par	Distributions in Excess of Net Investment Income	Accumulated Net Realized Gain	Net Unrealized Appreciation	Total Stockholders Equity
Balance at December 31, 2009		$	$ 697,903	$	$	$	$	$ 697,903
Solar Capital Merger(1)	26,647,312	266	(697,903)	572,637				(125,000)
Issuances of common stock(2)	6,280,945	63		106,088				106,151
Reinvestment of dividends	240,615	2		4,929				4,931
Net increase in stockholders equity resulting from operations					51,828	(23,389)	71,088	99,527
Dividends declared ($1.54 per share)					(50,915)			(50,915)
Permanent tax differences				(12,871)	(5,915)	24,035	(5,249)	
Balance at September 30, 2010	33,168,872	$ 331	$	$ 670,783	$ (5,002)	$ 646	$ 65,839	$ 732,597

(1) Immediately prior to the initial public offering, through a series of transactions Solar Capital Ltd. merged with Solar Capital LLC, leaving Solar Capital Ltd. as the surviving entity. Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in Senior Unsecured Notes to the existing Solar Capital LLC unit holders in connection with the Merger.

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

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SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2010

(in thousands, except shares)

(unaudited)

Note 10. Earnings Per Share

The following information sets forth the computation of basic and diluted net increase (decrease) in shareholders capital per share resulting from operations for the three and nine months ended September 30, 2010 and 2009:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Numerator for basic and diluted earnings per share:	$ 21,009	$ 38,564	$ 99,527	$ 46,980
Denominator for basic and diluted weighted average share:	33,165,867	32,860,454	32,918,479	32,860,454
Basic and diluted net increase in share holders equity resulting from operations per share:	$ 0.63	$ 1.17	$ 3.02	$ 1.43

As required by ASC 260-10, 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.

Note 11. Financial Highlights

The following is a schedule of financial highlights for the nine months ended September 30, 2010:

	Nine months ended September 30, 2010 (unaudited)
Per Share Data:(a)	

Net asset value, beginning of period	$	21.24
Net investment income		1.57
Net realized and unrealized gain (loss)		1.45
Net increase (decrease) in net assets resulting from operations		3.02
Effect of dilution		(0.32)
Offering costs		(0.31)
Dividends to shareholders declared		(1.54)
Net asset value, end of period	$	22.09
Total return(c)		24.27%
Net assets, end of period	$	732,597
Per share market value at end of period		21.45
Shares outstanding end of period		33,168,872
Ratio to average net assets		
Expenses without incentive fees(b)		5.21%
Incentive fees		1.79%
Total expenses		7.01%
Net investment income without incentive fees(b)		9.58%

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SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2010

(in thousands, except shares)

(unaudited)

(a) Calculated using the weighted average shares outstanding method
(b) Annualized
(c) Total return = [(ending market price per share IPO price per share + dividends declared per share) / IPO price per share]

Note 12. New Accounting Pronouncements and Accounting Standards Updates

Fair Value Measurements and Disclosures

In January 2010, the FASB issued an update to ASC 820, Fair Value Measurements and Disclosures Topic, which will require additional disclosures about inputs into valuation techniques, disclosures about significant transfers into or out of Levels 1 and 2, and disaggregation of purchases, sales, issuances, and settlements in the Level 3 rollforward disclosure. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009 except for the disclosures about purchases, sales issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

Note 13. Related Parties

From July 2006 through approximately the first quarter of 2009, Mr. Gross, the Company s chairman and chief executive officer, was a partner in Magnetar Capital Partners LP. Mr. Spohler, our chief operating officer together with Solar Capital Partners LLC s other investment professionals, advised Magnetar Financial LLC (Magnetar) on certain investments which coincide with those of Solar Capital. Certain entities affiliated with Magnetar own as of September 30, 2010 and December 31, 2009, either directly or indirectly, approximately 19.53% and 42.84%, respectively, of our outstanding equity.

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SOLAR CAPITAL LTD.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

(unaudited)

(in thousands, except shares)

Schedule 12-14

Portfolio Company	Investment	As of September 30, 2010 Number of Shares/ Principal Amount	Nine-Month Period ended September 30, 2010 Amount of dividends and interest included in income	Nine-Month Period ended September 30, 2010 Amount of equity in net profit and loss	As of September 30, 2010 Fair Value
Investments Owned Greater than 25%					
National Specialty Alloys, LLC	Equity	1,000,000	$ 300	$	$ 10,000
Total Investments Owned Greater than 25%			$ 300	$	$ 10,000
Investments Owned Greater than 5% and Less than 25%					
National Interest Security Corp.	Senior Debt	$	$ 3,544	$	$
National Interest Security Corp.	Subordinated	$	4,075		
National Interest Security Corp.	Equity				
Ark Real Estate Partners LP	Equity	34,806,121			24,966
Total Investments Owned Greater than 5% and Less than 25%			$ 7,619	$	$ 24,966

The table below represents the balance at the beginning of the period, December 31, 2009 and any gross additions and reductions and net unrealized gain (loss) made to such investments as well as the ending fair value as of September 30, 2010.

Gross additions represent increases in the investment from additional investments, payments in kind of interest or dividends.

Gross reductions represent decreases in the investment from sales of investments or repayments.

	Beginning Fair Value December 31, 2009	Gross additions	Gross reductions	Change in Unrealized Gain (Loss)	Fair Value as of June 30, 2010
National Specialty Alloys, LLC	$ 9,000	$	$	$ 1,000	$ 10,000
National Interest Security Corp.	26,152		(24,740)	(1,412)	
National Interest Security Corp.	31,303		(30,230)	(1,073)	
National Interest Security Corp.	16,293		(2,126)	(14,167)	
Ark Real Estate Partners LP	19,675	6,800		(1,509)	24,966

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SOLAR CAPITAL LTD.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

(unaudited)

(in thousands, except shares)

Schedule 12-14

Portfolio Company	Investment	As of December 31, 2009 Number of Shares Principal Amount	Year ended December 31, 2010 Amount of dividends and interest included in income	Year ended December 31, 2010 Amount of equity in net profit and loss	As of December 31, 2009 Fair Value
Investments Owned Greater than 25%					
National Specialty Alloys, LLC	Equity	1,000,000	$	$	$ 9,000
Total Investments Owned Greater than 25%			$	$	$ 9,000
Investment Owned Greater than 5% and Less than 25%					
National Interest Security Corp.	Senior Debt	$ 25,182	$ 4,163	$	$ 26,152
National Interest Security Corp.	Subordinated	$ 30,539	5,027		31,303
National Interest Security Corp.	Equity	2,265,023			16,293
Ark Real Estate Partners LP	Equity	28,006,121			19,675
Total Investments Owned Greater than 5% and Less than 25%			$ 9,109	$	$ 93,423

The table below represents the balance at the beginning of the period, December 31, 2008 and any gross additions and reductions and net unrealized gain (loss) made to such investments as well as the ending fair value as of December 31, 2009.

Gross additions represent increases in the investment from additional investments, payments in kind of interest or dividends.

Gross reductions represent decreases in the investment from sales of investments or repayments.

	Beginning Fair Value December 31, 2008	Gross additions	Gross reductions	Change in Unrealized Gain (Loss)	Fair Value as of December 31, 2009
National Specialty Alloys, LLC	$ 12,900	$	$	$ (3,900)	$ 9,000
505 Capital Partners GP	30		30		
National Interest Security Corp.	24,679	171	19	1,321	26,152
National Interest Security Corp.	27,180	186	29	3,966	31,303
National Interest Security Corp.	12,951			3,342	16,293
Ark Real Estate Partners LP	24,619			(4,944)	19,675

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PROSPECTUS

27,327,475 Shares

Solar Capital Ltd.

Common Stock

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

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. On February 9, 2010, Solar Capital LLC was merged with and into Solar Capital Ltd., an externally managed, non-diversified, closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act. We are managed by Solar Capital Partners, LLC. Solar Capital Management, LLC provides the administrative services necessary for us to operate.

The selling stockholders named in this prospectus are subject to lock-up agreements. This registration statement has been filed to register the resale of the approximately 26.65 million shares of common stock issued to Solar Capital LLC unit holders prior to our initial public offering, the 0.60 million shares purchased by management in a private offering concurrent with our initial public offering, and shares distributed pursuant to our dividend reinvestment plan in relation to the aforementioned shares. We have committed to use our commercially reasonable efforts to obtain effectiveness of this registration statement within 120 days from the date of our initial public offering. Assuming effectiveness of this registration statement, approximately 17.5 million shares, 4.9 million shares, and 4.9 million shares of common stock will generally be free of resale restrictions upon the expiration of lock-up periods of 120 days, 180 days and 365 days from the date of our initial public offering, respectively.

Upon the expiration of these lock-up periods, the selling stockholders named in this prospectus may offer, from time to time, up to 27,327,475 shares of our common stock. The selling stockholders may sell the shares held for their own account or the shares may be sold by donees, transferees, pledgees or other successors in interest that receive such shares from the selling stockholders as a gift or other non-sale related transfer. The shares of common stock may be offered at prices and on terms to be described in one or more supplements to this prospectus.

Our common stock is listed on the NASDAQ Global Select Market under the symbol SLRC. On May 7, 2010, the last reported sales price on the NASDAQ Global Select Market for our common stock was $21.74 per share.

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

An investment in our common stock is very risky and highly speculative. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. In addition, the companies in which we invest are subject to special risks. See Risk Factors beginning on page 16 to read about factors you should consider, including the risk of leverage, before investing in our common stock.

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

This prospectus may not be used to consummate sales of shares of common stock unless accompanied by a prospectus supplement.

May 12, 2010

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We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained in this prospectus or any prospectus supplement, if any, to this prospectus. You must not rely upon any information or representation not contained in this prospectus or any such supplements as if we had authorized it. This prospectus and any such supplements do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any such supplements is accurate as of the dates on their covers.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, or the Securities Act, the selling stockholders named herein may offer, from time to time, up to an aggregate of 27,327,475 shares of our common stock on the terms to be determined at the time of the offering. Shares of our common stock may be offered by the selling stockholders at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the shares of our common stock that the selling stockholders may offer. Each time a selling stockholder uses this prospectus to offer shares of our common stock, we will provide a prospectus supplement that will contain specific information about the terms of that offering. A prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and any such supplements together with the additional information described under Available Information and in the Summary and Risk Factors sections before you make an investment decision. A prospectus supplement may also add to, update or change information contained in this prospectus.

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SUMMARY

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

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. On February 9, 2010, Solar Capital LLC was merged with and into Solar Capital Ltd., a Maryland corporation, which we refer to as the Solar Capital Merger, concurrent with the pricing of our initial public offering. Except where the context suggests otherwise, the terms we, us, our and Solar Capital refer to Solar Capital LLC prior to the Solar Capital Merger, and Solar Capital Ltd. after the Solar Capital Merger. In addition, the terms Solar Capital Partners or investment adviser refer to Solar Capital Partners, LLC, and Solar Capital Management or the administrator refers to Solar Capital Management, LLC.

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

As part of the Solar Capital Merger, approximately 26.65 million shares and $125 million in senior unsecured notes (the Senior Unsecured Notes) were issued to the existing unitholders of Solar Capital LLC. Michael S. Gross, our Chief Executive Officer, and Bruce Spohler, our Chief Operating Officer, collectively purchased 600,000 shares of our common stock in connection with the consummation of our initial public offering. The shares were sold to Messrs. Gross and Spohler at the same offering price paid by investors in our initial public offering pursuant to a private placement transaction exempt from registration under the Securities Act of 1933, as amended, or the Securities Act (the Concurrent Private Placement). The shares being offered in this prospectus are the approximately 26.65 million shares issued in the Solar Capital Merger and the 600,000 shares issued in the Concurrent Private Placement, together with 80,163 shares issued thereon under our dividend reinvestment plan.

Solar Capital

Solar Capital Ltd., a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the 1940 Act. In addition, for tax purposes we have 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, including the underwriters over-allotment, at a price of $18.50 per share. Concurrent with our initial public offering, management purchased an additional 0.6 million shares through the Concurrent Private Placement, also at $18.50 per share.

Immediately prior to our initial public offering, through a series of transactions Solar Capital LLC merged with and into Solar Capital Ltd., leaving Solar Capital Ltd. as the surviving entity. Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in Senior Unsecured Notes to the existing Solar Capital LLC unit holders in connection with the Solar Capital Merger. Solar

Capital Ltd. had

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no assets or operations prior to completion of the Solar Capital Merger and as a result, the books and records of Solar Capital LLC have become the books and records of the surviving entity.

Solar Capital LLC, a Maryland limited liability company, was formed in February 2007 and conducted a private placement of units of membership interest (units) in March 2007, at such time a total of 81.70 million units were outstanding. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, the Company s investment adviser, acquired approximately 3.33 million units in connection with the initial private placement. In addition, in connection with the initial private placement, certain funds managed by Magnetar Financial LLC (Magnetar) and certain entities affiliated therewith (collectively, the Magnetar entities), acquired approximately 35.00 million units.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle market companies in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base. We are managed by Solar Capital Partners. Solar Capital Management 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 March 31, 2010, our long term investments totaled $839.0 million and our net asset value was $730.4 million. Our portfolio was comprised of debt and equity investments in 33 portfolio companies and our income producing assets, which represent 92.2% of our total portfolio, had a weighted average annualized yield on a fair value basis of approximately 13.9%.

During the three months ended March 31, 2010, we originated approximately $44.6 million of investments in one new and one existing portfolio company. We also received principal repayments of approximately $95.1 million and sold securities in 3 portfolio companies for approximately $20.5 million.

About Solar Capital Partners

Solar Capital Partners is controlled by Michael S. Gross, our chairman and chief executive officer, and is led by Mr. Gross and Bruce Spohler, our chief operating officer, and is supported by a team of 12 dedicated investment professionals, including Brian Gerson, Cedric Henley and David Mait. We refer to Messrs. Gross, Spohler, Gerson, Henley and Mait as Solar Capital Partners senior investment professionals. Solar Capital Partners investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. The investment team led by Messrs. Gross and Spohler has invested in 54 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 46 different financial sponsors, through March 31, 2010. Since Solar Capital s inception, these investment professionals have used their relationships in the middle-market financial sponsor and financial intermediary community to originate direct investment opportunities.

Mr. Gross, the former chairman and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded, has over 20 years of experience in the private equity, distressed debt and mezzanine lending businesses and has been involved in originating, structuring, negotiating, consummating and managing private equity, distressed debt and mezzanine lending transactions.

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

Mr. Gross also currently serves on the boards of directors of 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 more than 20 years of experience of Mr. Spohler, who has served as our chief operating officer and a partner of Solar Capital Partners since inception. 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.

In addition to Messrs. Gross and Spohler, Solar Capital Partners senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners senior investment professionals have an average of over 20 years of experience in the private equity and leveraged lending industries.

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 experience and credit market expertise has led them through various stages of the economic cycle as well as several market disruptions.

Market Opportunity

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

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, until recently, financed their lending and investing activities through securitization transactions have lost that source of funding and cut back lending significantly.

There is a large pool of uninvested private equity capital likely to seek additional capital to support their private investments. We believe there is a large pool of uninvested private equity capital available to middle-market companies. While we expect the rate of investment to be slower than in prior periods, we expect that private equity firms will continue to be active investors in middle-market companies and that these private equity firms will seek to supplement their investments with senior and junior debt securities and loans and equity co-investments from other sources, such as Solar Capital.

Middle-market companies are increasingly seeking private sources for debt and equity capital. We believe that many middle-market companies prefer to execute transactions with private capital providers such as Solar Capital, rather than execute high-yield bond or equity transactions in the public markets, which may necessitate increased financial and regulatory compliance and reporting obligations. We expect that the volume of domestic public-to-private transactions, as well as the number of companies selecting a sale alternative versus raising capital in the public equity markets as a means of increasing liquidity, will remain large.

Consolidation among commercial banks has reduced the focus on middle-market business. We believe that many senior lenders have de-emphasized their service and product offerings to middle-market companies in favor of lending to large corporate clients, managing capital markets transactions and providing other non-credit services to their customers. We believe this has resulted in fewer key players and the reduced availability of debt capital to the companies we target.

Current disruptions within the credit markets generally have brought a reduction in competition and a more lender-friendly environment. Current credit market dislocation has caused many of the alternative methods of obtaining middle-market debt financing to significantly decrease in scope and availability while demand for financings has remained robust. We believe the segment s strong growth prospects, combined with the growing demand for the capital and corporate finance and advisory services we offer, creates an attractive investment environment for us.

Furthermore, we believe that given the credit market uncertainty, Solar Capital has a greater opportunity to move beyond middle-market deals into larger transactions, as banks are less willing to commit capital. We believe these larger deals can be structured with more attractive terms such as lower leverage, higher yields, better covenants, and longer duration than was typical before the current market dislocation.

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

Competitive Advantages and Strategy

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

Management Expertise

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 20 years of experience in leveraged finance, private equity and distressed debt investing.

Mr. Spohler, our chief operating officer and a partner of Solar Capital Partners, has over 20 years of experience in evaluating and executing leverage finance transactions.

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We believe that Messrs. Gross and Spohler have developed a strong reputation in the capital markets, and that this experience provides us with a competitive advantage in identifying and investing in leveraged companies with the potential to generate returns. We believe that our investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. We believe that our investment team has a proven track record of valuing companies and assets and negotiating transactions.

In addition to Messrs. Gross and Spohler, Solar Capital Partners senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners senior investment professionals have an average of over 20 years of experience in the private equity and leveraged lending industries.

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 experience and credit market expertise has led them through various stages of the economic cycle as well as several market disruptions.

Investment Portfolio

Our portfolio investments consist of portfolio companies that have strong cash flows and have maintained financial and operating performance despite the recent economic climate. As of March 31, 2010, 100% of our total portfolio value was comprised of performing assets. The majority of our assets have been seasoned, which has allowed us to gain a solid understanding of our borrowers and the industries in which they compete. Additionally, over time, we have established productive relationships with our portfolio companies.

Investment Capacity

The proceeds from our initial public offering and the Concurrent Private Placement, the borrowing capacity under our credit facility 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. We believe that in the current economic environment financing needs of many companies will increase while funding options are limited, allowing us to capitalize on favorable investment opportunities.

Solar Capital s Limited Leverage

As of March 31, 2010, our outstanding debt was approximately 13.5% of total assets, making us one of the least levered publicly traded business development companies. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. To the extent borrowing conditions improve and leverage becomes available on more attractive terms, 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. Furthermore, by maintaining prudent leverage levels, we believe we will be better positioned to weather future market downturns.

Proprietary Sourcing and Origination

We believe that Solar Capital Partners senior investment professionals longstanding relationships with financial sponsors, commercial and investment banks, management teams and other financial intermediaries provide us with a strong pipeline of proprietary origination opportunities. We believe the broad expertise of Solar

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Capital Partners senior investment professionals and their ability to draw upon their average of 20 years of investment experience enable us to identify, assess and structure investments successfully. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation as well as the financial sponsor relationships Mr. Spohler developed while he was a co-head of CIBC World Markets U.S. Leveraged Finance Group.

Our investment team s strong relationship network is enhanced by the collaborative role Solar Capital plays in the private equity industry. We offer tailored solutions to our portfolio companies, and we believe that this role provides us with greater deal flow as opposed to being viewed as a competitor bidding for control stakes. Because Solar Capital is not associated with a private equity firm, we are not precluded from partnering with most of the top tier financial sponsors.

These direct investments enable us to perform more in-depth due diligence and play an active role in structuring financings. We believe that effectuating the transaction terms and having greater insight into a portfolio company s operations and financial picture assist Solar Capital in minimizing downside potential, while reinforcing Solar Capital as a trusted partner who delivers comprehensive financing solutions. Since our inception, Solar Capital Partners has sourced investments in 54 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 46 different financial sponsors, through March 31, 2010.

Versatile Transaction Structuring and Flexibility of Capital

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

Emphasis on Achieving Strong Risk-Adjusted Returns

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

We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments we, through Solar Capital Partners, conduct a rigorous due diligence process that draws upon investment experience, industry expertise and network of contacts of our senior investment professionals, as well

as the other members of our investment team. Among other things, our due diligence is designed to ensure that a prospective portfolio company will be able to meet its debt service obligations.

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

Deep Industry Focus with Substantial Information Flow

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

Longer Investment Horizon

Unlike private equity and venture capital funds, we 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 on invested capital and enables us to be a better long-term partner for our portfolio companies.

Risk Factors

The value of our assets, as well as the market price of our shares, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. Investing in Solar Capital involves other risks, including the following:

- We have a limited operating history of only three years;
- We are dependent upon Solar Capital Partners key personnel for our future success;
- We operate in a highly competitive market for investment opportunities;

The lack of liquidity in our investments may adversely affect our business;

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;

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

There will be uncertainty as to the value of our portfolio investments;

- We may experience fluctuations in our quarterly results;
- We will become subject to corporate-level income tax on all of our income if we are unable to qualify as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, which would have a material adverse effect on our financial performance;
- We cannot assure you that the market price of shares of our common stock will not remain below our net asset value per share;
- Our common stock price may be volatile and may decrease substantially;
- There is a risk that our stockholders may not receive distributions or that our distributions may not grow over time;
- 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; and
- Regulations governing our operation as a business development company affect our ability to, and the way in which we, raise additional capital. As a business development company, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

See Risk Factors beginning on page 16, and the other information included in this prospectus and any accompanying prospectus supplement, for additional discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

Operating and Regulatory Structure

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

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

Our Corporate Information

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

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THE OFFERING

Common Stock Offered by the Selling Shareholders	27,327,475 shares
Common Stock Currently Outstanding	Approximately 33,030,641 shares.
Use of Proceeds	We will not receive any proceeds from the sale of the shares of common stock covered by this prospectus.
Distributions	To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders. The amount of our dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution. Our first quarterly dividend of $0.34 per share was paid on April 1, 2010 to holders of record as of March 18, 2010. On May 4, 2010, the Board of Directors declared a dividend of $0.60 per share payable on July 2, 2010 to stockholders of record on June 17, 2010. Shares offered in this prospectus will be entitled to receive this dividend payment. We anticipate that the dividend will be paid from post-offering taxable earnings, including interest and capital gains generated by our investment portfolio. However, if we do not generate sufficient taxable earnings during the year, the dividend may constitute a return of capital. The specific tax characteristics of our dividends will be reported to shareholders after the end of each calendar year.
Taxation	We intend to elect to be treated for federal income tax purposes, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Distributions and Material U.S. Federal Income Tax Considerations.
Investment Advisory Fees	We pay Solar Capital Partners a fee for its services under the Investment Advisory and Management Agreement consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% of our gross assets, which includes any borrowings for investment purposes. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of our pre-incentive fee net investment income for the immediately preceding quarter, subject to a preferred return, or hurdle, and a catch up feature.

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	The second part is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement) in an amount equal to 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. See Investment Advisory and Management Agreement.
Administration Agreement	We reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services. In addition, we reimburse Solar Capital Management for the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer and any administrative support staff. See Administration Agreement.
Trading	Shares of closed-end investment companies frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.
License Agreement	We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has agreed to grant us a non-exclusive license to use the name Solar Capital. See License Agreement.
Dividend Reinvestment Plan	We have adopted an opt out dividend reinvestment plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under our dividend reinvestment plan in additional whole and fractional shares of common stock, unless you opt out of our dividend reinvestment plan so as to receive cash dividends by delivering a written notice to our plan administrator. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of our dividend reinvestment plan. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See Dividend Reinvestment Plan.
Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us.

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	These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock. See Description of Securities.
Available Information	We are required to file periodic reports, current reports, proxy statements and other information with the SEC. This information is available at the SEC s public reference room at 100 F Street, NE, Washington, D.C. 20549 and on the SEC s website at *http://www.sec.gov*. The public may obtain information on the operation of the SEC s public reference room by calling the SEC at (202) 551-8090. This information is also available free of charge by contacting us at Solar Capital Ltd., 500 Park Avenue, 5th Floor, New York, NY 10022, by telephone at (212) 993-1670 or on our website at *http://www.solarcapltd.com*.

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FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	%(1)
Offering expenses borne by us (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses (as a percentage of offering price)	%(2)
Annual expenses (as a percentage of net assets attributable to common stock):	
Base management fee	2.39%(4)
Incentive fees payable under our Investment Advisory and Management Agreement	2.89%(5)
Interest payments on borrowed funds	2.07%(6)
Other expenses (estimated)	0.88%(7)
Total annual expenses (estimated)	8.23%

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. See Note 6 below for additional information regarding certain assumptions regarding our level of leverage. In the event that shares to which this prospectus relates 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	$ 53	$ 160	$ 265	$ 526

(1) In the event that the shares of common stock to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.

(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) Our base management fee under the Investment Advisory and Management Agreement is based on our gross assets, which is defined as all the assets of Solar Capital, including those acquired using borrowings for investment purposes, and assumes the base management fee remains consistent with the annualized fee incurred for the three months ended March 31, 2010. See Investment Advisory and Management Agreement.

(5)

Assumes that annual incentive fees earned by our investment adviser, Solar Capital Partners, remain consistent with the annualized incentive fees earned by Solar Capital Partners for the three months ended March 31, 2010. 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%;

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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). For a more detailed discussion of the calculation of this fee, see Investment Advisory and Management Agreement.

(6) We may 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 balance outstanding during the year ended, and the LIBOR rate on, March 31, 2010 and the interest rate on our amended and restated Senior Secured Revolving Credit Facility of LIBOR plus 3.25%. We have also included the estimated amortization of fees incurred in establishing our amended and restated Senior Secured Revolving Credit Facility. We also have approximately $125 million of the Senior Unsecured Notes outstanding. For purposes of this section we have included estimated annual interest expense as well as the amortization of any deferred costs associated with the Senior Unsecured Notes. As of March 31, 2010, we had no borrowings outstanding and $270 million remaining available to us under our revolving credit facility. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Other expenses are based on the annualized amounts for the three months ended March 31, 2010 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. See Administration Agreement.

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Management Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. In addition, the example assumes no sales load. Also, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the dividend payment date, which may be at, above or below net asset value. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

SELECTED FINANCIAL AND OTHER DATA

The selected financial and other data below should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto. Financial information is presented for the period from March 13, 2007 (inception) through December 31, 2007, for the fiscal years ended December 31, 2008 and 2009, and for the three months ended March 31, 2010. Financial information for the periods ending 2007, 2008 and 2009 has been derived from our financial statements that were audited by KPMG LLP (KPMG), an independent registered public accounting firm. See Management s Discussion and Analysis of Financial Condition and Results of Operations below for more information.

	Three months ended March 31, 2010 (unaudited) (dollars in thousands)	Year ended December 31, 2009 (dollars in thousands)	Year ended December 31, 2008 (dollars in thousands)	Period from March 13, 2007 (inception) through December 31, 2007 (dollars in thousands)
Income statement data:				
Total investment income	$ 35,310	$ 109,670	$ 133,959	$ 78,455
Total expenses	14,199	42,408	46,560	25,461
Net investment income	21,111	67,262	87,399	52,994
Net realized loss	(22,243)	(264,898)	(937)	(10,489)
Net change in unrealized gain (loss)	63,136	284,572	(492,290)	6,595
Net increase (decrease) in net assets resulting from operations	62,004	86,936	(405,828)	49,100
Other data:				
Weighted average annualized yield on income producing investments:				
On fair value(1)(4)	13.9%	14.8%	17.1%	12.9%
On cost(2)(4)	13.3%	13.7%	11.9%	12.7%
Number of portfolio companies at period end(4)	33	36	44	38

	As of March 31, 2010 (unaudited) (dollars in thousands)	As of December 31, 2009 (dollars in thousands)	As of December 31, 2008 (dollars in thousands)	As of December 31, 2007 (dollars in thousands)
Balance sheet data:				
Total investment portfolio	$ 838,956	$ 863,140	$ 768,215	$ 1,178,736
Total cash and cash equivalents	60,363	5,675	65,841	169,692
Total assets	928,743	885,421	873,026	1,396,545
Credit facility payable		88,114		
Senior unsecured notes	125,000			
Net assets	730,379	697,903	852,673	1,258,501
Per share data:(3)				
Net asset value per share	22.18	21.24	25.95	38.30
Net investment income	0.64	2.05	2.66	1.62
Net realized and unrealized gain (loss)	1.26	0.60	(15.01)	(0.12)
Dividends and distributions declared	(0.34)	(7.36)		

Offering costs	(0.29)
Effect of dilution	(0.33)

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(1) Throughout this document, the weighted average yield on income producing investments is computed as the (a) annual stated interest on accruing loans and debt securities plus the annual amortization of loan origination fees, original issue discount, and market discount on accruing loans and debt securities, plus the effective interest yield on preferred shares divided by (b) total income producing investments at fair value. The weighted average yield is computed as of the balance sheet date and excludes assets on non-accrual status or on a cost recovery basis as of such date.

(2) For this calculation, the weighted average yield on income producing investments is computed as the (a) annual stated interest on accruing loans and debt securities plus the annual amortization of loan origination fees, original issue discount, and market discount on accruing loans and debt securities, plus the effective interest yield on preferred shares divided by (b) total income producing investments at cost. The weighted average yield is computed as of the balance sheet date and excludes assets on non-accrual status or on a cost recovery basis as of such date.

(3) 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 Solar Capital Merger. The per share calculations are based on 32,860,454 weighted average shares outstanding as of December 31, 2009, 2008, and 2007 and 32,928,257 shares and 32,553,322 weighted average shares outstanding as of March 31, 2010.

(4) Unaudited.

Selected Quarterly Financial Data (Unaudited)

(dollar amounts in thousands, except per share data)

	2009			
	Q4	**Q3**	**Q2**	**Q1**
Total investment income	$ 28,456	$ 27,785	$ 25,252	$ 28,177
Net investment income (loss)	$ 17,685	$ 16,383	$ 16,099	$ 17,095
Net realized and unrealized gain (loss)	$ 22,271	$ 22,181	$ 17,899	$ (42,677)
Net increase (decrease) in net assets resulting from operations	$ 39,956	$ 38,564	$ 33,998	$ (25,582)
Earnings per share(1)	$ 1.22	$ 1.17	$ 1.04	$ (0.78)
Net asset value per share at the end of the quarter(2)	$ 21.24	$ 22.30	$ 23.61	$ 22.57

	2008			
	Q4	**Q3**	**Q2**	**Q1**
Total investment income	$ 38,035	$ 32,464	$ 32,367	$ 31,093
Net investment income (loss)	$ 22,080	$ 21,990	$ 21,305	$ 22,024
Net realized and unrealized gain (loss)	$ (339,193)	$ (108,641)	$ 17,680	$ (63,073)
Net increase (decrease) in net assets resulting from operations	$ (317,113)	$ (86,651)	$ 38,985	$ (41,049)
Earnings per share(1)	$ (9.65)	$ (2.64)	$ 1.19	$ (1.25)
Net asset value per share at the end of the quarter(2)	$ 25.95	$ 35.60	$ 38.24	$ 37.05

(1) Based on 32,860,454 weighted average shares of Solar Capital Ltd. outstanding during each respective quarter.

(2) Based on 32,860,454 shares of Solar Capital Ltd. outstanding as of the end of the respective quarter.

RISK FACTORS

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

Risks Related to Our Investments

We operate in a highly competitive market for investment opportunities.

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

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

Our investments are very risky and highly speculative.

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

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

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

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

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

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

- these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;

- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors actions and market conditions, as well as general economic downturns;

- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;

- they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies; and

- they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

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

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

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

Our portfolio may be concentrated in a limited number of portfolio companies and industries. Beyond the asset diversification requirements associated with our qualification as a RIC under 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. 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.

We are currently in a period of capital markets disruption and recession and we do not expect these conditions to improve in the near future.

The U.S. capital markets have been experiencing extreme volatility and disruption for more than 2 years and the U.S. economy is currently in a period of recession. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. We believe these conditions may continue for a prolonged period of time or worsen in the future. A prolonged period of market illiquidity may have an adverse effect on our business, financial condition and results of operations. Unfavorable economic conditions could also 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 limit our investment originations, limit our ability to grow and negatively impact our operating results.

The current economic recession could impair our portfolio companies and harm our operating results.

Certain of our portfolio companies may be susceptible to the current recession and may be unable to repay our loans during this period. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during this period. The current adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. The current recession could lead to financial losses in our portfolio and a decrease in revenues, net income and the value of our assets.

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

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.

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. The continuing unprecedented declines in prices and liquidity in the corporate debt markets have resulted in significant net unrealized depreciation in our portfolio, reducing our net asset value. Depending on market conditions, we could continue to 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.

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

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

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

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

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

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

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

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

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

Our investment strategy contemplates potential investments in debt securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S.

companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

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

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

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transaction may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. 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 investment adviser may not be able to achieve the same or similar returns as those achieved by our senior investment professionals while they were employed at prior positions.

Although in the past Mr. Gross held senior positions at a number of investment firms, including Apollo Investment Corporation and Apollo Management, L.P., Mr. Gross track record and achievements are not necessarily indicative of future results that will be achieved by our investment adviser. In his role at such other firms, Mr. Gross was part of an investment team, and he was not solely responsible for generating investment ideas. In addition, such investment teams arrived at investment decisions by consensus.

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 closed-end investment companies have frequently traded at a market price that is less than the net asset value that is attributable to those shares. In part as a result of the current economic environment and increasing pressure within the financial sector of which we are a part, our common stock has traded below our net asset value per share since the pricing of our initial public offering on February 9, 2010. 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. 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. 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.

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

In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price once a market for our stock is established, we may become the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management s attention and resources from our business.

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 business development company, we may be limited in our ability to make distributions.

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.

All of the approximately 26.65 million shares of our common stock that were issued to holders of equity interests of Solar Capital LLC in the Solar Capital Merger and the 600,000 shares that were issued to Messrs. Gross and Spohler in a private placement transaction concurrent with our initial public offering are subject to lock-up periods ranging from 120 to 365 days. Upon expiration of these lock-up periods, or earlier upon the consent of Citigroup Global Markets Inc. or J.P. Morgan Securities Inc., such shares will generally be freely tradable in the public market, subject to the provisions of Rule 144 promulgated under the Securities Act of 1933, as amended (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.

Risks Relating to Our Business and Structure

We have an operating history of only three years.

We were formed in February 2007 and commenced operations in March 2007. As a result of our relatively short operating history, we are subject to many of the business risks and uncertainties associated with more recently formed businesses, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially.

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

We depend on the diligence, skill and network of business contacts of Messrs. Gross and Spohler, who serve as the managing member and a partner of Solar Capital Partners, respectively, and who lead Solar Capital Partners investment team. Messrs. Gross and Spohler, together with the other dedicated investment professionals available to Solar Capital Partners, evaluate, negotiate, structure, close and monitor our investments. Our future success will depend on the continued service of Messrs. Gross and Spohler and the other investment professionals available to Solar Capital Partners. We cannot assure you that unforeseen business, medical, personal or other circumstances would not lead any such individual to terminate his 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.

An extended continuation of the 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. Since the middle of 2007, the capital markets and the credit markets have been experiencing extreme volatility and disruption and, accordingly, there has been and will continue to be uncertainty in the financial markets in general. Ongoing 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. Any such failure would affect our ability to issue senior securities, including borrowings, and pay dividends, 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 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 such facilities and consummate new facilities on commercially reasonable terms, our liquidity will be reduced significantly. If we are 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

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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 our ability to manage future growth effectively.

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

Accomplishing this result on a cost-effective basis is largely a function of Solar Capital Partners structuring of the investment process, its ability to provide competent, attentive and efficient services to us and its ability to access financing for us on acceptable terms. The investment team of Solar Capital Partners has substantial responsibilities under the Investment Advisory and Management Agreement, and they may also be called upon to provide managerial assistance to our portfolio companies as the principals of our administrator. Such demands on their time may distract them or slow our rate of investment. In order to grow, we and Solar Capital Partners will need to retain, train, supervise and manage new investment professionals. However, we can offer no assurance that any such investment professionals will contribute effectively to the work of the investment adviser. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

Any failure on our part to maintain our status as a BDC would reduce our operating flexibility.

The 1940 Act imposes numerous constraints on the operations of BDC s. For example, BDC s 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 BDC s 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 significantly increase our costs of doing business.

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

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted, as a 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. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss.

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As of March 31, 2010, we had no borrowings outstanding under our revolving credit facility and approximately $125 million of Senior Unsecured Notes. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights 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.

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

The use of leverage magnifies the potential for gain or loss on amounts invested and, therefore, increases the risks associated with investing in our securities. As of March 31, 2010, we had no borrowings outstanding under our revolving credit facility and approximately $125 million of Senior Unsecured 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 our revolving credit facility and our outstanding senior unsecured notes, will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such lenders to seek recovery against our assets in the event of a default. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could also negatively affect our ability to make dividend payments on our common stock. Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the management fee payable to our investment adviser, Solar Capital Partners, will be payable based on our gross assets, including those assets acquired through the use of leverage, Solar Capital Partners will have a financial incentive to incur leverage which may not be consistent with our stockholders interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to Solar Capital Partners.

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

In addition, our revolving credit facility and our outstanding senior unsecured notes 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 our status as a RIC under Subchapter M of the Code.

As of March 31, 2010, we had no borrowings outstanding under our revolving credit facility and approximately $125 million of Senior Unsecured Notes.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on the portfolio, net of expenses. 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 on our portfolio (net of expenses)				
	(10)%	**(5)%**	**0%**	**5%**	**10%**
Corresponding return to stockholder[1]	(12.92)%	(7.14)%	(1.36)%	4.42%	10.19%

(1) Assumes $928.7 million in total assets and $125 million in total debt outstanding, which reflects our total assets and total debt outstanding as of March 31, 2010, and a cost of funds of 8.75%. Excludes non-leverage related liabilities.

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

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

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

As of March 31, 2010, we had no borrowings outstanding under our revolving credit facility and approximately $125 million of Senior Unsecured Notes.

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

A large percentage of our portfolio investments are in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities on a quarterly basis in accordance with our valuation policy, which is at all times consistent with GAAP. Our board of directors utilizes the services of third-party valuation firms to aid it in determining the fair value of these securities. The board of directors discusses valuations and determines the fair value in good faith based on the input of our investment adviser and 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.

We may experience fluctuations in our quarterly results.

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

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

Our executive officers and directors, as well as the current and future partners of our investment adviser, Solar Capital Partners, may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do. Accordingly, they may have obligations to investors in those entities, the fulfillment of which obligations might not be in the best interests of us or our stockholders. 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.

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

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

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

Our relationship with Magnetar may create conflicts of interest.

Certain funds managed by Magnetar, which we refer to as the Magnetar entities, own as of May 10, 2010, either directly or indirectly, 23.81% of our outstanding shares of common stock. Magnetar also provides certain services to Solar Capital Partners and Solar Capital Management, and is reimbursed by Solar Capital Partners and Solar Capital Management for the expenses it incurs in connection with providing such services.

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

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

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

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

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

Although we intend to elect to be treated as a RIC under Subchapter M of the Code for 2010 and succeeding tax years, no assurance can be given that we will be able to qualify for and maintain RIC status. To obtain and maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements.

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

The income source requirement will be satisfied if we obtain at least 90% of our income for each year from dividends, interest, gains from the sale of stock or securities or similar sources.

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

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

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

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

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

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

Under Maryland General Corporation Law 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 terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. The cost of any such reclassification would be borne by our existing common stockholders. 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. We currently have no plans to issue preferred stock. The issuance of preferred shares convertible into shares of common stock might also reduce the net income and net asset value per share of our common stock upon conversion, provided, that we will only be permitted to issue such convertible preferred stock to the extent we comply with the requirements of Section 61 of the 1940 Act, including obtaining common stockholder approval. These effects, among others, could have an adverse effect on your investment in our common stock.

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

The Maryland General Corporation Law 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

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directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such a transaction.

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

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

Our board of directors has the authority to modify or waive certain of our operating policies and strategies without prior notice (except as required by the 1940 Act) and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a 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.

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

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

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

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

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FORWARD-LOOKING STATEMENTS AND PROJECTIONS

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

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

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

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USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of common stock covered by this prospectus.

DISTRIBUTIONS

We intend to distribute quarterly dividends to our stockholders. Our quarterly dividends, if any, will be determined by our board of directors.

On May 4, 2010, our Board of Directors declared a second quarter dividend of $0.60 per share, payable on July 2, 2010 to stockholders of record on June 17, 2010.

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

We maintain an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders cash dividends 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 dividends.

We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. In addition, we may be limited in our ability to make dividends and distributions due to the asset coverage test for borrowings when applicable to us as a BDC under the 1940 Act and due to provisions in current and future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our RIC status. We cannot assure stockholders that they will receive any dividends and distributions or dividends and distributions at a particular level.

All dividends 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 dividends 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 dividend payable to a stockholder.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

Solar Capital Ltd., a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for tax purposes the Company intends to elect to be treated as a RIC under Subchapter M of the Code.

On February 9, 2010, we priced our initial public offering selling 5.68 million shares, including the underwriters over-allotment, at a price of $18.50 per share. Net of underwriting fees we raised a total of $97.7 million and our shares began to trade on the NASDAQ Global Select Market under the ticker SLRC . In addition, we sold 0.60 million shares at $18.50 in the Concurrent Private Placement.

Immediately prior to our initial public offering, through a series of transactions Solar Capital LLC merged with and into Solar Capital Ltd., leaving Solar Capital Ltd. as the surviving entity. Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in Senior Unsecured Notes to the existing Solar Capital LLC unit holders in connection with the Solar Capital Merger. Solar Capital Ltd. had no assets or operations prior to completion of the Solar Capital Merger and as a result, the books and records of Solar Capital LLC have become the books and records of the surviving entity.

Solar Capital LLC, a Maryland limited liability company, was formed in February 2007 and conducted a private placement of units in March 2007, at such time a total of 81.70 million units were outstanding. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, the Company s investment adviser, acquired approximately 3.33 million units in connection with the initial private placement. In addition, in connection with the initial private placement, certain funds managed by Magnetar and certain entities affiliated therewith, acquired approximately 35.00 million units.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle market companies in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base. We are managed by Solar Capital Partners. Solar Capital Management 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 March 31, 2010, our long term investments totaled $839.0 million and our net asset value was $730.4 million. Our portfolio was comprised of debt and equity investments in 33 portfolio companies and our income producing assets, which represent 92.2% of our total portfolio, had a weighted average annualized yield on a fair value basis of approximately 13.9%.

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Recent Developments

Dividend

On May 4, 2010, our Board of Directors declared a second quarter dividend of $0.60 per share, payable on July 2, 2010 to stockholders of record on June 17, 2010.

Current Market Environment

There have been significant developments in the worldwide capital markets recently. We have entered into a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of certain major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events have contributed to worsening general economic conditions that are materially and adversely impacting the broader financial and credit markets and reducing the availability of debt and equity capital for the market as a whole.

These recent events have temporarily, and in some cases permanently, forced a number of capital providers to reduce or even eliminate their exposure to leveraged loans and bonds. As a result, the market has experienced significant contraction in liquidity over the last year and lenders that remain active in the market have, to date, benefited from a broad re-pricing of risk, rationalization of leverage levels, and generally favorable deal terms.

As a result of the continuing credit crisis, the spread between the yields realized on risk-free and higher risk securities has increased, resulting in illiquidity in parts of the capital markets. These conditions, as well as the current recession, may continue for a prolonged period of time or worsen in the future. A prolonged period of market illiquidity may have an adverse effect on our business, financial condition, and results of operations. Unfavorable economic conditions could also 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 limit our investment originations, limit our ability to grow and negatively impact our operating results.

Critical Accounting Policies

The preparation of 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 financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

Valuation of Portfolio Investments

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

Securities for which market quotations are readily available on an exchange are valued at the closing price on the day of valuation. We may also obtain quotes with respect to certain of our investments from pricing services or brokers or dealers in order to value assets. When doing so, we determine whether the quote obtained is sufficient according to GAAP to determine the fair value of the security. If determined adequate, we use the quote obtained.

Securities for which reliable market quotations are not readily available or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of our investment adviser or board of directors, does not represent fair value, shall be valued as follows: (i) each portfolio company or investment is initially valued by the investment professionals responsible for the portfolio

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investment; (ii) preliminary valuation conclusions are documented and discussed with our senior management; (iii) independent third-party valuation firms engaged by, or on behalf of, the board of directors will conduct independent appraisals and review management s preliminary valuations and make their own assessment for all material assets; (iv) the board of directors will discuss valuations and determine the fair value of each investment in our portfolio in good faith based on the input of the investment adviser and, where appropriate, the respective third-party valuation firms.

The recommendation of fair value will generally be based on the following factors, as relevant:

- the nature and realizable value of any collateral;
- the portfolio company s ability to make payments;
- the portfolio company s earnings and discounted cash flow;
- the markets in which the issuer does business; and
- comparisons to publicly traded securities.

Securities for which market quotations are not readily available or for which a pricing source is not sufficient may include, but are not limited to, the following:

- private placements and restricted securities that do not have an active trading market;
- securities whose trading has been suspended or for which market quotes are no longer available;
- debt securities that have recently gone into default and for which there is no current market;
- securities whose prices are stale;
- securities affected by significant events; and
- securities that the investment adviser believes were priced incorrectly.

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

GAAP fair value measurement guidance classifies the inputs used to measure these fair values into the following hierarchy:

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 (examples include active exchange-traded equity securities and exchange-traded derivatives).

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 (examples include corporate and municipal bonds, which trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); 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.

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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 own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain of our private debt and equity investments) and long-dated or complex derivatives (including certain equity and currency derivatives).

At March 31, 2010 the fair value of investments classified as Level 3 was $768.2 million or 83% of total assets. No assets were transferred into Level 3 during the three months ended March 31, 2010.

At December 31, 2009 the fair value of investments classified as Level 3 was $794.7 million or 90% of total assets. One investment with a fair value of $33.8 million was transferred into Level 3 from Level 2 during 2009 because there were no longer third party market quotes available for use in its valuation.

Revenue Recognition

Our revenue recognition policies are as follows:

Sales: Gains or losses on the sale of investments are calculated by using the specific identification method.

Interest Income: Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as part of interest income. We have loans in our portfolio that contain a PIK provision. PIK interest is accrued at the contractual rates and added to the loan principal on the reset dates. For us to maintain our status as a RIC, substantially all of this income must be paid out to stockholders in the form of dividends, even though we have not collected any cash with respect to PIK securities.

Non-accrual: Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment about ultimate collectability of principal. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management s judgment, are likely to remain current.

New Accounting Pronouncements and Accounting Standards Updates

Fair Value Measurements and Disclosures

We adopted the accounting updates to ASC 820, Fair Value Measurements and Disclosures Topic, which clarify how to estimate fair value when the volume and level of activity for the asset or liability have significantly decreased, circumstances that indicate a transaction is not orderly, and how to determine the fair value of a liability. It emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique used, the objective of a fair value measurement remains the same that the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. The adoption of these updates did not have a material impact on our financial statements.

In January 2010, the FASB issued an update to ASC 820, which will require additional disclosures about inputs into valuation techniques, disclosures about significant transfers into or out of Levels 1 and 2, and disaggregation of purchases, sales, issuances, and settlements in the Level 3 rollforward disclosure. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009 except for the disclosures about purchases, sales issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

Derivatives and Hedging

We adopted the accounting update to ASC 815, Derivative and Hedging Topic, which requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair values and

amounts of gains and losses on derivative contracts and disclosures about credit-risk-related contingent features in derivative agreements. The adoption did not have a material impact on our financial statements.

Subsequent Events

We adopted ASC 855, Subsequent EventsTopic, which requires that management evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements after the balance sheet date through the date the financial statements are issued and clarifies the circumstances under which such events or transactions must be recognized in the financial statements. The adoption did not have a material impact on our financial statements.

Per Share Computations

For periods prior to February 9, 2010, the share count used in all share-based computations, including NAV per share and earnings per share, has been decreased retroactively by a factor of approximately 0.4022, representing the rate at which shares of Solar Capital Ltd common stock were exchanged for units of Solar Capital LLC prior to the initial public offering.

Portfolio Investments at March 31, 2010

At March 31, 2010, we had investments in securities of 33 portfolio companies with a total fair value of approximately $839.0 million. During the quarter ended March 31, 2010, we originated approximately $44.6 million of investments in one new and one existing portfolio company. We also received principal repayments of approximately $95.1 million and sold securities in 3 portfolio companies for approximately $20.5 million. At December 31, 2009 we had investments in securities of 36 portfolio companies with a total fair value of approximately $863.1 million. During the quarter ended March 31, 2009, we invested approximately $2.5 million in one existing portfolio company, had approximately $0.2 million in debt repayments in 3 portfolio companies, and a sale of securities in 1 portfolio company for approximately $8.9 million.

In addition, for the three months ended March 31, 2010 we had net unrealized and realized gains on 27 portfolio company investments totaling approximately $43.7 million, which was offset by net unrealized and realized losses on 8 portfolio company investments totaling approximately $6.5 million. For the three months ended March 31, 2009 we had net unrealized and realized gains on 13 portfolio company investments totaling approximately $28.2 million, which was offset by net unrealized and realized losses on 29 portfolio company investments totaling approximately $73.6 million. At March 31, 2010, we had investments in debt and preferred securities of 27 portfolio companies, totaling approximately $788.1 million, and equity investments in 9 portfolio companies, totaling approximately $50.9 million. At December 31, 2009, we had investments in debt and preferred securities of 31 portfolio companies, totaling approximately $805.5 million, and equity investments in 10 portfolio companies, totaling approximately $57.6 million.

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The following table shows the fair value of our portfolio of investments by asset class as of March 31, 2010 and December 31, 2009:

	March 31, 2010 (unaudited)		December 31, 2009	
(in thousands)	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	$ 151,942	$ 146,007	$ 170,896	$ 163,499
Subordinated Debt/Corporate Notes	710,616	641,999	778,163	641,992
Preferred Equity	39	40	39	40
Common Equity/Partnership Interests/Warrants	112,696	50,910	114,890	57,609
Total	$ 975,293	$ 838,956	$ 1,063,988	$ 863,140

As of March 31, 2010, the weighted average yield on income producing investments in our portfolio was approximately 13.9%, compared to 14.8% at December 31, 2009. The decrease in yield this quarter was primarily due to the increase in fair value of assets since December 2009.

As of March 31, 2010, there were no investments on non-accrual status. Of the non-accrual assets at December 31, 2009, assets of two portfolio companies were sold prior to the IPO and the third was exchanged for equity of the portfolio company in a restructuring. In addition we had 3 assets, with a total market value of $14.2 million, that were performing but cash interest payments have been applied as principal payments (cost-recovery assets), rather than being included in interest income because management believes, at this time, it is unlikely there will be full repayment of principal.

Portfolio Investments 2009 Annual

The total value of our investments was approximately $863.1 million at December 31, 2009, $768.2 million at December 31, 2008, and $1.2 billion at December 31, 2007. During the year ended December 31, 2009, we originated approximately $134.2 million of investments in 3 new portfolio companies and approximately $29.6 million in 4 existing portfolio companies. For the year ended December 31, 2008, we originated approximately $157.7 million of investments in 6 new portfolio companies and approximately $35.6 million in existing portfolio companies. From March 13, 2007 (inception) through December 31, 2007, referred to as our 2007 operating period, we originated approximately $846 million all from new investments in 27 portfolio companies. The foregoing amounts are in addition to the approximately $478 million of portfolio investments, originated by certain investment professionals at Magnetar who are currently a part of Solar Capital Partners investment team, that we acquired from the Magnetar entities prior to and immediately following the initial private placement.

In certain instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we may receive repayments of certain debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. Our portfolio activity also reflects sales of securities. For the year ended December 31, 2009, we received proceeds of approximately $38.6 million from principal repayments and approximately $78.3 million in sales of securities in 12 portfolio companies. For the year ended December 31, 2008, we had approximately $92.2 million of debt repayments in 7 portfolio companies and sales of securities in 5 portfolio companies of approximately $35.6 million.

In addition, for the year ended December 31, 2009 we had net unrealized and realized gains on 31 portfolio company investments totaling approximately $140.8 million, which was offset by net unrealized and realized losses on 16 portfolio company investments totaling approximately $106.6 million. During the year ended December 31, 2008, we had unrealized appreciation on 1 portfolio company investment totaling approximately $7.1 million, which was more than offset by unrealized depreciation on 43 portfolio company investments totaling approximately $503.4 million. During the year ended December 31, 2008 we also had a realized loss of $16.9 million, a majority of which was from 1 portfolio company.

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At December 31, 2009, we had investments in debt and preferred securities of 31 portfolio companies, totaling approximately $805.5 million, and equity investments in 10 portfolio companies, totaling approximately $57.6 million. At December 31, 2008, we had investments in debt and preferred securities of 36 portfolio companies, totaling approximately $685 million, and equity investments, including options, in 17 portfolio companies, totaling approximately $83.2 million.

The following table shows the fair value of our portfolio of investments by asset class as of December 31, 2009, 2008 and 2007:

	December 31, 2009		December 31, 2008		December 31, 2007	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	$ 170,896	$ 163,499	$ 250,473	$ 146,907	$ 312,077	$ 302,628
Subordinated Debt/Corporate Notes	778,163	641,992	751,116	531,949	619,203	617,738
Preferred Equity	39	40	61,101	6,145	55,299	55,299
Common Equity/Partnership Interests/Warrants	114,890	57,609	194,044	76,016	184,336	203,071
Put/Call Options Purchased or Written				7,198		
Total	$ 1,063,988	$ 863,140	$ 1,256,734	$ 768,215	$ 1,170,915	$ 1,178,736

As of December 31, 2009, and December 31, 2008, the weighted average yield on income producing investments in our portfolio was approximately 14.8% and 17.1%, respectively. The weighted average yield on income producing investments was lower as of December 31, 2009 due to the increase in fair value of these assets since December 2008 and a decline in the average LIBOR rates applicable to our LIBOR-based income producing assets.

As of December 31, 2009 we had 3 portfolio companies on non-accrual status that all had a fair value of zero. In addition we had 3 assets that were performing but interest payments are being applied as principal payments, rather than being included in interest income because management believes, at this time, it is unlikely there will be full repayment of principal.

Results of Operations for the Quarter Ended March 31, 2010 compared to the Quarter Ended March 31, 2009

Revenue

	Three Months Ended March 31,		
	2010	2009	% Change
	(in thousands)		
Investment income	$ 35,310	$ 28,177	25%

The increase in investment income for the three months ended March 31, 2010 compared to the three months ended March 31, 2009 was primarily due to prepayment premiums received and accelerated amortization of fees as a result of debt assets repaying before maturity. This increase was partially offset by lower average LIBOR rates, a lower average invested balance and interest not recognized on the cost-recovery assets. Three month LIBOR rates fell below 0.25% preceding the first quarter of 2010 compared to comparable rates near 1.5% heading into the first quarter of 2009.

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Expenses

	Three Months Ended March 31, 2010	2009	% Change
	(in thousands)		
Performance-based incentive fee	$ 5,279	$ 4,274	24%
Investment advisory and management fees	4,366	4,073	7%
Interest and other credit facility expenses	2,951	731	304%
Administrative service fee	453	604	(25%)
Other general and administrative expenses	1,069	921	16%
Total operating expenses	$ 14,118	$ 10,603	33%

The performance-based incentive fee was higher for the three months ended March 31, 2010 primarily due higher investment income resulting from prepayment premiums received and accelerated amortization of fees as a result of debt assets repaying before maturity. Investment advisory and management fees, which are calculated based on average gross assets, were comparable period over period.

Interest and other credit facility expenses were higher for the three months ended March 31, 2010 primarily due to higher average debt balances outstanding during the period, including the newly issued Senior Unsecured Notes, and higher fee amortization expense related to the establishment of the Senior Unsecured Notes and the amended and restated credit facility during the quarter. In addition, the amendment to our credit facility on February 12, 2010 increased the base rate spread by 1.00% during the first quarter of 2009.

The combination of administrative service fees and other general and administrative expenses was comparable period over period.

Net Realized and Unrealized Gains and Losses

	Three Months Ended March 31, 2010	2009
	(in thousands)	
Net realized (loss) investments	$ (27,331)	$ (22,656)
Net realized gain forward contracts	1,552	8,948
Net realized gain (loss) foreign currency exchange	3,536	(29)
Net unrealized gain (loss) investments	64,511	(22,832)
Net unrealized (loss) forward contracts	(771)	(5,700)
Net unrealized (loss) foreign currency exchange	(604)	(408)
Total realized and unrealized gain (loss)	$ 40,893	$ (42,677)

The combination of the net realized and unrealized gains or losses on investments resulted in a net gain of $37.1 million for the first quarter of 2010 compared to a net loss of $45.5 million for the same period in 2009. The net gain during the first quarter of 2010 was primarily due to increases in the fair value of our portfolio assets during the period as well as realizations in excess of prior valuations. The net increase in the fair value of our portfolio assets was primarily due to continued credit improvement in the portfolio, the tightening of credit spreads in the high yield market and anticipated near-term realizations. The net loss during the first quarter of 2009 was primarily due to overall weakening in the economy during period resulting in lower portfolio asset values.

The realization of gains or losses previously recognized as unrealized gains or losses has no impact on current period earnings. During the three months ended March 31, 2010, losses were realized on the sale or exchange of three debt assets and were partially offset by gains on the sale of one equity investment. During the three months ended March 31, 2009, losses were realized upon the bankruptcy of one portfolio company.

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We have exposure to foreign currencies (Euro, British Pounds and Australian dollars) through various investments. Those investments are converted into U.S. dollars at the balance sheet date, and as such, we are exposed to movements in exchange rates. To limit our exposure to movements in exchange rates we enter into foreign exchange forward contracts or borrow under our multi-currency revolving credit facility in those currencies. For the first quarter of 2010 the total net realized and unrealized gain on forward contracts and foreign currency exchange was $3.7 million compared to $2.8 million for the same line items in the first quarter of 2009. This is due to a greater relative strengthening of the U.S. dollar during the first quarter 2010 compared to the same period in 2009.

Results of Operations for the Year Ended December 31, 2009 compared to the Year Ended December 31, 2008

Revenue

	For the Year Ended December 31, 2009	2008	% Change
	(in thousands)		
Investment income	$ 109,670	$ 133,959	(18)%

The decrease in investment income for the year ended December 31, 2009 compared to the year ended December 31, 2008 was primarily due to the placement of certain assets on nonaccrual status and lower average LIBOR rates. In addition, call premiums paid as a result of debt assets repaying before maturity were $0.8 million in 2009 compared to $5.6 million in 2008. This was partially offset by an increase in income from the amortization of market and original issues discounts to $6.5 million in 2009 compared to $1.7 million in 2008.

Expenses

	Year Ended December 31, 2009	2008	% Change
	(in thousands)		
Performance-based incentive fee	$ 16,815	$ 9,008	87%
Investment advisory and management fees	16,738	24,297	(31)%
Interest and other credit facility expenses	2,636	3,343	(21)%
Administrative service fee	2,020	3,430	(41)%
Other general and administrative expenses	3,971	4,853	(18)%
Total operating expenses	$ 42,180	$ 44,931	(6)%

Investment advisory and management fees, which are calculated based on average gross assets, were lower in 2009 primarily due to the reduced average fair value of our investment portfolio. The performance-based incentive fee was higher in 2009 primarily because the return on the fair value of net assets exceeded the 8.75% annualized hurdle rate for the entire year, rather than a part of the year. (See Investment Advisory Fees in Item 1. Business, for the details on these calculations.) Total expenses decreased by approximately $2.8 million for the year ended December 31, 2009 compared to the same period in 2008.

Interest and other credit facility expenses were lower in 2009 compared to 2008 due to lower average LIBOR rates and because a large portion of the amortization of set-up costs associated with the facilities ended in the first quarter of 2009 as the Company s other credit facility (the Warehouse Facility) expired. This was partially offset by an increase in the average debt outstanding on the Credit Facility to $29.0 million in 2009 compared to $10.3 million in 2008 and an increase in the margin on the Credit Facility to BR plus 2.50% and ABR plus 1.50% from BR plus 1.375% and ABR plus 0.00% in an amendment to the Credit Facility on September 25, 2009.

The decrease in administrative service fees and other general and administrative expenses in 2009 compared to 2008 is primarily due to a reduction in corporate overhead and a decrease in unincorporated business tax.

Net Realized and Unrealized Gains and Losses

	Year Ended December 31,	
	2009	2008
	(in thousands)	
Net realized gain (loss) investments	$ (253,394)	$ (16,878)
Net realized gain (loss) forward contracts	(12,608)	13,086
Net realized loss foreign currency exchange	1,104	2,915
Net unrealized gain (loss) investments	287,671	(496,340)
Net unrealized gain forward contracts	(2,583)	4,087
Net unrealized gain (loss) foreign currency exchange	(516)	(37)
Total net realized and unrealized gain (loss) before taxes	$ 19,674	$ (493,167)

The net realized loss on investments during 2009 was primarily due to the realization of losses reflected in the mark-to-market of the portfolio during 2008. Four common and preferred equity positions that had a combined fair value of $8.2 million at December 31, 2008 resulted in a realized loss of $121.6 million in 2009. Six debt investments that had a combined fair value of $55.3 million at December 31, 2008 also resulted in a realized loss of $123.7 million during 2009.

The increase in unrealized gains on investments for 2009 was primarily due to the recognition of realized losses previously recorded as unrealized losses and an increase in the fair value of our assets during 2009 compared to an overall weakening in the economy during the same period in 2008.

The combination of the net realized loss and net unrealized gain on investments in 2009 resulted in a net gain of $34.3 million due to the increase in the fair value of our portfolio. The combination of the same line items in 2008 resulted in a net loss of $513.2 million in 2008 due to the decrease in the fair value of our portfolio.

Additionally, we have exposure to foreign currencies (Euro, British Pounds and Australian dollars) through various investments. Those investments are converted into U.S. dollars at the balance sheet date, and as such, we are exposed to movements in exchange rates. To limit our exposure to movements in exchange rates we enter into foreign exchange forward contracts or borrow under our multi-currency revolving credit facility in those currencies. For 2009 the relative weakening of the U.S. dollar resulted in net realized/unrealized losses on forward contracts compared to a relative strengthening of the U.S. dollar in the same period in 2008 which resulted in net realized/unrealized gains on forward contracts.

Income Tax

	Year Ended December 31,		
	2009	2008	% Change
	(in thousands)		
Income tax expense on net investment income	$ 228	$ 1,692	(87)%
Income tax expense (benefit) on realized gain (loss)		60	(100)%
Total income tax expense (benefit)	$ 228	$ 2,242	

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Solar Capital LLC was subject to New York City unincorporated business tax (UBT), which is imposed on the business income of every unincorporated business that is carried on in New York City. The UBT is imposed for each taxable year at a rate of 4 percent of taxable income that is allocable to New York City. There was no UBT for 2009 and the estimated 2008 UBT was approximately $1.6 million.

We are also subject to taxes in Luxembourg, through Solar Capital Luxembourg I S.a.r.l., a wholly-owned subsidiary. Under the laws of Luxembourg, we pay a corporate income tax and a municipal business tax on our subsidiary s taxable income.

As a U.S. corporation, Solar Capital Ltd., is not subject to unincorporated business tax.

Results of Operations for the Year Ended December 31, 2008 compared to the Period from March 13, 2007 (inception) to December 31, 2007

Revenue

	Year Ended December 31, 2008	Period From March 13 inception) to December 31, 2007	% Change
	(in thousands)		
Investment income	$ 133,959	$ 78,455	71%

The increase in interest income for the year ended December 31, 2008 compared to the period ended December 31, 2007 was primarily due to twelve months of income during 2008 versus a partial year in 2007 and a higher average invested balance versus outstanding cash during 2008. The average cash balance during the period ended December 31, 2007 was $530.3 million compared to $40.3 million in 2008.

Operating Expenses

	Year Ended December 31, 2008	Period From March 13 (inception) to December 31, 2007	% Change
	(in thousands)		
Investment advisory and management fees	$ 24,297	$ 19,719	23%
Performance-based incentive fee	9,008		
Interest and other credit facility expenses	3,343		
Administrative service fee	3,430	1,474	133%
Other general and administrative expenses	4,853	3,579	36%

Total operating expenses	$ 44,931	$ 24,772	81%

Almost two-thirds of the $20.2 million increase in total operating expenses during 2008 was attributable to the recognition of the performance-based incentive fee, as the respective hurdle rates were surpassed, and increased interest and other credit facility expenses related to credit facilities established during 2008. Investment advisory and management fees were higher in 2008 primarily because 2008 included a full year of expense versus a partial year in 2007. Other general and administrative expenses and administrative service fees also increased during 2008 due to the partial year comparison and the build out of our corporate infrastructure.

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Net Realized and Unrealized Gains and Losses

	Year Ended December 31, 2008	Period From March 13 (inception) to December 31, 2007
	(in thousands)	
Net realized gain (loss) investments	$ (16,878)	$ (3,557)
Net realized gain (loss) forward contracts	13,086	(7,125)
Net realized gain (loss) foreign currency exchange	2,915	12
Net unrealized gain (loss) investments	(496,340)	7,821
Net unrealized gain (loss) forward contracts	4,087	(1,235)
Net unrealized gain (loss) foreign currency exchange	(37)	9
Total net realized and unrealized gain (loss) before taxes	$ (493,167)	$ (4,075)

The increase in unrealized losses on investments for the year ended December 31, 2008 was primarily due to significantly lower fair value determinations on many of our investments. Lower fair values were driven primarily by the general market dislocation, illiquidity in the capital markets, and lower market prices for comparable publicly traded debt. Fair values were lower across all investment types.

We have exposure to foreign currencies (Euro, British Pounds and Australian dollars) through various investments. These investments are converted into U.S. dollars at the balance sheet date, exposing us to movements in exchange rates. To limit our exposure to fluctuations in exchange rates, we enter into foreign exchange forward contracts or borrow in those currencies under our multi-currency revolving credit facility. For the year ended December 31, 2008, the strengthening of the U.S. dollar resulted in net realized and unrealized gains from forward contracts of $13.1 million and $4.1 million, respectively, and a $2.9 million gain on the repayment of foreign denominated borrowings. For the period ended December 31, 2007, the relative weakening of the U.S. dollar resulted in net realized and unrealized losses.

Income Tax

	Year Ended December 31, 2008	Period From March 13 (inception) to December 31, 2007	% Change
	(in thousands)		
Income tax expense on net investment income	$ 1,629	$ 689	136%
Income tax expense (benefit) on realized gain (loss)	60	(181)	133%
Total income tax expense (benefit)	$ 1,689	$ 508	

Solar Capital LLC was subject to New York City unincorporated business tax (UBT), which is imposed on the business income of every unincorporated business that is carried on in New York City. The UBT is imposed for each taxable year at a rate of 4 percent of taxable income that is allocable to New York City. Estimated UBT for the years ended December 31, 2008 and 2007 was approximately $1.6 million and $0.4 million, respectively.

We are also subject to taxes in Luxembourg, through Solar Capital Luxembourg I S.a.r.l., a wholly-owned subsidiary. Under the laws of Luxembourg, we pay a corporate income tax and a municipal business tax on our subsidiary s taxable income.

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Liquidity and Capital Resources

Our liquidity is generated and generally available through our multi-currency $270 million revolving credit facility maturing in February 2013, from cash flows from operations, investment sales of liquid assets, repayments of senior and subordinated loans, income earned on investments and cash equivalents, and we expect through periodic follow-on equity offerings. On February 9, 2010, we priced our initial public offering selling 5.68 million shares, including the underwriters over-allotment, at a price of $18.50 per share. Net of underwriting fees we raised a total of $97.7 million and our shares began to trade on the NASDAQ Global Select Market under the ticker SLRC . In addition, we sold 0.60 million shares at $18.50 in the Concurrent Private Placement to management. The primary use of our liquidity is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our shareholders or for other general corporate purposes.

At March 31, 2010 and December 31, 2009, we had cash and cash equivalents of approximately $60.4 million and $5.7 million, respectively. Cash provided by operating activities for the quarters ended March 31, 2010 and 2009 was approximately $107.7 million and $19.6 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

Credit Facility and Senior Unsecured Notes

Credit Facility. In February 2010, Solar Capital Ltd. amended and restated its Senior Secured Revolving Credit Facility (the Credit Facility) with Citibank, N.A. and various lenders. Citibank, N.A. also serves as administrative agent for the lenders. Citigroup Global Markets Inc. acted as the sole lead bookrunner and the sole lead arranger for the Credit Facility. Under the terms of the Credit Facility, the lenders agreed to extend credit to Solar Capital in an aggregate principal or face amount not exceeding $270 million at any one time outstanding. The Credit Facility also allows the Company and the lenders to provide for a commitment increase to an amount not greater than $600 million. The Credit Facility is a three-year multi-currency revolving facility (with a stated maturity date in February 2013) and is secured by substantially all of the assets of Solar Capital s investment portfolio. Interest rate options include Base Rate (BR) loans, indexed to currency specific LIBOR, and Alternate Base Rate (ABR) loans, indexed to the Prime or Fed Funds rates. Borrowings bear interest at a rate per annum equal to the BR plus 3.25% and ABR plus 2.25%. The Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change of control. In addition, the Credit Facility contains certain financial covenants that among other things, requires the Company to maintain a minimum shareholder s equity, a minimum leverage ratio and a minimum debt to total assets ratio. The Credit Facility will be used to supplement Solar Capital s equity capital to make additional investments and for other general corporate purposes.

Senior Unsecured Notes. In February 2010, Solar Capital Ltd. issued $125 million of Senior Unsecured Notes. The Senior Unsecured Notes bear interest at a rate of 8.75% per annum, are payable quarterly in cash, and will mature in February 2014. The Senior Unsecured Notes are redeemable at any time, in whole or in part, at a price of 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. Further, we must use the net cash proceeds from the issuance of any other senior unsecured notes either to redeem or make an offer to purchase the outstanding Senior Unsecured Notes at a price of 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. The Senior Unsecured Notes subject us to customary covenants, including, among other things, (i) a requirement to maintain an asset coverage ratio of 2.00 to 1.00; (ii) a requirement that in the event of a change of control (as defined in the agreement governing the Senior Unsecured Notes) we will be required to offer to repurchase the Senior Unsecured Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase; and (iii) a restriction on incurring any debt on a junior lien basis, or any debt that is contractually subordinated in right of payment to any other debt unless it is also subordinated to the Senior Unsecured Notes on substantially identical terms. The agreement under which the Senior Unsecured Notes were issued contains customary events of default.

Certain covenants 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.

Contractual Obligations

The table below presents a summary of our significant contractual payment obligations as of March 31, 2010:

		Payments due by period			
(in millions)	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Senior secured revolving credit facility(1)	$	$	$	$	$
Senior Unsecured Notes	$ 125.0	$	$	$ 125.0	$

(1) As of March 31, 2010, we had $270.0 million of unused borrowing capacity under our credit facility.

The table below presents a summary of our significant contractual payment obligations as of December 31, 2009:

		Payments due by period			
(in millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Senior secured revolving credit facility(1)	$ 88.1		$ 88.1		

(1) As of December 31, 2009, we had $111.9 million of unused borrowing capacity under our credit facility.

We have certain commitments pursuant to our Investment Advisory and Management Agreement entered into with Solar Capital Partners. We have agreed to pay a fee for investment advisory and management services consisting of two components a base management fee and an incentive fee. Payments under the Investment Advisory and Management Agreement are equal to (1) a percentage of the value of our average gross assets and (2) a two-part incentive fee. See Item 1. Business Investment Advisory and Management Agreement. We have also entered into a contract with Solar Capital Management to serve as our administrator. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of Solar Capital Management s overhead in performing its obligation under the agreement, including rent, fees, and other expenses inclusive of our allocable portion of the compensation of our chief financial officer and any administrative staff.

Off-Balance Sheet Arrangements

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

Borrowings

We had borrowings of $88.1 million and $0 outstanding as of December 31, 2009 and 2008, respectively, under the Credit Facility. See Credit Facility for a description of the Credit Facility. Since completion of our initial public offering we also have approximately $125 million of the Senior Unsecured Notes outstanding.

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Distributions and Dividends

On May 4, 2010, our Board of Directors declared a second quarter dividend of $0.60 per share, payable on July 2, 2010 to stockholders of record on June 17, 2010.

On January 26, 2010, our board of directors declared a quarterly dividend of $0.60 per share, prorated for the number of days remaining in the first quarter after our initial public offering. As a result, the first quarterly dividend was $0.34 per share, on a pro-rated basis, and was paid on April 1, 2010 to holders of record as of March 18, 2010.

During the first quarter of 2009, we agreed to make certain specified distributions to the Solar Capital LLC unit holders on a periodic basis to the extent we had not yet completed our initial public offering. In accordance therewith, on March 17, 2009, we made a pro rata distribution to the then existing Solar Capital LLC unit holders. This distribution was equal to 10% of our December 31, 2008 net asset value and totaled approximately $85.3 million, or $1.04 per outstanding unit. On October 28, 2009 we made another pro rata distribution, declared in September 2009, to the then existing Solar Capital LLC unit holders. This distribution was equal to 10% of our September 30, 2009 net asset value and totaled approximately $81.4 million, or $1.00 per outstanding unit. In December 2009, Solar Capital LLC declared a $75 million cash distribution, which was paid to the then existing Solar Capital LLC unit holders on a pro-rata basis on January 29, 2010.

Related Parties

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

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

Solar Capital Management provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement. We reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and the compensation of our chief compliance officer, our chief financial officer and any administrative support staff. Solar Capital Partners, our investment adviser, is the sole member of and controls Solar Capital Management.

We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has granted us a non-exclusive, royalty-free license to use the name Solar Capital.

Magnetar entities own as of May 10, 2010, approximately 23.81% of our outstanding shares of common stock.

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

In 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.

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SENIOR SECURITIES

Information about our senior securities is shown in the following tables as of December 31, 2009, 2008 and 2007. The report of our independent registered public accounting firm on the senior securities table as of December 31, 2009 is attached as an exhibit to the registration statement of which this prospectus is a part.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage Ratio Per Unit[2]	Involuntary Liquidation Preference Per Unit[3]	Average Market Value Per Unit[4]
Revolving Credit Facility				
2009	$ 88,114	$ 8,920		N/A
2008				N/A
2007				N/A

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

(2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per $1,000 of indebtedness.

(3) The amount to which such class of senior security would be entitled upon the voluntary liquidation of the issuer in preference to any security junior to it. The in this column indicates that the Securities and Exchange Commission expressly does not require this information to be disclosed for certain types of senior securities.

(4) Not applicable because senior securities are not registered for public trading.

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BUSINESS

Solar Capital

Solar Capital Ltd. a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for tax purposes the Company intends to elect to be treated as a RIC under Subchapter M of the Code.

On February 9, 2010 we priced our initial public offering, selling 5.68 million shares, including the underwriters over-allotment, at a price of $18.50 per share. Concurrent with this offering, management purchased an additional 0.6 million shares through the Concurrent Private Placement, also at $18.50 per share.

Immediately prior to our initial public offering, through a series of transactions Solar Capital LLC merged with and into Solar Capital Ltd., leaving Solar Capital Ltd. as the surviving entity. Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in Senior Unsecured Notes to the existing Solar Capital LLC unit holders in connection with the Solar Capital Merger. Solar Capital Ltd. had no assets or operations prior to completion of the Solar Capital Merger and as a result, the books and records of Solar Capital LLC have become the books and records of the surviving entity.

Solar Capital LLC, a Maryland limited liability company, was formed in February 2007 and conducted a private placement of units in March 2007, at such time a total of 81.70 million units were outstanding. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, the Company s investment adviser, acquired approximately 3.33 million units in connection with the initial private placement. In addition, in connection with the initial private placement, certain funds managed by Magnetar and certain entities affiliated therewith, acquired approximately 35.00 million units.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle market companies in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary proportionately with the size of our capital base. We are managed by Solar Capital Partners. Solar Capital Management 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 March 31, 2010, our long term investments totaled $839.0 million and our net asset value was $730.3 million. Our portfolio was comprised of debt and equity investments in 33 portfolio companies and our income producing assets, which represent 92.2% of our total portfolio, had a weighted average annualized yield on a fair value basis of approximately 13.9%.

During the three months ended March 31, 2010, we originated approximately $44.6 million of investments in one new and one existing portfolio company. We also received principal repayments of approximately $95.1 million and sold securities in 3 portfolio companies for approximately $20.5 million.

About Solar Capital Partners

Solar Capital Partners is controlled by Michael S. Gross, our chairman and chief executive officer, and is led by Mr. Gross and Bruce Spohler, our chief operating officer, and is supported by a team of 12 dedicated investment professionals, including Brian Gerson, Cedric Henley and David Mait. We refer to Messrs. Gross,

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Spohler, Gerson, Henley and Mait as Solar Capital Partners senior investment professionals. Solar Capital Partners investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. The investment team led by Messrs. Gross and Spohler has invested in 54 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 46 different financial sponsors, through March 31, 2010. Since Solar Capital s inception, these investment professionals have used their relationships in the middle-market financial sponsor and financial intermediary community to originate direct investment opportunities.

Mr. Gross, the former chairman and chief executive officer of Apollo Investment Corporation, a publicly traded business development company that he founded, has over 20 years of experience in the private equity, distressed debt and mezzanine lending businesses and has been involved in originating, structuring, negotiating, consummating and managing private equity, distressed debt and mezzanine lending transactions.

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

Mr. Gross also currently serves on the boards of directors of 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 more than 20 years of experience of Mr. Spohler, who has served as our chief operating officer and a partner of Solar Capital Partners since inception. 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.

In addition to Messrs. Gross and Spohler, Solar Capital Partners senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners senior investment professionals have an average of over 20 years of experience in the private equity and leveraged lending industries.

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 experience and credit market expertise has led them through various stages of the economic cycle as well as several market disruptions.

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Market Opportunity

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

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, until recently, financed their lending and investing activities through securitization transactions have lost that source of funding and cut back lending significantly.

There is a large pool of uninvested private equity capital likely to seek additional capital to support their private investments. We believe there is a large pool of uninvested private equity capital available to middle-market companies. While we expect the rate of investment to be slower than in prior periods, we expect that private equity firms will continue to be active investors in middle-market companies and that these private equity firms will seek to supplement their investments with senior and junior debt securities and loans and equity co-investments from other sources, such as Solar Capital.

Middle-market companies are increasingly seeking private sources for debt and equity capital. We believe that many middle-market companies prefer to execute transactions with private capital providers such as Solar Capital, rather than execute high-yield bond or equity transactions in the public markets, which may necessitate increased financial and regulatory compliance and reporting obligations. We expect that the volume of domestic public-to-private transactions, as well as the number of companies selecting a sale alternative versus raising capital in the public equity markets as a means of increasing liquidity, will remain large.

Consolidation among commercial banks has reduced the focus on middle-market business. We believe that many senior lenders have de-emphasized their service and product offerings to middle-market companies in favor of lending to large corporate clients, managing capital markets transactions and providing other non-credit services to their customers. We believe this has resulted in fewer key players and the reduced availability of debt capital to the companies we target.

Current disruptions within the credit markets generally have brought a reduction in competition and a more lender-friendly environment. Current credit market dislocation has caused many of the alternative methods of obtaining middle-market debt financing to significantly decrease in scope and availability while demand for financings has remained robust. We believe the segment s strong growth prospects, combined with the growing demand for the capital and corporate finance and advisory services we offer, creates an attractive investment environment for us.

Furthermore, we believe that given the credit market uncertainty, Solar Capital has a greater opportunity to move beyond middle-market deals into larger transactions, as banks are less willing to commit capital. We believe these larger deals can be structured with more attractive terms such as lower leverage, higher yields, better covenants, and longer duration than was typical before the current market dislocation.

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

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

In addition to Messrs. Gross and Spohler, Solar Capital Partners senior investment professionals include Messrs. Gerson, Henley and Mait, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target. Solar Capital Partners senior investment professionals have an average of over 20 years of experience in the private equity and leveraged lending industries.

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 experience and credit market expertise has led them through various stages of the economic cycle as well as several market disruptions.

Investment Portfolio

Our portfolio investments consist of portfolio companies that have strong cash flows and have maintained financial and operating performance despite the recent economic climate. As of March 31, 2010, 100% of our portfolio was performing. The majority of our assets have been seasoned, which has allowed us to gain a solid understanding of our borrowers and the industries in which they compete. Additionally, over time, we have established productive relationships with our portfolio companies.

Investment Capacity

The proceeds from our initial public offering and the Concurrent Private Placement, the borrowing capacity under our credit facility 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. We believe that in the current economic environment financing needs of many companies will increase while funding options are limited, allowing us to capitalize on favorable investment opportunities.

Solar Capital s Limited Leverage

As of March 31, 2010, our outstanding debt was approximately 13.5% of total assets, making us one of the least levered publicly traded business development companies. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. To the extent borrowing conditions improve and leverage becomes available on more attractive terms, 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. Furthermore, by maintaining prudent leverage levels, we believe we will be better positioned to weather future market downturns.

Proprietary Sourcing and Origination

We believe that Solar Capital Partners senior investment professionals longstanding relationships with financial sponsors, commercial and investment banks, management teams and other financial intermediaries provide us with a strong pipeline of proprietary origination opportunities. We believe the broad expertise of Solar Capital Partners senior investment professionals and their ability to draw upon their average of 20 years of investment experience enable us to identify, assess and structure investments successfully. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation as well as the financial sponsor relationships Mr. Spohler developed while he was a co-head of CIBC World Markets U.S. Leveraged Finance Group.

Our investment team s strong relationship network is enhanced by the collaborative role Solar Capital plays in the private equity industry. We offer tailored solutions to our portfolio companies, and we believe that this role provides us with greater deal flow as opposed to being viewed as a competitor bidding for control stakes. Because Solar Capital is not associated with a private equity firm, we are not precluded from partnering with most of the top tier financial sponsors.

These direct investments enable us to perform more in-depth due diligence and play an active role in structuring financings. We believe that effectuating the transaction terms and having greater insight into a portfolio company s operations and financial picture assist Solar Capital in minimizing downside potential, while reinforcing Solar Capital as a trusted partner who delivers comprehensive financing solutions. Since our inception, Solar Capital Partners has sourced investments in 54 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 46 different financial sponsors, through March 31, 2010.

Versatile Transaction Structuring and Flexibility of Capital

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

Emphasis on Achieving Strong Risk-Adjusted Returns

Solar Capital Partners uses a disciplined investment and risk management process that emphasizes a rigorous fundamental research and analysis framework. Solar Capital Partners seeks to build our portfolio on a bottom-up basis, choosing and sizing individual positions based on their relative risk/reward profiles as a function of the associated downside risk, volatility, correlation with the existing portfolio and liquidity. At the same time, Solar Capital Partners takes into consideration a variety of factors in managing our portfolio and imposes portfolio-based risk constraints promoting a more diverse portfolio of investments and limiting issuer and industry concentration. Our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to risk. When market conditions make it

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difficult for us to invest according to our criteria, we are highly selective in deploying our capital. We do not pursue short-term origination targets. We believe this approach enables us to build an attractive investment portfolio that meets our return and value criteria over the long term.

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

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

Deep Industry Focus with Substantial Information Flow

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

Longer Investment Horizon

Unlike private equity and venture capital funds, we 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 on 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, mezzanine loans and equity securities by investing approximately $20 to $100 million of capital, on average, in the securities of leveraged companies, including middle-market companies. Our portfolio includes both senior secured loans and mezzanine loans. Structurally, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. As such, other creditors may rank senior to us in the event of an insolvency. However, mezzanine loans rank senior to common and preferred equity in a borrowers capital structure. Typically, mezzanine loans have elements of both debt and equity instruments, offering the fixed returns in the form of interest payments associated with senior debt, while providing lenders an opportunity to participate in the capital appreciation of a borrower, if any, through an equity interest. This equity interest typically takes the form of warrants. Due to its higher risk profile and often less restrictive covenants as compared to senior loans, mezzanine loans generally earn a higher return than senior secured loans. The warrants associated with mezzanine loans are typically detachable, which allows lenders to receive repayment of their

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principal on an agreed amortization schedule while retaining their equity interest in the borrower. Mezzanine loans also may include a put feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed formula. We believe that mezzanine loans offer an attractive investment opportunity based upon their historic returns and resilience during economic downturns.

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

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

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

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

Aerospace and defense	Healthcare, education and childcare
Automotive	Home and office furnishing, consumer products
Beverage, food and tobacco	Hotels, motels, inns and gaming
Broadcasting and entertainment	Industrial
Business services	Infrastructure
Cable television	Insurance
Cargo transport	Leisure, motion pictures and entertainment
Chemicals, plastics and rubber	Logistics
Consumer finance	Machinery
Consumer services	Media
Containers, packaging and glass	Mining, steel and nonprecious metals
Direct marketing	Oil and gas

Distribution

Diversified/conglomerate manufacturing

Diversified/conglomerate services

Education

Electronics

Energy/utilities

Equipment rental

Farming and agriculture

Finance

Personal, food and misc. services

Printing, publishing and broadcasting

Real estate

Retail stores

Specialty finance

Technology

Telecommunications

Utilities

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

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Set forth below is a list of our ten largest portfolio company investments as of March 31, 2010, as well as the top ten industries in which we were invested as of March 31, 2010, in each case calculated as a percentage of our total assets as of such date.

Portfolio Company	% of Total Assets
DS Waters	11.25%
Asurion Corporation	5.80%
Adams Outdoor Advertising	5.72%
Rug Doctor L.P.	5.08%
Fulton Holding Corporation	4.70%
Booz Allen Hamilton, Inc.	4.63%
Earthbound Farm	4.31%
Fleetpride Corporation	4.24%
Wire Rope Corporation	4.12%
Direct Buy Inc.	3.88%

Industry	% of Total Assets
Beverage, food, and tobacco	20.56%
Aerospace and defense	6.58%
Insurance	5.80%
Diversified/conglomerate services	5.72%
Personal, food and misc. services	5.08%
Healthcare, education, and childcare	4.95%
Retail stores	4.70%
Leisure, motion pictures, entertainment	4.60%
Cargo transport	4.24%
Diversified/conglomerate manufacturing	4.12%

Investment Selection Process

Solar Capital Partners 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.

Value Orientation/Positive Cash Flow. Our investment philosophy places a premium on fundamental analysis from an investor s perspective and has a distinct value orientation. We focus on companies in which we can invest at relatively low multiples of operating cash flow and that are profitable at the time of investment on an operating cash flow basis. Additionally, we look for companies with a demonstrated ability to de-lever.

Typically, we would not invest in start-up companies or companies having speculative business plans.

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

Strong Competitive Position in Industry. We seek to invest in target companies that have developed leading market positions within their respective markets and are well positioned to capitalize on growth opportunities.

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We seek companies that demonstrate significant competitive advantages versus their competitors, which we believe should help to protect their market position and profitability.

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

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

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

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

Liquidation Value of Assets. The prospective liquidation value of the assets, if any, 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.

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

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

Due Diligence

In conducting due diligence, we use publicly available information as well as information from relationships with former and current management teams, consultants, competitors and investment bankers. 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;
- 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.

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We also evaluate the private equity sponsor making the investment. A private equity sponsor is typically the controlling shareholder 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.

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

The Investment Committee

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

Investment Structure

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

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

We also invest in portfolio companies in the form of senior secured loans. These senior secured loans typically provide for deferred interest payments in the first few years of the term of the loan. We generally obtain security interests in the assets of our portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first or second priority liens on the assets of a portfolio company.

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

In the case of our mezzanine loan and senior secured loan investments, we tailor the terms of the investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure

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that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its profitability. For example, in addition to seeking a senior position in the capital structure of our portfolio companies, we will seek to limit the downside potential of our investments by:

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

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

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

Ongoing Relationships with Portfolio Companies

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

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

- Assessment of success in adhering to each portfolio company s business plan and compliance with covenants;
- Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Comparisons to other Solar Capital portfolio companies in the industry, if any;

Attendance at and participation in board meetings; and

Review of monthly and quarterly financial statements and financial projections for portfolio companies.

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

We use an investment rating scale of 1 to 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 March 31, 2010, the weighted average investment rating on the fair market value of our portfolio was 1.9. In connection with our valuation process, Solar Capital Partners reviews these investment ratings on a quarterly basis, and our board of directors affirms such ratings.

Valuation Procedures

We will conduct the valuation of our assets, pursuant to which our net asset value shall be determined, at all times consistent with U.S. generally accepted accounting principles (GAAP) and the 1940 Act. Our valuation procedures are set forth in more detail below:

Securities for which market quotations are readily available on an exchange shall be valued at the closing price on the day of valuation. We may also obtain quotes with respect to certain of our investments from pricing services or brokers or dealers in order to value assets. When doing so, we determine whether the quote obtained is sufficient according to GAAP to determine the fair value of the security. If determined adequate, we use the quote obtained.

Securities for which reliable market quotations are not readily available or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of our investment adviser or board of directors, does not represent fair value, shall each be valued as follows: (i) each portfolio company or investment is initially valued by the investment professionals responsible for the portfolio investment; (ii) preliminary valuation conclusions are documented and discussed with our senior management; (iii) independent third-party valuation firms engaged by, or on behalf of, the board of directors will conduct independent appraisals and review management s preliminary valuations and make their own assessment for all material assets; (iv) the board of directors will discuss valuations and determine the fair value of each investment in our portfolio in good faith based on the input of the investment adviser and, where appropriate, the respective third-party valuation firms.

The recommendation of fair value will generally be based on the following factors, as relevant:

the nature and realizable value of any collateral;

the portfolio company s ability to make payments;

the portfolio company s earnings and discounted cash flow;

the markets in which the issuer does business; and

comparisons to publicly traded securities.

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Securities for which market quotations are not readily available or for which a pricing source is not sufficient may include, but are not limited to, the following:

- private placements and restricted securities that do not have an active trading market;
- securities whose trading has been suspended or for which market quotes are no longer available;
- debt securities that have recently gone into default and for which there is no current market;
- securities whose prices are stale;
- securities affected by significant events; and
- securities that the investment adviser believes were priced incorrectly.

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

Competition

Our primary competitors provide financing to middle-market companies and include other BDC s, 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. However, we believe that there has been a reduction in the amount of debt capital available since the downturn in the credit markets, which began in mid-2007, and that this has resulted in a less competitive environment for making new investments. 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 Mr. Gross 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 Mr. Gross and the other investment professionals of our investment adviser enable us to learn about, and compete effectively for, financing opportunities with attractive leveraged companies in the industries in which we seek to invest.

Staffing

We do not currently have any employees. Mr. Gross, our chief executive officer, and Mr. Spohler, our chief operating officer, currently serve as the managing member and a partner, respectively, of our investment adviser, Solar Capital Partners. Nicholas Radesca, our chief financial officer and secretary, is an employee of Solar Capital Management, and performs his functions as chief financial officer under the terms of our Administration Agreement. 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. Solar Capital Partners investment personnel currently consists of its senior investment professionals, Messrs. Gross, Spohler, Gerson, Henley and Mait, and a team of additional experienced investment professionals. Based upon its needs, Solar Capital Partners may hire additional investment professionals. In addition, we will reimburse Solar Capital

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Management for the allocable portion of overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and the compensation of our chief financial officer and any administrative support staff.

Properties

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

Legal Proceedings

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

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PORTFOLIO COMPANIES

The following table sets forth certain information as of March 31, 2010 for each portfolio company in which we had a debt or equity investment. The general terms of our debt and equity investments are described in Business Investments. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance we may provide upon request and the board observer or participation rights we may receive in connection with our investment. Other than Ark Real Estate Partners, National Interest Security Corporation, and National Specialty Alloys, LLC, we do not control and are not an affiliate of any of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would control a portfolio company if we owned more than 25% of its voting securities and would be an affiliate of a portfolio company if we owned more than 5% of its voting securities.

Name and Address of Portfolio Company	Industry	Type of Investment	Interest(1)	Maturity	% of Class Held	Fair Value (in thousands)
AOA Top Tier Holding Co., L.P. (Adams Outdoor Advertising)						
2808 Ferry Road	Diversified/conglomerate services					
		Subordinated notes				
Atlanta, GA 30339						
		Subordinated notes				