Solar Capital Ltd.
Form 497
November 13, 2017
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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated November 13, 2017

PRELIMINARY PROSPECTUS SUPPLEMENT

(to Prospectus dated May 2, 2017)

$

Solar Capital Ltd.

% Notes due 2023

We are offering $ in aggregate principal amount of % notes due January , 2023 which we refer to as the Notes . The Notes will mature on January , 2023. We will pay interest on the Notes on and of each year, beginning on , 2018. We may redeem the Notes in whole or in part at any time or from time to time at the redemption price discussed under the caption Description of Notes Optional Redemption in this prospectus supplement. In addition, holders of the Notes can require us to repurchase the Notes at 100% of their principal amount upon the occurrence of a Change of Control Repurchase Event (as defined herein). The Notes will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The Notes will be our direct senior unsecured obligations and rank *pari passu* with all current and future unsecured unsubordinated indebtedness issued by Solar Capital Ltd.

We are 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. 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. Securities rated below investment grade, including the investments we target, are often referred to as leveraged loans, high yield or junk securities, and may be considered high risk compared to debt instruments that are rated investment grade.

We are managed by Solar Capital Partners, LLC. Solar Capital Management, LLC provides the administrative services necessary for us to operate.

This prospectus supplement, and the accompanying prospectus, contains important information about us that a prospective investor should know before investing in the Notes. 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 (the SEC). This information is available free of charge by contacting us by mail at 500 Park Avenue, New York, NY 10022, by telephone at (212) 993-1670 or on our website at *http://www.solarcapltd.com*. The SEC 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 or the accompanying prospectus.

An investment in the Notes is very risky and highly speculative. 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 the Notes.

	Per note	Total[(3)]
Public offering price[(1)]	%	$
Underwriting discount (sales load)	%	$
Proceeds to Solar Capital Ltd. (before expenses)[(2)]	%	$

(1) The public offering price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from , 2017 and must be paid by the purchaser if the Notes are delivered after , 2017

(2) Before deducting expenses payable by us related to this offering, estimated at $.

(3) For additional underwriting compensation information, see Underwriting.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

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.

Delivery of the Notes in book-entry form only through The Depository Trust Company will be made on or about , 2017.

Joint Book-Running Managers

J.P. Morgan **Wells Fargo Securities**

The date of this prospectus supplement is November , 2017.

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About this prospectus supplement

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, 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 Notes 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 the Notes. 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 Notes 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 the Notes.

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Cautionary statement regarding forward-looking statements

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 Ltd., 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 identi forward-looking statements.

The forward-looking statements contained in this prospectus involve risks and uncertainties, including statements as to:

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

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. Important assumptions include our ability to

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originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement or the accompanying 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 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. However, we will update this prospectus supplement to reflect any material changes to the information contained herein. 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 (the Securities Act).

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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 this prospectus supplement and 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, after conducting a private placement of units of membership interest (units), with initial capital of $1.2 billion of which 47.04% was funded by affiliated parties. 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, leaving Solar Capital Ltd. as the surviving entity. Except where the context suggests otherwise, the terms we, us, our, the Company 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 the 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, 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 regulated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). Furthermore, as the Company is an investment company, it continues to apply the guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946. In addition, for tax purposes, 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 of our common stock. Concurrent with our initial public offering, Michael S. Gross, our Chairman and Chief Executive Officer, and Bruce Spohler, our Chief Operating Officer, collectively purchased an additional 0.6 million shares of our common stock through a private placement transaction exempt from registration under the Securities Act (the Concurrent Private Placement).

We invest primarily in privately held U.S. middle-market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle-market companies in the form of senior secured loans, unitranche loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies. Our business is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $5 million and $100 million each, although we expect that this investment size will vary with the size of our capital base and/or strategic initiatives.

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In addition, we may invest a portion of our portfolio in other types of investments, which we refer to as opportunistic investments, which are not our primary focus but are intended to enhance our overall returns. These investments may include, but are not limited to, direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States. The securities that we invest in are typically rated below investment grade. Securities rated below investment grade are often referred to as leveraged loans, high yield or junk securities, and may be considered high risk compared to debt instruments that are rated investment grade. In addition, some of our debt investments will not fully amortize during their lifetime, which could result in a loss or a substantial amount of unpaid principal and interest due upon maturity.

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

As of September 30, 2017, our investment portfolio totaled $1.4 billion and our net asset value was $921.2 million. Our portfolio was comprised of debt and equity investments in 88 portfolio companies with our portfolio of income producing investments, which is not our entire portfolio, having a weighted average annualized yield on a fair value and cost basis of approximately 10.2% and 10.6%, respectively. Portfolio yield does not represent an actual investment return to stockholders.

Recent developments

On October 24, 2017, the Company issued notice of its intent to redeem $25 million of the 6.75% senior unsecured notes due 2042 (the 2042 Unsecured Notes) on November 24, 2017.

On November 2, 2017, our Board declared a quarterly distribution of $0.40 per share payable on January 4, 2018 to holders of record as of December 21, 2017.

On November 2, 2017, our Board declared a quarterly distribution of $0.41 per share payable on April 3, 2018 to holders of record as of March 22, 2018.

On November 2, 2017, our Board amended the First Amended and Restated Investment Advisory and Management Agreement between Solar Capital Ltd. and Solar Capital Partners in order to lower the base management fee payable thereunder from 2.0% per annum to 1.75% per annum, to be effective as of January 1, 2018.

About Solar Capital Partners

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

In addition, Solar Capital Partners serves as investment adviser to Solar Senior Capital Ltd., or Solar Senior, a publicly traded BDC that invests in the senior debt securities of leveraged middle-market companies similar to those we target for investment. Through September 30, 2017, the investment team led by Messrs. Gross and Spohler has invested approximately $6.6 billion in more than 310 different portfolio companies for Solar Capital and Solar Senior, collectively, which investments involved an aggregate of more than 185 different financial sponsors. Since Solar Capital s inception, these investment professionals have used their relationships in the middle-market financial sponsor and financial intermediary community to generate deal flow. As of November 10, 2017, Mr. Gross and Mr. Spohler beneficially owned, either directly or indirectly, approximately 5.7 % and 5.2%, respectively, of our outstanding common stock.

Mr. Gross has over 25 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 (i.e., actually or structurally subordinated) lending transactions. We also rely on the over 25 years of experience of Mr. Spohler, who has served as our Chief Operating Officer and a partner of Solar Capital Partners since its inception.

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 (i.e., actually or structurally subordinated) debt as well as other investment types. The depth of their prior experience and credit market expertise has led them through various stages of the economic cycle as well as several market disruptions.

Market opportunity

Solar Capital invests primarily in senior secured loans, unitranche loans, mezzanine loans and equity securities of middle-market leveraged companies. We believe that the size of this market, coupled with leveraged companies need for flexible sources of capital at attractive terms and rates, creates an attractive investment environment for us. See Business Market Opportunity in the accompanying prospectus.

Middle-market companies have faced increasing difficulty in accessing the capital markets. While many well-established middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies that historically financed their lending and investing activities through securitization transactions have either lost that source of funding or it has been reduced significantly. Moreover, consolidation of lenders and market participants and the illiquid nature of investments have resulted in fewer middle-market lenders and market participants.

There is a large pool of uninvested private equity capital likely to seek additional capital to support their investments. We believe there is more than $500 billion of uninvested private equity capital seeking debt financing to support acquisitions. Included are many middle-market private equity firms that we expect will continue to seek financing support for their investments with secured debt sources such as Solar Capital.

The significant amount of debt maturing through 2018 should provide additional demand for capital. A high volume of financings were completed between the years 2004 and 2007, which are expected to mature over the next few years. We believe that this supply of prospective lending opportunities coupled with a lack of available credit in the middle-market lending space may offer attractive risk-adjusted returns to investors. Risk-adjusted return compares returns against the amount of risk incurred. The term risk-adjusted return does not imply that an investment is no risk or low risk.

Investing in private middle-market debt provides an attractive risk reward profile. In general, terms for illiquid, middle-market subordinated debt have been more attractive than those for larger corporations which are typically more liquid. We believe this is because fewer institutions are able to invest in illiquid asset classes.

Therefore, we believe that there is an attractive opportunity to invest in 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. See Business Competitive Advantages and Strategy in the accompanying prospectus.

Management expertise

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

Investment capacity

The proceeds from our initial public offering and the Concurrent Private Placement, the borrowing capacity under the senior secured credit facility led by Citibank, N.A. (the Credit Facility), $100 million of 2042 Unsecured Notes, our $150 million of unsecured senior notes due 2022 (the 2022 Unsecured Notes and, together with the 2042 Unsecured Notes, the Unsecured Notes) and the expected repayments of existing investments provide us with a substantial amount of capital available for deployment into new investment opportunities. We believe we are well positioned for the current marketplace.

Solar Capital s Limited Leverage

As of September 30, 2017, we had total outstanding borrowings of approximately $475 million. Under the provisions of the 1940 Act, we are permitted to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. As of September 30, 2017, our asset coverage ratio was 293.9%. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent distribution to our investors, as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. We may increase our relative level of debt in the future. However, we do not currently anticipate operating with a substantial amount of debt relative to our total assets.

Proprietary sourcing and origination

We believe that Solar Capital Partners senior investment professionals longstanding relationships with financial sponsors, commercial and investment banks, management teams and other financial intermediaries provide us with a strong pipeline of proprietary origination opportunities. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation 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.

Since its inception, Solar Capital Partners has sourced investments in more than 310 different portfolio companies for both Solar Capital and Solar Senior, collectively, which investments involved an aggregate of more than 185 different financial sponsors, through September 30, 2017.

Versatile transaction structuring and flexibility of capital

We believe Solar Capital Partners senior investment team s broad expertise and ability to draw upon its extensive experience enable us to identify, assess and structure investments successfully across all levels of a

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company s capital structure and to manage potential risk and return at all stages of the economic cycle. The attempt to manage risk does not imply low risk or no risk. While we are subject to significant regulation as a BDC, we are not subject to many of the regulatory limitations that govern traditional lending institutions such as banks. As a result, we believe that we can be more flexible than such lending institutions in selecting and structuring investments, adjusting investment criteria, transaction structures and, in some cases, the types of securities in which we invest.

Emphasis on achieving strong risk-adjusted returns

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

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. As a result of their investment experience, Messrs. Gross and Spohler, together with Solar Capital Partners other senior investment professionals, have long-term relationships with management consultants and management teams in the industries we target, as well as substantial information concerning those industries.

Longer investment horizon

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

Summary risk factors

The value of our assets, as well as the market price of the Notes, if any, 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:

- The Notes will be unsecured and therefore will be effectively subordinated to the secured indebtedness we currently have outstanding or may incur in the future to the extent of the value of the collateral thereof;

- The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries;

- The indenture governing the Notes will contain limited protection for holders of the Notes;

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The optional redemption provision may materially adversely affect your expected return on the Notes;

We may be subject to certain corporate-level taxes which could adversely affect our cash flow and consequently adversely affect availability to make payments on the Notes;

An active trading market for the Notes may not develop, which could limit the market price of the Notes or your ability to sell them;

We operate in a highly competitive market for investment opportunities;

Our investments are very risky and highly speculative;

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

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

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

A disruption in the global and U.S. capital markets and the credit markets could impair our ability to raise money and negatively affect our business and harm our operating results;

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

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

Our financial condition and results of operations will depend on our ability to manage future growth effectively;

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

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

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

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

There are significant potential conflicts of interest, including Solar Capital Partners management of Solar Senior, which could impact our investment returns, and an investment in Solar Capital is not an investment in Solar Senior;

We may become subject to corporate-level U.S. federal income tax if we are unable to maintain our qualification as a RIC under Subchapter M of the Code; and

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

See Risk factors beginning on page S-17 of this prospectus supplement and page 16 of the accompanying prospectus and the other information included in the accompanying prospectus for additional discussion of factors you should carefully consider before deciding to invest in the Notes.

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 BDC under the 1940 Act. As a BDC, 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 have elected to be treated for federal income tax purposes, and intend to continue to qualify annually, as a RIC under Subchapter M of the Code. See Certain U.S. Federal Income Tax Considerations in the accompanying prospectus.

Our investment activities are managed by Solar Capital Partners and supervised by our Board. Solar Capital Partners is an investment adviser that is registered under the Investment Advisers Act of 1940, as amended. Under our investment advisory and management agreement (the Advisory 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 Recent developments and Investment Advisory and Management Agreement in the accompanying prospectus. We have also entered into an administration agreement (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, New York, New York 10022, and our telephone number is (212) 993-1670.

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Specific terms of the notes and the offering

This prospectus supplement sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and supplements the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the Notes. You should read this section together with the more general description of the Notes under the heading Description of Notes in this prospectus supplement and in the accompanying prospectus under the heading Description of Our Debt Securities before investing in the Notes. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing the Notes.

Issuer	Solar Capital Ltd.
Title of the securities	% Notes due 2023
Initial aggregate principal amount being offered	$
Initial public offering price	% of the principal amount of each Note
Type of note	Fixed rate note
Interest rate	%
Day count basis	360-day year of twelve 30-day months
Original issue date	, 2017
Stated maturity date	, 2023
Date interest starts accruing	, 2017
Interest payment dates	and , commencing , 2018. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.
Interest periods	The initial interest period will be the period from and including , 2017, to, but excluding, the initial interest payment date, and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.

Regular record dates for interest	and
Specified currency	U.S. Dollars
Place of payment	New York City

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Ranking of notes	The Notes will be our general, unsecured obligations and will be:
	equal in right of payment with all of our existing and future senior, unsecured indebtedness (including our $250 million aggregate principal amount of the Unsecured Notes);
	senior in right of payment to any of our future unsecured indebtedness that expressly provides it is subordinated, or junior, to the Notes;
	effectively subordinated, or junior, to our existing and future secured indebtedness (including indebtedness that is initially unsecured in respect of which we subsequently grant security), including without limitation, approximately $225 million aggregate principal amount of our indebtedness outstanding as of September 30, 2017 under our $445 million Credit Facility (comprised of a $395 million revolving credit facility and a $50 million term loan), to the extent of the value of the assets securing the Credit Facility or such other secured indebtedness; and
	structurally subordinated, or junior, to all existing and future indebtedness and other obligations of any of our subsidiaries or financing vehicles, if any.
	As of September 30, 2017, we and our subsidiaries had $475 million of senior indebtedness outstanding, $225 million of which was secured indebtedness and $250 million of which was unsecured indebtedness.
Denominations	We will issue the Notes in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Business day	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City are authorized or required by law or executive order to close.
Optional redemption	We may redeem some or all of the Notes at any time, or from time to time. If we choose to redeem any Notes prior to maturity, we will pay a redemption price per Note equal to the greater of the following amounts:
	100% of the principal amount of each Note to be redeemed; or
	the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of accrued and unpaid interest to the date of redemption) on each Note to be redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30- day months) using the applicable Treasury Rate plus basis points.
	plus, in each case, accrued and unpaid interest to, but excluding, the redemption date; *provided*, however, that if we redeem any Notes on or after , 2022 (the date falling one month prior to the maturity date of the Notes), the redemption price for each such Note will be equal to 100% of the principal amount of each Note to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.

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Sinking fund	The Notes will not be subject to any sinking fund. A sinking fund is a reserve fund accumulated over a period of time for the retirement of debt.
Offer to purchase upon a change of control repurchase event	If a Change of Control Repurchase Event occurs prior to maturity, holders will have the right, at their option, to require us to repurchase for cash some or all of the Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus accrued and unpaid interest to, but not including, the repurchase date.
Defeasance	The Notes are subject to legal and covenant defeasance by us. Under the Credit Facility and the note purchase agreement governing our 2022 Unsecured Notes, we currently would not be permitted to exercise our rights to effect defeasance or covenant defeasance without complying with certain conditions or obtaining the consent of the lenders under the Credit Facility and the holders of the 2022 Unsecured Notes.
Form of Notes	The Notes will be represented by global securities that will be deposited and registered in the name of The Depository Trust Company (DTC) or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations that are participants in DTC.
Trustee, Paying Agent, and Security Registrar	U.S. Bank National Association
Events of default	If an event of default (as described herein under Description of Notes) on the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest, may be declared immediately due and payable, subject to conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events involving us.
Other covenants	In addition to the covenants described in the accompanying prospectus, the following covenants shall apply to the Notes:

We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act or any successor provisions, whether or not we continue to be subject to such provisions of the 1940 Act, but giving effect, in either case, to any exemptive relief granted to us by the SEC. Currently, these provisions generally prohibit us from making additional borrowings, including through the issuance of additional debt or the sale of additional debt securities, unless our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowings. See Risk Factors Risks Relating to Our Business and Structure Pending legislation may allow us to incur additional leverage in the accompanying prospectus.

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If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end (other than our fourth fiscal quarter). All such financial statements will be prepared, in all material respects, in accordance with GAAP, as applicable.

No established trading market	The Notes are a new issue of securities with no established trading market. The Notes will not be listed on any securities exchange or quoted on any automated dealer quotation system. Although the underwriters have informed us that they intend to make a market in the Notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue any such market making activities at any time without notice. See Underwriting in this prospectus supplement. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Global clearance and settlement procedures	Interests in the Notes will trade in DTC s Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.
Governing law	The indenture provides that it and the Notes shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws that would cause the application of the laws of another jurisdiction.

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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 consolidated financial statements and notes thereto. Financial information is presented for the nine months ended September 30, 2017 and the fiscal years ended December 31, 2016, 2015, 2014, 2013 and 2012. The selected financial data for the nine months ended September 30, 2017 is derived from our unaudited consolidated financial statements. In the opinion of management, the selected financial data for the nine months ended September 30, 2017 reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results for such interim period. The selected financial data for the nine months ended September 30, 2017 may not be indicative of the results that may be expected for the year ending December 31, 2017 or for any other period. Financial information for the periods ending December 31, 2016, 2015, 2014, 2013 and 2012 has been derived from our consolidated financial statements that were audited by KPMG LLP, an independent registered public accounting firm. See Management s discussion and analysis of financial condition and results of operations and Senior securities in this prospectus supplement for more information.

($ in thousands, except per share data)	Nine months ended September 30, 2017 (unaudited)	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Income statement data:						
Total investment income	$ 104,427	$ 151,839	$ 115,560	$ 121,937	$ 163,593	$ 153,253
Net expenses	$ 54,703	$ 80,738	$ 51,204	$ 55,230	$ 78,658	$ 71,326
Net investment income	$ 49,724	$ 71,101	$ 64,356	$ 66,707	$ 84,935	$ 81,927
Net realized gain (loss)	$ (8,063)	$ 776	$ (4,874)	$ (36,840)	$ (44,425)	$ (32,537)
Net change in unrealized gain (loss)	$ 11,443	$ 34,938	$ (45,402)	$ 18,585	$ 34,800	$ 66,371
Net increase in net assets resulting from operations	$ 53,104	$ 106,815	$ 14,080	$ 48,452	$ 75,310	$ 115,761
Per share data:						
Net investment income(3)	$ 1.18	$ 1.68	$ 1.52	$ 1.56	$ 1.91	$ 2.20
Net realized and unrealized gain (loss)(3)	$ 0.08	$ 0.84	$ (1.18)	$ (0.43)	$ (0.22)	$ 0.91
Dividends and distributions declared	$ 1.20	$ 1.60	$ 1.60	$ 1.60	$ 2.00	$ 2.40
Balance sheet data:						
Total investment portfolio	$ 1,391,963	$ 1,304,778	$ 1,312,591	$ 1,020,738	$ 1,088,399	$ 1,395,522
Cash and cash equivalents	$ 205,444	$ 312,046	$ 277,570	$ 635,340	$ 586,979	$ 15,039
Total assets	$ 1,628,062	$ 1,650,547	$ 1,620,300	$ 1,686,334	$ 1,708,442	$ 1,430,403
Debt	$ 475,000	$ 390,200	$ 432,900	$ 225,000	$ 225,000	$ 489,452
Net assets	$ 921,183	$ 918,507	$ 882,698	$ 936,568	$ 995,637	$ 878,273
Per share data:						
Net asset value per share	$ 21.80	$ 21.74	$ 20.79	$ 22.05	$ 22.50	$ 22.70

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($ in thousands, except per share data)	Nine months ended September 30, 2017 (unaudited)	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Other data (unaudited):						
Weighted average annualized yield on income producing investments[4]:						
On fair value[1]	10.2%	10.0%	10.5%	9.9%	11.3%	14.2%
On cost[2]	10.6%	10.4%	10.2%	10.4%	12.2%	14.2%
Total Return[5]	9.71%	37.5%	(0.29)%	(13.58)%	2.82%	20.03%
Number of portfolio companies at period end	88	63	54	43	40	40

(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 per-share calculations are based on weighted average shares of 42,260,826, 42,258,143, 42,465,158, 42,888,232, 44,571,118 and 37,231,341 for the nine months ended September 30, 2017 and years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

(4) The weighted average annualized yield on income producing investments does not represent a return to shareholders.

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

Selected Quarterly Financial Data (Unaudited)

(dollar amounts in thousands, except per share data)

			2017
	Q3	Q2	Q1
Total investment income	$ 36,147	$ 33,888	$ 34,392
Net investment income	$ 17,315	$ 16,079	$ 16,330
Net realized and unrealized gain (loss)	$ (152)	$ 2,704	$ 828
Net increase in net assets resulting from operations	$ 17,163	$ 18,783	$ 17,158
Earnings per share[1]	$ 0.41	$ 0.44	$ 0.41
Net asset value per share at the end of the quarter[2]	$ 21.80	$ 21.79	$ 21.75

	2016			
	Q4	**Q3**	**Q2**	**Q1**
Total investment income	$ 36,638	$ 39,798	$ 41,369	$ 34,033
Net investment income	$ 17,648	$ 17,004	$ 19,533	$ 16,915
Net realized and unrealized gain	$ 195	$ 8,615	$ 15,642	$ 11,262
Net increase in net assets resulting from operations	$ 17,843	$ 25,619	$ 35,175	$ 28,177
Earnings per share(3)	$ 0.42	$ 0.61	$ 0.83	$ 0.67
Net asset value per share at the end of the quarter(4)	$ 21.74	$ 21.72	$ 21.51	$ 21.08

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				2015
	Q4	Q3	Q2	Q1
Total investment income	$ 31,507	$ 30,445	$ 27,978	$ 25,630
Net investment income	$ 16,987	$ 16,989	$ 15,991	$ 14,390
Net realized and unrealized gain (loss)	$ (31,167)	$ (16,903)	$ 1,285	$ (3,491)
Net increase (decrease) in net assets resulting from operations	$ (14,180)	$ 86	$ 17,276	$ 10,899
Earnings (loss) per share(5)	$ (0.33)	$ 0.00	$ 0.41	$ 0.26
Net asset value per share at the end of the quarter(6)	$ 20.79	$ 21.52	$ 21.92	$ 21.91

(1) Based on 42,248,525, 42,248,525 and 42,260,826 weighted average shares of Solar Capital Ltd. outstanding during the first, second and third quarters of 2017, respectively.

(2) Based on 42,248,525 and 42,248,525 weighted average shares of Solar Capital Ltd. outstanding during the first and second quarters of 2017, respectively.

(3) Based on 42,248,525, 42,248,525, 42,248,525 and 42,248,525 weighted average shares of Solar Capital Ltd. outstanding during first, second, third, and fourth quarters of 2016, respectively.

(4) Based on 42,248,525, 42,248,525, 42,248,525 and 42,248,525 weighted average shares of Solar Capital Ltd. outstanding during first, second, third, and fourth quarters of 2016, respectively.

(5) Based on 42,465,162, 42,465,162, 42,465,162 and 42,465,145 weighted average shares of Solar Capital Ltd. outstanding during first, second, third, and fourth quarters of 2015, respectively.

(6) Based on 42,465,162, 42,465,162, 42,465,162 and 42,464,762 shares of Solar Capital Ltd. outstanding as of the end of the first, second, third and fourth quarters of 2015, respectively.

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Risk factors

Investing in the Notes involves a high degree of risk. In addition to the other information contained in this prospectus supplement and the accompanying prospectus, you should carefully consider the following supplementary risk factors together with the risk factors set forth in the accompanying prospectus before making an investment in the Notes. The risks set out below and in the accompanying prospectus are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial might also impair or adversely affect our operations and performance. If any of the events described herein or in the accompanying prospectus occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, the value of the Notes could decline, and you may lose part or all of your investment.

The Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we currently have outstanding or may incur in the future.

The Notes will not be secured by any of our assets or any of the assets of our subsidiaries. As a result, the Notes are effectively subordinated, or junior, to any secured indebtedness we or our subsidiaries currently have outstanding and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Notes. As of September 30, 2017, we had $225 million of secured indebtedness outstanding under the Credit Facility, comprised of $175 million of revolving credit and $50 million of term loans. We may from time-to-time amend or modify the terms of our Credit Facility, including, among other things, the interest rate, the maturity date, the revolving period and the size of the Credit Facility. We also had $250 million outstanding of the Unsecured Notes as of September 30, 2017.

The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.

The Notes are obligations exclusively of Solar Capital and not of any of our subsidiaries. None of our subsidiaries is a guarantor of the Notes and the Notes are not required to be guaranteed by any subsidiaries we may acquire or create in the future. A portion of the indebtedness required to be consolidated on our balance sheet is held through subsidiary financing vehicles and secured by certain assets of such subsidiaries. The assets of such subsidiaries are not directly available to satisfy the claims of our creditors, including holders of the Notes.

Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of our subsidiaries will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Notes will be structurally subordinated to all indebtedness and other liabilities (including trade payables) of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish as financing vehicles or otherwise. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

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The indenture governing the Notes will contain limited protection for holders of the Notes.

The indenture governing the Notes offers limited protection to holders of the Notes. The terms of the indenture and the Notes do not restrict our or any of our subsidiaries ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the indenture and the Notes will not place any restrictions on our or our subsidiaries ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) of the 1940 Act as modified by Section 61(a)(1) of the 1940 Act or any successor provisions (giving effect to any exemptive relief granted to us by the SEC);

- pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes;

- sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

- enter into transactions with affiliates;

- create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

- make investments; or

- create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

Furthermore, the terms of the indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes. Certain of our current debt instruments include more protections for their holders than the indenture and the Notes. In addition, other debt we issue or incur in the future could contain more protections for its holders than the indenture and the Notes, including additional covenants and events of default. For example, in addition to regulatory requirements that restrict our ability to raise capital, the Credit Facility and the 2022 Unsecured Notes contain various covenants that, if not complied with, could accelerate repayment under the Credit Facility and the 2022 Unsecured Notes absent a waiver from the lenders or holders of such indebtedness, thereby materially and adversely affecting our liquidity, financial condition and results of operation. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

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We may not be able to repurchase the Notes upon a Change of Control Repurchase Event.

Upon the occurrence of a Change of Control Repurchase Event, as defined in the indenture that governs the Notes, subject to certain conditions, we will be required to offer to repurchase all outstanding Notes at 100% of their principal amount, plus accrued and unpaid interest. The source of funds for that purchase of Notes will be our available cash or cash generated from our operations or other potential sources, including borrowings, investment repayments, sales of assets or sales of equity. We cannot assure you that sufficient funds from such sources will be available at the time of any Change of Control Repurchase Event to make required repurchases of Notes tendered. Before making any such repurchase of Notes, we would also have to comply with certain requirements under our Credit Facility and the note purchase agreement governing our 2022 Unsecured Notes, to the extent such requirements remain in effect at such time, or otherwise obtain consent from the lenders under the Credit Facility and the holders of the 2022 Unsecured Notes. The terms of our Credit Facility provide that certain change of control events will constitute an event of default thereunder entitling the lenders to accelerate any indebtedness outstanding under the Credit Facility at that time and to terminate the Credit Facility. Similarly, the note purchase agreement governing our 2022 Unsecured Notes contains a provision that would require us to offer to purchase the 2022 Unsecured Notes upon the occurrence of certain change of control events. In addition, the occurrence of a Change of Control Repurchase Event enabling the holders of the Notes to require the mandatory purchase of the Notes would constitute an event of default under our Credit Facility, and may constitute an event of default under the note purchase agreement governing the 2022 Unsecured Notes, entitling the lenders to accelerate any indebtedness outstanding under our Credit Facility at that time and to terminate the Credit Facility and entitling the holders of the 2022 Unsecured Notes to accelerate any indebtedness outstanding under the note purchase agreement. Our future debt instruments also may contain similar restrictions and provisions. If the holders of the Notes exercise their right to require us to repurchase all the Notes upon a Change of Control Repurchase Event, the financial effect of this repurchase could cause a default under our future debt instruments, even if the Change of Control Repurchase Event itself would not cause a default. It is possible that we will not have sufficient funds at the time of the Change of Control Repurchase Event to make the required repurchase of the Notes and/or our other debt. See Description of notes Offer to repurchase upon a change of control repurchase event in this prospectus supplement.

If an active trading market does not develop for the Notes, you may not be able to resell them.

The Notes are a new issue of debt securities for which there currently is no trading market. We do not intend to apply for listing of the Notes on any securities exchange or for quotation of the Notes on any automated dealer quotation system. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. The underwriters have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The underwriters may discontinue any market-making in the Notes at any time at their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

Proposed Tax Legislation

Draft legislation encompassing current proposals for U.S. federal income tax reform has recently been released. The changes to the tax law that are set forth in the draft legislation would represent a significant change from current tax law, if enacted into law in the form currently proposed. As the legislation has not yet been approved and may be modified, it is unclear precisely how the proposed bill might affect us and holders of the Notes.

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Capitalization

The following table sets forth the actual capitalization of Solar Capital Ltd. at September 30, 2017.

You should read this table together with Use of Proceeds described in this prospectus supplement and our most recent balance sheet included elsewhere in this prospectus supplement or the accompanying prospectus.

(in thousands)		**As of September 30, 2017 Solar Capital Ltd. (unaudited)**
Assets:		
Cash and cash equivalents	$	205,444
Investments at fair value	$	1,391,963
Other assets	$	30,655
Total assets	$	1,628,062
Liabilities[(1)]:		
Credit Facility	$	175,000
Unsecured Notes	$	247,196
Term loan	$	50,000
Other Liabilities	$	234,683
Total Liabilities	$	706,879
Net Assets:		
Common stock, par value $0.01 per share; 200,000,000 shares authorized and 42,260,826 shares issued and outstanding	$	423
Paid-in capital in excess of par value	$	990,011
Distributions in excess of net investment income	$	(12,831)
Accumulated net realized loss	$	(70,684)
Net unrealized appreciation	$	14,264
Total Net Assets	$	921,183

(1) The above table reflects the carrying value of indebtedness outstanding as of September 30, 2017. As of November 10, 2017, outstanding indebtedness under our Credit Facility and the Unsecured Notes was $213 million and $250 million, respectively. The net proceeds from the sale of the Notes in this offering are expected to be used to pay down outstanding indebtedness under our Credit Facility. See Use of proceeds in this prospectus supplement.

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Use of proceeds

We estimate that the net proceeds we will receive from the sale of the $ million aggregate principal amount of Notes in this offering will be approximately $ million assuming a public offering price of 100% of par, after deducting the underwriting discount of $ million payable by us and estimated offering expenses of approximately $ payable by us.

We expect to use the net proceeds from this offering to pay down outstanding indebtedness under our Credit Facility. However, we may reborrow under the Credit Facility to make investments in debt or equity securities consistent with our investment objective, to fund acquisitions and for other general corporate purposes, including for working capital and/or to redeem all or a portion of our outstanding 2042 Unsecured Notes. We are continuously identifying, reviewing and, to the extent consistent with our investment objective, funding new investments. As a result, we typically raise capital as we deem appropriate to fund such new investments.

Under the Credit Facility, which matures in September 2021 and generally bears interest at London Interbank Offered Rate (LIBOR) plus 2.00%-2.25% or the alternative base rate plus 1.00%-1.25%, we had $213 million outstanding as of November 10, 2017, comprised of $163 million of revolving credit and a $50 million term loan. We also had $250 million outstanding of the Unsecured Notes. We may from time-to-time amend or modify the terms of our Credit Facility, including, among other things, the interest rate, the maturity date, the revolving period and the size of the Credit Facility. For additional information regarding our Credit Facility and the Unsecured Notes, see Management s discussion and analysis of financial condition and results of operations Liquidity and capital resources in this prospectus supplement.

Affiliates of certain of the underwriters are lenders under our Credit Facility. Accordingly, affiliates of certain of the underwriters may receive a portion of the net proceeds of this offering to the extent such proceeds are used to repay outstanding indebtedness under our Credit Facility.

Pending these uses, we will invest such net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less.

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Ratio of earnings to fixed charges

For the years ended December 31, 2016, 2015, 2014, 2013, and 2012 and the nine months ended September 30, 2017, the ratios of earnings to fixed charges of the Company, computed as set forth below, were as follows:

	For the nine months ended September 30, 2017	For the year ended December 31, 2016	For the year ended December 31, 2015	For the year ended December 31, 2014	For the year ended December 31, 2013	For the year ended December 31, 2012
Earnings to Fixed Charges(1)	4.3	5.3	1.9	4.4	4.8	7.1

For purposes of computing the ratios of earnings to fixed charges, earnings represent net increase in stockholders equity resulting from operations plus (or minus) income tax expense (benefit) including excise tax expense plus fixed charges. Fixed charges include interest and credit facility fees expense and amortization of debt issuance costs.

(1) Earnings include net realized and unrealized gains or losses. Net realized and unrealized gains or losses can vary substantially from period to period. Excluding net realized gains or losses and the net change in unrealized appreciation or depreciation, the earnings to fixed charges ratio would be 4.1 for the nine months ended September 30, 2017, 3.9 for the year ended December 31, 2016, 5.1 for the year ended December 31, 2015, 5.6 for the year ended December 31, 2014, 5.3 for the year ended December 31, 2013 and 5.3 for the year ended December 31, 2012.

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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 Selected Financial and Other Data and our financial statements and notes thereto appearing elsewhere in this prospectus supplement and the accompanying Prospectus.

Overview

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

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

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

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

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

As of September 30, 2017, the Investment Adviser has invested approximately $6.6 billion in more than 310 different portfolio companies for both Solar Capital and Solar Senior, collectively, since it was founded in 2006. Over the same period, the Investment Adviser completed transactions with more than 185 different financial sponsors.

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Recent Developments

On October 24, 2017, the Company issued notice of its intent to redeem $25 million of the 2042 Unsecured Notes on November 24, 2017.

On November 2, 2017, our Board declared a quarterly distribution of $0.40 per share payable on January 4, 2018 to holders of record as of December 21, 2017.

On November 2, 2017, our Board declared a quarterly distribution of $0.41 per share payable on April 3, 2018 to holders of record as of March 22, 2018.

On November 2, 2017, our Board amended the First Amended and Restated Investment Advisory and Management Agreement between Solar Capital Ltd. and Solar Capital Partners, LLC in order to lower the base management fee payable thereunder from 2.0% per annum to 1.75% per annum, to be effective as of January 1, 2018.

Investments

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

Revenue

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

Expenses

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

- the cost of our organization and public offerings;

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

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

Portfolio and Investment Activity

During the three months ended September 30, 2017, we invested approximately $226.1 million across 37 portfolio companies. This compares to investing approximately $138.9 million in 8 portfolio companies for the three months ended September 30, 2016. Investments sold, prepaid or repaid during the three months ended September 30, 2017 totaled approximately $55.7 million versus approximately $273.6 million for the three months ended September 30, 2016.

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At September 30, 2017, our portfolio consisted of 88 portfolio companies and was invested 50.6% in senior secured loans, 15.3% in equipment financing, 1.0% in preferred equity and 33.1% in common equity/equity interests and warrants (of which 21.9% is Crystal Financial LLC, 6.5% is Senior Secured Unitranche Loan Program LLC and 3.5% is Senior Secured Unitranche Loan Program II LLC) measured at fair value versus 66 portfolio companies invested 63.3% in senior secured loans, 2.1% in subordinated debt, 1.1% in preferred equity and 33.5% in common equity/equity interests and warrants (of which 22.2% is Crystal Financial LLC, 6.2% is Senior Secured Unitranche Loan Program LLC and 3.3% is Senior Secured Unitranche Loan Program II LLC) measured at fair value at September 30, 2016.

At September 30, 2017, 81.4% or $1,119.3 million of our income producing investment portfolio* is floating rate and 18.6% or $255.8 million is fixed rate, measured at fair value. At September 30, 2016, 94.0% or $1,257.0 million of our income producing investment portfolio* was floating rate and 6.0% or $80.2 million was fixed rate, measured at fair value. As of September 30, 2017, no issuers were on non-accrual status. As of September 30, 2016, we had one issuer on non-accrual status.

Since inception through September 30, 2017, Solar Capital and its predecessor companies have invested approximately $5.1 billion in more than 200 portfolio companies. Over the same period, Solar Capital has completed transactions with more than 140 different financial sponsors.

* We have included Crystal Financial LLC, NEF Holdings LLC, Senior Secured Unitranche Loan Program LLC and Senior Secured Unitranche Loan Program II LLC within our income producing investment portfolio.

Crystal Financial LLC

On December 28, 2012, we completed the acquisition of Crystal Capital Financial Holdings LLC (Crystal Financial), a commercial finance company focused on providing asset-based and other secured financing solutions (the Crystal Acquisition). We invested $275 million in cash to effect the Crystal Acquisition. Crystal Financial owned approximately 98% of the outstanding ownership interest in Crystal Financial LLC. The remaining financial interest was held by various employees of Crystal Financial LLC, through their investment in Crystal Management LP. Crystal Financial LLC had a diversified portfolio of 23 loans having a total par value of approximately $400 million at November 30, 2012 and a $275 million committed revolving credit facility. On January 27, 2014, the revolving credit facility was expanded to $300 million. On March 31, 2014, we exchanged $137.5 million of our equity interest in Crystal Financial in exchange for $137.5 million in floating rate senior secured notes in Crystal Financial bearing interest at LIBOR plus 9.50%, maturing on March 31, 2019. On May 18, 2015, the revolving credit facility was expanded to $350 million. Our financial statements, including our schedule of investments, reflected our investments in Crystal Financial on a consolidated basis. On July 28, 2016, the Company purchased Crystal Management LP s approximately 2% equity interest in Crystal Financial LLC for approximately $5.7 million. Upon the closing of this transaction, the Company holds 100% of the equity interest in Crystal Financial LLC. On September 30, 2016, Crystal Capital Financial Holdings LLC was dissolved.

As of September 30, 2017, Crystal Financial LLC had 27 funded commitments to 24 different issuers with a total par value of approximately $369.3 million on total assets of $459.4 million. As of December 31, 2016, Crystal Financial LLC had 26 funded commitments to 25 different issuers with a total par value of approximately $368.8 million on total assets of $459.7 million. As of September 30, 2017 and December 31, 2016, the largest loan outstanding totaling $40.1 million and $36.3 million, respectively. For the same periods, the average exposure per issuer was $15.4 million and $14.8 million, respectively. Crystal Financial LLC s credit facility, which is non-recourse to Solar Capital, had approximately $175.7 million and $175.4 million of borrowings outstanding at September 30, 2017 and December 31, 2016, respectively. For the three months ended September 30, 2017 and September 30, 2016, Crystal Financial LLC had net income of $7.7 million and $4.7 million, respectively, on gross income of $11.7 million and $15.9 million, respectively. For the nine months ended September 30, 2017 and September 30, 2016, Crystal Financial LLC had net income of $23.6 million and $22.4 million, respectively, on gross income of $39.8 million and $49.0 million, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. As such, and subject to fluctuations in Crystal Financial LLC s funded commitments, the timing of originations, and the repayments of financings, the Company cannot guarantee that Crystal Financial LLC will be able to maintain consistent dividend payments to us.

NEF Holdings, LLC

On July 31, 2017, we completed the acquisition of NEF Holdings, LLC (NEF), which conducts its business through its wholly-owned subsidiary Nations Equipment Finance, LLC. NEF is an independent equipment finance company that provides senior secured loans and leases primarily to U.S. based companies. We invested $209.9 million in cash to effect the transaction, of which $145.0 million was invested in the equity of NEF through our wholly-owned consolidated taxable subsidiary NEFCORP LLC and our wholly-owned consolidated subsidiary NEFPASS LLC and $64.9 million was used to purchase certain leases and loans held by NEF through NEFPASS LLC. Concurrent with the transaction, NEF refinanced its existing senior secured credit facility into a $150.0 million non-recourse facility with an accordion feature to expand up to $250.0 million. The maturity date of the facility is July 31, 2021. At July 31, 2017, NEF also had two securitizations outstanding, with an issued note balance of $94.6 million.

As of September 30, 2017, NEF had 242 funded equipment-backed leases and loans to 115 different customers with a total net investment in leases and loans of approximately $254.8 million on total assets of $297.7 million. As of September 30, 2017, the largest position outstanding totaled $15.9 million. For the same period, the average exposure per customer was $2.2 million. NEF s credit facility, which is non-recourse to Solar Capital, had approximately $70.8 million of borrowings outstanding at September 30, 2017. The securitization notes balance on September 30, 2017 was $85.8 million. Since the acquisition on July 31, 2017 and through September 30, 2017, NEF had net income of $2.5 million on gross income of $6.0 million. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. As such, and subject to fluctuations in NEF Holdings, LLC funded commitments, the timing of originations, and the repayments of financings, the Company cannot guarantee that NEF Holdings, LLC will be able to maintain consistent dividend payments to us.

Senior Secured Unitranche Loan Program LLC

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

On October 15, 2015, the Company entered into an amended and restated limited liability company agreement for its SSLP to add Voya Investment Management LLC (Voya), part of Voya Financial, Inc. (NYSE: VOYA), as a partner in SSLP in place of the investor that was previously the Company s partner in SSLP, though this investor may still co-invest up to $300 million of equity in unitranche loans alongside SSLP. This joint venture is

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expected to invest primarily in senior secured loans, including unitranche loans, primarily to middle market companies predominantly owned by private equity sponsors or entrepreneurs, consistent with the Company s core origination and underwriting mandate. In addition to the Company s prior equity commitment of $300.0 million to SSLP, Voya has made an initial equity commitment of $25.0 million to SSLP, with the ability to upsize.

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

On November 25, 2015, SSLP commenced operations. On June 30, 2016, SSLP as transferor and SSLP 2016-1, LLC, a newly formed wholly owned subsidiary of SSLP, as borrower entered into a $200 million senior secured revolving credit facility (the SSLP Facility) with Wells Fargo Bank, NA acting as administrative agent. Solar Capital Ltd. acts as servicer under the SSLP Facility. The SSLP Facility is scheduled to mature on June 30, 2021. The SSLP Facility generally bears interest at a rate of LIBOR plus 2.50%. SSLP and SSLP 2016-1, LLC, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The SSLP Facility also includes usual and customary events of default for credit facilities of this nature. There were $71.8 and $67.1 million of borrowings outstanding as of September 30, 2017 and December 31, 2016, respectively. As of September 30, 2017 and December 31, 2016, the Company and Voya had contributed combined equity capital in the amount of $103.5 million and $116.4 million, respectively. Of the $103.5 million of contributed equity capital at September 30, 2017, the Company contributed $29.9 million in the form of investments and $60.7 million in the form of cash and Voya contributed $12.9 million in the form of cash. As of September 30, 2017, the Company and Voya s remaining commitments to SSLP totaled $84.4 million and $12.1 million, respectively. The Company, along with Voya, controls the funding of SSLP and SSLP may not call the unfunded commitments without approval of both the Company and Voya.

As of September 30, 2017 and December 31, 2016, SSLP had total assets of $178.6 million and $184.8 million, respectively. For the same periods, SSLP s portfolio consisted of floating rate senior secured loans to 10 and 11 different borrowers, respectively. For the three months ended September 30, 2017 and 2016, SSLP invested $1.7 million in 2 portfolio companies and $5.2 million in 2 portfolio companies, respectively. Investments prepaid totaled $2.6 million and $0.4 million, respectively, for the three months ended September 30, 2017 and 2016. At September 30, 2017 and December 31, 2016, the weighted average yield of SSLP s portfolio was 7.7% and 7.4%, respectively, measured at fair value and 7.8% and 7.5%, respectively, measured at cost.

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SSLP Portfolio as of September 30, 2017 (dollar amounts in thousands)

Description	Industry	Spread Above Index[(1)]	LIBOR Floor	Interest Rate[(2)]	Maturity Date	Par Amount	Cost	Fair Value[(3)]
AccentCare, Inc.	Health Care Providers & Services	L+575	1.00%	7.08%	9/3/21	$ 12,652	$ 12,616	$ 12,652
Alera Group Intermediate Holdings, Inc.	Insurance	L+550	1.00%	6.74%	12/30/22	14,644	14,512	14,607
Associated Pathologists, LLC	Health Care Providers & Services	L+500	1.00%	6.32%	8/1/21	3,167	3,142	3,167
Empower Payments Acquisition, Inc. (RevSpring)	Professional Services	L+550	1.00%	6.83%	11/30/23	13,771	13,521	13,771
Falmouth Group Holdings Corp. (AMPAC)[(4)]	Chemicals	L+675	1.00%	7.99%	12/14/21	32,271	31,905	32,271
Island Medical Management Holdings, LLC	Health Care Providers & Services	L+550	1.00%	6.83%	9/1/22	13,743	13,614	13,606
Pet Holdings ULC & Pet Supermarket, Inc.	Specialty Retail	L+550	1.00%	6.80%	7/5/22	23,288	22,995	23,114
PPT Management Holdings, LLC	Health Care Providers & Services	L+600	1.00%	7.33%	12/16/22	11,910	11,804	11,672
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+425	1.00%	5.58%	11/25/21	1,925	1,911	1,925
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+829	1.00%	9.62%	11/25/21	22,250	21,913	21,805
VetCor Professional Practices LLC	Health Care Facilities	L+600	1.00%	7.33%	4/20/21	23,606	23,460	23,369
							$ 171,393	$ 171,959

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

(2) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of September 30, 2017.

(3) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Board s valuation process described elsewhere herein.

(4) The Company also holds this security on its Consolidated Statements of Assets and Liabilities.

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SSLP Portfolio as of December 31, 2016 (audited) (dollar amounts in thousands)

Description	Industry	Spread Above Index[1]	LIBOR Floor	Interest Rate[2]	Maturity Date	Par Amount	Cost	Fair Value[3]
AccentCare, Inc.	Health Care Providers & Services	L+575	1.00%	6.75%	9/3/21	$ 4,875	$ 4,875	$ 4,875
Alera Group Intermediate Holdings, Inc.	Insurance	L+550	1.00%	6.50%	12/30/22	13,824	13,686	13,686
Associated Pathologists, LLC	Health Care Providers & Services	L+500	1.00%	6.00%	8/1/21	3,292	3,261	3,275
CIBT Holdings, Inc.	Professional Services	L+525	1.00%	6.25%	6/28/22	13,102	12,979	12,971
Empower Payments Acquisition, Inc. (RevSpring)	Professional Services	L+550	1.00%	6.50%	11/30/23	13,875	13,600	13,597
Falmouth Group Holdings Corp. (AMPAC)[4]	Chemicals	L+675	1.00%	7.75%	12/14/21	34,650	34,202	34,650
Pet Holdings ULC & Pet Supermarket, Inc.	Specialty Retail	L+550	1.00%	6.50%	7/5/22	20,625	20,336	20,367
PPT Management Holdings, LLC	Health Care Providers & Services	L+600	1.00%	7.00%	12/16/22	12,000	11,881	11,880
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+425	1.00%	5.25%	11/25/21	2,475	2,454	2,475
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+839	1.00%	9.39%	11/25/21	22,250	21,866	21,861
U.S. Anesthesia Partners Inc.	Health Care Providers & Services	L+500	1.00%	6.00%	12/31/19	19,557	19,407	19,362
VetCor Professional Practices LLC	Health Care Facilities	L+625	1.00%	7.25%	4/20/21	21,818	21,686	21,491
							$ 180,233	$ 180,490

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

(2) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of December 31, 2016.

(3) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Board s valuation process described elsewhere herein.

(4) The Company also holds this security on its Consolidated Statements of Assets and Liabilities.

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Below is certain summarized financial information for SSLP as of September 30, 2017 and December 31, 2016 and for the three and nine months ended September 30, 2017 and 2016:

	September 30, 2017	December 31, 2016 (audited)
Selected Balance Sheet Information for SSLP (in thousands):		
Investments at fair value (cost $171,393 and $180,233, respectively)	$ 171,959	$ 180,490
Cash and other assets	6,626	4,326
Total assets	$ 178,585	$ 184,816
Debt outstanding	$ 71,798	$ 67,148
Distributions payable	2,286	1,688
Interest payable and other credit facility related expenses	1,108	660
Accrued expenses and other payables	213	287
Total liabilities	$ 75,405	$ 69,783
Members equity	$ 103,180	$ 115,033
Total liabilities and members equity	$ 178,585	$ 184,816

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Selected Income Statement Information for SSLP (in thousands):				
Interest income	$ 3,495	$ 2,615	$ 10,730	$ 6,374
Service fees*	$ 28	$ 23	$ 89	$ 58
Interest and other credit facility expenses	1,109	582**	2,795	3,233**
Other general and administrative expenses	21	37	96	102
Total expenses	1,158	642	2,980	3,393
Net investment income	$ 2,337	$ 1,973	$ 7,750	$ 2,981
Realized gain on investments			127	
Net change in unrealized gain on investments	88	251	310	159
Net realized and unrealized gain on investments	88	251	437	159
Net income	$ 2,425	$ 2,224	$ 8,187	$ 3,140

* Service fees are included within the Company s Consolidated Statements of Operations as other income.

** SSLP made an irrevocable election to apply the fair value option of accounting to the SSLP Facility, in accordance with ASC 825-10. As such, all expenses related to the establishment of the SSLP Facility were expensed during the periods shown. For the three and nine months ended September 30, 2016, these amounts totaled $140 and $2,788, respectively.

Senior Secured Unitranche Loan Program II LLC

On November 2, 2015, the Company assigned $125.0 million of its $300.0 million commitment to SSLP to SSLP II, a Delaware limited liability company. On August 5, 2016, the Company entered into an amended and restated limited liability company agreement with WFI Loanco, LLC (WFI) and SSLP II commenced operations. SSLP II is expected to invest primarily in senior secured loans, including unitranche loans, primarily to middle market

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companies predominantly owned by private equity sponsors or entrepreneurs, consistent with the Company s core origination and underwriting mandate. Also on August 5, 2016, the Company assigned approximately $50.0 million of its $125.0 million commitment to SSLP II to Senior Secured Unitranche Loan Program III LLC (SSLP III), a newly formed Delaware limited liability company. SSLP III, which had not commenced operations, was wholly owned by Solar Capital Ltd. but could have brought in unaffiliated investors at a later date. The Company and WFI s equity commitments to SSLP II now total $75.0 million and $18.0 million, respectively.

On November 15, 2016, SSLP II as transferor and SSLP II 2016-1, LLC, a newly formed wholly owned subsidiary of SSLP II, as borrower entered into a $100 million senior secured revolving credit facility (the SSLP II Facility) with Wells Fargo Bank, NA acting as administrative agent. Solar Capital Ltd. acts as servicer under the SSLP II Facility. The SSLP II Facility is scheduled to mature on November 15, 2021. The SSLP II Facility generally bears interest at a rate of LIBOR plus 2.50%. SSLP II and SSLP II 2016-1, LLC, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The SSLP II Facility also includes usual and customary events of default for credit facilities of this nature. There were $49.2 million and $33.0 million of borrowings outstanding as of September 30, 2017 and December 31, 2016, respectively. As of September 30, 2017 and December 31, 2016, the Company and WFI contributed combined equity capital in the amount of $59.8 million and $58.2 million, respectively. Of the $59.8 million of contributed equity capital at September 30, 2017, the Company contributed $43.5 million in the form of investments and $4.7 million in the form of cash and WFI contributed $11.6 million in the form of cash. As of September 30, 2017, the Company and WFI s remaining commitments to SSLP II totaled $26.8 million and $6.4 million, respectively. The Company, along with WFI, controls the funding of SSLP II and SSLP II may not call the unfunded commitments without approval of both the Company and WFI.

As of September 30, 2017 and December 31, 2016, SSLP II had total assets of $121.8 million and $93.5 million, respectively. For the same periods, SSLP II s portfolio consisted of floating rate senior secured loans to 15 and 12 different borrowers, respectively. For the three months ended September 30, 2017, SSLP II invested $11.7 million in 5 portfolio companies. For the period August 5, 2016 (commencement of operations) through September 30, 2016, SSLP II invested $65.6 million in 8 portfolio companies. Investments prepaid totaled $1.4 million for the three months ended September 30, 2017. Investments prepaid for the period August 5, 2016 (commencement of operations) through September 30, 2016 totaled $0.3 million. At September 30, 2017 and December 31, 2016, the weighted average yield of SSLP II s portfolio was 7.7% and 7.6%, respectively, measured at fair value and 8.0% and 7.9%, respectively, measured at cost.

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SSLP II Portfolio as of September 30, 2017 (dollar amounts in thousands)

Description	Industry	Spread Above Index[(1)]	LIBOR Floor	Interest Rate[(2)]	Maturity Date	Par Amount	Cost	Fair Value[(3)]
AccentCare, Inc.	Health Care Providers & Services	L+575	1.00%	7.08%	9/3/21	$ 6,913	$ 6,882	$ 6,913
Alera Group Intermediate Holdings, Inc.	Insurance	L+550	1.00%	6.74%	12/30/22	5,491	5,442	5,478
American Teleconferencing Services, Ltd. (PGI)[(4)]	Communications Equipment	L+650	1.00%	7.78%	12/8/21	14,048	12,888	13,767
Associated Pathologists, LLC	Health Care Providers & Services	L+500	1.00%	6.32%	8/1/21	1,583	1,571	1,583
Empower Payments Acquisition, Inc. (RevSpring)	Professional Services	L+550	1.00%	6.83%	11/30/23	6,885	6,761	6,885
Falmouth Group Holdings Corp. (AMPAC)[(4)]	Chemicals	L+675	1.00%	7.99%	12/14/21	10,193	10,193	10,193
Global Holdings LLC & Payment Concepts LLC	Consumer Finance	L+650	1.00%	7.82%	5/5/22	8,750	8,587	8,575
Island Medical Management Holdings, LLC[(4)]	Health Care Providers & Services	L+550	1.00%	6.83%	9/1/22	6,872	6,807	6,803
Logix Holding Company, LLC	Communications Equipment	L+575	1.00%	6.98%	11/30/24	9,375	9,281	9,281
Pet Holdings ULC & Pet Supermarket, Inc.	Specialty Retail	L+550	1.00%	6.80%	7/5/22	10,247	10,116	10,170
PetVet Care Centers, LLC	Health Care Facilities	L+600	1.00%	7.31%	6/8/23	3,104	3,074	3,073
Polycom, Inc.	Communications Equipment	L+525	1.00%	6.48%	9/27/23	10,324	9,962	10,476
PPT Management Holdings, LLC	Health Care Providers & Services	L+600	1.00%	7.33%	12/16/22	9,925	9,837	9,727
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+425	1.00%	5.58%	11/25/21	770	770	770
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+829	1.00%	9.62%	11/25/21	8,900	8,767	8,722
VetCor Professional Practices LLC	Health Care Facilities	L+600	1.00%	7.33%	4/20/21	5,554	5,459	5,499
							$ 116,397	$ 117,915

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

(2) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of September 30, 2017.

(3) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Board s valuation process described elsewhere herein.

(4) The Company also holds this security on its Consolidated Statements of Assets and Liabilities.

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SSLP II Portfolio as of December 31, 2016 (audited) (dollar amounts in thousands)

Description	Industry	Spread Above Index[1]	LIBOR Floor	Interest Rate[2]	Maturity Date	Par Amount	Cost	Fair Value[3]
Alera Group Intermediate Holdings, Inc.	Insurance	L+550	1.00%	6.50%	12/30/22	$ 5,184	$ 5,132	$ 5,132
American Teleconferencing Services, Ltd. (PGI)[4]	Communications Equipment	L+650	1.00%	7.50%	12/8/21	14,619	13,244	14,217
Associated Pathologists, LLC	Health Care Providers & Services	L+500	1.00%	6.00%	8/1/21	1,646	1,631	1,638
CIBT Holdings, Inc.	Professional Services	L+525	1.00%	6.25%	6/28/22	5,241	5,191	5,188
Empower Payments Acquisition, Inc. (RevSpring)	Professional Services	L+550	1.00%	6.50%	11/30/23	6,938	6,800	6,799
Falmouth Group Holdings Corp. (AMPAC)[4]	Chemicals	L+675	1.00%	7.75%	12/14/21	10,945	10,945	10,945
Pet Holdings ULC & Pet Supermarket, Inc.	Specialty Retail	L+550	1.00%	6.50%	7/5/22	9,075	8,947	8,962
Polycom, Inc.	Communications Equipment	L+650	1.00%	7.50%	9/27/23	11,605	11,152	11,547
PPT Management Holdings, LLC	Health Care Providers & Services	L+600	1.00%	7.00%	12/16/22	10,000	9,901	9,900
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+425	1.00%	5.25%	11/25/21	990	990	990
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+839	1.00%	9.39%	11/25/21	8,900	8,748	8,744
U.S. Anesthesia Partners Inc.	Health Care Providers & Services	L+500	1.00%	6.00%	12/31/19	4,988	4,938	4,938
VetCor Professional Practices LLC	Health Care Facilities	L+625	1.00%	7.25%	4/20/21	2,840	2,787	2,797
							$ 90,406	$ 91,797

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

(2) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of December 31, 2016.

(3) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Board s valuation process described elsewhere herein.

(4) The Company also holds this security on its Consolidated Statements of Assets and Liabilities.

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Below is certain summarized financial information for SSLP II as of September 30, 2017 and December 31, 2016, for the three and nine months ended September 30, 2017 and for the period August 5, 2016 (commencement of operations) through September 30, 2016:

	September 30, 2017	December 31, 2016 (audited)
Selected Balance Sheet Information for SSLP II (in thousands):		
Investments at fair value (cost $116,397 and $90,406, respectively)	$ 117,915	$ 91,797
Cash and other assets	3,863	1,670
Total assets	$ 121,778	$ 93,467
Debt outstanding	$ 49,188	$ 32,950
Payable for investments purchased	9,281	
Distributions payable	1,614	1,460
Interest payable and other credit facility related expenses	581	147
Accrued expenses and other payables	196	183
Total liabilities	$ 60,860	$ 34,740
Members equity	$ 60,918	$ 58,727
Total liabilities and members equity	$ 121,778	$ 93,467

	Three months ended September 30, 2017	For the period August 5, 2016 (commencement of operations) through September 30, 2016	Nine months ended September 30, 2017
Selected Income Statement Information for SSLP II (in thousands):			
Interest income	$ 2,363	$ 710	$ 6,616
Service fees*	$ 28	$ 9	$ 80
Interest and other credit facility expenses	558		1,496
Other general and administrative expenses	20	68	85
Total expenses	$ 606	$ 77	$ 1,661
Net investment income	$ 1,757	$ 633	$ 4,955
Realized gain on investments			46
Net change in unrealized gain (loss) on investments	(297)	1,218	128
Net realized and unrealized gain (loss) on investments	(297)	1,218	174
Net income	$ 1,460	$ 1,851	$ 5,129

* Service fees are included within the Company s Consolidated Statements of Operations as other income.

Stock Repurchase Programs

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

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

Critical Accounting Policies

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

Valuation of Portfolio Investments

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

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

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

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

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

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

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

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

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. However, in accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946, may be valued using net asset value as a practical expedient for fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation approaches to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company s ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the nine months ended September 30, 2017, there has been no change to the Company s valuation approaches or techniques and the nature of the related inputs considered in the valuation process.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

Valuation of Credit Facility and 2022 Unsecured Notes

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

Revenue Recognition

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

The typically higher yields and interest rates on PIK securities, to the extent we invested, reflects the payment deferral and increased credit risk associated with such instruments and that such investments may represent a significantly higher credit risk than coupon loans. PIK securities may have unreliable valuations because their

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continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. PIK interest has the effect of generating investment income and increasing the incentive fees payable at a compounding rate. In addition, the deferral of PIK interest also increases the loan-to-value ratio at a compounding rate. PIK securities create the risk that incentive fees will be paid to the Investment Adviser based on non-cash accruals that ultimately may not be realized, but the Investment Adviser will be under no obligation to reimburse the Company for these fees. For the three and nine months ended September 30, 2017, capitalized PIK income totaled $0.1 million and $0.2 million, respectively. For the three and nine months ended September 30, 2016, there was no capitalized PIK income.

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

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

Income Taxes

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

Recent Accounting Pronouncements

In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended rules (together, final rules) interned to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X was August 1, 2017. The Company has evaluated the impact that the adoption of the amendments to Regulation S-X on its consolidated financial statements and disclosures and determined that the adoption of the amendments to Regulation S-X has not had a material impact on its consolidated financial statements.

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows, which will amend FASB ASC 230. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact of ASU 2016-18 on its consolidated financial statements and disclosures.

In December 2016, the FASB issued ASU 2016-19, Technical Corrections and Improvements. As part of this guidance, ASU 2016-19 amends FASB ASC 820 to clarify the difference between a valuation approach and a valuation technique. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. ASU 2016-19 is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 on a prospective basis. The Company has evaluated the impact of ASU 2016-19 on its consolidated financial statements and disclosures and determined that the adoption of ASU 2016-19 has not had a material impact on its consolidated financial statements.

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

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

RESULTS OF OPERATIONS

Results comparisons are for the three and nine months ended September 30, 2017 and 2016:

Investment Income

For the three and nine months ended September 30, 2017, gross investment income totaled $36.1 million and $104.4 million, respectively. For the three and nine months ended September 30, 2016, gross investment income totaled $39.8 million and $115.2 million, respectively. The decrease in gross investment income for the year over year three and nine month periods was primarily due to an increase in the volume of prepayments and other exits which reduced the average size of the income-producing investment portfolio.

Expenses

Expenses totaled $18.8 million and $54.7 million, respectively, for the three and nine months ended September 30, 2017, of which $11.1 million and $32.4 million, respectively, were base management fees and performance-based incentive fees and $5.3 million and $16.0 million, respectively, were interest and other credit facility expenses. Administrative services and other general and administrative expenses totaled $2.4 million and $6.3 million, respectively, for the three and nine months ended September 30, 2017. Expenses totaled $22.8 million and $61.7 million, respectively, for the three and nine months ended September 30, 2016, of which $11.6 million and $34.6 million, respectively, were base management fees and performance-based incentive fees and $8.5 million and $19.1 million, respectively, were interest and other credit facility expenses. Administrative services and other general and administrative expenses totaled $2.7 million and $8.0 million, respectively, for the three and nine months ended September 30, 2016. Expenses generally consist of management and performance-based incentive fees, administrative services fees, insurance expenses, legal fees, directors fees, transfer agency fees, printing and proxy expenses, audit and tax services expenses, and other general and administrative expenses. Interest and other credit facility expenses generally consist of interest, unused fees, agency fees and loan origination fees, if any, among others. The decrease in expenses for the three and nine months ended September 30, 2017 versus the three and nine months ended September 30, 2016 was primarily due to lower management, performance-based incentive fees and interest expense on a smaller average portfolio size.

Net Investment Income

The Company s net investment income totaled $17.3 million and $49.7 million, or $0.41 and $1.18, per average share, respectively, for the three and nine months ended September 30, 2017. The Company s net investment income totaled $17.0 million and $53.5 million, or $0.40 and $1.26, per average share, respectively, for the three and nine months ended September 30, 2016.

Net Realized Gain (Loss)

The Company had investment sales and prepayments totaling approximately $56 million and $271 million, respectively, for the three and nine months ended September 30, 2017. Net realized losses over the same periods were $8.5 million and $8.1 million, respectively. The Company had investment sales and prepayments totaling approximately $273 million and $365 million, respectively, for the three and nine months ended September 30, 2016. Net realized gains over the same periods were $0.8 million and $0.7 million, respectively. Net realized losses for the three and nine months ended September 30, 2017 were primarily related to the exit of Direct Buy Inc. from the portfolio. Net realized gains for the three and nine months ended September 30, 2016 were related to the sale of select assets.

Net Change in Unrealized Gain (Loss)

For the three and nine months ended September 30, 2017, net change in unrealized gain on the Company s assets and liabilities totaled $8.4 million and $11.4 million, respectively. For the three and nine months ended September 30, 2016, net change in unrealized gain on the Company s assets and liabilities totaled $7.8 million and $34.8 million, respectively. Net unrealized gain for the three months ended September 30, 2017 is primarily due to the reversal of unrealized depreciation on our investment in Direct Buy Inc. due to its exit from the portfolio, as well as appreciation in the value of our investments in Breathe Technologies, Inc. and Aegis Toxicology Sciences Corporation, among others. Partially offsetting the net change in unrealized gain was depreciation on our investments in Rug Doctor, Kore Wireless Group, Inc., American Teleconferencing Services, Ltd. and Crystal Financial LLC, among others. Net unrealized gain for the nine months ended September 30, 2017 is primarily due to the reversal of unrealized depreciation on our investment in Direct Buy Inc. due to its exit from the portfolio, as well as appreciation in the value of our investments in Bishop Lifting Products, Inc., Breathe Technologies, Inc., Aegis Toxicology Sciences Corporation, and Senior Secured Unitranche Loan Program LLC, among others. Partially offsetting the net change in unrealized gain was unrealized depreciation on our investments in Rug Doctor and Kore Wireless Group, Inc., among others. Net unrealized gain for the three months ended September 30, 2016 is primarily due to appreciation in the value of our investments in Global Tel*Link Corporation, Bishop Lifting Products, Inc., and Senior Secured Unitranche Loan Program II LLC, among others. Partially offsetting the net change in unrealized gain was depreciation on our investments in Breath Technologies, Inc. and Rug Doctor, among others. Net unrealized gain for the nine months ended September 30, 2016 is primarily due to appreciation in the value of our investments in WireCo Worldgroup Inc., Crystal Financial, LLC, Global Tel*Link Corporation, Asurion, LLC, Rug Doctor, The Robbins Company and LegalZoom.com, Inc., among others. Partially offsetting the net change in unrealized gain was depreciation on our investments in Senior Secured Unitranche Loan Program LLC, Breathe Technologies, Inc. and Aegis Toxicology Sciences Corporation, among others.

Net Increase in Net Assets From Operations

For the three and nine months ended September 30, 2017, the Company had a net increase in net assets resulting from operations of $17.2 million and $53.1 million, respectively. For the same periods, earnings per average share were $0.41 and $1.26, respectively. For the three and nine months ended September 30, 2016, the Company had a net increase in net assets resulting from operations of $25.6 million and $89.0 million, respectively. For the same periods, earnings per average share were $0.61 and $2.11, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company s liquidity and capital resources are generated and generally available through its Credit Facility maturing in September 2021, through cash flows from operations, investment sales, prepayments of senior and subordinated loans, income earned on investments and cash equivalents, and periodic follow-on equity and/or debt offerings. As of September 30, 2017, we had a total of $220.0 million of unused borrowing capacity under the Credit Facility, subject to borrowing base limits.

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

On February 15, 2017, the Company closed a private offering of $100 million of the 2022 Unsecured Notes with a fixed interest rate of 4.60% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

On November 8, 2016, the Company closed a private offering of $50 million of the 2022 Unsecured Notes with a fixed interest rate of 4.40% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

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

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

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

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

Cash Equivalents

We deem certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities as cash equivalents. The Company makes purchases that are consistent with its purpose of making investments in securities described in paragraphs 1 through 3 of Section 55(a) of the 1940 Act. From time to time, including at or near the end of each fiscal quarter, we consider using various temporary investment strategies for our business. One strategy includes taking proactive steps by utilizing cash equivalents as temporary assets with the objective of enhancing our investment flexibility pursuant to Section 55 of the 1940 Act. More specifically, from time-to-time we may purchase U.S. Treasury bills or other high-quality, short-term debt securities at or near the end of the quarter and typically close out the position on a net cash basis subsequent to quarter end. We may also utilize repurchase agreements or other balance sheet transactions, including drawing down on our credit facilities, as deemed appropriate. The amount of these transactions or such drawn cash for this purpose is excluded from total assets for purposes of computing the asset base upon which the management fee is determined. We held approximately $200 million in cash equivalents as of September 30, 2017.

Debt

Unsecured Notes

On February 15, 2017, the Company closed a private offering of $100 million of the 2022 Unsecured Notes with a fixed interest rate of 4.60% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

On November 8, 2016, the Company closed a private offering of $50 million of the 2022 Unsecured Notes with a fixed interest rate of 4.40% and a maturity date of May 8, 2022. Interest on the 2022 Unsecured Notes is due semi-annually on May 8 and November 8. The 2022 Unsecured Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

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

Revolving & Term Loan Facility

On September 30, 2016, the Company entered into a second Credit Facility amendment. Post amendment, the Credit Facility was composed of $505 million of revolving credit and $50 million of term loans. Borrowings

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generally bear interest at a rate per annum equal to the base rate plus a range of 2.00-2.25% or the alternate base rate plus 1.00%-1.25%. The Credit Facility has no LIBOR floor requirement. The Credit Facility matures in September 2021 and includes ratable amortization in the final year. The Credit Facility may be increased up to $800 million with additional new lenders or an increase in commitments from current lenders. The Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Credit Facility contains certain financial covenants that among other things, requires the Company to maintain a minimum shareholder s equity and a minimum asset coverage ratio. The Company also pays issuers of funded term loans quarterly in arrears a commitment fee at the rate of 0.25% per annum on the average daily outstanding balance. On February 23, 2017, the Company prepaid its non-extending lenders and terminated their commitments, reducing total outstanding revolving credit commitments by $110 million to $395 million. At September 30, 2017, outstanding USD equivalent borrowings under the Credit Facility totaled $225 million, composed of $175 million of revolving credit and $50 million of term loans.

Senior Secured Notes

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

Certain covenants on our issued debt may restrict our business activities, including limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC under Subchapter M of the Code. At September 30, 2017, the Company was in compliance with all financial and operational covenants required by the Credit Facilities.

Contractual Obligations

A summary of our significant contractual payment obligations is as follows as of September 30, 2017:

Payments Due by Period (in millions)

	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Revolving credit facility[1]	$ 175.0	$	$	$ 175.0	$
Unsecured senior notes	250.0			150.0	100.0
Term Loans	50.0			50.0	

(1) As of September 30, 2017, we had a total of $220.0 million of unused borrowing capacity under our revolving credit facility, subject to borrowing base limits.

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

Class and Year	Total Amount Outstanding(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Revolving Credit Facility				