Solar Capital Ltd.
Form 497
November 08, 2012
Table of Contents

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.

Filed pursuant to Rule 497
Registration No. 333-172968

Subject to Completion

Preliminary Prospectus Supplement dated November 8, 2012

PROSPECTUS SUPPLEMENT

(to Prospectus dated July 10, 2012)

$

Solar Capital Ltd.

% Senior Notes due 2042

We are offering $ in aggregate principal amount of % senior notes due 2042, which we refer to as the Notes. The Notes will mature on November 15, 2042. We will pay interest on the Notes on February 15, May 15, August 15, and November 15 of each year, beginning on February 15, 2013. We may redeem the Notes in whole or in part at any time or from time to time on or after November 15, 2017, at the redemption price discussed under the caption Specific Terms of the Notes and the Offering Optional redemption in this prospectus supplement. The Notes will be issued in minimum denominations of $25 and integral multiples of $25 in excess thereof.

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

We intend to apply to list the Notes on The New York Stock Exchange. If the application is approved, we expect trading in the Notes on The New York Stock Exchange to begin within 30 days of the original issue date. The Notes are expected to trade flat. This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not included in the trading price. Currently, there is no public market for the Notes.

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

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

This 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. 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 Securities and Exchange Commission also maintains a website at *http://www.sec.gov* that contains such information. Information contained on our website is not incorporated by reference into this prospectus supplement and the accompanying prospectus, and you should not consider that information to be part of this prospectus supplement and the accompanying prospectus.

An investment in 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-18 of this prospectus supplement and page 17 of the accompanying prospectus to read about factors you should consider, including the risk of leverage, before investing in the Notes.

	Per Note	Total
Public offering price	%	$
Underwriting discount (sales load)	%	$
Proceeds to Solar Capital Ltd. (before expenses)(1)	%	$

(1) Before deducting expenses payable by us related to this offering, estimated at $200,000.

The public offering price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from November , 2012 and must be paid by the purchaser if the Notes are delivered after November , 2012.

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 November , 2012.

Joint Book-Running Managers

Citigroup

Morgan Stanley

Wells Fargo Securities

Deutsche Bank Securities

RBC Capital Markets

The date of this prospectus supplement is November , 2012.

Table of Contents

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

Table of Contents

Table of Contents

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.

Table of Contents

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 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	% Senior Notes due 2042
Initial aggregate principal amount being offered	$
Initial public offering price	100% of the aggregate principal amount
Principal payable at maturity	100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Paying Agent, Registrar and Transfer Agent for the Notes or at such other office in New York City as we may designate.
Type of Note	Fixed rate note
Listing	We intend to apply to list the Notes on The New York Stock Exchange. If the application is approved, we expect trading in the Notes on The New York Stock Exchange to begin within 30 days of the original issue date.
Interest rate	% per year
Day count basis	360-day year of twelve 30-day months
Original issue date	November , 2012
Stated maturity date	November 15, 2042
Date interest starts accruing	November , 2012
Interest payment dates	Every February 15, May 15, August 15, and November 15, commencing February 15, 2013. 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.

Table of Contents

Interest periods	The initial interest period will be the period from and including November , 2012, to, but excluding, the initial interest payment date of February 15, 2013, 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	Every February 1, May 1, August 1, and November 1, commencing February 1, 2013
Specified currency	U.S. Dollars
Place of payment	New York City
Ranking of Notes	The Notes will be Designated Senior Securities as defined in the Indenture governing the Notes. See Description of Our Debt Securities Indenture Provisions Subordination, in the accompanying prospectus. The Notes will be our direct unsecured obligations and will rank: *pari passu* with any of our future senior unsecured indebtedness; senior in right of payment to any of our future unsecured indebtedness that expressly provides it is subordinated to the Notes; effectively subordinated to all of our existing and future secured indebtedness (including indebtedness that is initially unsecured in respect of which we subsequently grant security), to the extent of the value of the assets securing such indebtedness, including without limitation, approximately $145 million aggregate principal amount of outstanding indebtedness as of November 6, 2012 under our $525 million senior secured revolving credit facility (the Senior Credit Facility), and $75 million aggregate principal amount of our 5.875% senior secured notes that mature on May 10, 2017 (the Senior Secured Notes) outstanding as of November 6, 2012, in each case to the extent of the value of the assets securing the Senior Credit Facility or the Senior Secured Notes; and structurally subordinated to all existing and future indebtedness and other obligations of any of our subsidiaries or financing vehicles, if any, including approximately $52.5 million aggregate principal amount of outstanding indebtedness as of November 6, 2012 under the $100 million senior secured credit facility (the Credit Facility II and, together with the Senior Credit Facility, the Credit Facilities) of our wholly owned subsidiary, Solar Capital Funding II, LLC (SC Funding II).
Denominations	We will issue the Notes in denominations of $25 and integral multiples of $25 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.

Table of Contents

Optional redemption	The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after November 15, 2017, upon not less than 30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of 100% of the principal amount to be redeemed plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to the date fixed for redemption.
	You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes.
	Any exercise of our option to redeem the Notes will be done in compliance with the Investment Company Act of 1940, as amended, and the rules, regulations and interpretations promulgated thereunder (collectively, the 1940 Act), to the extent applicable.
	If we redeem only some of the Notes, the Trustee will determine the method for selection of the particular Notes to be redeemed, in accordance with the 1940 Act to the extent applicable. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption. Under the Senior Credit Facility and the note purchase agreement for the Senior Secured Notes, we currently would not be permitted to exercise our optional redemption right without complying with certain repurchase conditions or obtaining the consent of the lenders.
Sinking fund	The Notes will not be subject to any sinking fund.
Repayment at option of Holders	Holders will not have the option to have the Notes repaid prior to the stated maturity date.
Defeasance and Covenant defeasance	The Notes are subject to defeasance and covenant defeasance by us. Under the Senior Credit Facility and the note purchase agreement for the Senior Secured 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.
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.

Table of Contents

Trustee, Paying Agent, Registrar and Transfer Agent	U.S. Bank National Association
Other covenants	In addition to the covenants described in the prospectus attached to this prospectus supplement, 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. 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 applicable United States generally accepted accounting principles.
Modifications to events of default	The following event of default, as described in the accompanying prospectus: We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur. with respect to the Notes has been revised to read as follows: We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days.

Table of Contents

Determination of voting rights	In addition to the voting rights described in the accompanying prospectus the following shall apply to the Notes: At any meeting of Note holders, each holder shall be entitled to one vote for each $25 principal amount of the outstanding Notes held by such holder.
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.

Table of Contents

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 you.

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). 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 and Solar Capital refer to Solar Capital LLC prior to the Solar Capital Merger, and Solar Capital Ltd. after the Solar Capital Merger. In addition, the terms Solar Capital Partners or investment adviser refer to Solar Capital Partners, LLC, and Solar Capital Management or the administrator refers to Solar Capital Management, LLC.

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

Solar Capital

Solar Capital Ltd., a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the 1940 Act. In addition, for tax purposes we 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). Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in senior unsecured notes (the Senior Unsecured Notes) to the existing Solar Capital LLC unit holders in connection with the Solar Capital Merger. Solar Capital Ltd. had no assets or operations prior to completion of the Solar Capital Merger and as a result, the books and records of Solar Capital LLC have become the books and records of the surviving entity. As of December 17, 2010, the Senior Unsecured Notes have been repaid from proceeds of a private placement transaction that we completed on November 30, 2010 and from borrowings under our credit facility established in December 2010.

We invest primarily in U.S. middle-market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle-market companies in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies that are thinly traded. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will

S-7

vary proportionately with the size of our capital base. We are managed by Solar Capital Partners. Solar Capital Management provides the administrative services necessary for us to operate. In addition, we may invest a portion of our portfolio in other types of investments, which we refer to as opportunistic investments, which are not our primary focus but are intended to enhance our overall returns. These investments may include, but are not limited to, direct investments in public companies that are not thinly traded and securities of leveraged companies located in select countries outside of the United States.

As of September 30, 2012, our long term investments totaled $1.17 billion and our net asset value was $877.6 million. Our portfolio was comprised of debt and equity investments in 41 portfolio companies and our income producing assets, which represented 93.8% of our total portfolio, had a weighted average annualized yield on a fair value basis of approximately 13.9%.

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, including senior team members Brian Gerson, Cedric Henley, David Mait and Suhail Shaikh. We refer to Messrs. Gross, Spohler, Gerson, Henley, Mait and Shaikh as Solar Capital Partners senior investment professionals. Solar Capital Partners investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries.

In addition, Solar Capital Partners presently serves as the investment adviser for Solar Senior Capital Ltd., or Solar Senior, a publicly traded business development company with more than $300 million of investable capital that invests in the senior debt securities of leveraged middle-market companies similar to those we intend to target for investment. The investment team led by Messrs. Gross and Spohler has invested in approximately 110 different portfolio companies for Solar Capital and Solar Senior, which investments involved an aggregate of approximately 90 different financial sponsors, through September 30, 2012. 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 6, 2012, Mr. Gross and Mr. Spohler beneficially owned, either directly or indirectly, approximately 5.5% and 5.3%, respectively, of our outstanding common stock.

Mr. Gross has 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 lending transactions. We also rely on the 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. In addition to Messrs. Gross and Spohler, Solar Capital Partners senior investment professionals include Messrs. Gerson, Henley, Mait and Shaikh, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target.

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

Table of Contents

Market Opportunity

Solar Capital invests primarily in senior secured 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.

Middle-market companies have faced increasing difficulty in accessing the capital markets. While many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies that historically financed their lending and investing activities through securitization transactions have lost that source of funding and reduced lending significantly. Moreover, consolidation 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. There is currently over $500 billion of uninvested private equity capital seeking debt financing to support acquisitions. We expect that middle-market private equity firms will continue to invest the approximately $185 billion raised since 2000 in middle-market companies and that those private equity firms will seek to support their investments with mezzanine loans from sources such as Solar Capital. Additionally, over $17.4 billion was raised by middle-market sponsors during 2011, which we believe demonstrates the continued appetite for middle-market acquisitions that require debt financing.

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.

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. In 2011, on average, the total debt to EBITDA ratio for middle-market leveraged buyouts (LBOs) was 4.3x, versus 5.4x for large capitalization LBOs. This reduced leverage provides further cushion for borrowers to meet debt service obligations.

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.

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.

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 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 25 years of experience in evaluating and executing leverage finance transactions. We believe that Messrs. Gross and Spohler have developed a strong reputation in the capital markets, and that this experience provides us with a competitive advantage in identifying and investing in leveraged companies with the potential to generate returns.

Table of Contents

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

Investment Portfolio

Our portfolio investments consist of portfolio companies that have strong cash flows and have maintained financial and operating performance despite the recent economic climate. As of September 30, 2012, 98.1% of our total portfolio value of income producing assets, measured at fair value, was comprised of performing assets.

Investment Capacity

The proceeds from our initial public offering and the Concurrent Private Placement, the borrowing capacity under our revolving credit facilities and our $75 million of senior secured 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, 2012, we had outstanding borrowings of $248.4 million. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors, as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. 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 believe the broad expertise of Solar Capital Partners senior investment team and their ability to draw upon their average of over 20 years of investment experience enable us to identify, assess and structure investments successfully. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation (Apollo) as well as the financial sponsor relationships Mr. Spohler developed while he was a co-head of CIBC World Markets U.S. Leveraged Finance Group.

Since its inception, Solar Capital Partners has sourced investments in approximately 110 different portfolio companies for both Solar Capital and Solar Senior, collectively, which investments involved an aggregate of approximately 90 different financial sponsors, through September 30, 2012.

Versatile Transaction Structuring and Flexibility of Capital

We believe Solar Capital Partners senior investment team s broad expertise and ability to draw upon its extensive experience enable us to identify, assess and structure investments successfully across all levels of a company s capital structure and to manage potential risk and return at all stages of the economic cycle. 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

Table of Contents

structures and, in some cases, the types of securities in which we invest. We believe financial sponsors, management teams and investment banks see this flexibility as a benefit, making us an attractive financing partner.

Emphasis on Achieving Strong Risk-Adjusted Returns

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

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

Deep Industry Focus with Substantial Information Flow

We concentrate our investing activities in industries characterized by strong cash flow and in which Solar Capital Partners investment professionals have deep investment experience. During his time with the Apollo entities, Mr. Gross oversaw investments in over 200 companies in 20 industries. As a result of their investment experience, Messrs. Gross and Spohler, together with Solar Capital Partners other senior investment professionals, have long-term relationships with management consultants and management teams in the industries we target, as well as substantial information concerning those industries.

Longer Investment Horizon

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

Risk Factors

The value of our assets, as well as the market price of the Notes, 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 any secured indebtedness we have currently incurred or may incur in the future;

Table of Contents

- The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries;
- The indenture under which the Notes will be issued will contain limited protection for holders of the Notes;
- The optional redemption provision may materially adversely affect your 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. If a rating agency assigns the Notes a non-investment grade rating, the Notes may be subject to greater price volatility than similar securities without such a rating;
- We operate in a highly competitive market for investment opportunities;
- The lack of liquidity in our investments may adversely affect our business;
- We may borrow money, which would magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us;
- To the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income;
- There will be uncertainty as to the value of our portfolio investments;
- We may experience fluctuations in our quarterly results;
- We will become subject to corporate-level income tax on all of our income if we are unable to continue to qualify as a regulated investment company, or RIC, under Subchapter M of the Code, which would have a material adverse effect on our financial performance;
- We are dependent upon Solar Capital Partners key personnel for our future success; and
- Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital. As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

See Risk Factors beginning on page S-18 of this prospectus supplement and page 17 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. 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 Material U.S. Federal Income Tax Considerations in the accompanying prospectus.

Table of Contents

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

Our Corporate Information

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

Table of Contents

SELECTED FINANCIAL AND OTHER DATA

The selected financial and other data below should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto. Financial information is presented for the fiscal years ended December 31, 2011, 2010, 2009 and 2008 and for the period from March 13, 2007 (Solar Capital LLC inception) through December 31, 2007. Financial information for the periods ending December 31, 2011, 2010, 2009, 2008 and 2007 has been derived from our audited financial statements. The financial information at and for the nine months ended September 30, 2012 was derived from our unaudited financial statements and related notes. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods, have been included. Our results for the interim period may not be indicative of our results for the full year. See Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and Senior Securities in the accompanying prospectus for more information.

($ in thousands, except per share data)	Nine Months ended September 30, 2012 (unaudited)	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Period from March 13, 2007 (inception) through December 31, 2007
Income statement data:						
Total investment income	$ 111,788	$ 138,900	$ 124,641	$ 109,670	$ 133,959	$ 78,455
Total expenses	$ 54,062	$ 56,996	$ 55,429	$ 42,408	$ 46,560	$ 25,461
Net investment income	$ 57,726	$ 81,904	$ 69,212	$ 67,262	$ 87,399	$ 52,994
Net realized loss	$ (9,633)	$ (2,393)	$ (38,968)	$ (264,898)	$ (937)	$ (10,489)
Net change in unrealized gain (loss)	$ 44,370	$ (18,196)	$ 111,641	$ 284,572	$ (492,290)	$ 6,595
Net increase (decrease) in net assets resulting from operations	$ 92,463	$ 61,315	$ 141,885	$ 86,936	$ (405,828)	$ 49,100
Other data (unaudited):						
Weighted average annualized yield on income producing investments:						
On fair value(1)(4)	13.9%	14.2%	14.3%	14.8%	17.1%	12.9%
On cost(2)(4)	13.9%	13.2%	13.8%	13.7%	11.9%	12.7%
Number of portfolio companies at period end(4)	41	42	36	36	44	38

Balance sheet data:	As of September 30, 2012 (unaudited)	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Total investment portfolio	$ 1,170,627	$ 1,045,043	$ 976,221	$ 863,140	$ 768,215	$ 1,178,736
Total cash and cash equivalents	$ 13,048	$ 11,787	$ 288,732	$ 5,675	$ 65,841	$ 169,692
Total assets	$ 1,200,160	$ 1,079,431	$ 1,291,791	$ 885,421	$ 873,026	$ 1,396,545
Revolving credit facilities	$ 123,362	$ 201,355	$ 400,000	$ 88,114	$	$
Senior secured notes	$ 75,000	$	$	$	$	$
Term Loan	$ 50,000	$ 35,000	$ 35,000	$	$	$
Net assets	$ 877,603	$ 805,941	$ 826,994	$ 697,903	$ 852,673	$ 1,258,501
Per share data:(3)						
Net asset value per share	$ 22.70	$ 22.02	$ 22.73	$ 21.24	$ 25.95	$ 38.30
Net investment income	$ 1.57	$ 2.25	$ 2.08	$ 2.05	$ 2.66	$ 1.62
Net realized and unrealized gain (loss)	$ 0.95	$ (0.57)	$ 2.19	$ 0.60	$ (15.01)	$ (0.12)
Dividends and distributions declared	$ 1.83	$ 2.40	$ 2.14	$ 7.36	$	$

(1) Throughout this document, the weighted average yield on income producing investments is computed as the (a) annual stated interest on accruing loans and debt securities plus the annual amortization of loan origination fees, original issue discount, and market discount on accruing loans and debt securities, plus the

effective interest yield on preferred shares divided by (b) total income producing investments at fair value. The weighted average yield is computed as of the balance sheet date and excludes assets on non-accrual status or on a cost recovery basis as of such date.

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

(3) The number of shares used to calculate weighted average shares for use in computations on a per share basis has been decreased retroactively by a factor of approximately 0.4022 for all periods prior to February 9, 2010. This factor represents the effective impact of the reduction in shares resulting from the Solar Capital Merger. The per-share calculations are based on 32,860,454 weighted average shares outstanding as of and for the years and period ended December 31, 2009, 2008, and 2007, 36,383,158 shares outstanding and 33,258,402 weighted average shares outstanding for the year ended December 31, 2010, and 36,608,038 shares outstanding and 36,470,384 weighted average shares outstanding for the year ended December 31, 2011.

(4) Unaudited.

Selected Quarterly Financial Data (Unaudited)

(dollar amounts in thousands, except per share data)

	2012		
	Q3	**Q2**	**Q1**
Total investment income	$ 40,646	$ 34,833	$ 36,309
Net investment income	$ 22,258	$ 14,369	$ 21,099
Net realized and unrealized gain (loss)	$ 7,985	$ 1,693	$ 25,059
Net increase (decrease) in net assets resulting from operations	$ 30,243	$ 16,062	$ 46,158
Earnings per share(1)	$ 0.82	$ 0.44	$ 1.26
Net asset value per share at the end of the quarter(2)	$ 22.70	$ 22.51	$ 22.68

	2011			
	Q4	**Q3**	**Q2**	**Q1**
Total investment income	$ 35,994	$ 35,329	$ 35,283	$ 32,294
Net investment income	$ 20,675	$ 20,711	$ 21,368	$ 19,150
Net realized and unrealized gain (loss)	$ 31,182	$ (72,655)	$ (8,984)	$ 29,868
Net increase (decrease)in net assets resulting from operations	$ 51,857	$ (51,944)	$ 12,384	$ 49,018
Earnings per share(3)	$ 1.42	$ (1.42)	$ 0.34	$ 1.35
Net asset value per share at the end of the quarter(4)	$ 22.02	$ 21.20	$ 23.22	$ 23.48

	2010			
	Q4	**Q3**	**Q2**	**Q1**
Total investment income	$ 31,644	$ 29,403	$ 28,284	$ 35,310
Net investment income (loss)	$ 17,384	$ 15,551	$ 15,166	$ 21,111
Net realized and unrealized gain (loss)	$ 24,974	$ 5,458	$ 1,348	$ 40,893
Net increase (decrease) in net assets resulting from operations	$ 42,358	$ 21,009	$ 16,514	$ 62,004
Earnings per share(5)	$ 1.24	$ 0.63	$ 0.50	$ 1.90
Net asset value per share at the end of the quarter(6)	$ 22.73	$ 22.09	$ 22.07	$ 22.18

Table of Contents

	2009			
	Q4	**Q3**	**Q2**	**Q1**
Total investment income	$ 28,456	$ 27,785	$ 25,252	$ 28,177
Net investment income (loss)	$ 17,685	$ 16,383	$ 16,099	$ 17,095
Net realized and unrealized gain (loss)	$ 22,271	$ 22,181	$ 17,899	$ (42,677)
Net increase (decrease) in net assets resulting from operations	$ 39,956	$ 38,564	$ 33,998	$ (25,582)
Earnings per share(7)	$ 1.23	$ 1.17	$ 1.03	$ (0.78)
Net asset value per share at the end of the quarter(8)	$ 21.24	$ 22.30	$ 23.61	$ 22.57

(1) Based on 36,948,921, 36,639,037 and 36,608,038 weighted average shares of Solar Capital Ltd. outstanding during the third, second and first quarters of 2012, respectively.

(2) Based on 38,667,196, 36,640,094 and 36,608,038 shares of Solar Capital Ltd. outstanding as of the end of the third, second and first quarters of 2012, respectively.

(3) Based on 36,552,979, 36,498,451, 36,444,775 and 36,383,158 weighted average shares of Solar Capital Ltd. outstanding during the fourth, third, second and first quarters of 2011, respectively.

(4) Based on 36,608,038, 36,501,373, 36,447,607 and 36,383,158 shares of Solar Capital Ltd. outstanding as of the end of the fourth, third, second and first quarters of 2011, respectively.

(5) Based on 34,267,088, 33,165,867, 33,029,516 and 32,553,322 weighted average shares of Solar Capital Ltd. outstanding during each of the fourth, third, second and first quarters of 2010, respectively.

(6) Based on 36,383,158, 33,168,872, 33,030,641 and 32,928,257 shares of Solar Capital Ltd. outstanding as of the end of the fourth, third, second and first quarter of 2010, respectively.

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

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

Table of Contents

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, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, would, should, targets, projects, and variations of these words and similar expressions are intended to identify forward-l statements.

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 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 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.

Table of Contents

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 might also impair 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, our net asset value and the market price 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 have currently incurred 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 to any secured indebtedness we or our subsidiaries have currently incurred 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 November 6, 2012, outstanding secured indebtedness under our revolving credit facilities, the term loan and the Senior Secured Notes was $147.5 million, $50 million and $75 million, respectively.

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, including our debt under the Credit Facility II, and secured by certain assets of such subsidiaries. The assets of such subsidiaries, including the assets of SC Funding II, 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. As of November 6, 2012, there was approximately $52.5 million aggregate principal amount of outstanding indebtedness under the Credit Facility II. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Notes.

The indenture under which the Notes will be issued will contain limited protection for holders of the Notes.

The indenture under which the Notes will be issued 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;

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.

In addition, the indenture will not require us to offer to purchase the Notes in connection with a change of control or any other event.

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. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

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

The Notes are redeemable in whole or in part upon certain conditions at any time or from time to time at our option on or after November 15, 2017. We may choose to redeem the Notes at times when prevailing interest rates are lower than the interest rate paid on the Notes. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the Notes being redeemed.

Table of Contents

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

We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC. Additionally, should we fail to qualify as a RIC, we would be subject to corporate-level taxes on all of our taxable income. The imposition of corporate-level taxes could adversely affect our cash flow and consequently adversely affect our ability 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. If a rating agency assigns the Notes a non-investment grade rating, the Notes may be subject to greater price volatility than similar securities without such a rating.

The Notes are a new issue of debt securities with no currently-established trading market. We intend to apply to list the Notes on The New York Stock Exchange. If the application is approved, we expect trading in the Notes on The New York Stock Exchange to begin within 30 days of the original issue date. Although we expect the Notes to be listed on The New York Stock Exchange, we cannot provide any assurances that an active trading market will develop for the Notes or that you will be able to sell your Notes. 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. If a rating agency assigns the Notes a non-investment grade rating, the Notes may be subject to greater price volatility than securities of similar maturity without such a non-investment grade rating. 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.

Table of Contents

CAPITALIZATION

The following table sets forth the actual capitalization of Solar Capital Ltd. at September 30, 2012.

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.

	As of September 30, 2012 Solar Capital Ltd. Actual (unaudited) (in thousands)
Assets:	
Cash and cash equivalents	$ 13,048
Investments at fair value	$ 1,170,627
Other assets	$ 16,485
Total assets	$ 1,200,160
Liabilities(1):	
Revolving credit facilities	$ 123,362
Senior secured notes	$ 75,000
Term loan	$ 50,000
Other Liabilities	$ 74,195
Total Liabilities	$ 322,557
Net Assets:	
Common stock, par value $0.01 per share; 200,000,000 shares authorized, 38,667,196 shares issued and outstanding	$ 387
Paid-in capital in excess of par value	$ 974,507
Total Net Assets	$ 877,603

(1) The above table reflects the carrying value of indebtedness outstanding as of September 30, 2012. As of November 6, 2012, outstanding indebtedness under our revolving credit facilities, the term loan and the Senior Secured Notes was $147.5 million, $50 million and $75 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 revolving credit facilities and for general corporate purposes. See Use of Proceeds in this prospectus supplement.

Table of Contents

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 $200,000 payable by us.

We expect to use the net proceeds from this offering to pay down outstanding indebtedness under our revolving credit facilities, and for general corporate purposes, including working capital requirements. However, through reborrowing under our revolving credit facilities, we intend to make investments in debt or equity securities consistent with our investment objective, acquisitions and other general corporate purposes. 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 Senior Credit Facility, which matures in July 2016 and generally bears interest at LIBOR plus 2.50%, we had $145 million outstanding as of November 6, 2012. Under the Credit Facility II, which matures in December 2015 and generally bears interest at LIBOR plus 2.75%, there was $52.5 million outstanding as of November 6, 2012. Under the Senior Secured Notes, which mature in May 2017 and bear interest at a fixed interest rate of 5.875%, we had $75 million outstanding as of November 6, 2012. For additional information regarding the Credit Facilities and the Senior Secured Notes, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.

Affiliates of the underwriters are lenders under our revolving credit facilities. Accordingly, affiliates of certain of the underwriters may receive more than 5% of the net proceeds of this offering to the extent such proceeds are used to repay outstanding indebtedness under our revolving credit facilities.

We estimate that it will take three to six months for us to substantially invest the net proceeds of this offering in new investments, depending on the availability of attractive opportunities and market conditions. However, we can offer no assurance that we will be able to achieve this goal. We expect that it may take more than three months to invest all of the net proceeds of this offering, in part because investments in private companies often require substantial research and due diligence.

Pending these uses, we will invest such net proceeds primarily in cash, cash equivalents, and U.S. government securities and other high-quality debt investments that mature in one year or less. The management fee payable by us to our investment adviser will not be reduced while our assets are invested in such securities.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

Solar Capital, a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for tax purposes we have elected to be treated as a RIC under Subchapter M of the Code. In February 2010, we completed our initial public offering and a concurrent private offering of shares to management.

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

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

As of September 30, 2012, our investments totaled $1.17 billion and our net asset value was $877.6 million. Our portfolio was comprised of debt and equity investments in 41 portfolio companies and our income producing assets, which represented 93.8% of our total portfolio at fair value, had a weighted average annualized yield on a fair value basis of approximately 13.9%.

Recent Developments

Dividend

On November 1, 2012, our board of directors declared a quarterly dividend of $0.60 per share payable on January 3, 2013 to holders of record as of December 20, 2012. We expect the dividend to be paid from taxable earnings with specific tax characteristics reported to stockholders after the end of the calendar year.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies.

Table of Contents

Valuation of Portfolio Investments

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

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

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

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

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

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

- private placements and restricted securities that do not have an active trading market;

- securities whose trading has been suspended or for which market quotes are no longer available;
- debt securities that have recently gone into default and for which there is no current market;
- securities whose prices are stale;
- securities affected by significant events; and
- securities that the investment adviser believes were priced incorrectly.

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

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

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access (examples include active exchange-traded equity securities, exchange-traded derivatives, and most U.S. Government and agency securities).

Table of Contents

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

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

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

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

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

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain of our private debt and equity investments) and long-dated or complex derivatives (including certain equity and currency derivatives).

Fair Value Measurements

As of September 30, 2012

	Level 1	Level 2	Level 3	Total
Assets:				
Bank Debt/Senior Secured Loans		25,920	450,597	476,517
Subordinated Debt / Corporate Notes		30,076	464,518	494,594
Preferred Equity			147,852	147,852
Common Equity / Partnership Interests / Warrants	6,340		45,324	51,664
Derivative assets interest rate caps		30		30
Liabilities:				
The Facility and Private Notes			210,907	210,907

At September 30, 2012, the fair value of investments classified as Level 3 was approximately $1,108 million or 92.3% of total assets. There were no investments transferred in or out of Level 3 during the 3rd quarter of 2012.

Revenue Recognition

Our revenue recognition policies are as follows:

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

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

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

Payment-in-Kind Interest

We have investments in our portfolio which contain a PIK interest provision. Over time, PIK interest increases the principal balance of the investment, but is recorded as interest income. For us to maintain our status as a RIC, substantially all of this income must be paid out to stockholders in the form of dividends, even though we have not currently collected cash with respect to the PIK interest.

New Accounting Pronouncements and Accounting Standards Updates

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 was issued concurrently with International Financial Reporting Standards No. 13 (IFRS 13), Fair Value Measurements, to provide largely identical guidance about fair value measurement and disclosure requirements as is currently required under ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820). The new standards did not extend the use of fair value but, rather, provided guidance about how fair value should be applied where it already is required or permitted under IFRS or GAAP. For GAAP, most of the changes were clarifications of existing guidance or wording changes to align with IFRS 13. ASU 2011-04 eliminated the concepts of in-use and in-exchange when measuring fair value of all financial instruments. For Level 3 fair value measurements, the ASU requires that our disclosure include quantitative information about significant unobservable inputs, a qualitative discussion about the sensitivity of the fair value measurement to changes in the unobservable inputs and the interrelationship between inputs, and a description of our valuation process. Public companies were required to apply ASU 2011-04 prospectively for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a significant impact on the Company s financial statements or its disclosures.

Portfolio Investments

The total value of our investments was approximately $1.17 billion and $1.05 billion at September 30, 2012 and December 31, 2011, respectively. During the three months ended September 30, 2012, we invested approximately $27.2 million in two new portfolio companies and $0.2 million in one existing portfolio company. During the nine months ended September 30, 2012, we originated approximately $191.8 million of investments in seven new portfolio companies and approximately $89.9 million was invested in six existing portfolio companies.

In certain instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we may receive repayments of certain debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. Our portfolio activity may reflect sales of securities. For the three months ended September 30, 2012, we had approximately $64.5 million in debt investments repaid as well as $7.0 million of investments sold. For the nine months ended September 30, 2012, we had approximately $176.7 million in debt investments repaid and sales of securities of approximately $36.4 million.

At September 30, 2012, we had investments in 41 portfolio companies that include debt and preferred securities in 37 portfolio companies, totaling approximately $1.12 billion, and equity investments in seven portfolio companies, totaling approximately $51.7 million. At

December 31, 2011, we had investments in 42 portfolio companies that include debt and preferred securities of 34 portfolio companies, totaling approximately $973.9 million, and equity investments in seven portfolio companies, totaling approximately $71.1 million.

Table of Contents

The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	$ 484,350	$ 476,517	$ 426,201	$ 412,396
Subordinated Debt/Corporate Notes	508,558	494,594	604,157	546,859
Preferred Equity	148,921	147,852	15,107	14,664
Common Equity/Partnership Interests/Warrants	88,430	51,664	107,108	71,124
Total	$ 1,230,259	$ 1,170,627	$ 1,152,573	$ 1,045,043

As of September 30, 2012, the Company had two non-accrual assets with a total market value of $20,725. As of December 31, 2011, there was one non-accrual asset with a market value of $5,875.

As of September 30, 2012 and December 31, 2011, the weighted average yield on income producing investments in our portfolio based on fair market value was approximately 13.9% and 14.2%, respectively. The weighted average yield on income producing investments in our portfolio based on cost was approximately 13.9% and 13.2%, respectively.

Results of Operations for the Three and Nine Months Ended September 30, 2012 compared to the Three and Nine Months Ended September 30, 2011

Investment Income

For the three and nine months ended September 30, 2012, gross investment income totaled $40.6 million and $111.8 million, respectively. For the three and nine months ended September 30, 2011, gross investment income totaled $35.3 million and $102.9 million, respectively. The increase in gross investment income for the three and nine months ended September 30, 2012 as compared to the three and nine months ended September 30, 2011 was primarily due to a larger average earning asset base partially offset by a slightly lower weighted average yield on the comparative portfolios.

Expenses

Total expenses, including income taxes, totaled $18.4 million and $54.0 million, respectively, for the three and nine months ended September 30, 2012, of which $11.6 million and $31.5 million, respectively, were base management fees and performance-based incentive fees and $3.5 million and $15.2 million, respectively, were interest and other debt expenses. Administrative services and other general and administrative expenses totaled $3.2 million and $7.0 million, respectively, for the three and nine months ended September 30, 2012. Total expenses, including income taxes, totaled $14.6 million and $41.7 million, respectively, for the three and nine months ended September 30, 2011, of which $10.5 million and $30.6 million, respectively, were base management fees and performance -based incentive fees and $2.2 million and $6.2 million, respectively, were interest and other debt expenses. Administrative services and other general and administrative expenses totaled $1.6 million and $4.1 million, respectively, for the three and nine months ended September 30, 2011. Expenses consist of base investment advisory and management fees, insurance expenses, administrative services fees, legal fees, directors fees, audit and tax services expenses, and other general and administrative expenses. The increase in expenses from the September 2012 periods to the September 2011 periods was primarily due to an increase in interest and related expenses associated with the establishment of a new credit facility and the issuance of the Senior Secured Notes, together with a larger average outstanding debt balance relative to comparative periods. In addition, higher administrative services and other general and administrative expenses were primarily related to higher legal, insurance and tax services expense.

Table of Contents

Net Investment Income

The Company s net investment income totaled $22.3 million and $57.7 million, or $0.60 and $1.57, on a per average share basis, respectively, for the three and nine months ended September 30, 2012. The Company s net investment income totaled $20.7 million and $61.2 million, or $0.57 and $1.68 on a per average share basis, respectively, for the three and nine months ended September 30, 2011.

Net Realized Gains (Losses)

Net realized gains (losses) for the three and nine months ended September 30, 2012 were $0.4 million and ($9.6) million, respectively. For the three and nine months ended September 30, 2011, net realized gains (losses) totaled $2.1 million and ($2.3) million, respectively. Net realized gains were not significant for the three months ended September 30, 2012 but net realized losses for the nine month period ended September 30, 2012 were primarily derived from the recapitalization of our investment in DSW Group and select sales of a portion of our holdings of NXP Semiconductors. Realized losses incurred upon the exit of these investments reversed out previously reported unrealized losses. Net realized gains and net realized losses for the three and nine months ended September 30, 2011, respectively, were primarily derived from selected exits of outperforming and underperforming investments.

Net Unrealized Appreciation (Depreciation) on Investments, Foreign Currencies and Derivatives

For the three and nine months ended September 30, 2012, the net change in unrealized appreciation (depreciation) on the Company s investments, cash equivalents, foreign currencies and other assets and liabilities totaled $7.6 million and $44.4 million, respectively. For the three and nine months ended September 30, 2011, the net change in unrealized appreciation (depreciation) on the Company s investments, cash equivalents, foreign currencies and other assets and liabilities totaled ($74.8) million and ($49.4) million, respectively. For the three and nine months ended September 30, 2012, unrealized appreciation was derived from a general tightening of credit spreads and modestly improved overall health of the investment portfolio. For the three and nine months ended September 30, 2011, unrealized depreciation was derived from a temporary spike in credit spreads and generally weaker market conditions during the period.

Net Increase (Decrease) in Net Assets Resulting From Operations

For the three and nine months ended September 30, 2012, the Company had a net increase in net assets resulting from operations of $30.2 million and $92.5 million, respectively. For the three months ended September 30, 2011, the Company had a net decrease in net assets resulting from operations of $51.9 million. For the nine months ended September 30, 2011, the Company had a net increase in net assets resulting from operations of $9.5 million. For the three and nine months ended September 30, 2012 earnings per average share were $0.82 and $2.52, respectively. Losses per average share were $1.42 for the three months ended September 30, 2011. For the nine months ended September 30, 2011, earnings per average share totaled $0.26.

Liquidity and Capital Resources

The Company s liquidity and capital resources are generated and generally available through the Credit Facilities, through cash flows from operations, investment sales, repayments of senior and subordinated loans, income earned on investments and cash equivalents, and we expect periodic follow-on equity and/or debt offerings. We may from time to time issue such securities in either public or private offerings. The issuance of debt or equity 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 use 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.

Table of Contents

On August 23, 2012, the Company entered into its most recent follow-on public equity offering of 2.0 million shares of common stock at $22.51 per share raising approximately $45.0 million in proceeds. In the future, the Company may raise additional equity or debt capital, among other considerations.

At September 30, 2012 and December 31, 2011, we had cash and cash equivalents of approximately $13.0 million and $11.8 million, respectively. Cash (used) and provided by operating activities for the nine months ended September 30, 2012 and 2011 was approximately ($15.7) million and $30.9 million, respectively. We expect that all current liquidity needs will be met with cash flows from operations and other activities.

Credit Facilities and Senior Secured Notes In June 2012, Solar Capital Ltd. entered into the Senior Credit Facility, which was then comprised of $450 million of multi-currency revolving credit and a $35 million term loan. In August 2012, the Company added $40 million under the Senior Credit Facility s accordion feature split $25 million in revolving credit commitments and $15 million in a term loan. Borrowings bear interest at a rate per annum equal to the base rate plus 2.50% or the alternate base rate plus 1.50% and has no LIBOR floor requirement. The increased Senior Credit Facility matures in July 2016 and includes a ratable amortization in the fourth year. With additional new lenders or the increase in commitments of current lenders, the Senior Credit Facility may be increased up to $800 million. The Senior Credit Facility contains certain customary affirmative and negative covenants and events of default. In addition, the Senior Credit Facility contains certain financial covenants that among other things, require the Company to maintain a minimum shareholder s equity and a minimum asset coverage ratio. The Company will also pay issuers of term loans quarterly in arrears a commitment fee at the rate of 0.25% per annum on the average daily outstanding balance. In conjunction with the establishment of the Senior Credit Facility, a predecessor facility and term loan were retired.

On May 10, 2012, the Company closed a private offering of $75,000 of the Senior Secured Notes with a fixed interest rate of 5.875% and a maturity date of May 10, 2017. Interest on the Senior Secured Notes is due semi-annually on May 10^{th} and November 10^{th}. 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 December 17, 2010, we established the Credit Facility II with Wells Fargo Securities, LLC acting as administrative agent. In connection with the Credit Facility II, our wholly-owned financing subsidiary, SC Funding II, as borrower, entered into a Loan and Servicing Agreement whereby we transferred certain loans we have originated or acquired or will originate or acquire from time to time to SC Funding II via a Purchase and Sale Agreement. The Credit Facility II, as amended, among other things, matures on December 17, 2015 and generally bears interest based on LIBOR plus 2.75%. The Credit Facility II is secured by all of the assets held by SC Funding II. Under the Credit Facility II, Solar and SC Funding II, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. The Credit Facility II includes usual and customary events of default for credit facilities of this nature.

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

Contractual Obligations

A summary of our significant contractual payment obligations is as follows as of September 30, 2012:

(in millions)	Total	Payments Due by Period Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Senior secured revolving credit facilities(1)	$ 123.4	$	$	$ 123.4	$
Senior Secured Notes	$ 75.0	$	$	$ 75.0	$
Term Loan	$ 50.0	$	$	$ 50.0	$

Table of Contents

(1) As of September 30, 2012, we had approximately $452 million of unused borrowing capacity under our credit facilities.

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

Off-Balance Sheet Arrangements

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

Distributions and Dividends

The following table reflects the cash distributions, including dividends and returns of capital, if any, per share that we have declared on our common stock since our initial public offering:

Date Declared	Record Date	Payment Date	Amount
Fiscal 2012			
November 1, 2012	December 20, 2012	January 3, 2013	$ 0.60
July 31, 2012	September 20, 2012	October 2, 2012	$ 0.60
May 1, 2012	June 19, 2012	July 3, 2012	0.60
February 22, 2012	March 20, 2012	April 3, 2012	0.60
Total 2012			$ 2.40
Fiscal 2011			
November 1, 2011	December 15, 2011	December 29, 2011	$ 0.60
August 2, 2011	September 20, 2011	October 4, 2011	0.60
May 2, 2011	June 17, 2011	July 5, 2011	0.60
March 1, 2011	March 17, 2011	April 4, 2011	0.60
Total 2011			$ 2.40
Fiscal 2010			
November 2, 2010	December 17, 2010	December 30, 2010	$ 0.60
August 3, 2010	September 17, 2010	October 4, 2010	0.60
May 4, 2010	June 17, 2010	July 2, 2010	0.60
January 26, 2010	March 18, 2010	April 1, 2010	0.34*

Total 2010	$ 2.14

* Partial period dividend of $0.60 per share prorated for the number of days that remained in the quarter after our initial public offering.

Table of Contents

Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of each calendar year. Future quarterly dividends, if any, will be determined by our board of directors.

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

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

Related Parties

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

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

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

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

Solar Capital Partners, LLC and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with ours. For example, Solar Capital Partners, LLC presently serves as investment adviser to Solar Senior Capital Ltd., a publicly traded BDC, which to focuses on investing primarily in senior secured loans, including first lien, unitranche and second lien debt instruments. In addition, Michael S. Gross, our chairman and chief executive officer, Bruce Spohler, our chief operating officer, and Richard Peteka, our chief financial officer, serve in similar capacities for Solar Senior Capital Ltd.

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

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

Table of Contents

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a general summary of the material United States federal income tax considerations (and, in the case of a non-U.S. holder (as specifically defined for United States federal estate tax purposes), the material United States federal estate tax consequences) applicable to an investment in the Notes. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. The discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, and administrative and judicial interpretations, each as of the date of this prospectus supplement and all of which are subject to change, potentially with retroactive effect. You should consult your own tax advisor with respect to tax considerations that pertain to your purchase, ownership and disposition of our Notes.

This discussion deals only with Notes held as capital assets within the meaning of Section 1221 of the Code and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, controlled foreign corporations and passive foreign investment companies (and shareholders of such corporations), dealers in securities or currencies, traders in securities, former citizens of the United States, persons holding the Notes as a position in a straddle, hedge, constructive sale transaction or conversion transaction for tax purposes, entities that are tax-exempt for United States federal income tax purposes, retirement plans, individual retirement accounts, tax-deferred accounts, persons subject to the alternative minimum tax, pass-through entities (including partnerships and entities and arrangements classified as partnerships for United States federal income tax purposes) and beneficial owners of pass-through entities, or U.S. holders (as defined below) whose functional currency is not the U.S. dollar. It also does not deal with beneficial owners of the Notes other than original purchasers of the Notes who acquire the Notes in this offering for a price equal to their original issue price (*i.e.*, the first price at which a substantial amount of the notes is sold other than to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). If you are considering purchasing the Notes, you should consult your own tax advisor concerning the application of the United States federal tax laws to you in light of your particular situation, as well as any consequences to you of purchasing, owning and disposing of the Notes under the laws of any other taxing jurisdiction.

For purposes of this discussion, the term U.S. holder means a beneficial owner of a Note that is, for United States federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) a trust (a) subject to the control of one or more United States persons and the primary supervision of a court in the United States, or (b) that has a valid election (under applicable Treasury Regulations) to be treated as a United States person, or (iv) an estate the income of which is subject to United States federal income taxation regardless of its source. The term non-U.S. holder means a beneficial owner of a Note that is neither a U.S. holder nor a partnership (including an entity or arrangement treated as a partnership for United States federal income tax purposes). An individual may, subject to exceptions, be deemed to be a resident alien, as opposed to a non-resident alien, by, among other ways, being present in the United States (i) on at least 31 days in the calendar year, and (ii) for an aggregate of at least 183 days during a three-year period ending in the current calendar year, counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year. Resident aliens are subject to United States federal income tax as if they were United States citizens.

If a partnership (including an entity or arrangement treated as a partnership for United States federal income tax purposes) holds any Notes, the United States federal income tax treatment of a partner of the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Partners of partnerships holding Notes should consult their own tax advisors.

Table of Contents

Taxation of Note Holders

Under present law, we are of the opinion that the Notes will constitute indebtedness of us for United States federal income tax purposes, which the below discussion assumes. We intend to treat all payments made with respect to the Notes consistent with this characterization.

Taxation of U.S. Holders

Payments or accruals of interest on a Note generally will be taxable to a U.S. holder as ordinary interest income at the time they are received (actually or constructively) or accrued, in accordance with the U.S. holder s regular method of tax accounting.

Upon the sale, exchange, redemption or retirement of a Note, a U.S. holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (excluding amounts representing accrued and unpaid interest, which are treated as ordinary income to the extent not previously included in income) and the U.S. holder s adjusted tax basis in the Note. A U.S. holder s adjusted tax basis in a Note generally will equal the U.S. holder s initial investment in the Note. Capital gain or loss generally will be long-term capital gain or loss if the Note was held for more than one year. Long-term capital gains recognized by individuals and certain other non-corporate U.S. holders generally are eligible for reduced rates of taxation. The distinction between capital gain or loss and ordinary income or loss is also important in other contexts; for example, for purposes of the limitations on a U.S. holder s ability to offset capital losses against ordinary income.

Unearned Income Medicare Contribution

After December 31, 2012, a tax of 3.8 percent will be imposed on the amount of net investment income, in the case of an individual, or undistributed net investment income, in the case of an estate or trust (other than a charitable trust), which exceeds certain threshold amounts. Net investment income as defined for United States federal Medicare contribution purposes generally includes interest payments and gain recognized from the sale or other disposition of the Notes. Qualified pension trusts, which are not subject to income taxes generally, and foreign individuals will not be subject to this tax. U.S. holders should consult their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of the Notes.

Taxation of Non-U.S. Holders

A non-U.S. holder generally will not be subject to United States federal income or withholding taxes on payments of principal or interest on a Note provided that (i) income on the Note is not effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, (ii) the non-U.S. holder is not a controlled foreign corporation related to the Company through stock ownership, (iii) the non-U.S. holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, (iv) the non-U.S. holder does not own (directly or indirectly, actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Company, and (v) the U.S. payer of interest does not have actual knowledge or reason to know that such holder is a U.S. person and the non-U.S. holder provides a statement on an Internal Revenue Service (IRS) Form W-8BEN (or substantially similar substitute form) signed under penalties of perjury that includes its name and address and certifies that it is not a United States person in compliance with applicable requirements, or satisfies documentary evidence requirements for establishing that it is a non-U.S. holder.

A non-U.S. holder that is not exempt from tax under these rules generally will be subject to United States federal income tax withholding on payments of interest on the Notes at a rate of 30% unless (i) the income is effectively connected with the conduct of a United States trade or business and the non-U.S. holder has provided a properly executed IRS Form W-8ECI (or substantially similar substitute form), in which case the interest will be subject to United States federal income tax on a net income basis as applicable to U.S. holders generally (unless an applicable income tax treaty provides otherwise), or (ii) an applicable income tax treaty provides for a lower rate of, or exemption from, withholding tax.

Table of Contents

In the case of a non-U.S. holder that is a corporation and that receives income that is effectively connected with the conduct of a United States trade or business, such income may also be subject to a branch profits tax (which is generally imposed on a non-U.S. corporation on the actual or deemed repatriation from the United States of earnings and profits attributable to a United States trade or business) at a 30% rate. The branch profits tax may not apply (or may apply at a reduced rate) if the non-U.S. holder is a qualified resident of a country with which the United States has an income tax treaty.

To claim the benefit of an income tax treaty or to claim exemption from withholding because income is effectively connected with a United States trade or business, the non-U.S. holder must timely provide the appropriate, properly executed IRS forms. These forms may be required to be periodically updated. Also, a non-U.S. holder who is claiming the benefits of a treaty may be required to obtain a United States taxpayer identification number and to provide certain documentary evidence issued by foreign governmental authorities to prove residence in the foreign country.

Generally, a non-U.S. holder will not be subject to United States federal income or withholding taxes on any amount that constitutes capital gain upon the sale, exchange, redemption or retirement of a Note, provided the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. holder (or, if required by an applicable income tax treaty, is not attributable to a United States permanent establishment maintained by the non-U.S. holder). Certain other exceptions or special rules may be applicable, and a non-U.S. holder should consult its tax advisor in this regard.

Estate Tax

A Note that is held by an individual who, at the time of death, is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) generally will not be subject to the United States federal estate tax, unless, at the time of death, (i) such individual directly or indirectly, actually or constructively, owns 10% or more of the total combined voting power of all classes of our stock entitled to vote within the meaning of Section 871(h)(3) of the Code and the Treasury Regulations thereunder or (ii) such individual s interest in the Notes is effectively connected with the individual s conduct of a United States trade or business.

Information Reporting and Backup Withholding

A U.S. holder (other than an exempt recipient, including a corporation and certain other persons who, when required, demonstrate their exempt status) generally will be subject to information reporting requirements with respect to payments of principal or interest on, and proceeds from the sale, exchange, redemption or retirement of, the Notes. In general, if a non-corporate U.S. holder subject to information reporting fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements, backup withholding at the applicable rate may apply.

Information returns, including a Form 1042-S, will be filed with the IRS in connection with interest payments on the Notes to a non-U.S. holder, even if the non-U.S. holder is exempt from withholding tax. Copies of the information returns reporting the payments and amounts withheld, if any, may also be made available to the tax authorities in the country where the non-U.S. holder is resident under the provisions of an applicable income tax treaty or agreement. In addition, backup withholding tax and certain other information reporting requirements apply to payments of interest and certain reportable payments, unless an exemption applies. Backup withholding and other information reporting will not apply to payments made to a non-U.S. holder if the non-U.S. holder has provided under penalties of perjury the required certification of such holder s non-United States person status (and the payor does not have actual knowledge or reason to know that the non-U.S. holder is a U.S. holder) or if the non-U.S. holder is an exempt recipient. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid backup withholding and other information reporting as well.

Table of Contents

If a non-U.S. holder sells or redeems a Note through the U.S. office of a broker, the proceeds from such sale or redemption will be subject to information reporting and backup withholding unless such holder provides a withholding certificate or other appropriate documentary evidence establishing that the holder is not a U.S. holder to the broker and such broker does not have actual knowledge or reason to know that such holder is a U.S. holder, or the holder is an exempt recipient eligible for an exemption from information reporting and backup withholding. If a non-U.S. holder sells or redeems a Note through the foreign office of a broker who is a U.S. person or has certain enumerated connections with the United States, the proceeds from such sale or redemption will be subject to information reporting unless the holder provides to such broker a withholding certificate or other appropriate documentary evidence establishing that the holder is not a U.S. holder and such broker does not have actual knowledge or reason to know that such evidence is false, or the holder is an exempt recipient eligible for an exemption from information reporting. In circumstances where information reporting by the foreign office of such a broker is required, backup withholding will be required only if the broker has actual knowledge that the holder is a U.S. holder.

You should consult your tax advisor regarding the qualification for an exemption from backup withholding and information reporting and the procedures for obtaining such an exemption, if applicable. The amount of any backup withholding from a payment to a holder generally will be allowed as a credit against such holder s United States federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

Foreign Account Tax Compliance Act

Legislation enacted in 2010 imposes a United States federal withholding tax of 30% on payments of interest or gross proceeds from the disposition of a debt instrument paid after December 31, 2012 to certain non-U.S. entities, including certain foreign financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its United States account holders and its United States owners. Pursuant to proposed Treasury Regulations and other Treasury guidance, these rules generally are not proposed to be effective for payments of interest until January 1, 2014, and, in the case of payments of gross proceeds, until January 1, 2017. In addition, proposed Treasury guidance has stated that even after the effective dates the new withholding obligations will not apply to payments on, or with respect to, to obligations that are outstanding on January 1, 2013. Congress delegated broad authority to the United States Treasury Department to promulgate regulations to implement the new withholding and reporting regime. It cannot be predicted whether or how any regulations promulgated by the United States Treasury Department pursuant to this broad delegation of regulatory authority will affect holders of the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding the new withholding and reporting provisions.

You should consult your own tax advisor with respect to the particular tax consequences to you of an investment in the Notes, including the possible effect of any pending legislation or proposed regulations.

Table of Contents

UNDERWRITING

Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, Wells Fargo Securities, LLC, Deutsche Bank Securities Inc. and RBC Capital Markets, LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement, dated the date hereof, among us, Solar Capital Partners, Solar Capital Management and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the aggregate principal amount of Notes set forth opposite its name below.

Underwriter	Principal Amount
Citigroup Global Markets Inc.	$
Morgan Stanley & Co. LLC	
Wells Fargo Securities, LLC	
Deutsche Bank Securities Inc.	
RBC Capital Markets, LLC	
Total	$

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the Notes sold under the underwriting agreement if any of these Notes are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We, Solar Capital Partners and Solar Capital Management have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer s certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The following table shows the total underwriting discounts that we are to pay to the underwriters in connection with this offering.

	Per Note	Total
Public offering price	%	$
Underwriting discount (sales load)	%	$
Proceeds, before expenses, to us	%	$

The underwriters propose to offer some of the Notes to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the Notes to certain other Financial Industry Regulatory Authority (FINRA) members at the public offering price less a concession not in excess of % of the aggregate principal amount of the Notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of % of the aggregate principal amount of the Notes. After the initial offering of the Notes to the public, the public offering price and such concessions may be changed. No such change shall change the amount of proceeds to be received by us as set forth on the cover page of this prospectus supplement.

The expenses of the offering, not including the underwriting discount, are estimated at $200,000 and are payable by us.

Table of Contents

No Sales of Similar Securities

Subject to certain exceptions, we, Solar Capital Partners, Solar Capital Management and our officers and directors have agreed not to directly or indirectly, offer, pledge, sell, contract to sell, grant any option for the sale of, or otherwise transfer or dispose of any debt securities issued or guaranteed by the Company or any securities convertible into or exercisable or exchangeable for debt securities issued or guaranteed by the Company or file any registration statement under the Securities Act with respect to any of the foregoing for a period of 30 days after the date of this prospectus supplement without first obtaining the written consent of the representatives other than sales of certain private sales of debt securities. This consent may be given at any time without public notice.

Listing

The Notes are a new issue of securities with no established trading market. We intend to apply to list the Notes on The New York Stock Exchange. If the application is approved, we expect trading in the Notes on The New York Stock Exchange to begin within 30 days after the original issue date. Currently there is no public market for the Notes.

We have been advised by the underwriters that they presently intend to make a market in the Notes after completion of the offering as permitted by applicable laws and regulations. The underwriters are not obligated, however, to make a market in the Notes and any such market-making may be discontinued at any time in the sole discretion of the underwriters without any notice. Accordingly, no assurance can be given as to the liquidity of, or development of a public trading market for, the Notes. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

Settlement

We expect that delivery of the Notes will be made to investors on or about November , 2012, which will be the fifth business day following the date of this prospectus supplement (such settlement being referred to as T+5). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

Price Stabilization, Short Positions

In connection with the offering, the underwriters may purchase and sell Notes in the open market. These transactions may include covering transactions and stabilizing transactions. Covering transactions involve purchases of the securities in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of securities made for the purpose of preventing or retarding a decline in the market price of the securities while the offering is in progress.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased Notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

Any of these activities may cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be affected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time without any notice relating thereto.

Electronic Offer, Sale and Distribution of Notes

The underwriters may make prospectuses available in electronic (PDF) format. A prospectus in electronic (PDF) format may be made available on a web site maintained by the underwriters, and the underwriters may distribute such prospectuses electronically. The underwriters may allocate a limited principal amount of the Notes for sale to their online brokerage customers.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The underwriters and their respective affiliates have provided in the past and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to Solar Capital and our affiliates or our portfolio companies for which they have received or will be entitled to receive separate fees. In particular, the underwriters or their affiliates may execute transactions with Solar Capital or on behalf of Solar Capital or any of our portfolio companies and/or affiliates. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to or whose loans are syndicated to Solar Capital or Solar Capital Partners and our affiliates.

The underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to Solar Capital, Solar Capital Partners or any of our portfolio companies.

We may purchase securities of third parties from the underwriters or their affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if among other things we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of their businesses and not in connection with the offering of the Notes. In addition, after the offering period for the sale of the Notes, the underwriters or their affiliates may develop analyses or opinions related to Solar Capital or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding Solar Capital to our noteholders or any other persons.

Table of Contents

In the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters and their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of certain of the underwriters serve as agents and/or lenders under the Credit Facilities. Certain of the underwriters and their affiliates were underwriters in connection with our initial public offering and our subsequent common stock offerings, for which they received customary fees.

The net proceeds from the sale of the Notes in this offering are expected to be used to pay down outstanding indebtedness under our revolving credit facilities and for general corporate purposes. Affiliates of the underwriters are lenders under our revolving credit facilities. Accordingly, affiliates of certain of the underwriters may receive more than 5% of the net proceeds of this offering to the extent such proceeds are used to repay outstanding indebtedness under our revolving credit facilities.

The principal business address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, New York 10013. The principal business address of Morgan Stanley & Co. LLC is 1585 Broadway, New York, New York 10036. The principal business address of Wells Fargo Securities, LLC is 301 S. College Street, Charlotte, North Carolina 28288. The principal business address of Deutsche Bank Securities Inc. is 60 Wall Street, New York, New York 10005. The principal business address of RBC Capital Markets, LLC is 200 Vesey Street, New York, New York 10281.

Other Jurisdictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the Notes offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The Notes offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such Notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement comes are advised to inform themselves about and to observe any restriction relating to the offering and the distribution of this prospectus supplement. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy the Notes offered by this prospectus supplement and the accompanying prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Sutherland Asbill & Brennan LLP, Washington, D.C., Proskauer Rose LLP, Los Angeles, California, and Venable LLP, Baltimore, Maryland. Certain legal matters in connection with the offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP, New York, NY.

Table of Contents

AVAILABLE INFORMATION

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

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

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except shares)

	September 30, 2012 (unaudited)	December 31, 2011
Assets		
Investments at value:		
Companies less than 5% owned (cost: $1,128,982 and $1,062,844 respectively)	$ 1,078,553	$ 955,769
Companies 5% to 25% owned (cost: $72,492 and $41,819, respectively)	62,103	35,820
Companies more than 25% owned (cost: $28,785 and $47,910, respectively)	29,971	53,454
Total investments (cost: $1,230,259 and $1,152,573, respectively)	1,170,627	1,045,043
Cash and cash equivalents	13,048	11,787
Interest and dividends receivable	14,416	9,763
Deferred credit facility costs	1,087	3,635
Deferred offering costs	578	469
Receivable for investments sold		3,225
Fee revenue receivable		4,379
Unrealized appreciation on foreign exchange contracts and fair value of interest rate caps	30	649
Prepaid expenses and other receivables	374	481
Total Assets	1,200,160	1,079,431
Liabilities		
Revolving credit facilities	123,362	201,355
Senior secured notes	75,000	
Term Loan	50,000	35,000
Payable for investments purchased	32,202	22,443
Dividend payable	23,200	
Investment advisory and management fee payable	6,083	5,277
Performance-based incentive fee payable	5,565	5,203
Interest payable	3,165	1,063
Administrative services fee payable	1,282	1,069
Deferred fee revenue		318
Other accrued expenses and payables	2,698	1,762
Total Liabilities	322,557	273,490
Net Assets		
Common stock, par value $0.01 per share, 38,667,196 and 36,608,038 shares issued and outstanding, respectively, 200,000,000 authorized	387	366
Paid-in capital in excess of par	974,507	928,180
Undistributed net investment income		2,245
Distributions in excess of net investment income	(7,178)	
Accumulated net realized losses	(28,012)	(18,379)
Net unrealized depreciation	(62,101)	(106,471)

Total Net Assets	$	877,603	$	805,941
Number of shares outstanding		38,667,196		36,608,038
Net Asset Value Per Share	$	22.70	$	22.02

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(in thousands, except shares)

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
INVESTMENT INCOME:				
Interest and dividends:				
Other interest and dividend income	$ 26,382	$ 30,988	$ 89,428	$ 97,117
Companies 5% to 25% owned	13,460		19,112	
Companies more than 25% owned	804	4,341	3,248	5,789
Total investment income	40,646	35,329	111,788	102,906
EXPENSES:				
Investment advisory and management fees	6,083	5,236	17,034	15,319
Performance-based incentive fees	5,565	5,216	14,431	15,273
Interest and other credit facility expenses	3,475	2,242	15,221	6,174
Administrative services fees	1,194	357	3,018	1,074
Other general and administrative expenses	2,011	1,223	4,015	3,039
Total operating expenses	18,328	14,274	53,719	40,879
Net investment income before income tax expense	22,318	21,055	58,069	62,027
Income tax expense	60	344	343	798
Net investment income	22,258	20,711	57,726	61,229
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, DERIVATIVES AND FOREIGN CURRENCIES:				
Net realized gain (loss):				
Investments:				
Companies more than 25% owned	687		11,002	
Companies 5% to 25% owned		784		784
Companies less than 5% owned	(256)		(20,616)	5,106
Net realized gain (loss) on investments	431	784	(9,614)	5,890
Foreign currencies & derivatives	(860)	1,453	(19)	(8,096)
Net realized gain (loss) before income taxes	(429)	2,237	(9,633)	(2,206)
Income tax expense	(785)	137		137
Net realized gain (loss)	356	2,100	(9,633)	(2,343)
Net change in unrealized gain (loss):				
Investments	6,869	(78,604)	44,989	(53,802)
Foreign currencies & derivatives	760	3,849	(619)	4,374

Net change in unrealized gain (loss)		7,629		(74,755)		44,370		(49,428)
Net realized and unrealized gain (loss) on investments, derivatives and foreign currencies		7,985		(72,655)		34,737		(51,771)
Net Increase (Decrease) in Net Assets Resulting From Operations	$	30,243	$	(51,944)	$	92,463	$	9,458
Earnings (Loss) per share	$	0.82	$	(1.42)	$	2.52	$	0.26

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

	Nine months ended September 30, 2012 (unaudited)	Year ended December 31, 2011
Increase in net assets resulting from operations:		
Net investment income	$ 57,726	$ 81,904
Net realized loss	(9,633)	(2,393)
Net change in unrealized gain (loss)	44,370	(18,196)
Net increase in net assets resulting from operations	92,463	61,315
Dividends and distributions to shareholders:	(67,149)	(87,532)
Capital share transactions:		
Common equity offering	45,020	
Reinvestment of dividends	1,328	5,164
Total capital share transactions	46,348	5,164
Net increase (decrease) in net assets	71,662	(21,053)
Net assets at beginning of period	805,941	826,994
Net assets at end of period	$ 877,603	$ 805,941

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands except shares)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Cash Flows from Operating Activities:		
Net increase in net assets from operations	$ 92,463	$ 9,458
Adjustments to reconcile net increase in net assets from operations to net cash (used) provided by operating activities:		
Net realized (gain) loss from investments	9,614	(5,890)
Net realized (gain) loss from foreign currency exchange	19	348
Net change in unrealized (gain) loss on investments	(44,989)	53,802
Net change in (gain) loss on derivatives	619	(2,209)
(Increase) decrease in operating assets:		
Purchase of investment securities	(395,695)	(324,541)
Proceeds from disposition of investment securities	323,877	238,365
Capitalization of payment-in-kind interest	(25,569)	(13,710)
Collections of payment-in-kind interest	7,159	3,602
Interest and dividends receivable	(4,653)	(5,267)
Purchase of interest rate cap		(2,938)
Fee revenue receivable	4,379	(282)
Deferred offering costs	(109)	(376)
Receivable for investments sold	3,225	7,335
Prepaid expenses and other receivables	107	(211)
Increase (decrease) in operating liabilities:		
Payable for investments purchased	9,759	71,857
Investment advisory and management fee payable	806	344
Performance-based incentive fee payable	362	869
Interest payable	2,102	672
Administrative services fees	213	22
Deferred fee revenue	(318)	(705)
Other accrued expenses and payables	936	329
Net Cash (Used) Provided by Operating Activities	(15,693)	30,874
Cash Flows from Financing Activities:		
Cash dividends paid	(42,621)	(40,804)
Common equity offering	45,020	
Deferred credit facility costs	2,548	1,712
Proceeds from borrowings on senior secured notes	75,000	
Proceeds from borrowings on revolving/term credit facilities	475,023	1,103,669
Repayments of borrowings on revolving/term credit facilities	(538,016)	(1,150,341)
Net Cash Provided (Used) in Financing Activities	16,954	(85,764)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,261	(54,890)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,787	288,732
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 13,048	$ 233,842

Supplemental disclosure of cash flow information:				
Cash paid for interest	$	5,398	$	3,390
Cash paid for income taxes	$	727	$	477
Non-cash financing activity:				
Dividends reinvestment	$	1,328	$	2,895

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)

September 30, 2012

(in thousands, except shares)

Description(1)	Industry	Interest(2)	Maturity	Par Amount/ Shares	Cost	Fair Value
Bank Debt/Senior Secured Loans-54.3%						
Asurion Corporation(16)	Insurance	9.00%	5/24/2019	$ 17,834	$ 17,757	$ 18,500
AREP Fifty-Seventh LLC(10)(23)	Buildings & Real Estate	14.00%	8/1/2013	19,769	19,769	19,373
ARK Real Estate Partners II LP(10)(23)	Buildings & Real Estate	14.00%	8/1/2013	8,027	8,027	7,866
AviatorCap SII, LLC I(9)	Aerospace & Defense	12.00%	12/31/2014	3,225	3,194	3,225
AviatorCap SII, LLC II(9)	Aerospace & Defense	11.00%	12/31/2014	4,733	4,681	4,733
AviatorCap SII, LLC III(9)	Aerospace & Defense	13.00%	12/31/2014	5,151	5,074	5,152
Direct Buy Inc.(18)	Home, Office Furnishing & Durable Consumer Products	12.00%	2/1/2017	25,000	24,347	5,000
DS Waters of America, Inc.(10)(22)	Beverage, Food & Tobacco	15% (11% Cash & 4% PIK)(7)	2/28/2018	30,689	29,682	31,763
Fulton Holding Corp.	Retail Stores	13.37%	5/28/2016	35,000	34,298	35,000
Easy Financial Services, Inc.(19)(24)	Consumer Finance	10.50%	10/5/2017	10,000	9,921	9,921
Grakon, LLC(11)	Machinery	12.00%	12/31/2015	9,524	7,738	9,429
Good Sam Enterprise, LLC	Insurance	11.50%	12/1/2016	7,000	6,588	7,420
Grocery Outlet Inc.(16)	Grocery	10.50%	12/15/2017	33,096	32,208	33,261
Isotoner Corporation	Personal & Nondurable Consumer Products	10.75%	1/8/2018	39,000	38,009	38,610
Interactive Health Solutions, Inc.(16)(17)	Healthcare, Education & Childcare	11.50%	10/4/2016	19,775	19,395	19,894
MYI Acquiror Corporation(4)(8)(19)	Insurance	13% (12% Cash & 1% PIK)(7)	3/13/2017	31,707	31,168	32,024
SMG	Personal, Food & Misc. Services	10.75%	12/7/2018	25,000	24,522	24,875
Southern Auto Finance Company(19)	Banking	13.50%	10/19/2017	25,000	24,509	25,000
SOINT, LLC(9)	Aerospace & Defense	15.00%	6/30/2016	16,667	16,344	16,333
Spencer Spirit Holdings, Inc.	Retail Stores	11.00%	5/1/2017	10,000	10,000	10,775
T&D Solutions holdings	Utilities	13.00%	1/29/2015	17,003	17,003	17,003
Transplace Texas, LP(16)	Cargo Transport	11.00%	4/12/2017	20,000	19,598	19,700
Trident USA Health Services, LLC	Healthcare, Education & Childcare	11.75%	10/30/2017	38,000	37,287	37,430
USAW 767(9)	Aerospace & Defense	14.50%	6/30/2014	3,539	3,519	3,539
ViaWest Inc(16)	Personal, Food & Misc. Services	13.5% (12% Cash & 1.5% PIK)(7)	5/20/2018	40,691	39,712	40,691
Total Bank Debt/Senior Secured Loans				**$ 495,430**	**$ 484,350**	**$ 476,517**
Subordinated Debt/Corporate Notes 56.4%						
Adams Outdoor Advertising	Diversified/Conglomerate Service	18.00%	12/8/2015	$ 42,500	$ 41,875	$ 42,500

Asurion Holdco(21)	Insurance	11.00%(7)	3/2/2019	12,000	11,655	12,800
CIBT Solutions	Leisure, Amusement, Entertainment	13.50%	6/15/2018	36,200	35,473	36,200
Crosman Corporation	Leisure, Amusement, Entertainment	13% (11% Cash & 2% PIK)(7)	10/15/2016	15,219	14,861	14,914
Earthbound Farm(16)	Farming & Agriculture	14.25%	6/21/2017	58,947	57,927	57,474
FIS Healthcare Holdings, LLC	Healthcare Technology	12.00%	2/28/2019	28,200	27,574	27,566
Grakon Holdings LLC Sr(11)	Machinery	14% PIK(7)	12/31/2015	1,761	1,761	1,743
Grakon Holdings LLC Jr(11)	Machinery	12% PIK(7)	12/31/2015	11,812	10,008	8,268
Granite Global Solutions Corp.(3)(18)(19)	Insurance	13.50%	5/31/2016	18,182	18,029	15,725
Midcap Financial Intermediate Holdings, LLC(16)(19)	Banking	13.00%	7/9/2015	85,000	83,785	85,000
ProSieben Sat.1 Media AG(3)(6)(19)	Broadcasting & Entertainment	8.43% (4.93% Cash & 3.5% PIK)(7)	3/6/2017	16,911	21,022	17,276
Richelieu Foods, Inc.(15)	Beverage, Food & Tobacco	14.25% (12% Cash & 2.25% PIK)(7)	5/18/2016	22,952	22,498	22,493
Rug Doctor L.P.(20)(16)	Personal, Food & Misc. Services	15.50% to 20.00% (wtd. avg. 17.54%(7)	10/31/2014	53,320	50,901	47,987
Weetabix Group(3)(5)(19)	Beverage, Food & Tobacco	9.13% PIK(7)	9/14/2016	23,216	43,485	37,485
Weetabix Group(3)(5)(19)	Beverage, Food & Tobacco	10.29% PIK(7)	5/3/2017	11,274	20,168	18,203
WireCo. Worldgroup Inc.	Building Products	11.75%	5/15/2017	48,000	47,536	48,960
Total Subordinated Debt/Corporate Notes				**$ 485,494**	**$ 508,558**	**$ 494,594**

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

Description(1)	Industry	Interest(2)	Maturity	Par Amount/ Shares	Cost	Fair Value
Preferred Equity 16.8%						
Senior Preferred 15% Units of DSW Group Holdings LLC(10)	Beverage, Food & Tobacco	15.00% PIK(7)		1,445,321	$ 124,379	$ 122,274
SODO Corp.(9)(12)	Aerospace & Defense	8.43% PIK(7)	6/30/2018	2,117	2,117	2,371
SOCAY Limited(9)(12)(19)	Aerospace & Defense	8.59% PIK(7)	6/30/2018	13,719	13,719	14,490
SOINT, LLC(9)(19)	Aerospace & Defense	15.00% PIK(7)	6/30/2018	86,667	8,667	8,667
Wyle Laboratories	Aerospace & Defense	8.00%	7/17/2015	387	39	50
Total Preferred Equity					**$ 148,921**	**$ 147,852**
Common Equity / Partnership Interests / Warrants 5.9%						
Ark Real Estate Partners LP(10)(11)	Buildings & Real Estate			44,697,684	$ 44,698	$ 34,864
Participating Preferred Units of DSW Group Holdings LLC(10)	Beverage, Food & Tobacco			1,296,078		
Grakon, LLC(11)	Machinery			1,714,286	1,714	
Grakon, LLC Warrants(11)	Machinery			3,518,001		
Great American Group Inc.(13)(19)	Personal, Food & Misc. Services			572,800	2,681	235
Great American Group Inc.(13)(19)	Personal, Food & Misc. Services			125,000		
Great American Group Inc.(14)(19)	Personal, Food & Misc. Services			187,500	3	77
Nuveen Investments, Inc.	Finance			3,486,444	30,876	10,460
NXP Semiconductors Netherlands B.V.(3)(19)	Electronics			210,271	5,732	5,259
Seven West Media Limited(3)(19)	Broadcasting & Entertainment			656,530	2,726	769
Total Common Equity/Partnerships Interests / Warrants					**$ 88,430**	**$ 51,664**
Total Investments 133.4%					**$ 1,230,259**	**$ 1,170,627**
Liabilities in Excess of Other Assets (33.4%)						**(293,024)**
Net Assets 100.0%						**$ 877,603**

(1) We generally acquire our investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the Securities Act). Our investments are therefore generally subject to certain limitations on resale, and may be deemed to be restricted securities under the Securities Act.

(2) A majority of the variable rate debt investments bear interest at a rate that may be determined by reference to LIBOR or EURIBOR, and which reset daily, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of September 30, 2012.

(3) The following entities are domiciled outside the United States and the investments are denominated in either Euro, British Pounds, Canadian Dollars or Australian Dollars: Weetabix Group in the United Kingdom; ProSieben Sat.1 Media AG in Germany; Granite Global Solutions Corp. in Canada; and Seven Media Group Limited in Australia. NXP Semiconductors Netherlands B.V. is domiciled in the Netherlands and is denominated in U.S. dollars. All other investments are domiciled in the United States.

(4) Solar Capital Ltd. s foreign domiciled portion of MYI Aquiror Corporation is held through its wholly-owned subsidiary Solar Capital Luxembourg I S.ar.l.

(5) Solar Capital Ltd. s investments in Weetabix Group are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(6) Solar Capital Ltd. s investment in ProSieben Sat. 1 Media AG is held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(7) Coupon is payable in cash and/or in kind (PIK).
(8) Includes an unfunded commitment of $5,880.
(9) Denotes a Control Investment. Control Investments are defined in the 1940 Act as investments in those companies that the Company is deemed to Control. Generally, under the Investment Company Act of 1940, as amended (the 1940 Act), the Company is deemed to Control a company in which it has invested if it owns 25% or more of the voting securities of such company or has greater than 50% representation on its board.
(10) Denotes an Affiliate Investment. Affiliate Investments are investments in those companies that are Affiliated Companies of the Company, as defined in the 1940 Act, which are not Control Investments. The Company is deemed to be an Affiliate of a company in which it has invested if it owns 5% or more but less than 25% of the voting securities of such company.
(11) Investments are held in taxable subsidiaries. Ark Real Estate Partners LP is held through SLRC ADI Corp and our equity investment in Grakon LLC is held through Grakon TL Holding, Inc.
(12) Solar Capital Ltd. s investments in SODO Corp. and SOCAY Corp. each include a one dollar investment in common shares.
(13) Founders Shares.
(14) Contingent Founders Shares.
(15) Indicates an investment held by Solar Capital Ltd. through its wholly-owned subsidiary Solar Capital Funding II LLC (SC Funding). Such investments are pledged as collateral under the Senior Secured Loan Facility (see Note 6 to the consolidated financial statements) and are not generally available to the creditors of Solar Capital Ltd. Unless otherwise noted, as of September 30, 2012, all other investments were pledged as collateral for the Senior Secured Credit Facility, Term Loan and Senior Secured Notes (see Note 6 to the consolidated financial statements).
(16) Indicates an investment partially held by Solar Capital Ltd. through its wholly-owned subsidiary SC Funding. (See footnote 15 above for further explanation.) Par amounts held through SC Funding include: Asurion Corp $9,017; Earthbound Farm $23,500; Fulton Holding Corp. $18,000; Grocery Outlet Inc. $19,700; Interactive Health Solutions, Inc. $14,476; Midcap Financial Intermediate Holdings, LLC $23,500; Rug Doctor L.P. $9,756; Transplace Texas, LP $18,800 and ViaWest Inc. $15,413. Remaining par balances are held directly by Solar Capital Ltd.

SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

(17) Includes an unfunded commitment of $1,250.
(18) Investments on non-accrual status.
(19) Indicates assets that the Company believes do not represent qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company s total assets at the time of acquisition of any additional non-qualifying assets.
(20) Includes PIK payable on $12,898 of par at 4.50% PIK, $14,769 of par at 5.25% PIK, $15,400 of par at 8.00% PIK, and $9,669 of par at 3.50% PIK.
(21) Asurion Holdco has the option to pay interest in kind at L+10.25% if certain specified conditions are met.
(22) In March 2012, Solar Capital Ltd. purchased $36,991 and participated $7,000 to a third party with no recourse to the Company.
(23) Includes an unfunded commitment of $15,151
(24) Includes an unfunded commitment of CAD 10,000

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

Industry Classification	Percentage of Total Investments (at fair value) as of September 30, 2012
Beverage, Food & Tobacco	19.8%
Personal, Food & Misc. Services	9.7%
Banking	9.4%
Insurance	7.4%
Healthcare, Education & Childcare	5.3%
Buildings & Real Estate	5.0%
Farming & Agriculture	4.9%
Aerospace & Defense	4.9%
Building Products	4.4%
Leisure, Amusement, Entertainment	4.2%
Retail Stores	3.9%
Diversified/Conglomerate Service	3.6%
Personal & Nondurable Consumer Products	3.3%
Grocery	2.8%
Healthcare Technology	2.4%
Machinery	1.7%
Cargo Transport	1.7%
Broadcasting & Entertainment	1.5%
Utilities	1.5%
Consumer Finance	0.9%
Finance	0.8%
Electronics	0.5%
Home, Office Furnishing & Durable Consumer Products	0.4%
	100%

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2011

(in thousands, except shares)

Description(1)	Industry	Interest(2)	Maturity	Par Amount/ Shares	Cost	Fair Value
Bank Debt/Senior Secured Loans 51.2%						
Asurion Corporation(18)	Insurance	9.00%	5/24/2019	$ 40,000	$ 39,811	$ 39,517
Airvana Network Solutions Inc.	Telecommunications	10.00%	3/25/2015	8,324	8,186	8,324
AviatorCap SII, LLC I(10)	Aerospace & Defense	12.00%	12/31/2014	3,728	3,678	3,671
AviatorCap SII, LLC II(10)	Aerospace & Defense	11.00%	12/31/2014	5,697	5,618	5,611
AviatorCap SII, LLC III(10)	Aerospace & Defense	13.00%	12/31/2014	8,856	8,696	8,724
Direct Buy Inc.(20)	Home, Office Furnishing & Durable Consumer Products	12.00%	2/1/2017	25,000	24,332	5,875
Fulton Holding Corp(18)	Retail Stores	13.74%	5/28/2016	35,000	34,155	35,000
Grakon, LLC	Machinery	12.00%	12/31/2015	9,524	7,610	9,286
Good Sam Enterprise, LLC	Insurance	11.50%	12/1/2016	7,000	6,523	6,860
Grocery Outlet Inc.	Grocery	10.50%	12/15/2017	33,600	32,599	32,592
Isotoner Corporation	Personal & Nondurable Consumer Products	10.75%	1/8/2018	39,000	37,895	37,830
Interactive Health Solutions, Inc.(18)(19)	Healthcare, Education & Childcare	11.50%	10/4/2016	20,131	19,691	19,930
MYI Acquiror Corporation(3)(4)(8)(21)	Insurance	13% (12% Cash & 1% PIK)(7)	3/13/2017	31,500	30,899	31,500
Roundy s Supermarkets, Inc. 2nd Lien(18)	Grocery	10.00%	4/16/2016	22,000	21,685	22,069
Southern Auto Finance Company(21)	Banking	13.50%	10/19/2017	25,000	24,453	24,437
Spencer Spirit Holdings, Inc.	Retail Stores	11.00%	5/1/2017	10,000	10,000	10,000
Transplace Texas, LP(18)	Cargo Transport	11.00%	4/12/2017	20,000	19,533	19,500
USAW 767(10)	Aerospace & Defense	14.50%	12/31/2012	4,904	4,850	4,831
ViaWest Inc(18)	Personal, Food & Misc. Services	13.5% (12% Cash & 1.5% PIK)(7)	5/20/2016	33,255	32,520	32,756
Vision Holding Corp.(18)	Healthcare, Education & Childcare	12.00%	11/23/2016	37,500	36,869	37,125
VPSI, Inc.(17)	Personal Transportation	12.00%	12/23/2015	16,958	16,598	16,958
Total Bank Debt/Senior Secured Loans				**$ 436,977**	**$ 426,201**	**$ 412,396**
Subordinated Debt/Corporate Notes 67.9%						
Adams Outdoor Advertising	Diversified/Conglomerate Service	18.00%	12/8/2015	$ 42,500	$ 41,878	$ 42,075
AMC Entertainment Holdings, Inc.	Leisure, Amusement, Entertainment	5.55%PIK	6/13/2012	27,141	27,086	26,462
CIBT Solutions	Leisure, Amusement, Entertainment	13.50%	6/15/2018	36,200	35,389	35,386
Crosman Corporation	Leisure, Amusement, Entertainment	13% (11% Cash & 2% PIK)(7)	10/15/2016	15,219	14,808	14,762
DSW Group, Inc.	Beverage, Food & Tobacco	15% PIK	4/24/2012	125,106	124,972	106,340
Earthbound Farm(18)	Farming & Agriculture	14.25%	6/21/2017	58,947	57,739	56,590
Grakon Holdings LLC Sr	Machinery	14% PIK	12/31/2015	1,588	1,588	1,469
Grakon Holdings LLC Jr	Machinery	12% PIK	12/31/2015	15,118	12,344	7,710
Granite Global Solutions Corp.(3)(16)(21)	Insurance	13.50%	5/31/2016	29,983	30,234	29,121
Magnolia River, LLC	Hotels, Motels, Inns and Gaming	14.00%	4/28/2014	19,064	18,664	19,064
	Banking	14.25%	7/9/2015	75,000	73,542	75,000

Midcap Financial Intermediate Holdings, LLC(18)						
ProSieben Sat.1 Media AG(3)(6)(21)	Broadcasting & Entertainment	8.83%(5.3% Cash & 3.5% PIK)(7)	3/6/2017	21,125	20,261	10,508
Richelieu Foods, Inc.(17)	Beverage, Food & Tobacco	13.75%	5/18/2016	22,500	21,972	21,150
Rug Doctor L.P.(18)(22)	Personal, Food & Misc. Services	15.50% to 20.00%(7) (wtd. avg. 17.54%)	10/31/2014	51,225	48,034	47,383
Shoes For Crews, LLC (17)	Textiles & Leather	13.75%(7)	7/23/2016	15,650	15,318	15,650
Weetabix Group(3)(5)(21)	Beverage, Food & Tobacco	9.22% PIK	9/14/2016	15,986	18,589	12,469
Weetabix Group(3)(5)(21)	Beverage, Food & Tobacco	10.03%PIK	5/3/2017	34,294	41,739	25,720
Total Subordinated Debt/Corporate Notes				**$ 606,646**	**$ 604,157**	**$ 546,859**
Preferred Equity 1.8%						
SODO Corp.(10)(13)	Aerospace & Defense	8.43% PIK		1,912	$ 2,009	$ 1,949
SOCAY Limited(10)(13)	Aerospace & Defense	8.59% PIK		12,357	13,059	12,668
Wyle Laboratories	Aerospace & Defense	8.00%	7/17/2015	387	39	47
Total Preferred Equity					**$ 15,107**	**$ 14,664**

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

December 31, 2011

(in thousands, except shares)

Description(1)	Industry	Interest(2)	Maturity	Par Amount/ Shares	Cost	Fair Value
Common Equity / Partnership Interests / Warrants 8.8%						
Ark Real Estate Partners LP(9)(11)(12)	Buildings & Real Estate			41,818,834	$ 41,819	$ 35,820
Grakon, LLC	Machinery			1,714,286	1,714	
Grakon, LLC Warrants	Machinery			3,518,001		
Great American Group Inc.(14)	Personal, Food & Misc. Services			572,800	2,681	69
Great American Group Inc.(15)	Personal, Food & Misc. Services			187,500	3	23
National Specialty Alloys, LLC(10)	Mining, Steel, Iron & Nonprecious Metals			1,000,000	10,000	16,000
Nuveen Investments, Inc.	Finance			3,486,444	30,875	7,844
NXP Semiconductors Netherlands B.V.(3)	Electronics			645,292	17,592	9,918
Seven West Media Limited	Broadcasting & Entertainment			437,687	2,424	1,450
Total Common Equity/Partnerships Interests / Warrants					**107,108**	**71,124**
Total Investments 129.7%					**$ 1,152,573**	**$ 1,045,043**
Liabilities in Excess of Other Assets (29.7%)						**(239,102)**
Net Assets 100.0%						**$ 805,941**

(1) We generally acquire our investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the Securities Act). Our investments are therefore generally subject to certain limitations on resale, and may be deemed to be restricted securities under the Securities Act.
(2) For each debt investment we have provided the current interest rate in effect as of December 31, 2011. Variable rate debt investments generally bear interest at a rate that may be determined by reference to LIBOR or EURIBOR, and which may reset daily, quarterly or semi-annually.
(3) The following entities are domiciled outside the United States and the investments are denominated in British Pounds, Euro, Canadian Dollars or Australian Dollars: Weetabix Group in the United Kingdom; ProSieben Sat.1 Media AG in Germany; Granite Global Solutions Corp. in Canada; and Seven West Media Group Pty Limited in Australia. NXP Semiconductors Netherlands B.V. is domiciled in the Netherlands and $14,750 of MYI Aquiror Corporation is domiciled in the United Kingdom, but these assets are denominated in US Dollars. All other investments are domiciled in the United States.
(4) Solar Capital Ltd. s foreign domiciled portion of MYI Aquiror Corporation is held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(5) Solar Capital Ltd. s investments in Weetabix Group are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(6) Solar Capital Ltd. s investments in ProSieben Sat. 1 Media AG are held through its wholly-owned subsidiary Solar Capital Luxembourg I S.a.r.l.
(7) Coupon is payable in cash and/or in kind (PIK).
(8) Includes an unfunded commitment of $6,000.
(9) Solar Capital Ltd. has an unfunded commitment of $2,879.
(10) Denotes a Control Investment. Control Investments are defined in the 1940 Act as investments in those companies that the Company is deemed to Control. Generally, under the Investment Company Act of 1940, as amended (the 1940 Act), the Company is deemed to Control a company in which it has invested if it owns 25% or more of the voting securities of such company or has greater than 50% representation on its board.
(11) Denotes an Affiliate Investment. Affiliate Investments are investments in those companies that are Affiliated Companies of the Company, as defined in the 1940 Act, which are not Control Investments. The Company is deemed to be an Affiliate of a company in which it has invested if it owns 5% or more but less than 25% of the voting securities of such company.
(12) Solar Capital Ltd. s investment in Ark Real Estate Partners LP is held through its taxable subsidiary SLRC ADI Corp.
(13)

SODO Corp. and SOCAY Corp. own equity interests that represent a majority of the equity ownership in Aviator Cap SII, LLC and USAW 767. Solar Capital Ltd. s investments in SODO Corp. and SOCAY Corp. each include a one dollar investment in common shares.

(14) Founders Shares.

(15) Contingent Founders Shares.

(16) Includes an unfunded commitment of $15,600 Canadian Dollars or $15,313 U.S Dollars as of December 31, 2011.

(17) Indicates an investment held by Solar Capital Ltd. through its wholly-owned subsidiary Solar Capital Funding II LLC. Such investments are pledged as collateral under the Senior Secured Loan Facility (see Note 6 to the consolidated financial statements) and are not generally available to the creditors of Solar Capital Ltd. Unless otherwise noted, as of December 31, 2011, all other investments were pledged as collateral for the Senior Secured Revolving Credit Facility and the Term Loan (see Note 6 to the consolidated financial statements).

(18) Indicates an investment partially held by Solar Capital Ltd. through its wholly-owned subsidiary Solar Capital Funding II LLC. (See note 17 above for further explanation.) Par amounts held through Solar Capital Funding II LLC include: Asurion $14,224; Fulton Holding Corp. $18,000; Interactive Health Solutions, Inc. $10,236; Roundy s Supermarkets Inc. $10,000; Transplace Texas, LP $18,800; ViaWest Inc. $15,239; Vision Holding Corp $13,883; Earthbound $23,500; Midcap Financial Intermediate Holdings, LLC $23,500; and Rug Doctor L.P. $9,515. Remaining par balances are held directly by Solar Capital Ltd.

(19) Includes an unfunded commitment of $1,250.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

December 31, 2011

(in thousands, except shares)

(20) Investment is on non-accrual status.

(21) Indicates assets that the Company believes do not represent qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of the Company s total assets at the time of acquisition of any additional non-qualifying assets.

(22) Includes PIK payable on $12,466 of par at 4.50% PIK, $14,405 of par at 5.25% PIK, $14,839 of par at 8.00% PIK, and $9,515 of par at 3.50% PIK.

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

December 31, 2011

(in thousands, except shares)

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2011
Beverage, Food & Tobacco	16%
Insurance	10%
Banking	10%
Personal, Food & Misc. Services	8%
Leisure, Amusement, Entertainment	7%
Healthcare, Education & Childcare	5%
Farming & Agriculture	5%
Grocery	5%
Retail Stores	4%
Diversified/Conglomerate Service	4%
Personal & Nondurable Consumer Products	4%
Aerospace & Defense	4%
Buildings & Real Estate	3%
Cargo Transport	2%
Hotels, Motels, Inns and Gaming	2%
Machinery	2%
Personal Transportation	2%
Mining, Steel, Iron & Nonprecious Metals	1%
Textiles & Leather	1%
Broadcasting & Entertainment	1%
Electronics	1%
Telecommunications	1%
Finance	1%
Home, Office Furnishing & Durable Consumer Products	1%
	100%

See notes to consolidated financial statements.

Table of Contents

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

September 30, 2012

(in thousands, except shares)

Note 1. Organization

Solar Capital Ltd. (Solar Capital , we , or the Company), a Maryland corporation formed in November 2007, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, for tax purposes the Company 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). In February 2010, Solar Capital Ltd. completed its initial public offering.

The Company s investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in leveraged middle-market companies in the form of senior secured loans, mezzanine loans and equity securities. From time to time, we may also invest in public companies. Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our investments generally range between $20 million and $100 million each, although we expect that this investment size will vary, including proportionately with the size of our capital base.

Note 2. Significant Accounting Policies

Basis of Presentation The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), and include the accounts of the Company and its wholly-owned subsidiaries, Solar Capital Luxembourg I S.a.r.l., which was incorporated under the laws of the Grand Duchy of Luxembourg on April 26, 2007, and Solar Capital Funding II LLC (SC Funding), a Delaware limited liability company formed on December 8, 2010. The consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition for the periods presented. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to current year presentation.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period, have been included. The current period s results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2012.

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

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

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

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

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

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

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

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

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

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

Credit Facilities The Company has made an irrevocable election to apply the fair value option of accounting to the certain credit facilities and senior secured notes (see Note 6), in accordance with Accounting Standards Codification (ASC) 825-10. The Company uses an independent third-party valuation firm to measure their fair values.

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

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

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

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

Dividend Income: Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

Non-accrual: Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. Accrued interest is

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management s judgment, are likely to remain current.

Fee Revenue Receivable Fee revenue receivable consists of premium payments owed to the Company at the maturity of certain loans. The premium payments are recorded as a receivable at the inception of the loan and are accreted into interest income over the respective terms of the applicable loans.

Deferred Fee Revenue Deferred fee revenue represents the unearned portion of premium payments owed to the Company at the maturity of certain loans.

U.S. Federal Income Taxes The Company has elected to be treated as a RIC under subchapter M of the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. In order to qualify as a RIC, among other things, the Company is required to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. 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 dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company estimates that its current year annual taxable income may be in excess of estimated current year dividend distributions, the Company may accrue an excise tax on estimated excess taxable income as it is earned. For the nine months ended September 30, 2012, $343 was accrued for estimated U.S. Federal excise tax.

Although the Company files federal and state tax returns, its major tax jurisdiction is federal. The Company s inception-to-date federal tax years remain subject to examination by the Internal Revenue Service. The Company is also subject to taxes in Luxembourg, through Solar Capital Luxembourg I S.a.r.l., a wholly-owned subsidiary. Under the laws of Luxembourg, the Company pays a corporate income tax and a municipal business tax on its subsidiary s taxable income.

The Company has formed and used certain taxable subsidiaries to be taxed as a corporation for federal income tax purposes. These taxable subsidiaries allow the Company to hold portfolio companies organized as pass-through entities and still satisfy certain RIC income requirements. The Company does not consolidate the taxable subsidiaries for income tax purposes but recognizes the results of these subsidiaries for financial reporting purposes.

The Company evaluates tax positions taken or expected to be taken in the course of preparing its financial statements to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are reversed and recorded as a tax benefit or expense in the current year. All penalties and interest associated with income taxes are included in income tax expense. Conclusions regarding tax positions are subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analyses of tax laws, regulations and interpretations thereof. The Company did not have any uncertain tax positions that met the recognition or measurement criteria of ASC 740-10-25 nor did it have any unrecognized tax benefits as of the periods presented herein.

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

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

At December 31, 2011, as a result of permanent book-to-tax differences, the Company decreased under (over) distributed net investment income by $4,582, decreased accumulated net realized loss by $8,555, and decreased paid-in capital in excess of par value by $3,973. Aggregate stockholders equity was not affected by this reclassification.

Dividends Dividends and distributions to common stockholders are recorded on the ex-dividend date. Quarterly dividend payments are determined by the Board and are generally based upon taxable earnings estimated by management. Net realized capital gains, if any, are typically distributed at least annually, although we may decide to retain such capital gains for investment. We have adopted a dividend reinvestment plan that provides for reinvestment of any distributions we declare in cash on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our Board authorizes, and we declare, a cash dividend, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividend. While we generally use newly issued shares to implement the plan, we may purchase shares in the open market in connection with our obligations under the plan. In particular, if our shares are trading at a significant discount to net asset value and we are otherwise permitted under applicable law to purchase such shares, we intend to purchase shares in the open market in connection with our obligations under our dividend reinvestment plan.

Foreign Currency Translation The accounting records of the Company are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis:

(i) Market value of investment securities, other assets and liabilities at the current rates of exchange.

(ii) Purchase and sales of investment securities, income and expenses at the rates of exchange prevailing on the respective date of such transactions.

The Company does not isolate that portion of realized and unrealized gains or losses on investments that result from changes in market prices of investments from those that result from fluctuations in foreign exchange rates. Net realized foreign currency gains or losses arise from sales or repayments of foreign denominated investments (recorded in realized gain/loss on investments), maturities or terminations of foreign currency derivatives (recorded in realized gain/loss on derivatives), repayments of foreign denominated liabilities and other transactional gain or loss resulting from fluctuations in foreign exchange rates on amounts received or paid (recorded in realized gain/loss on foreign exchange). Net unrealized foreign exchange gains and losses arise from valuation changes in foreign denominated assets and liabilities, resulting from changes in exchange rates, including unrealized foreign exchange gains and losses on investments (recorded in unrealized gain/loss on investments), foreign currency derivatives (recorded in unrealized gain/loss on derivatives), and all other assets and liabilities (recorded in unrealized gain/loss on foreign exchange).

The Company s investments in foreign securities may involve certain risks such as foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments and therefore the earnings of the Company.

Derivative Instruments and Hedging Activity The Company recognizes derivatives as either assets or liabilities at fair value on its Consolidated Statements of Assets and Liabilities with valuation changes recorded as realized or unrealized gains and losses. The Company currently does not have any formally documented hedges that qualify for hedge accounting treatment.

The Company generally uses foreign exchange forward contracts and/or borrowings on its multicurrency revolving credit facility to minimize foreign currency exchange risks. Changes in the values of the Company s

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

foreign denominated assets are recorded in current earnings as realized and unrealized gains and losses; likewise, realized and unrealized gains and losses from derivatives and foreign denominated debt are also recorded in current earnings. The fair value of foreign exchange forward contracts is determined by recognizing the difference between the contract exchange rate and the current market exchange rate. Fluctuations in market values of assets and liabilities denominated in the same foreign currency offset in earnings, providing a natural foreign currency hedge.

The Company may use interest rate caps to create a synthetic ceiling on its borrowing rates. An interest rate cap is a derivative in which the buyer receives payments at the end of each period in which the interest rate exceeds an agreed cap rate. Interest payments on the Company s credit facilities are primarily LIBOR based. By purchasing caps on LIBOR, if LIBOR exceeds the cap rate, the Company will pay a higher interest rate on its credit facilities but receive an offsetting payment from the cap counterparty on the notional amount above the cap rate. Caps have an initial cost. The fair value of interest rate caps is determined using option pricing models that use readily available market inputs.

Deferred Offering Costs The Company records expenses related to shelf registration statement filings and other applicable offering costs as prepaid assets. These expenses are charged to capital upon utilization, in accordance with ASC 946-20-25.

Receivable for Investments Sold Receivable for investments sold represents a receivable for investments that have been sold but the proceeds have not been received.

Payable for Investments Purchased Payable for investments purchased represents a liability for investments that have been purchased but the proceeds have not been paid and any unfunded loan commitments.

Deferred Credit Facility Costs Deferred credit facility costs are amortized over the life of the related credit facility unless the fair value option was elected in accordance with ASC 825-10.

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

Subsequent Events Evaluation The Company evaluates the need for disclosures and/or adjustments resulting from subsequent events through the date the financial statements were issued.

Note 3. Investments

Investments consisted of the following as of September 30, 2012 and December 31, 2011:

	September 30, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	$ 484,350	$ 476,517	$ 426,201	$ 412,396
Subordinated Debt/Corporate Notes	508,558	494,594	604,157	546,859
Preferred Equity	148,921	147,852	15,107	14,664
Common Equity/Partnership Interests/Warrants	88,430	51,664	107,108	71,124
Total	$ 1,230,259	$ 1,170,627	$ 1,152,573	$ 1,045,043

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

As of September 30, 2012, the Company had two non-accrual assets with a total market value of $20,725. As of December 31, 2011, there was one non-accrual asset with a market value of $5,875.

Note 4. Agreements

Solar Capital has an Investment Advisory and Management Agreement with Solar Capital Partners, LLC (the Investment Adviser), under which the Investment Adviser will manage the day-to-day operations of, and provide investment advisory services to, Solar Capital. For providing these services, the Investment Adviser receives a fee from Solar Capital, consisting of two components a base management fee and an incentive fee. The base management fee is determined by taking the average value of Solar Capital s gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on Solar Capital s pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus Solar Capital s operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Solar Capital s net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. Solar Capital pays the Investment Adviser an incentive fee with respect to Solar Capital s pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Solar Capital s pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of Solar Capital s pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of Solar Capital s pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro-rated for any period of less than three months. The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement, as of the termination date), commencing on February 12, 2007, and equals 20% of Solar Capital s cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the adviser. For financial statement presentation purposes, a fee is accrued to include unrealized capital appreciation. No accrual was required for the capital gains based incentive fee for the nine months ended September 30, 2012 or for the year ended December 31, 2011.

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

Table of Contents

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

Note 5. Derivatives

The Company is exposed to interest rate risk both as a lender and a borrower. The Company s borrowing facilities and term loan bear interest at a floating rate, which means that rising interest rates would increase our cost of borrowing. To partially mitigate this risk, in 2011, the Company purchased two interest rate cap contracts, which effectively limit the interest rate payable on $150 million of LIBOR based borrowings. The following table highlights the outstanding interest rate caps:

					September 30, 2012		December 31, 2011		
Index Rate	**Cap Rate**	**Notional Amount**	**Expiration**	**Cost**	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**	**Counterparty**
3 Month Libor	1.0%	$ 100,000	1/13/2014	$ 1,950	$ 14	$ (1,936)	$ 279	$ (1,671)	Wells Fargo
3 Month Libor	1.0%	50,000	5/4/2014	988	16	(972)	190	(798)	Wells Fargo
		$ 150,000		$ 2,938	$ 30	$ (2,908)	$ 469	$ (2,469)	

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

As of September 30, 2012, there were no open forward foreign currency contracts outstanding. As of December 31, 2011, there were two open forward foreign currency contracts entered into with SunTrust, one selling 966 Euro and the other selling 12,989 GBP, for USD values of $1,295 and $20,308 at December 31, 2011, respectively. Unrealized appreciation as of December 31, 2011 totaled $180, or $44 and $136, respectively, for the Euro and GBP foreign currency forward contracts.

The Company had no derivatives designated as hedging instruments at September 30, 2012 and December 31, 2011.

Note 6. Borrowing Facilities and Senior Secured Notes

Senior Secured Credit Facility In June 2012, Solar Capital Ltd. entered into a $485 million Senior Secured Credit Facility comprised of $450 million of multi-currency revolving credit and a $35 million term loan. In August 2012, the Company added $40 million under the Facility s accordion feature split $25 million in USD revolving credit commitments and $15 million in a term loan. Borrowings bear interest at a rate per annum equal to LIBOR plus 2.50% or the alternate base rate plus 1.50%. The Facility has no LIBOR floor requirement. Citibank N.A. acted as Administrative Agent, JPMorgan Chase Bank, N.A. acted as Syndication Agent, and SunTrust Bank acted as Documentation Agent for the Facility. The Facility matures in July 2016 and includes a ratable amortization in the fourth year. At September 30, 2012, total outstanding USD equivalent borrowings under the Facility were $135,907.

The Facility may be increased up to $800 million with new or existing lenders. The Facility also contains certain customary affirmative and negative covenants and events of default. In addition, the 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 will pay the issuers of the term loans quarterly in arrears a commitment fee at the rate of 0.25% per annum on the average daily outstanding balance.

In conjunction with the establishment of the Facility, the predecessor facility and a term loan was retired, resulting in $2,295 of non-recurring charges to expense unamortized costs.

Table of Contents

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

At September 30, 2012, the Company had outstanding non-USD borrowings on the revolving portion of the Facility. Unrealized appreciation (depreciation) on these outstanding borrowings is indicated in the table below:

Foreign Currency	Local Currency Amount	US$ Basis of Borrowing	Current Value	Unrealized Appreciation (Depreciation)
British Pound	22,000	$ 34,617	$ 35,521	($ 904)
British Pound	3,000	$ 4,659	$ 4,844	($ 185)
British Pound	10,000	$ 15,530	$ 16,146	($ 616)
Euro	11,000	$ 13,589	$ 14,134	($ 545)
Canadian Dollar	15,000	$ 15,205	$ 15,262	($ 57)
		$ 83,600	$ 85,907	($ 2,307)

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

Senior Secured Loan Facility On December 17, 2010, Solar Capital Ltd. entered into a $100 million senior secured credit facility (the $100 Million Facility) with Wells Fargo Securities LLC, as administrative agent. Solar Capital entered into (i) a Purchase and Sale Agreement (the Purchase and Sale Agreement) with SC Funding, pursuant to which Solar Capital will sell to SC Funding certain loans that it has originated or acquired, or will originate or acquire (the Loans) from time to time; (ii) a Loan and Servicing Agreement (the Loan and Servicing Agreement and, together with the Purchase and Sale Agreement, the Agreements) with SC Funding as borrower; and (iii) various supporting documentation. The $100 Million Facility is secured by all of the assets held by SC Funding. The $100 Million Facility, among other things, matures on December 17, 2015 and bears interest based on LIBOR plus 2.75%. Under the Agreements, Solar Capital and SC Funding, as applicable, are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. The Purchase and Sale Agreement includes usual and customary events of default for credit facilities of this nature.

The Company has made an irrevocable election to apply the fair value option of accounting to the Facility and the Private Notes in accordance with ASC 825-10. Accounting for the Facility and the Private Notes at fair value will better align the measurement methodologies of assets and liabilities, which may mitigate certain earnings volatility. As a result of this election, $3,881 and $1,128 of costs related to the establishment of the Facility and the Private Notes, respectively, were expensed as incurred, rather than being deferred and amortized over the life of the obligation. ASC 825-10 requires entities to record the fair value of the selected assets and liabilities on the face of the Consolidated Statements of Assets and Liabilities and changes in fair value of the Facility and the Private Notes are reported in the Consolidated Statements of Operations. For the three and nine months ended September 30, 2012, the Facility and the Private Notes had no net change in price as a percentage of par but recognizes unrealized (appreciation) depreciation on non-USD borrowings due to changes in foreign exchange rates as noted in the table above.

The weighted average annualized interest cost for all borrowings for the nine months ended September 30, 2012 and 2011 was 4.74% and 3.53%, respectively. These costs are exclusive of commitment fees and for other prepaid expenses, if any, related to establishing the Facility, the Private Notes, and the $100 Million Credit Facility (collectively the Credit Facilities.) This weighted average annualized interest cost reflects the average

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

interest cost for all outstanding borrowings. For the nine months ended September 30, 2012 and 2011, average debt outstanding was $184,061 and $117,092, respectively. The maximum amounts borrowed on the Credit Facilities during the nine months ended September 30, 2012 and 2011 was $279,327 and $435,356, respectively. There was $248,362 drawn on the Credit Facilities as of September 30, 2012 and $236,355 as of December 31, 2011. At September 30, 2012 and December 31, 2011, the Company was in compliance with all financial and operational covenants required by the Credit Facilities.

Note 7. Fair Value

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

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access (examples include active exchange-traded equity securities, exchange-traded derivatives, and most U.S. Government and agency securities).

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

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

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

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

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

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain of our private debt and equity investments) and long-dated or complex derivatives (including certain equity and currency derivatives).

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore gains and losses for such assets and liabilities categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Further, it should be noted that the following tables do not take into consideration the effect of offsetting Levels 1 and 2 financial instruments entered into by the Company that economically hedge certain exposures to the Level 3 positions.

Table of Contents

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur.

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011:

Fair Value Measurements

As of September 30, 2012

	Level 1	Level 2	Level 3	Total
Assets:				
Bank Debt/Senior Secured Loans		25,920	450,597	476,517
Subordinated Debt / Corporate Notes		30,076	464,518	494,594
Preferred Equity			147,852	147,852
Common Equity / Partnership Interests / Warrants	6,340		45,324	51,664
Derivative assets interest rate caps contracts		30		30
Liabilities:				
The Facility and Private Notes			210,907	210,907

Fair Value Measurements

As of December 31, 2011

	Level 1	Level 2	Level 3	Total
Assets:				
Bank Debt/Senior Secured Loans	$	$ 46,377	$ 366,019	$ 412,396
Subordinated Debt / Corporate Notes		10,508	536,351	546,859
Preferred Equity			14,664	14,664
Common Equity / Partnership Interests / Warrants	11,460		59,664	71,124
Derivative assets interest rate cap		469		469
Derivative assets forward contracts		180		180

Table of Contents

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

The tables below provide a summary of the changes in fair value of Level 3 assets and liabilities for the nine months ended September 30, 2012 and the year ended December 31, 2011, as well as the portion of gains or losses included in income attributable to unrealized gains or losses related to those assets and liabilities still held at September 30, 2012 and December 31, 2011:

Fair Value Measurements Using Level 3 Inputs

As of September 30, 2012

	Bank Debt/ Senior Secured Loans	Subordinated Debt/ Corporate Notes	Preferred Equity	Common Equity/ Partnership Interests/ Warrants
Fair value, December 31, 2011	$ 366,019	$ 536,351	$ 14,664	$ 59,664
Total gains or losses included in earnings:				
Net realized gain (loss)		(20,322)		11,002
Net change in unrealized gain (loss)	4,439	36,181	(624)	(7,220)
Purchase of investment securities	170,748	92,174	134,090	2,879
Proceeds from dispositions of investment securities	(90,609)	(179,866)	(278)	(21,001)
Transfers in/out of Level 3				
Fair value, September 30, 2012	$ 450,597	$ 464,518	$ 147,852	$ 45,324
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held by the Company at the end of the period:				
Net change in unrealized gain (loss):	$ (9,408)	$ (11,363)	$ (1,068)	$ (31,964)

During the nine months ended September 30, 2012, there were no transfers in and out of Levels 1 and 2.

Fair Value Measurements Using Level 3 Inputs

As of December 31, 2011

	Bank Debt/ Senior Secured Loans	Subordinated Debt/ Corporate Notes	Preferred Equity	Common Equity/ Partnership Interests/ Warrants

Fair value, December 31, 2010	$ 200,532	$ 566,308	$ 3,934	$ 53,092
Total gains or losses included in earnings:				
Net realized gain (loss)	(87)	6,218		(4,500)
Net change in unrealized gain (loss)	(13,392)	(6,991)	(448)	6,931
Purchase of investment securities	247,421	115,852	11,178	7,942
Proceeds from dispositions of investment securities	(68,455)	(103,971)		(3,801)
Transfers in/out of Level 3		(41,065)		
Fair value, December 31, 2011	$ 366,019	$ 536,351	$ 14,664	$ 59,664
Unrealized gains (losses) for the period relating to those Level 3 assets that were still held by the Company at the end of the period:				
Net change in unrealized gain (loss):	$ (15,535)	$ (17,844)	$ (448)	$ 4,988

F-24

Table of Contents

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

During 2011, one investment with a fair value of $41,065 was transferred from Level 3 to Level 2 as a result of an increase in the availability and reliability of third party market quotes for this investment. During 2011, one asset with a fair value of $9,900 was transferred from Level 2 to Level 1 when trading restrictions expired on a publicly traded equity investment.

The following table shows a reconciliation of the beginning and ending balances for fair valued liabilities measured using significant unobservable inputs (Level 3) for the nine months ended September 30, 2012:

	For the nine months ended September 30, 2012
The Facility and Private Notes	
Beginning fair value	$
Total unrealized appreciation	
Borrowings	314,907
Repayments	(104,000)
Transfers in/out of Level 3	
Ending fair value	$ 210,907

The Company has made an irrevocable election to apply the fair value option of accounting to the Facility and the Private Notes, in accordance with ASC 825-10. On September 30, 2012, there were borrowings of $135,907 and $75,000, respectively, on the Facility and the Private Notes. For the three and nine months ended September 30, 2012, the Facility and the Private Notes had no net change in unrealized (appreciation) depreciation. The Company used an independent third-party valuation firm to measure the fair value of the Facility and Private Notes.

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

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

Table of Contents

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

Quantitative information about the Company s Level 3 asset and liability fair value measurements as of September 30, 2012 is summarized in the table below:

Quantitative Information about Level 3 Fair Value Measurements

	Asset or Liability		Fair Value at September 30, 2012	Valuation Techniques/Methodology	Unobservable Input	Range (Weighted Average)
Senior Secured / Bank Debt	Asset	$	450,597	Yield Analysis/Market Approach/Broker quoted	Market Yields / Bid-Ask Spreads	10.5% 17.0% (12.9%)
Subordinated Debt / Corporate Note	Asset	$	464,518	Yield Analysis/Market Approach/Broker quoted	Market Yields / Bid-Ask Spreads	12.00% 18.0% (14.7%)
Preferred Equity	Asset	$	147,852	Yield Analysis	Market Yields	8.0% 15.00% (14.3%)
Common Equity	Asset	$	45,324	Market Approach	Enterprise Value	6.8x 10.0x
The Facility	Liability	$	135,907	Yield Analysis/Market Approach	Market Yields	L+0.5% L+5.5% (L+2.7%)
Private Notes	Liability	$	75,000	Yield Analysis/Market Approach	Market Yields	4.5% 7.3% (6.7%)

Significant increases or decreases in any of the above unobservable inputs in isolation, including unobservable inputs used in deriving bid-ask spreads, if applicable, would result in a significantly lower or higher fair value measurement for such assets and liabilities.

Note 8. Earnings Per Share

The following information sets forth the computation of basic and diluted earnings (loss) per share, pursuant to ASC 260-10, for the three and nine months ended September 30, 2012 and 2011, respectively:

		Three months ended September 30, 2012		**Three months ended September 30, 2011**		**Nine months ended September 30, 2012**		**Nine months ended September 30, 2011**
Numerator for basic and diluted increase in net assets per share:	$	30,243	$	(51,944)	$	92,463	$	9,458
Denominator for basic and diluted weighted average share:		36,948,921		36,498,451		36,732,790		36,442,550
Basic and diluted earnings (loss) per share:	$	0.82	$	(1.42)	$	2.52	$	0.26

Note 9. Taxation

We did not have any uncertain tax positions that met the recognition or measurement criteria of ASC 740-10-25, *Income Taxes*, nor did we have any unrecognized tax benefits as of the periods presented herein. Although we file federal and state tax returns, our major tax jurisdiction is federal. Our inception-to-date federal tax years remain subject to examination by the Internal Revenue Service.

Table of Contents

SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

September 30, 2012

(in thousands, except shares)

Note 10. Financial Highlights

The following is a schedule of financial highlights for the nine months ended September 30, 2012 and for the year ended December 31, 2011:

	Nine months ended September 30, 2012	Year ended December 31, 2011
Per Share Data:(a)		
Net asset value, beginning of year	$ 22.02	$ 22.73
Net investment income	1.57	2.25
Net realized and unrealized gain (loss)	0.95	(0.57)
Net increase in net assets resulting from operations	2.52	1.68
Dividends to shareholders	(1.83)	(2.40)
Effect of dilution	(0.01)	0.01
Net asset value, end of period	$ 22.70	$ 22.02
Total return(b)	12.23%	(1.07)%
Net assets, end of period	$ 877,603	$ 805,941
Per share market value at end of period	$ 22.92	$ 22.09
Shares outstanding end of period	38,667,196	36,608,038
Ratio to average net assets:(c)		
Expenses without incentive fees	4.76%	4.45%
Incentive fees	1.75%	2.49%
Total expenses	6.51%	6.94%
Net investment income	6.99%	9.97%
Portfolio turnover ratio	39.21%	34.54%

(a) Calculated using the average shares outstanding method

(b)

Total return is based on the change in market price per share during the period and takes into account dividends reinvested with the dividend reinvestment plan. Not annualized for periods less than one year.

(c) Not annualized for nine months ended September 30, 2012

Table of Contents

SOLAR CAPITAL LTD.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES (unaudited)

(in thousands, except shares)

Schedule 12-14

Portfolio Company	Investment	As of September 30, 2012 Number of Shares/Principal Amount	Nine months ended September 30, 2012 Amount of dividends and interest included in income	Nine months ended September 30, 2012 Amount of equity in net profit and loss	As of September 30, 2012 Fair Value
Investments Owned Greater than 25%					
AviatorCap SII, LLC I	Senior Secured Debt	3,225	$ 345	$	$ 3,225
AviatorCap SII, LLC II	Senior Secured Debt	4,733	479		4,733
AviatorCap SII, LLC III	Senior Secured Debt	5,151	824		5,152
USAW 767	Senior Secured Debt	3,539	173		3,539
SODO Corp.	Preferred Equity/ Common	2,117	130		2,371
SOCAY Corp.	Preferred Equity/ Common	13,719	858		14,490
SOINT, LLC	Senior Secured Debt	16,667	387		16,333
SOINT, LLC	Preferred Equity/ Common	86,667	196		8,667
Total Investments Owned Greater than 25%			$ 3,392	$	$ 58,510
Investments Owned Greater than 5% and Less than 25%					
Ark Real Estate Partners LP	Equity	44,697,684	$	$	$ 34,864
AREP Fifty-Seventh LLC	Senior Debt	19,769	430		19,373
ARK Real Estate Partners II LP	Senior Debt	8,027	38		7,866
DS Waters of America, Inc.	Senior Debt	30,689	1,207		31,763
Senior Preferred 15% Units of DSW Group Holdings LLC	Preferred Equity	1,445,321	9,471		122,274
Participating Preferred Units of DSW Group Holdings LLC	Common Equity	1,296,078			
Total Investments Owned Greater than 5% and Less than 25%			$ 11,146	$	$ 216,140

Table of Contents

SOLAR CAPITAL LTD.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES (unaudited) (continued)

(in thousands, except shares)

The table below represents the balance at the beginning of the year, December 31, 2011 and any gross additions and reductions and net unrealized gain (loss) made to such investments as well as the ending fair value as of September 30, 2012.

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

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

	Beginning Fair Value December 31, 2011	Gross additions	Gross reductions	Change in Unrealized Gain (Loss)	Fair Value as of September 30, 2012
AviatorCap SII, LLC I	$ 3,671	$ 19	$ 503	$ 38	$ 3,225
AviatorCap SII, LLC II	5,611	27	964	58	4,732
AviatorCap SII, LLC III	8,724	83	3,704	50	5,152
USAW 767	4,831	34	1,365	39	3,539
SODO Corp.	1,949	107		315	2,371
SOCAY Corp.	12,668	660		1,162	14,490
SOINT, LLC		16,343		(10)	16,333
SOINT, LLC		8,667			8,667
Ark Real Estate Partners LP	35,820	2,879		(3,835)	34,864
AREP Fifty-Seventh LLC		19,769		(396)	19,373
ARK Real Estate Partners II LP		8,027		(161)	7,866
DS Waters of America, Inc.		36,437	6,755	2,081	31,763
Senior Preferred 15% Units of DSW Group Holdings LLC		124,532	276	(1,982)	122,274

Schedule 12-14

Portfolio Company	Investment	As of December 31, 2011 Number of Shares/Principal Amount	Year ended December 31, 2011 Amount of dividends and interest included in income	Year ended December 31, 2011 Amount of equity in net profit and loss	As of December 31, 2011 Fair Value
Investments Owned Greater than 25%					
AviatorCap SII, LLC I	Senior Debt	3,678	$ 288	$	$ 3,671
AviatorCap SII, LLC II	Senior Debt	5,618	243		5,611
AviatorCap SII, LLC III	Senior Debt	8,696	628		8,724
USAW 767	Senior Debt	4,850	920		4,831
SODO Corp.	Preferred Equity/Common	2,009	96		1,949
SOCAY Corp.	Preferred Equity/Common	13,059	686		12,668
National Specialty Alloys, LLC	Equity	10,000	4,102		16,000
Total Investments Owned Greater than 25%			$ 6,963	$	$ 53,454

Investments Owned Greater than 5% and Less than 25%					
Ark Real Estate Partners LP	Equity	41,818,834			35,820
Total Investments Owned Greater than 5% and Less than 25%			$	$	$ 35,820

Table of Contents

SOLAR CAPITAL LTD.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES (unaudited) (continued)

(in thousands, except shares)

The table below represents the balance at the beginning of the year, December 31, 2010 and any gross additions and reductions and net unrealized gain (loss) made to such investments as well as the ending fair value as of December 31, 2011.

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

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

	Beginning Fair Value December 31, 2010	Gross additions	Gross reductions	Change in Unrealized Gain (Loss)	Fair Value as of December 31, 2011
AviatorCap SII, LLC I	$	$ 4,047	$ 369	(7)	$ 3,671
AviatorCap SII, LLC II		6,094	476	(7)	5,611
AviatorCap SII, LLC III		10,062	1,366	28	8,724
USAW 767	6,618	76	1,848	(15)	4,831
SODO Corp.	390	1,619		(60)	1,949
SOCAY Corp.	3,500	9,559		(391)	12,668
National Specialty Alloys, LLC	10,000			6,000	16,000
Ark Real Estate Partners LP	29,235	7,066	53	(428)	35,820

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Solar Capital Ltd.:

We have reviewed the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Capital Ltd. (the Company) as of September 30, 2012, and the consolidated statements of operations for the three and nine-month periods ended September 30, 2012 and 2011, the consolidated statement of changes in net assets for the nine-month period ended September 30, 2012 and consolidated statements of cash flows for the nine-month periods ended September 30, 2012 and 2011. These consolidated financial statements are the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Capital Ltd. as of December 31, 2011, and the related consolidated statement of changes in net assets for the year ended December 31, 2011 and we expressed an unqualified opinion on them in our report dated February 22, 2012.

/s/ KPMG LLP

New York, New York

November 1, 2012

Table of Contents

PROSPECTUS

$1,000,000,000

Solar Capital Ltd.

Common Stock

Preferred Stock

Debt Securities

Warrants

Units

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

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

We may offer, from time to time, in one or more offerings or series, up to $1,000,000,000 of our common stock, preferred stock, debt securities, warrants or units representing rights to purchase shares of our common stock, preferred stock or debt securities, which we refer to, collectively, as the securities. The preferred stock and warrants offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

In the event we offer common stock, the offering price per share of our common stock less any underwriting commissions or discounts will generally not be less than the net asset value per share of our common stock at the time we make the offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (a) with the prior approval of the majority of our common stockholders or (b) under such other circumstances as the SEC may permit.

The securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of the securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of the securities through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such securities.

Our common stock is listed on the NASDAQ Global Select Market under the symbol SLRC. On July 3, 2012, the last reported sales price on the NASDAQ Global Select Market for our common stock was $22.79 per share.

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

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

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

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

July 10, 2012

Table of Contents

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

TABLE OF CONTENTS

Index to Financial Statements

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, using the shelf registration process. Under the shelf registration process, which constitutes a delayed offering in reliance on Rule 415 under the Securities Act of 1933, as amended, or the Securities Act, we may offer, from time to time, in one or more offerings or series, up to $1,000,000,000 of our common stock, preferred stock, debt securities, units or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities on the terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. A prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and any such supplements together with any exhibits and the additional information described under Available Information and in the Summary and Risk Factors sections before you make an investment decision.

Table of Contents

SUMMARY

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

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007 after conducting a private placement of units of membership interest (units). 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 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, we use the term leveraged to refer to companies of any size with non-investment grade debt outstanding or, if not explicitly rated, those which we believe would be rated as non-investment grade based on their leverage levels and other terms. In addition, we use the term middle-market to refer to companies with annual revenues between $50 million and $1 billion.

Solar Capital

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

On February 9, 2010, we priced our initial public offering, selling 5.68 million shares 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 of 1933, as amended, or the Securities Act (the Concurrent Private Placement). Solar Capital Ltd. issued an aggregate of approximately 26.65 million shares of common stock and $125 million in senior unsecured notes (the Senior Unsecured Notes) to the existing Solar Capital LLC unit holders in connection with the Solar Capital Merger. Solar Capital Ltd. had no assets or operations prior to completion of the Solar Capital Merger and as a result, the books and records of Solar Capital LLC have become the books and records of the surviving entity. As of December 17, 2010, the Senior Unsecured Notes have been repaid from proceeds of a private placement transaction that we completed on November 30, 2010 and from borrowings under our credit facility established in December 2010.

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

Table of Contents

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

As of March 31, 2012, our long-term investments totaled $1.0 billion and our net asset value was $830.1 million. Our portfolio was comprised of debt and equity investments in 34 portfolio companies and our income producing assets, which represented 92.4% of our total portfolio, had a weighted average annualized yield on a fair value basis of approximately 14.3%.

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, including senior team members Brian Gerson, Cedric Henley, David Mait and Suhail Shaikh. We refer to Messrs. Gross, Spohler, Gerson, Henley, Mait and Shaikh as Solar Capital Partners senior investment professionals. Solar Capital Partners investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries.

In addition, Solar Capital Partners presently serves as the investment adviser for Solar Senior Capital Ltd., or Solar Senior, a publicly traded business development company with more than $300 million of investable capital that invests in the senior debt securities of leveraged middle-market companies similar to those we intend to target for investment. The investment team led by Messrs. Gross and Spohler has invested in approximately 95 different portfolio companies for Solar Capital and Solar Senior, which investments involved an aggregate of approximately 80 different financial sponsors, through March 31, 2012. 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 July 3, 2012, Mr. Gross and Mr. Spohler beneficially owned, either directly or indirectly, approximately 5.79% and 5.61%, respectively, of our outstanding common stock.

Mr. Gross has 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 lending transactions. We also rely on the 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. In addition to Messrs. Gross and Spohler, Solar Capital Partners senior investment professionals include Messrs. Gerson, Henley, Mait and Shaikh, each of whom has extensive experience in originating, evaluating and structuring investments in the types of middle-market companies we currently target.

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

Table of Contents

Market Opportunity

Solar Capital invests primarily in senior secured 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.

Middle-market companies have faced increasing difficulty in accessing the capital markets. While many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies that historically financed their lending and investing activities through securitization transactions have lost that source of funding and reduced lending significantly. Moreover, consolidation 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. There is currently over $520 billion of uninvested private equity capital seeking debt financing to support acquisitions. We expect that middle-market private equity firms will continue to invest the approximately $185 billion raised since 2000 in middle-market companies and that those private equity firms will seek to support their investments with mezzanine loans from sources such as Solar Capital. Additionally, over $17.4 billion was raised by middle-market sponsors during 2011, which we believe demonstrates the continued appetite for middle-market acquisitions that require debt financing.

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.

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. In 2011, on average, the total debt to EBITDA ratio for middle-market leveraged buyouts (LBOs) was 4.3x, versus 5.4x for large capitalization LBOs. This reduced leverage provides further cushion for borrowers to meet debt service obligations.

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.

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.

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 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 25 years of experience in evaluating and executing leverage finance transactions. We believe that Messrs. Gross and Spohler have developed a strong reputation in the capital markets, and that this experience provides us with a competitive advantage in identifying and investing in leveraged companies with the potential to generate returns.

Table of Contents

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

Investment Portfolio

Our portfolio investments consist of portfolio companies that have strong cash flows and have maintained financial and operating performance despite the recent economic climate. As of March 31, 2012, 99.5% of our total portfolio value of income producing assets, measured at fair value, was comprised of performing assets.

Investment Capacity

The proceeds from our initial public offering and the Concurrent Private Placement, the borrowing capacity under our credit facilities and our $75 million senior secured notes (the 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 March 31, 2012, we had total outstanding borrowings of $163.6 million. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors, as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. 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 believe the broad expertise of Solar Capital Partners senior investment team and their ability to draw upon their average of over 20 years of investment experience enable us to identify, assess and structure investments successfully. We expect to continue leveraging the relationships Mr. Gross established while sourcing and originating investments at Apollo Investment Corporation as well as the financial sponsor relationships Mr. Spohler developed while he was a co-head of CIBC World Markets U.S. Leveraged Finance Group.

Since its inception, Solar Capital Partners has sourced investments in approximately 95 different portfolio companies for both Solar Capital and Solar Senior, collectively, which investments involved an aggregate of approximately 80 different financial sponsors, through March 31, 2012.

Versatile Transaction Structuring and Flexibility of Capital

We believe Solar Capital Partners senior investment team s broad expertise and ability to draw upon its extensive experience enable us to identify, assess and structure investments successfully across all levels of a company s capital structure and to manage potential risk and return at all stages of the economic cycle. 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. We believe financial sponsors, management teams and investment banks see this flexibility as a benefit, making us an attractive financing partner.

Emphasis on Achieving Strong Risk-Adjusted Returns

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

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

Deep Industry Focus with Substantial Information Flow

We concentrate our investing activities in industries characterized by strong cash flow and in which Solar Capital Partners investment professionals have deep investment experience. During his time with the Apollo entities, Mr. Gross oversaw investments in over 200 companies in 20 industries. As a result of their investment experience, Messrs. Gross and Spohler, together with Solar Capital Partners other senior investment professionals, have long-term relationships with management consultants and management teams in the industries we target, as well as substantial information concerning those industries.

Longer Investment Horizon

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

Table of Contents

Risk Factors

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

- We operate in a highly competitive market for investment opportunities;
- The lack of liquidity in our investments may adversely affect our business;
- We may borrow money, which would magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us;
- To the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income;
- There will be uncertainty as to the value of our portfolio investments;
- We may experience fluctuations in our quarterly results;
- We will become subject to corporate-level income tax on all of our income if we are unable to continue to qualify as a RIC under Subchapter M of the Code, which would have a material adverse effect on our financial performance;
- We are dependent upon Solar Capital Partners key personnel for our future success;
- We cannot assure you that shares of our common stock will not trade at a market price below our net asset value per share;
- The net asset value per share of our common stock may be diluted if we sell or issue shares of our common stock at prices below the then current net asset value per share;
- Our common stock price may be volatile and may decrease substantially;
- There is a risk that our stockholders may not receive distributions or that our distributions may not grow over time;
- Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock; and
- Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital. As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

See Risk Factors beginning on page 17 and the other information included in this prospectus, for additional discussion of factors you should carefully consider before deciding to invest in our securities.

Table of Contents

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. 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 Material U.S. Federal Income Tax Considerations.

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

Our Corporate Information

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

Table of Contents

OFFERINGS

We may offer, from time to time, in one or more offerings or series, up to $1,000,000,000 of our common stock, preferred stock, debt securities, units or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus.

At our 2012 Annual Stockholders Meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock immediately prior to each such offering, at a price below the then current net asset value per share during a period beginning on May 3, 2012 and expiring on the earlier of the one-year anniversary of the date of the 2012 Annual Stockholders Meeting and the date of our 2013 Annual Stockholders Meeting, which is expected to be held in May 2013. However, notwithstanding such stockholder approval, since our initial public offering on February 9, 2010, we have not sold any shares of our common stock at a price below our then current net asset value per share. Any such issuance of shares of our common stock below net asset value will be dilutive to the net asset value of our common stock. See Risk Factors Risks Relating to an Investment in Our Securities and Sales of Common Stock Below Net Asset Value.

The securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of the securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See Plan of Distribution. We may not sell any of the securities through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such securities.

Set forth below is additional information regarding offerings of our common stock:

Use of Proceeds	Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes, which includes, among other things, (a) investing in portfolio companies in accordance with our investment objective and strategies and market conditions and (b) repaying indebtedness. Each supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. See Use of Proceeds.
NASDAQ Global Select Market symbol	SLRC
Distributions	To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders. The amount of our dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution. The specific tax characteristics of our dividends will be reported to shareholders after the end of each calendar year. We may issue preferred stock from time to time, although we have no immediate intention to do so. If we issue shares of preferred stock, holders of such preferred stock will be entitled to receive cash dividends at an annual rate that will be fixed or will vary for the successive dividend periods for each series. In general, the dividend periods for fixed rate preferred stock will be quarterly.

Table of Contents

Taxation	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. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Plan of Distribution and Material U.S. Federal Income Tax Considerations in this prospectus.
Leverage	We have historically and will in the future borrow funds to make investments. As a result, we will be exposed to the risks of leverage, which may be considered a speculative investment technique. The use of leverage magnifies the potential for gain and loss on amounts invested and therefore increases the risks associated with investing in our securities. In addition, the costs associated with our borrowings, including any increase in the management fee payable to our investment adviser, Solar Capital Partners, will be borne by our common stockholders.
Investment Advisory Fees	We pay Solar Capital Partners a fee for its services under the Investment Advisory and Management Agreement consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% of our gross assets, which includes any borrowings for investment purposes. The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals 20% of our pre-incentive fee net investment income for the immediately preceding quarter, subject to a preferred return, or hurdle, and a catch up feature. The second part is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement) in an amount equal to 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. See Investment Advisory and Management Agreement in this prospectus.
Administration Agreement	We reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services. In addition, we reimburse Solar Capital Management for the fees and expenses associated with performing compliance functions, and our allocable

Table of Contents

	portion of the compensation of our chief financial officer and any administrative support staff. See Administration Agreement in this prospectus.
Trading	Shares of closed-end investment companies frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.
License Agreement	We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has agreed to grant us a non-exclusive license to use the name Solar Capital. See License Agreement in this prospectus.
Dividend Reinvestment Plan	We have adopted an opt out dividend reinvestment plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under our dividend reinvestment plan in additional whole and fractional shares of common stock, unless you opt out of our dividend reinvestment plan so as to receive cash dividends by delivering a written notice to our plan administrator. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of our dividend reinvestment plan. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See Dividend Reinvestment Plan in this prospectus.
Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock. See Description of Our Capital Stock in this prospectus.
Available Information	We are required to file periodic reports, current reports, proxy statements and other information with the SEC. This information is available at the SEC s public reference room at 100 F Street, NE, Washington, D.C. 20549 and on the SEC s website at *http://www.sec.gov*. The public may obtain information on the operation of the SEC s public reference room by calling the SEC at (202) 551-8090. This information is also available free of charge by contacting us at Solar Capital Ltd., 500 Park Avenue, New York, NY 10022, by telephone at (212) 993-1670 or on our website at *http://www.solarcapltd.com*.

Table of Contents

FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load borne by us (as a percentage of offering price)	%(1)
Offering expenses borne by us (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	None(3)
Total stockholder transaction expenses (as a percentage of offering price)	%(2)
Annual expenses (as a percentage of net assets attributable to common stock):	
Base management fee	2.54%(4)
Incentive fees payable under our Investment Advisory and Management Agreement	2.54%(5)
Interest payments on borrowed funds	1.30%(6)
Other expenses (estimated)	0.82%(7)
Total annual expenses	7.20%

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above and have excluded performance-based incentive fees. See Note 6 below for additional information regarding certain assumptions regarding our level of leverage. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 47	$ 140	$ 235	$ 473

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

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

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

(4) Our base management fee under the Investment Advisory and Management Agreement is based on our gross assets, which is defined as all the assets of Solar Capital, including those acquired using borrowings for investment purposes, and assumes the base management fee remains consistent with fees incurred for the three months ended March 31, 2012. See Investment Advisory and Management Agreement.

(5) Assumes that annual incentive fees earned by our investment adviser, Solar Capital Partners, remain consistent with the incentive fees earned by Solar Capital Partners for the three months ended March 31, 2012. The incentive fee consists of two parts:

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

no incentive fee is payable to our investment adviser in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the Hurdle of 1.75%;

Table of Contents

100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the Hurdle but is less than 2.1875% in any calendar quarter (8.75% annualized) is payable to our investment adviser. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle but is less than 2.1875%) as the catch-up. The catch-up is meant to provide our investment adviser with 20% of our Pre-Incentive Fee Net Investment Income, as if a Hurdle did not apply when our Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter; and

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

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

(6) We may borrow funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. The costs associated with our outstanding borrowings are indirectly born by our investors. For purposes of this section, we have computed interest expense using the average balance outstanding for all borrowings during the three months ended March 31, 2012. We used the LIBOR rate on March 31, 2012 and the interest rate on our revolving credit facilities and our $35 million senior secured term loan (the Term Loan) on March 31, 2012. We have also included the estimated amortization of fees incurred in establishing our revolving credit facilities and our Term Loan as of March 31, 2012. Additionally, we included the estimated cost of commitment fees for unused balances on our revolving credit facilities. As of March 31, 2012, we had $128.6 million outstanding and $376.4 million remaining available to us under our revolving credit facilities and we had $35 million outstanding under our Term Loan. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Other expenses are based on the amounts incurred for the three months ended March 31, 2012 and include our overhead expenses, including payments under our Administration Agreement based on our allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement. See Administration Agreement.

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 57	$ 169	$ 279	$ 550

Table of Contents

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

Table of Contents

SELECTED FINANCIAL AND OTHER DATA

The selected financial and other data below should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto. Financial information is presented for the fiscal years ended December 31, 2011, 2010, 2009 and 2008 and for the period from March 13, 2007 (Solar Capital LLC inception) through December 31, 2007. Financial information for the periods ending December 31, 2011, 2010, 2009, 2008 and 2007 has been derived from our financial statements that were audited by KPMG LLP (KPMG), an independent registered public accounting firm. The financial information at and for the three months ended March 31, 2012 was derived from our unaudited financial statements and related notes. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods, have been included. Our results for the interim period may not be indicative of our results for the full year. See Management s Discussion and Analysis of Financial Condition and Results of Operations and Senior Securities below for more information.

($ in thousands, except per share data)	Three months ended March 31, 2012(4) (unaudited)	Year ended December 31, 2011	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Period from March 13, 2007 (inception) through December 31, 2007
Income statement data:						
Total investment income	$ 36,309	$ 138,900	$ 124,641	$ 109,670	$ 133,959	$ 78,455
Total expenses	$ 15,210	$ 56,996	$ 55,429	$ 42,408	$ 46,560	$ 25,461
Net investment income	$ 21,099	$ 81,904	$ 69,212	$ 67,262	$ 87,399	$ 52,994
Net realized gain (loss)	$ 9,166	$ (2,393)	$ (38,968)	$ (264,898)	$ (937)	$ (10,489)
Net change in unrealized gain (loss)	$ 15,893	$ (18,196)	$ 111,641	$ 284,572	$ (492,290)	$ 6,595
Net increase (decrease) in net assets resulting from operations	$ 46,158	$ 61,315	$ 141,885	$ 86,936	$ (405,828)	$ 49,100
Other data (unaudited):						
Weighted average annualized yield on income producing investments:						
On fair value(1)(4)	14.3%	14.2%	14.3%	14.8%	17.1%	12.9%
On cost(2)(4)	13.5%	13.2%	13.8%	13.7%	11.9%	12.7%
Number of portfolio companies at period end(4)	34	40	36	36	44	38

($ in thousands, except per share data)	As of March 31, 2012(4) (unaudited)	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Balance sheet data:						
Total investment portfolio	$ 1,008,515	$ 1,045,043	$ 976,221	$ 863,140	$ 768,215	$ 1,178,736
Total cash and cash equivalents	$ 10,363	$ 11,787	$ 288,732	$ 5,675	$ 65,841	$ 169,692
Total assets	$ 1,059,807	$ 1,079,431	$ 1,291,791	$ 885,421	$ 873,026	$ 1,396,545
Credit facilities payable	$ 128,643	$ 201,355	$ 400,000	$ 88,114	$	$
Senior secured term loan	$ 35,000	$ 35,000	$ 35,000	$	$	$
Net assets	$ 830,134	$ 805,941	$ 826,994	$ 697,903	$ 852,673	$ 1,258,501
Per share data:(3)						
Net asset value per share	$ 22.68	$ 22.02	$ 22.73	$ 21.24	$ 25.95	$ 38.30
Net investment income	$ 0.58	$ 2.25	$ 2.08	$ 2.05	$ 2.66	$ 1.62
Net realized and unrealized gain (loss)	$ 0.68	$ (0.57)	$ 2.19	$ 0.60	$ (15.01)	$ (0.12)
Dividends and distributions declared	$ 0.60	$ 2.40	$ 2.14	$ 7.36	$	$

(1) Throughout this document, the weighted average yield on income producing investments is computed as the (a) annual stated interest on accruing loans and debt securities plus the annual amortization of loan origination fees, original issue discount, and market discount on accruing loans and debt securities, plus the

effective interest yield on preferred shares divided by (b) total income producing investments at fair value. The weighted average yield is computed as of the balance sheet date and excludes assets on non-accrual status or on a cost recovery basis as of such date.

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

(3) The number of shares used to calculate weighted average shares for use in computations on a per share basis have been decreased retroactively by a factor of approximately 0.4022 for all periods prior to February 9, 2010. This factor represents the effective impact of the reduction in shares resulting from the Solar Capital Merger. The per share calculations are based on 32,860,454 weighted average shares outstanding as of December 31, 2009, 2008, and 2007, 36,383,158 shares outstanding and 33,258,402 weighted average shares outstanding for the year ended December 31, 2010, and 36,608,038 shares outstanding and 36,470,384 weighted average shares outstanding for the year ended December 31, 2011.

(4) Unaudited.

Selected Quarterly Financial Data (Unaudited)

(dollar amounts in thousands, except per share data)

	2012
	Q1
Total investment income	$ 36,309
Net investment income	$ 21,099
Net realized and unrealized gain	$ 25,059
Net increase (decrease) in net assets resulting from operations	$ 46,158
Earnings per share(1)	$ 1.26
Net asset value per share at the end of the quarter(2)	$ 22.68

	2011			
	Q4	Q3	Q2	Q1
Total investment income	$ 35,994	$ 35,329	$ 35,283	$ 32,294
Net investment income	$ 20,675	$ 20,711	$ 21,368	$ 19,150
Net realized and unrealized gain (loss)	$ 31,182	$ (72,655)	$ (8,984)	$ 29,868
Net increase (decrease) in net assets resulting from operations	$ 51,857	$ (51,994)	$ 12,384	$ 49,018
Earnings per share(3)	$ 1.42	$ (1.42)	$ 0.34	$ 1.35
Net asset value per share at the end of the quarter(4)	$ 22.02	$ 21.20	$ 23.22	$ 23.48

	2010			
	Q4	Q3	Q2	Q1
Total investment income	$ 31,644	$ 29,403	$ 28,284	$ 35,310
Net investment income	$ 17,384	$ 15,551	$ 15,166	$ 21,111
Net realized and unrealized gain	$ 24,974	$ 5,458	$ 1,348	$ 40,893
Net increase in net assets resulting from operations	$ 42,358	$ 21,009	$ 16,514	$ 62,004
Earnings per share(5)	$ 1.24	$ 0.63	$ 0.50	$ 1.90
Net asset value per share at the end of the quarter(6)	$ 22.73	$ 22.09	$ 22.07	$ 22.18

	2009			
	Q4	Q3	Q2	Q1
Total investment income	$ 28,456	$ 27,785	$ 25,252	$ 28,177
Net investment income (loss)	$ 17,685	$ 16,383	$ 16,099	$ 17,095
Net realized and unrealized gain (loss)	$ 22,271	$ 22,181	$ 17,899	$ (42,677)
Net increase (decrease) in net assets resulting from operations	$ 39,956	$ 38,564	$ 33,998	$ (25,582)
Earnings per share(7)	$ 1.23	$ 1.17	$ 1.03	$ (0.78)
Net asset value per share at the end of the quarter(8)	$ 21.24	$ 22.30	$ 23.61	$ 22.57

(1) Based on 36,608,038 weighted average shares of Solar Capital Ltd. outstanding during the first quarter of 2012.
(2) Based on 36,608,038 shares of Solar Capital Ltd. outstanding as of the end of the first quarter of 2012.

Table of Contents

(3) Based on 36,552,979, 36,498,451, 36,444,775 and 36,383,158 weighted average shares of Solar Capital Ltd. outstanding during the fourth, third, second and first quarters of 2011, respectively.
(4) Based on 36,608,038, 36,501,373, 36,447,607 and 36,383,158 shares of Solar Capital Ltd. outstanding as of the end of the fourth, third, second and first quarters of 2011, respectively.
(5) Based on 34,267,088, 33,165,867, 33,029,516 and 32,553,322 weighted average shares of Solar Capital Ltd. outstanding during each of the fourth, third, second and first quarters of 2010, respectively.
(6) Based on 36,383,158, 33,168,872, 33,030,641 and 32,928,257 shares of Solar Capital Ltd. outstanding as of the end of the fourth, third, second and first quarter of 2010, respectively.
(7) Based on 32,860,454 weighted average shares of Solar Capital Ltd. outstanding during each respective quarter.
(8) Based on 32,860,454 shares of Solar Capital Ltd. outstanding as of the end of the respective quarter.

Table of Contents

RISK FACTORS

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

Risks Related to Our Investments

We operate in a highly competitive market for investment opportunities.

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

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

Our investments are very risky and highly speculative.

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

Capital markets were recently in a period of disruption and instability. These market conditions materially and adversely affected debt and equity capital markets in the United States and abroad, which had, and may in the future have, a negative impact on our business and operations.

The global capital markets were recently in a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. These conditions may return in the future. If these conditions return, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. In such situations, equity capital may be difficult to raise because, subject to some limited exceptions which as of the date of this prospectus apply to us, as a BDC we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. At our 2012 Annual Stockholders Meeting, subject to certain determinations required to be made by our board of directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock, not exceeding 25% of our then outstanding common stock immediately prior to each such offering, at a price below the then current net asset value per share during a period beginning on May 3, 2012 and expiring on the earlier of the one-year anniversary of the date of the 2012 Annual Stockholders Meeting and the date of our 2012 Annual Stockholders Meeting, which is expected to be held in May 2013. However, notwithstanding such stockholder approval, since our initial public offering on February 9, 2010, we have not sold any shares of our common stock at a price below our then current net asset value per share. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% immediately after each time we incur indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in the capital markets, including the recent extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

The downgrade of the U.S. credit rating and the economic crisis in Europe could negatively impact our business, financial condition and results of operations.

Recent U.S. debt ceiling and budget deficit concerns, together with signs of deteriorating sovereign debt conditions in Europe, have increased the possibility of additional credit-rating downgrades and economic slowdowns. Although U.S. lawmakers passed legislation to raise the federal debt ceiling, Standard & Poor s Ratings Services lowered its long-term sovereign credit rating on the United States from AAA to AA+ in August 2011. The impact of this or any further downgrades to the U.S. government s sovereign credit rating, or its perceived creditworthiness, and the impact of the current crisis in Europe with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations is inherently unpredictable and could adversely effect the U.S. and global financial markets and economic conditions. There can be no assurance that governmental or other measures to aid economic recovery will be effective. These developments, and the government s credit concerns in general, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the capital markets on favorable terms. In addition, the decreased credit rating could create broader financial turmoil and uncertainty, which may weigh heavily on our stock price. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during these periods as we are required to record the values of our investments. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments at fair value. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

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

The effect of global climate change may impact the operations of our portfolio companies.

There may be evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies financial condition, through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions.

Price declines and illiquidity in the corporate debt markets may adversely affect, and may continue to adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our board of directors. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The unprecedented declines in prices and liquidity in the corporate debt markets from 2008 through mid-2010 have resulted in significant net unrealized depreciation in our portfolio, reducing our net asset value. Depending on market conditions, we could incur substantial losses in future periods, which could reduce our net asset value and have a material adverse impact on our business, financial condition and results of operations.

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

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as follow-on investments, in order to: (i) increase or maintain in whole or in part our equity ownership percentage; (ii) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (iii) attempt to preserve or enhance the value of our investment. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. We will have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make

Table of Contents

follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, either because we prefer other opportunities or because we are subject to BDC requirements that would preve