Solar Capital Ltd.
Form 497
February 11, 2010
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Filed pursuant to Rule 497
Registration No. 333-148734

PROSPECTUS

5,000,000 Shares

Solar Capital Ltd.

Common Stock

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

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. Immediately prior to the pricing of this offering, Solar Capital LLC will be merged with and into Solar Capital Ltd., a Maryland corporation that is an externally managed, non-diversified closed-end management investment company which intends to elect to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act, prior to the consummation of this offering. We are managed by Solar Capital Partners, LLC. Solar Capital Management, LLC provides the administrative services necessary for us to operate.

This is our initial public offering, and our shares have no history of public trading. Our common stock has been approved for listing on the NASDAQ Global Select Market under the symbol SLRC.

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

An investment in our common stock is very risky and highly speculative. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it may increase the risk of loss for purchasers in this offering. In addition, the companies in which we invest are subject to special risks. See Risk Factors beginning on page 19 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.

	Per Share	Total(1)
Public Offering Price	$ 18.500	$ 92,500,000
Sales Load (Underwriting Discounts and Commissions)	$ 1.295	$ 6,475,000
Proceeds to Solar Capital Ltd. (before expenses)(2)	$ 17.205	$ 86,025,000

(1) We have granted the underwriters a 30-day option, which we refer to as the over-allotment option, to purchase up to an additional 750,000 shares of our common stock at the public offering price, less underwriting discounts and commissions (sales load). If the over-allotment option is exercised in full, the total public offering price will be $106,375,000, the total underwriting discounts and commissions (sales load) will be $7,446,250 and the proceeds to us will be $98,928,750, before deducting expenses payable by us. See Underwriting.

(2) We estimate that we will incur approximately $1,943,722 in offering expenses in connection with this offering. Stockholders will indirectly bear such expenses as investors in Solar Capital Ltd.

The underwriters expect to deliver the shares on or about February 12, 2010.

Joint Book-Running Managers

Citi **J.P. Morgan**

Morgan Stanley **SunTrust Robinson Humphrey**

Co-Managers

BMO Capital Markets **BB&T Capital Markets** **RBC Capital Markets**

A division of Scott & Stringfellow, LLC

February 9, 2010

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You should rely on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information or to make representations as to matters not stated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. This prospectus will be amended to reflect material changes to the information contained herein.

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Until March 6, 2010 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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SUMMARY

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

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. Immediately prior to the pricing of this offering, through a series of transactions Solar Capital LLC will be merged with and into Solar Capital Ltd., a Maryland corporation, which we refer to as the Solar Capital Merger. 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. Also, the term units refers to units of Solar Capital LLC prior to the Solar Capital Merger and the term shares refers to shares of Solar Capital Ltd. after the Solar Capital Merger. In addition, the terms Solar Capital Partners or investment adviser refer to Solar Capital Partners, LLC, and Solar Capital Management or the administrator refers to Solar Capital Management, LLC.

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

Unless indicated otherwise or the context requires, all information in this prospectus assumes (i) no exercise of the underwriters option to purchase additional shares of our common stock and (ii) an initial public offering price of $18.50 per share. In this prospectus, the terms pro forma or on a pro forma basis are used to give effect to the impact on historical financial information due to a proposed transaction or event.

As part of the Solar Capital Merger, approximately 26.65 million shares and $125 million in senior unsecured notes (the Distribution Notes) will be issued to our existing unit holders. Also, Solar Capital LLC paid a $75 million distribution to existing unit holders (the Pre-IPO Distribution) on January 29, 2010.

Michael S. Gross, our Chief Executive Officer, and Bruce Spohler, our Chief Operating Officer, have committed to collectively purchase 600,000 shares of our common stock in connection with the consummation of this offering. The shares will be sold to Messrs. Gross and Spohler at the same offering price paid by investors in this offering in 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

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. From time to time, we may also invest in public companies that are thinly traded. We are managed by Solar Capital Partners. Solar Capital Management provides the administrative services necessary for us to operate.

As of September 30, 2009, our long term investments totaled $792.4 million and our net asset value was $732.9 million. Our portfolio was comprised of debt and equity investments in 36 portfolio companies and our income producing assets, which represented 91% of our total portfolio, had a weighted average annualized yield of approximately 14.8%.

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Upon the consummation of the Solar Capital Merger but prior to this offering and the Concurrent Private Placement, there will be approximately 26.65 million shares and $125 million in Distribution Notes outstanding. Giving effect to the completion of the Pre-IPO Distribution and the Solar Capital Merger, the September 30, 2009 net asset value would have been approximately $532.9 million, or $20.00 per share, on a pro forma basis. See Capitalization. As described in further detail below, we estimate that our December 31, 2009 net asset value will be between $570.3 and $572.9 million, or between $21.40 and $21.50 per share, on a pro forma basis. As of January 26, 2010, reflecting the Solar Capital Merger, this offering, the Pre-IPO Distribution, and the Concurrent Private Placement, our outstanding debt was approximately 22% of total assets, making us one of the least levered publicly traded business development companies. See Determination of Net Asset Value and Risk Factors There will be uncertainty as to the value of our portfolio investments.

Our portfolio primarily consists of direct investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans made to private leveraged companies organized and located in the United States, including middle-market companies. We also invest in equity securities, such as preferred stock, common stock, warrants and other equity interests received in connection with our debt investments or through direct investments. 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.

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.

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and on March 13, 2007, we conducted a private placement of units of membership interest, or units, in Solar Capital LLC, which we refer to as our initial private placement. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, acquired approximately 3.3 million units in connection with the initial private placement. In addition, in connection with the initial private placement, certain funds managed by Magnetar Financial LLC, which we refer to as Magnetar, and certain entities affiliated therewith (collectively, the Magnetar entities), acquired approximately 35 million units. We refer to investors in the initial private placement, together with our other equity holders prior to the Solar Capital Merger, as the LLC Holders.

Immediately prior to the pricing of this offering, through a series of transactions Solar Capital LLC will be merged with and into Solar Capital Ltd., a Maryland corporation, leaving Solar Capital Ltd. as the surviving entity. An aggregate of approximately 26.65 million shares of common stock of Solar Capital Ltd. and $125 million in Distribution Notes of Solar Capital Ltd. will be issued to the LLC Holders in connection with the Solar Capital Merger. The Distribution Notes will be due in February 2014 and will have a coupon of 8.75%, payable quarterly. The Distribution Notes are pre-payable at par at any time and are subject to customary terms and conditions. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Distribution Notes.

Dividends

On January 26, 2010, the board of directors of Solar Capital Ltd. declared a dividend of $0.60 per share, payable on April 1, 2010 to holders of record as of March 18, 2010. This dividend payment is contingent upon the completion of our initial public offering during the first quarter of 2010. The amount of the dividend will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. Purchasers in this offering will be entitled to receive this dividend payment. We anticipate that the

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dividend will be paid from post-offering taxable earnings, including interest and capital gains generated by our investment portfolio. However, if we do not generate sufficient taxable earnings during the year, the dividend may constitute a return of capital. The specific tax characteristics of our dividends will be reported to shareholders after the end of each calendar year. See Distributions.

Recent Developments

Estimated Net Asset Value

Our December 31, 2009 unaudited net asset value per share is estimated to be between $21.40 and $21.50 on a pro forma basis reflecting the Pre-IPO Distribution and the Solar Capital Merger. On January 14, 2010, our board of directors approved the fair value of our portfolio assets as of December 31, 2009 in accordance with our valuation policy. Our December 31, 2009 net asset value estimate is based on this board-approved fair value of our portfolio investments as well as other factors, including expected investment income earned on the portfolio and completion of the Pre-IPO Distribution. The increase in net asset value per share from September 30, 2009 to December 31, 2009 is primarily due to the appreciation of our portfolio assets and our retained investment income for the quarter. See Determination of Net Asset Value and Risk Factors There will be uncertainty as to the value of our portfolio investments.

New Revolving Credit Facility

In January 2010, Solar Capital Ltd. received commitments to amend and restate our Senior Secured Revolving Credit Facility with Citibank, N.A. (Citibank) and various other lenders, which will become effective upon the completion of our initial public offering. The facility size will be $250 million, which may be increased up to $600 million, and expires in February 2013. Per this agreement, base rate borrowings bear interest at the London Interbank Offered Rates (LIBOR) plus 3.25%.

Recent Portfolio Activity

During the fourth quarter of 2009, we purchased approximately $48 million of Rug Doctor, L.P. mezzanine debt. Rug Doctor, L.P. is one the largest manufacturers and marketers of consumer carpet care machines and cleaning products in the United States.

On January 20, 2010, National Interest Security Company, LLC (NISC) signed a definitive agreement to be acquired by International Business Machines Corp. NISC is a government services platform focused on management technology consulting and information technology services with domain expertise within high priority Federal sectors, including energy, homeland defense, and information technology. Solar Capital s investments in NISC include a second lien loan, a subordinated loan and an equity interest. As of September 30, 2009, the second lien and mezzanine loans, on a combined basis, had a par amount of $55.7 million and a fair value of $56.2 million. The equity interest had an original cost of $2.3 million and a fair value of $16.3 million, as of September 30, 2009. As a result of the change of control, we expect to receive proceeds of at least $61.3 million for the combined loans and at least the fair value of the equity. The transaction is expected to close in the first quarter of 2010, pending customary closing conditions, including regulatory reviews.

Distributions to LLC Holders

In December 2009, Solar Capital LLC declared the Pre-IPO Distribution, which was paid to LLC Holders on a pro-rata basis on January 29, 2010. In addition, immediately prior to the pricing of this offering, an aggregate of approximately 26.65 million shares of common stock of Solar Capital Ltd. and $125 million in Distribution Notes of Solar Capital Ltd. will be issued to the LLC Holders in connection with the Solar Capital Merger.

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About Solar Capital Partners

Solar Capital Partners is controlled by Michael S. Gross, our chairman and chief executive officer, and is led by Mr. Gross and Bruce Spohler, our chief operating officer, and is supported by a team of 12 dedicated investment professionals, including Brian Gerson, Cedric Henley and David Mait. We refer to Messrs. Gross, Spohler, Gerson, Henley and Mait as Solar Capital Partners senior investment professionals. Solar Capital Partners investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. The investment team led by Messrs. Gross and Spohler has invested in 52 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 44 different financial sponsors, through September 30, 2009. Since Solar Capital s inception, these investment professionals have used their relationships in the middle-market financial sponsor and financial intermediary community to originate direct investment opportunities.

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

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

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

We also rely on the more than 20 years of experience of Mr. Spohler, who has served as our chief operating officer and a partner of Solar Capital Partners since inception. Previously, Mr. Spohler was a managing director and a former co-head of U.S. Leveraged Finance for CIBC World Markets. He held numerous senior roles at CIBC World Markets, including serving on the U.S. Management Committee, Global Executive Committee and the Deals Committee, which approves all of CIBC World Markets U.S. corporate finance debt capital decisions. During Mr. Spohler s tenure, he was responsible for senior loan, high yield and mezzanine origination and execution, as well as CIBC World Markets below investment grade loan portfolio in the United States. As a co-head of U.S. Leveraged Finance, Mr. Spohler oversaw over 300 capital raising and merger and acquisition transactions, comprising over $40 billion in market capitalization.

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

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

Market Opportunity

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

Middle-market companies have faced increasing difficulty in accessing the capital markets. While many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies that, until recently, financed their lending and investing activities through securitization transactions have lost that source of funding and cut back lending significantly.

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

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

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

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

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

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

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Competitive Advantages and Strategy

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

Management Expertise

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

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

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

Investment Portfolio

Our portfolio investments consist of portfolio companies that have strong cash flows and have maintained financial and operating performance despite the recent economic climate. As of September 30, 2009, 99.7% of our total portfolio value was comprised of performing assets. The majority of our assets have been seasoned, which has allowed us to gain a solid understanding of our borrowers and the industries in which they compete. Additionally, over time, we have established productive relationships with our portfolio companies. As of September 30, 2009, our portfolio was focused within relatively recession-resistant industries. Approximately 40% of our portfolio, on a fair value basis as of September 30, 2009, was invested in beverage, food, and tobacco and aerospace and defense industries, which we consider to be defensive during times of economic turmoil. As of September 30, 2009, the companies in our portfolio for which we had debt investments had an average EBITDA (earnings before interest, taxes, depreciation, and amortization) of $174 million, weighted on a fair value basis, and were levered an average of 2.8 and 4.8 times through their senior debt and through the Solar Capital investment tranche, respectively.

Investment Capacity

The proceeds from this offering and the Concurrent Private Placement, the borrowing capacity under our new credit facility and the expected repayments of existing investments will provide us with a substantial amount of capital available for deployment into new investment opportunities. We believe we are well positioned for the current marketplace. We believe that in the current economic environment financing needs of many companies will increase while funding options are limited, allowing us to capitalize on favorable investment opportunities.

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Solar Capital s Limited Leverage

As of January 26, 2010, reflecting the Solar Capital Merger, this offering, the Pre-IPO Distribution, and the Concurrent Private Placement, our outstanding debt was approximately 22% of total assets, making us one of the least levered publicly traded business development companies. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. To the extent borrowing conditions improve and leverage becomes available on more attractive terms, we may increase our relative level of debt in the future. However, we do not currently anticipate operating with a substantial amount of debt relative to our total assets. Furthermore, by maintaining prudent leverage levels, we believe we will be better positioned to weather future market downturns.

Proprietary Sourcing and Origination

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

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

These direct investments enable us to perform more in-depth due diligence and play an active role in structuring financings. We believe that effectuating the transaction terms and having greater insight into a portfolio company s operations and financial picture assist Solar Capital in minimizing downside potential, while reinforcing Solar Capital as a trusted partner who delivers comprehensive financing solutions. Since our inception, Solar Capital Partners has sourced investments in 52 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 44 different financial sponsors, through September 30, 2009.

Versatile Transaction Structuring and Flexibility of Capital

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

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Emphasis on Achieving Strong Risk-Adjusted Returns

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

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

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

Deep Industry Focus with Substantial Information Flow

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

Longer Investment Horizon

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

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Risk Factors

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

- We have a limited operating history of almost three years;
- We are dependent upon Solar Capital Partners key personnel for our future success;
- We operate in a highly competitive market for investment opportunities;
- The lack of liquidity in our investments may adversely affect our business;
- We may borrow money, which would magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us;
- To the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income;
- There will be uncertainty as to the value of our portfolio investments;
- We may experience fluctuations in our quarterly results;
- We will become subject to corporate-level income tax on all of our income if we are unable to qualify as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, which would have a material adverse effect on our financial performance;
- We cannot assure you that the market price of shares of our common stock will not decline below our net asset value per share;
- Our common stock price may be volatile and may decrease substantially;
- There is a risk that our stockholders may not receive distributions or that our distributions may not grow over time;
- Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock; and

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

See Risk Factors beginning on page 19, and the other information included in this prospectus, for additional discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

Operating and Regulatory Structure

Immediately prior to the pricing of this offering, Solar Capital LLC will be merged with and into Solar Capital Ltd., a Maryland corporation that is an externally managed, non-diversified closed-end management investment company which intends to elect to be treated as a business development company under the 1940 Act prior to consummation of this offering. As a business development company, we will be 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

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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, including before we have fully invested the proceeds of this offering. In addition, we intend to elect to be treated for federal income tax purposes, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code. See Material U.S. Federal Income Tax Considerations.

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

Our Corporate Information

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

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THE OFFERING

Common Stock Offered by Us	5,000,000 shares, plus 750,000 shares issuable pursuant to the over-allotment option granted to the underwriters. Messrs. Gross and Spohler have committed to collectively purchase 600,000 shares in the Concurrent Private Placement.
Common Stock to be Outstanding After this Offering	Approximately 32.25 million shares (including approximately 26.65 million shares to be issued to the LLC Holders in connection with the Solar Capital Merger and 600,000 shares to be issued to Messrs. Gross and Spohler in the Concurrent Private Placement), plus 750,000 shares issuable pursuant to the over-allotment option granted to the underwriters.
Use of Proceeds	Our net proceeds from this offering and the Concurrent Private Placement will be approximately $95,181,278 or, approximately $108,085,028 if the underwriters fully exercise their over-allotment option. We plan to use the net proceeds of this offering for new investments in portfolio companies in accordance with our investment objective and strategies as described in this prospectus, for general working capital purposes, and, to the extent outstanding, for temporary repayment of debt. We will also pay operating expenses, including management and administrative fees, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of this offering. We anticipate that substantially all of the net proceeds of this offering will be used for the above purposes within three to six months from the consummation of this offering, depending on the availability of investment opportunities that are consistent with our investment objective and other market conditions. Pending such investments, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature 12 months or less from the date of investment. See Use of Proceeds.
Proposed Trading Symbol	We have been approved to have our common stock listed on the NASDAQ Global Select Market under the symbol SLRC.
Distributions	Subsequent to the completion of this offering, and to the extent that we have income available, we intend to distribute quarterly dividends to our stockholders, beginning with our first partial quarter after the completion of this offering. The amount of our dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution. On January 26, 2010, the board of directors of Solar Capital Ltd. declared a dividend of $0.60 per share, payable on April 1, 2010 to holders of record as of March 18, 2010. This dividend payment is contingent upon the completion of our initial

public offering during the first quarter of 2010. The amount of the dividend will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. Purchasers in this offering will be entitled to receive this dividend payment. We anticipate that the dividend will be paid from post-offering taxable earnings, including interest and capital gains generated by our investment portfolio. However, if we do not generate sufficient taxable earnings during the year, the dividend may constitute a return of capital. The specific tax characteristics of our dividends will be reported to shareholders after the end of each calendar year.

Lock-up Agreements	Each of the LLC Holders, other than Magnetar Capital Fund, LP and Solar Offshore Limited, has agreed that for a period of 120 days from the date of this offering, they will not, without the prior written consent of Citigroup Global Markets Inc. (Citi) and J.P. Morgan Securities Inc. (J.P. Morgan), dispose of or hedge any shares of our common stock or securities convertible or exchangeable for shares of our common stock. Each of our officers and directors, including Messrs. Gross and Spohler, has agreed to similar lock-up restrictions for a period of 180 days from the date of this offering. In connection with the issuance of the Distribution Notes, certain of the LLC Holders, including Magnetar Capital Fund, LP and Solar Offshore Limited, that elect to receive such Distribution Notes will be required to agree to similar lock-up restrictions for a period of 180 days from the date of this offering with respect to 50% of shares of common stock they hold immediately prior to completion of this offering and for a period of 365 days from the date of this offering with respect to the remaining 50% of shares of common stock they hold immediately prior to this offering. Messrs. Gross and Spohler, through Solar Capital Investors, LLC (an entity controlled by Mr. Gross), have also agreed to extend their lock-up period until 365 days from the date of this offering with respect to 50% of the shares of common stock they hold immediately prior to completion of this offering.
Taxation	We intend to elect to be treated for federal income tax purposes, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To obtain and maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See Distributions and Material U.S. Federal Income Tax Considerations.
Investment Advisory Fees	We pay Solar Capital Partners a fee for its services under the Investment Advisory and Management Agreement consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% of our gross

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	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.
Administration Agreement	We reimburse Solar Capital Management for the allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services. In addition, we reimburse Solar Capital Management for the fees and expenses associated with performing compliance functions, and our allocable portion of the compensation of our chief financial officer and any administrative support staff. See Administration Agreement.
Trading	Shares of closed-end investment companies frequently trade at a discount to their net asset value. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value.
License Agreement	We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has agreed to grant us a non-exclusive license to use the name Solar Capital. See License Agreement.
Dividend Reinvestment Plan	We have adopted an opt out dividend reinvestment plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under our dividend reinvestment plan in additional whole and fractional shares of common stock, unless you opt out of our dividend reinvestment plan so as to receive cash dividends by delivering a written notice to our plan administrator. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of our dividend reinvestment plan. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See Dividend Reinvestment Plan.

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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 Securities.
Available Information	After the completion of this offering, we will be required to file periodic reports, current reports, proxy statements and other information with the SEC. This information will be 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 will also be available free of charge by contacting us at Solar Capital Ltd., 500 Park Avenue, 5th Floor, New York, NY 10022, by telephone at (212) 993-1670 or on our website at *http://www.solarcapltd.com*.

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FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	7.00%(1)
Offering expenses borne by us (as a percentage of offering price)	2.10%(2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses (as a percentage of offering price)	9.10%
Annual expenses (as a percentage of net assets attributable to common stock):	
Base management fee	2.25%(4)
Incentive fees payable under our Investment Advisory and Management Agreement	2.25%(5)
Interest payments on borrowed funds	1.78%(6)
Other expenses (estimated)	0.97%(7)
Total annual expenses (estimated)	7.25%

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.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 136	$ 227	$ 318	$ 545

(1) The underwriting discounts and commissions (the sales load) with respect to shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.

(2) Amount reflects estimated offering expenses of approximately $1,943,722.

(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 for the complete fiscal year based on the fee incurred for the nine months ended September 30, 2009. See Investment Advisory and Management Agreement.

(5) Assumes that annual incentive fees earned by our investment adviser, Solar Capital Partners, remain consistent for the complete fiscal year based on the incentive fees earned by Solar Capital Partners for the nine months ended September 30, 2009. The incentive fee consists of two parts:

The first part, which was payable quarterly in arrears beginning with the quarter ended March 31, 2007, equals 20% of the excess, if any, of our Pre-Incentive Fee Net Investment Income that exceeds a 1.75% quarterly (7.00% annualized) hurdle rate, which we refer to as the Hurdle, subject to a catch-up provision measured at the end of each calendar quarter. The first part of the incentive fee is computed and paid on income that may include interest that is accrued but not yet received in cash. The operation of the first part of the incentive fee for each quarter is as follows:

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

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

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

The second part of the incentive fee equals 20% of our Incentive Fee Capital Gains, if any, which equals our realized capital gains on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The second part of the incentive fee is payable, in arrears, at the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement, as of the termination date), commencing with the period ending December 31, 2007. For a more detailed discussion of the calculation of this fee, see Investment Advisory and Management Agreement.

(6) We may borrow funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. The costs associated with our outstanding borrowings are indirectly born by our investors. For purposes of this section, we have computed interest expense using the average balance outstanding during the nine months ended, and the LIBOR rate on, September 30, 2009 and the interest rate on our amended and restated Senior Secured Revolving Credit Facility of LIBOR plus 3.25%. We have also included the estimated amortization of fees incurred in establishing our amended and restated Senior Secured Revolving Credit Facility. Upon completion of this offering, we will also have approximately $125 million of the Distribution Notes outstanding. For purposes of this section we have included estimated annual interest expense as well as the amortization of any deferred costs associated with the Distribution Notes. As of September 30, 2009, we had $25.6 million outstanding and $174.4 million remaining available to us under our revolving credit facility. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Other expenses are for the complete fiscal year based on amounts for the nine months ended September 30, 2009 and include our estimated overhead expenses, including payments under our Administration Agreement based on our estimated allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement. See Administration Agreement.

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Management Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. In addition, the example assumes inclusion of the sales load of $6,475,000 and estimated offering expenses of $1,943,722. Also, while the example assumes reinvestment of all dividends at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the dividend payment date, which may be at, above or below net asset value. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

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SELECTED FINANCIAL AND OTHER DATA

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

	Nine months ended September 30, 2009 (unaudited) (dollars in thousands)	Year ended December 31, 2008 (dollars in thousands)	Period from March 13, 2007 (inception) through December 31, 2007 (dollars in thousands)
Income statement data:			
Total investment income	$ 81,214	$ 133,959	$ 78,455
Total expenses	31,637	46,560	25,461
Net investment income	49,577	87,399	52,994
Net realized gain (loss) from investments	(237,616)	(937)	(10,489)
Net unrealized appreciation (depreciation) on investments	235,019	(492,290)	6,595
Net increase (decrease) in net assets resulting from operations	46,980	(405,828)	49,100
Other data:			
Weighted average annualized yield on income producing investments:			
On fair value(1)(4)	14.8%	17.1%	12.9%
On cost(2)(4)	13.3%	11.9%	12.7%
Number of portfolio companies at period end	36	44	38

	As of September 30, 2009 (unaudited) (dollars in thousands)	As of December 31, 2008 (dollars in thousands)	As of December 31, 2007 (dollars in thousands)
Balance sheet data:			
Total investment portfolio	$ 792,394	$ 768,215	$ 1,178,736
Total cash and cash equivalents	18,011	65,841	169,692
Total assets	856,450	873,026	1,396,545
Net assets	732,947	852,673	1,258,501
Per unit data:			
Net asset value per unit(3)	$ 8.97	$ 10.44	$ 15.40
Net investment income	0.61	1.07	0.65
Net realized and unrealized gain (loss)	(0.04)	(6.03)	(0.05)
Distributions declared	(2.04)		

(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 as of such date.

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(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 as of such date.

(3) Based on 81,702,847 units of Solar Capital LLC outstanding as of September 30, 2009, December 31, 2008 and December 31, 2007. The outstanding units of Solar Capital LLC will be converted into the right to receive shares of common stock of Solar Capital Ltd., or a combination of common stock and Distribution Notes of Solar Capital Ltd., in connection with the Solar Capital Merger, which is expected to be completed immediately prior to the pricing of this offering.

(4) Unaudited.

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RISK FACTORS

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

Risks Related to Our Investments

We operate in a highly competitive market for investment opportunities.

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

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

Our investments are very risky and highly speculative.

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

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

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

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

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

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

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

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

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

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

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

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

We have not yet identified all of the portfolio company investments we will acquire using the proceeds of this offering.

While we currently hold a portfolio of investments, we have not yet identified all of the additional potential investments for our portfolio that we will acquire with the proceeds of this offering. As a result, you will be unable to evaluate any future portfolio company investments prior to purchasing our shares. Additionally, our investment adviser will select our investments subsequent to the closing of this offering, and our stockholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in our common stock.

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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 the Code, we do not have fixed guidelines for diversification, and while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

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

The U.S. capital markets have been experiencing extreme volatility and disruption for more than 2 years and the U.S. economy is currently in a period of recession. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. We believe these conditions may continue for a prolonged period of time or worsen in the future. A prolonged period of market illiquidity may have an adverse effect on our business, financial condition and results of operations. Unfavorable economic conditions could also increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

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

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

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

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

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

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

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

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Risks Relating to This Offering

Prior to our initial public offering, there will be no public market for our common stock, and we cannot assure you that the market price of shares of our common stock will not decline following our initial public offering.

Before our initial public offering, there will be no public trading market for our common stock, and we cannot assure you that one will develop or be sustained after our initial public offering. We cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock will be determined through our negotiations with the underwriters and may not bear any relationship to the market price at which it may trade after our initial public offering. Shares of closed-end management investment companies offered in an initial public offering often trade at a discount to the initial public offering price due to sales loads, including underwriting discounts, and related offering expenses. In addition, shares of closed-end management investment companies have in the past frequently traded at discounts to their net asset values and our stock may also be discounted in the market. This characteristic of closed-end management investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. The risk of loss associated with this characteristic of closed-end management investment companies may be greater for investors expecting to sell shares of common stock purchased in the offering soon after the offering. In addition, if our common stock trades below its net asset value, we will generally not be able to sell additional shares of our common stock to the public at its market price without first obtaining the approval of our stockholders (including our unaffiliated stockholders) and our independent directors for such issuance.

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

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

- price and volume fluctuations in the overall stock market from time to time;
- investor demand for our shares;
- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines with respect to RICs or business development companies;
- failure to qualify as a RIC, or the loss of RIC status;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- changes, or perceived changes, in the value of our portfolio investments;
- departures of Solar Capital Partners key personnel;

operating performance of companies comparable to us; or

general economic conditions and trends and other external factors.

In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price

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once a market for our stock is established, we may become the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management s attention and resources from our business.

We cannot assure you that we will be able to successfully deploy the proceeds of our initial public offering within the timeframe we have contemplated.

We currently anticipate that substantially all of the net proceeds of our initial public offering will be invested in accordance with our investment objective within three to six months after the completion of our initial public offering. We cannot assure you, however, that we will be able to locate a sufficient number of suitable investment opportunities to allow us to successfully deploy substantially all of the net proceeds of our initial public offering in that timeframe. To the extent we are unable to invest substantially all of the net proceeds of our initial public offering within our contemplated timeframe after the completion of our initial public offering, our investment income, and in turn our results of operations, will likely be materially adversely affected.

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

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions.

We will have broad discretion over the use of proceeds of our initial public offering and will use proceeds in part to satisfy operating expenses.

We will have significant flexibility in applying the proceeds of our initial public offering and may use the net proceeds from our initial public offering in ways with which you may not agree, or for purposes other than those contemplated at the time of our initial public offering. We will also pay operating expenses, and may pay other expenses such as due diligence expenses of potential new investments, from net proceeds. Our ability to achieve our investment objective may be limited to the extent that net proceeds of our initial public offering, pending full investment, are used to pay operating expenses.

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

All of the approximately 26.65 million shares of our common stock to be issued to existing LLC Holders in the Solar Capital Merger and the 600,000 shares to be issued to Messrs. Gross and Spohler in the Concurrent Private Placement are subject to lock-up periods ranging from 120 to 365 days. Upon expiration of these lock-up periods, or earlier upon the consent of Citi or J.P. Morgan, such shares will generally be freely tradable in the public market, subject to the provisions of Rule 144 promulgated under the Securities Act. Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Risks Relating to Our Business and Structure

We have a limited operating history of almost three years.

We were formed in February 2007 and commenced operations in March 2007. As a result of our relatively short operating history, we are subject to many of the business risks and uncertainties associated with more

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recently formed businesses, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially. Although we have an existing portfolio of investments, we anticipate that it will take us between three and six months to invest substantially all of the net proceeds of this offering. During this period, we will invest these amounts in temporary investments, such as cash, cash equivalents, U.S. government securities and other short-term high quality debt instruments, which we expect will earn yields substantially lower than the income that we anticipate receiving in respect of investments in senior secured loans, mezzanine loans and equity securities.

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

We depend on the diligence, skill and network of business contacts of Messrs. Gross and Spohler, who serve as the managing member and a partner of Solar Capital Partners, respectively, and who lead Solar Capital Partners investment team. Messrs. Gross and Spohler, together with the other 12 dedicated investment professionals available to Solar Capital Partners, evaluate, negotiate, structure, close and monitor our investments. Our future success will depend on the continued service of Messrs. Gross and Spohler and the other investment professionals available to Solar Capital Partners. We cannot assure you that unforeseen business, medical, personal or other circumstances would not lead any such individual to terminate his relationship with us. The loss of Mr. Gross or Mr. Spohler, or any of the other senior investment professionals who serve on Solar Capital Partners investment team, could have a material adverse effect on our ability to achieve our investment objective as well as on our financial condition and results of operations. In addition, we can offer no assurance that Solar Capital Partners will remain our investment adviser.

The senior investment professionals of Solar Capital Partners are and may in the future become affiliated with entities engaged in business activities similar to those intended to be conducted by us, and may have conflicts of interest in allocating their time. We expect that Messrs. Gross and Spohler will dedicate a significant portion of their time to the activities of Solar Capital; however, they may be engaged in other business activities which could divert their time and attention in the future.

An extended continuation of the disruption in the capital markets and the credit markets could negatively affect our business.

As a business development company, we must maintain our ability to raise additional capital for investment purposes. Without sufficient access to the capital markets or credit markets, we may be forced to curtail our business operations or we may not be able to pursue new business opportunities. Since the middle of 2007, the capital markets and the credit markets have been experiencing extreme volatility and disruption and, accordingly, there has been and will continue to be uncertainty in the financial markets in general. Ongoing disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and could adversely impact our results of operations and financial condition.

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

If we are unable to renew or replace such facilities and consummate new facilities on commercially reasonable terms, our liquidity will be reduced significantly. If we are unable to repay amounts outstanding under

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

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

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

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

Any failure on our part to maintain our status as a business development company would reduce our operating flexibility.

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

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

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted, as a business development company, to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our

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investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. As of September 30, 2009, we had $25.6 million outstanding and $174.4 million remaining available to us under our revolving credit facility. As of February 9, 2010, we had approximately $171 million outstanding under our revolving credit facility. Upon completion of this offering, we will also have approximately $125 million of the Distribution Notes outstanding. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights on certain matters and might have other rights, preferences, or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest.

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

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

The use of leverage magnifies the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. As of February 9, 2010, we had approximately $171 million outstanding under our revolving credit facility. Upon completion of this offering, we will also have approximately $125 million of the Distribution Notes outstanding. We may borrow from and issue senior debt securities to banks, insurance companies and other lenders in the future. Lenders of these senior securities, including the revolving credit facility and Distribution Notes, will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such lenders to seek recovery against our assets in the event of a default. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could also negatively affect our ability to make dividend payments on our common stock. Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the management fee payable to our investment adviser, Solar Capital Partners, will be payable based on our gross assets, including those assets acquired through the use of leverage, Solar Capital Partners will have a financial incentive to incur leverage which may not be consistent with our stockholders interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to Solar Capital Partners.

As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we may not be able to incur additional debt and could be required by law to sell a portion of our investments to repay some debt when it is disadvantageous to do so, which could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on our investment adviser s and our

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board of directors assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

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

As of September 30, 2009, we had $25.6 million outstanding and $174.4 million remaining available to us under our revolving credit facility. As of February 9, 2010, we had approximately $171 million outstanding under our revolving credit facility. Upon completion of this offering, we will also have approximately $125 million of the Distribution Notes outstanding.

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

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

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

As of September 30, 2009, we had $25.6 million outstanding and $174.4 million remaining available to us under our revolving credit facility. As of February 9, 2010, we had approximately $171 million outstanding under our revolving credit facility. Upon completion of this offering, we will also have approximately $125 million of the Distribution Notes outstanding.

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

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

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We may experience fluctuations in our quarterly results.

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

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

Our executive officers and directors, as well as the current and future partners of our investment adviser, Solar Capital Partners, may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do. Accordingly, they may have obligations to investors in those entities, the fulfillment of which obligations might not be in the best interests of us or our stockholders. In addition, we note that any affiliated investment vehicle formed in the future and managed by our investment adviser or its affiliates may, notwithstanding different stated investment objectives, have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. As a result, Solar Capital Partners may face conflicts in allocating investment opportunities between us and such other entities. Although Solar Capital Partners will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that, in the future, we may not be given the opportunity to participate in investments made by investment funds managed by our investment adviser or an investment manager affiliated with our investment adviser. In any such case, when Solar Capital Partners identifies an investment, it will be forced to choose which investment fund should make the investment.

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

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

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

Our relationship with Magnetar may create conflicts of interest.

The Magnetar entities own as of September 30, 2009, either directly or indirectly, approximately 42.84% of our outstanding equity, and are expected to own, either directly or indirectly, 24.39% of our outstanding shares of common stock upon the completion of this offering. Magnetar also provides certain services to Solar Capital Partners and Solar Capital Management, and is reimbursed by Solar Capital Partners and Solar Capital Management for the expenses it incurs in connection with providing such services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under Maryland General Corporation Law and our charter, our board of directors is authorized to classify and reclassify any authorized but unissued shares of stock into one or more classes of stock, including preferred stock. Prior to issuance of shares of each class or series, the board of directors is required by Maryland law and our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. The cost of any such reclassification would be borne by our existing common stockholders. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. In addition, the 1940 Act provides that holders of preferred stock are entitled to vote separately from holders of common stock to elect two preferred stock directors. We currently have no plans to issue preferred stock. The issuance of preferred shares convertible into shares of common stock might also reduce the net income and net asset value per share of our common stock upon conversion, provided, that we will only be permitted to issue such convertible preferred stock to the extent we comply with the requirements of Section 61 of the 1940 Act, including obtaining common stockholder approval. These effects, among others, could have an adverse effect on your investment in our common stock.

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

The Maryland General Corporation Law and our charter and bylaws contain provisions that may discourage, delay or make more difficult a change in control of Solar Capital or the removal of our directors. We are subject to the

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Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such a transaction.

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

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

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

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

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

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

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

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We will incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, and other rules implemented by the SEC.

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FORWARD-LOOKING STATEMENTS AND PROJECTIONS

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

an economic downturn could impair our portfolio companies ability to continue to operate, which could lead to the loss of some or all of our investments in such portfolio companies;

a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;

interest rate volatility could adversely affect our results, particularly if we elect to use leverage as part of our investment strategy;

currency fluctuations could adversely affect the results of our investments in foreign companies, particularly to the extent that we receive payments denominated in foreign currency rather than U.S. dollars; and

the risks, uncertainties and other factors we identify in Risk Factors and elsewhere in this prospectus and in our filings with the SEC.

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

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 5,000,000 shares of our common stock in this offering and the sale of 600,000 shares of our common stock in the Concurrent Private Placement will be approximately $95,181,278, or approximately $108,085,028 if the underwriters fully exercise their over-allotment option, after deducting the underwriting discounts and commissions and estimated offering expenses of approximately $1,943,722 payable by us.

We plan to use the net proceeds of this offering and the Concurrent Private Placement for new investments in portfolio companies in accordance with our investment objective and strategies described in this prospectus, for general working capital purposes, and, to the extent outstanding, for temporary repayment of debt. We will also pay operating expenses, including management and administrative fees, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of this offering. We anticipate that substantially all of the net proceeds of this offering will be used for the above purposes within three to six months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. We cannot assure you we will achieve our targeted investment pace.

Pending such investments, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality investments that mature in one year or less from the date of investment. The management fee payable by us will not be reduced while our assets are invested in such securities. See Regulation as a Business Development Company Temporary Investments for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

DISTRIBUTIONS

To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders, beginning with our first full quarter after the completion of this offering. Our quarterly dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution.

On January 26, 2010, the board of directors of Solar Capital Ltd. declared a dividend of $0.60 per share, payable on April 1, 2010 to holders of record as of March 18, 2010. This dividend payment is contingent upon the completion of our initial public offering during the first quarter of 2010. The amount of the dividend will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. Purchasers in this offering will be entitled to receive this dividend payment. We anticipate that the dividend will be paid from post-offering taxable earnings, including interest and capital gains generated by our investment portfolio. However, if we do not generate sufficient taxable earnings during the year, the dividend may constitute a return of capital. The specific tax characteristics of our dividends will be reported to shareholders after the end of each calendar year.

We intend to elect to be treated, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code beginning with our 2010 taxable year. To obtain and maintain RIC tax treatment, we must, among other things, 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. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of: (1) 98% of our ordinary income for the calendar year; (2) 98% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year; and, (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which we paid no federal income tax. In addition, although we currently intend to distribute realized net capital gains (i.e., net long term capital gains in excess of short term capital losses), if any, at least annually, we may in the future decide to retain such capital gains for investment and elect to treat such gains as deemed distributions to you. If this happens, you will be treated as if you had

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received an actual distribution of the capital gains we retain and reinvested the net after tax proceeds in us. In this situation, you would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the capital gains deemed distributed to you. See Material U.S. Federal Income Tax Considerations. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, to the extent that we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

Our current intention is to make any distributions in additional shares of our common stock under our dividend reinvestment plan out of assets legally available therefore, unless you elect to receive your dividends and/or long-term capital gains distributions in cash. See Dividend Reinvestment Plan. If you hold shares in the name of a broker or financial intermediary, you should contact the broker or financial intermediary regarding your election to receive distributions in cash. We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

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SOLAR CAPITAL MERGER

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. Immediately prior to the pricing of this offering, through a series of transactions Solar Capital LLC will be merged with and into Solar Capital Ltd., a Maryland corporation, leaving Solar Capital Ltd. as the surviving entity. An aggregate of approximately 26.65 million shares of common stock of Solar Capital Ltd. and $125 million in Distribution Notes of Solar Capital Ltd. will be issued to the LLC Holders pursuant to an exemption from registration under the Securities Act in connection with the Solar Capital Merger. The obligations under the Distribution Notes will be those of Solar Capital Ltd. LLC Holders that elect to receive the Distribution Notes will be required to agree to an extension of their applicable lock-up period, with half of their equity position subject to a 180-day lock-up and the remainder subject to a 365-day lock-up. The Distribution Notes will be due in February 2014 and will have a coupon of 8.75%, payable quarterly. The Distribution Notes are pre-payable at par at any time and are subject to customary terms and conditions.

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CAPITALIZATION

The following table sets forth:

the actual capitalization of Solar Capital LLC at September 30, 2009; and

the pro forma capitalization of Solar Capital Ltd. reflects (a) the sale of 5,000,000 shares of our common stock in this offering at a public offering price of $18.50 per share after deducting the underwriting discounts and commissions of approximately $6,475,000 and estimated offering expenses of approximately $1,943,722 payable by us, (b) completion of the Solar Capital Merger, including the conversion of the outstanding units of Solar Capital LLC into shares of common stock of Solar Capital Ltd. and the issuance of the Distribution Notes of Solar Capital Ltd. in connection therewith, (c) completion of the Concurrent Private Placement, and (d) completion of the Pre-IPO Distribution of $75 million.

	As of September 30, 2009 (unaudited)	
	Solar Capital LLC Actual (in thousands)	Solar Capital Ltd. Pro Forma (in thousands)
Assets:		
Cash and cash equivalents	$ 18,011	$ 18,011
Investments at fair value	$ 792,394	$ 792,394
Other assets	$ 46,045	$ 45,073
Total assets	$ 856,450	$ 855,478
Liabilities:		
Credit facility payable	$ 25,584	$ 85,802
Senior unsecured notes		$ 125,000
Other Liabilities	$ 97,919	$ 16,547
Total Liabilities	$ 123,503	$ 227,349
LLC Holders equity:		
Net assets	$ 732,947	$ 628,129
Stockholders equity:		
Common stock, par value $0.01 per share; 200,000,000 shares authorized, 32,247,389 shares outstanding, pro forma		$ 322
Capital in excess of par value		$ 627,807
Total stockholders equity		$ 628,129

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DILUTION

The potential dilution to investors in this offering would be represented by the amount by which the offering price per share exceeds our pro forma net asset value per share after (a) the completion of the Pre-IPO Distribution of $75 million; (b) completion of the Concurrent Private Placement; (c) the completion of this offering; and (d) completion of the Solar Capital Merger. However, the actual offering price per share of $18.50 was below the adjusted pro forma September 30, 2009 net asset value of $19.48, resulting in a purchase discount of $0.98 when compared to the adjusted pro forma September 30, 2009 net asset value. Net asset value per share is determined by dividing our net asset value, which is our total assets less total liabilities, by the number of outstanding shares.

Upon completion of the Solar Capital Merger and the Pre-IPO Distribution, the September 30, 2009 pro forma net asset value of Solar Capital Ltd. would have been $532.9 million, or approximately $20.00 per share. After giving effect to the sale of 5.0 million shares of our common stock in this offering and 600,000 shares in the Concurrent Private Placement at a public offering price of $18.50 per share, and after deducting the underwriting discounts and commissions of approximately $6.5 million and estimated offering expenses of approximately $1.9 million payable by us, the pro forma net asset value of Solar Capital Ltd. is expected to be approximately $628.1 million, or approximately $19.48 per share.

The following table illustrates the dilution to the shares on a per share basis, taking into account the assumptions set forth above:

Offering price per share	$ 18.50
Pro forma September 30, 2009 net asset value before this offering but after completion of the Solar Capital Merger and Pre-IPO Distribution	$ 20.00
Decrease attributable to existing stockholders	$ 0.52
Pro forma September 30, 2009 net asset value after this offering and completion of the Solar Capital Merger, Pre-IPO Distribution and the Concurrent Private Placement	$ 19.48
Purchase Discount to Net Asset Value (without exercise of the over-allotment option)	$ 0.98

Using the December 31, 2009 estimated net asset value range of $21.40 to $21.50, an offering price per share of $18.50, and the same assumptions used above, the pro forma net asset value range of Solar Capital Ltd. is expected to be between approximately $20.64 and $20.72 per share, resulting in a purchase discount to net asset value of between $2.14 and $2.22 per share.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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. From time to time, we may also invest in public companies that are thinly traded. We are managed by Solar Capital Partners. Solar Capital Management provides the administrative services necessary for us to operate.

As of September 30, 2009, our long term investments totaled $792.4 million and our net asset value was $732.9 million. Our portfolio was comprised of debt and equity investments in 36 portfolio companies and our income producing assets, which represented 91% of our total portfolio, had a weighted average annualized yield of approximately 14.8%.

Upon the consummation of the Solar Capital Merger but prior to this offering and the Concurrent Private Placement, there will be approximately 26.65 million shares and $125 million in Distribution Notes outstanding. Giving effect to the completion of the Pre-IPO Distribution and the Solar Capital Merger, the September 30, 2009 net asset value would have been approximately $532.9 million, or $20.00 per share, on a pro forma basis. See Capitalization. As described in further detail below, we estimate that our December 31, 2009 net asset value will be between $570.3 and $572.9 million, or between $21.40 and $21.50 per share, on a pro forma basis. As of January 26, 2010, reflecting the Solar Capital Merger, this offering, the Pre-IPO Distribution, and the Concurrent Private Placement, our outstanding debt was approximately 22% of total assets, making us one of the least levered publicly traded business development companies.

Our portfolio primarily consists of direct investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans made to private leveraged companies organized and located in the United States, including middle-market companies. We also invest in equity securities, such as preferred stock, common stock, warrants and other equity interests received in connection with our debt investments or through direct investments. 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.

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.

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and on March 13, 2007, we conducted our initial private placement of units in Solar Capital LLC. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, acquired approximately 3.3 million units in connection with the initial private placement. In addition, in connection with the initial private placement, the Magnetar entities acquired approximately 35 million units.

Immediately prior to the pricing of this offering, through a series of transactions Solar Capital LLC will be merged with and into Solar Capital Ltd., a Maryland corporation, leaving Solar Capital Ltd. as the surviving entity.

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An aggregate of approximately 26.65 million shares of common stock of Solar Capital Ltd. and $125 million in Distribution Notes of Solar Capital Ltd. will be issued to the LLC Holders in connection with the Solar Capital Merger. The Distribution Notes will be due in February 2014 and will have a coupon of 8.75%, payable quarterly. The Distribution Notes are pre-payable at par at any time and are subject to customary terms and conditions. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Distribution Notes.

Dividends

On January 26, 2010, the board of directors of Solar Capital Ltd. declared a dividend of $0.60 per share, payable on April 1, 2010 to holders of record as of March 18, 2010. This dividend payment is contingent upon the completion of our initial public offering during the first quarter of 2010. The amount of the dividend will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. Purchasers in this offering will be entitled to receive this dividend payment. We anticipate that the dividend will be paid from post-offering taxable earnings, including interest and capital gains generated by our investment portfolio. However, if we do not generate sufficient taxable earnings during the year, the dividend may constitute a return of capital. The specific tax characteristics of our dividends will be reported to shareholders after the end of each calendar year. See Distributions.

Recent Developments

Estimated Net Asset Value

Our December 31, 2009 unaudited net asset value per share is estimated to be between $21.40 and $21.50 on a pro forma basis reflecting the Pre-IPO Distribution and the Solar Capital Merger. On January 14, 2010, our board of directors approved the fair value of our portfolio assets as of December 31, 2009 in accordance with our valuation policy. Our December 31, 2009 net asset value estimate is based on this board-approved fair value of our portfolio investments as well as other factors, including expected investment income earned on the portfolio and completion of the Pre-IPO Distribution. The increase in net asset value per share from September 30, 2009 to December 31, 2009 is primarily due to the appreciation of our portfolio assets and our retained investment income for the quarter. See Determination of Net Asset Value and Risk Factors There will be uncertainty as to the value of our portfolio investments.

New Revolving Credit Facility

In January 2010, Solar Capital Ltd. received commitments to amend and restate our Senior Secured Revolving Credit Facility with Citibank and various other lenders, which will become effective upon the completion of our initial public offering. The facility size will be $250 million, which may be increased up to $600 million, and expires in February 2013. Per this agreement, base rate borrowings bear interest at LIBOR plus 3.25%.

Recent Portfolio Activity

During the fourth quarter of 2009, we purchased approximately $48 million of Rug Doctor, L.P. mezzanine debt. Rug Doctor, L.P. is one the largest manufacturers and marketers of consumer carpet care machines and cleaning products in the United States.

On January 20, 2010, NISC signed a definitive agreement to be acquired by International Business Machines Corp. NISC is a government services platform focused on management technology consulting and information technology services with domain expertise within high priority Federal sectors, including energy, homeland defense, and information technology. Solar Capital s investments in NISC include a second lien loan, a subordinated loan and an equity interest. As of September 30, 2009, the second lien and mezzanine loans, on a combined basis, had a par amount of $55.7 million and a fair value of $56.2 million. The equity interest had an original cost of $2.3 million and a fair value of $16.3 million, as of September 30, 2009. As a result of the change of control, we expect to receive proceeds of at least $61.3 million for the combined loans and at least the fair value of the equity. The transaction is expected to close in the first quarter of 2010, pending customary closing conditions, including regulatory reviews.

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Distributions to LLC Holders

In December 2009, Solar Capital LLC declared the Pre-IPO Distribution, which was paid to LLC Holders on a pro-rata basis on January 29, 2010. In addition, immediately prior to the pricing of this offering, an aggregate of approximately 26.65 million shares of common stock of Solar Capital Ltd. and $125 million in Distribution Notes of Solar Capital Ltd. will be issued to the LLC Holders in connection with the Solar Capital Merger.

Current Market Environment

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

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

As a result of the continuing credit crisis, the spread between the yields realized on risk-free and higher risk securities has increased, resulting in illiquidity in parts of the capital markets. These conditions, as well as the current recession, may continue for a prolonged period of time or worsen in the future. A prolonged period of market illiquidity may have an adverse effect on our business, financial condition, and results of operations. Unfavorable economic conditions could also increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results.

Critical Accounting Policies

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

Valuation of Portfolio Investments

We will conduct the valuation of our assets, pursuant to which our net asset value will be determined, at all times consistent with generally accepted accounting principles, or 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 will be valued at such price as of the closing price on the day of valuation. We may also obtain quotes with respect to certain of our investments from pricing services or brokers or dealers in order to value assets. When doing so, we determine whether the quote obtained is sufficient according to GAAP to determine the fair value of the security. If determined adequate, we use the quote obtained.

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

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

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

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.

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

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

Portfolio Composition, Investment Activity and Yield

The total value of our investments was approximately $792.4 million at September 30, 2009, $768.2 million at December 31, 2008, and $1.2 billion at December 31, 2007. During the nine months ended September 30, 2009, we originated approximately $72.9 million of new investments in 2 portfolio companies and approximately $47.8 million was invested in existing portfolio companies, substantially all of which was during the second quarter. For the year ended December 31, 2008, we originated approximately $158 million of new investments in 7 portfolio companies and approximately $73.1 million was invested in existing portfolio companies. From March 13, 2007 (inception) through December 31, 2007, referred to as our 2007 operating period, we originated approximately $846 million all from new investments in 27 portfolio companies. The foregoing amounts are in addition to the approximately $478 million of portfolio investments, originated by certain investment professionals at Magnetar who are currently a part of Solar Capital Partners investment team, that we acquired from the Magnetar entities prior to and immediately following the initial private placement.

In certain instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. Our portfolio activity also reflects sales of securities. For the nine months ended September 30, 2009, we had approximately $33.5 million in debt repayments in existing portfolio companies and sales of securities in 9 portfolio companies for approximately $156.5 million. For the year ended December 31, 2008, we had approximately $92 million of debt repayments in 6 portfolio companies and sales of securities in 4 portfolio companies of approximately $36.4 million.

In addition, during the nine months ended September 30, 2009 we had net unrealized and realized gains on 28 portfolio company investments totaling approximately $118.9 million, which was offset by net unrealized and realized losses on 16 portfolio company investments totaling approximately $108.2 million. During the year ended December 31, 2008, we had unrealized appreciation on 1 portfolio company investment totaling approximately $7.1 million, which was more than offset by unrealized depreciation on 43 portfolio company investments totaling approximately $503.4 million.

At September 30, 2009, we had investments in debt and preferred securities of 32 portfolio companies, totaling approximately $734.4 million, and equity investments in 10 portfolio companies, totaling approximately $58.0 million. At December 31, 2008, we had investments in debt and preferred securities of 36 portfolio companies, totaling approximately $685 million, and equity investments in 17 portfolio companies, totaling approximately $83.2 million.

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The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2009, December 31, 2008 and December 31, 2007:

	September 30, 2009		December 31, 2008		December 31, 2007	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured	$ 182,362	$ 159,915	$ 250,473	$ 146,907	$ 312,077	$ 302,628
Subordinated Debt/Corporate Notes	744,833	574,402	751,116	531,949	619,203	617,738
Preferred Equity	39	39	61,101	6,145	55,299	55,299
Common Equity/Partnership Interests/Warrants	115,739	58,038	194,044	76,016	184,336	203,071
Put/Call Options Purchased or Written				7,198		
Total	$ 1,042,973	$ 792,394	$ 1,256,734	$ 768,215	$ 1,170,915	$ 1,178,736

As of September 30, 2009, and December 31, 2008, the weighted average yield on income producing investments in our portfolio was approximately 14.8% and 17.1%, respectively. The weighted average yield on income producing investments was lower as of September 30, 2009 due to a decline in the average LIBOR rates applicable to our LIBOR-based income producing assets and the increase in fair value of these assets since December 2008.

Results of Operations for the Three Months Ended September 30, 2009 compared to the Three Months Ended September 30, 2008

Revenue

	For the Three Months Ended September 30,		% Change
	2009	2008	
	(in thousands)		
Investment income	$ 27,785	$ 32,464	(14)%

The decrease in investment income for the three months ended September 30, 2009 compared to the same period in 2008 was primarily due to lower average LIBOR rates and the placement of certain assets on nonaccrual status; this was partially offset by a higher average invested balance during 2009. LIBOR rates fell below 1% preceding the third quarter of 2009 compared to LIBOR rates near 2.8% heading into the third quarter of 2008.

Expenses

	For the Three Months Ended September 30,		% Change
	2009	2008	
	(in thousands)		
Performance-based incentive fee	$ 4,096	$ 712	475%
Investment advisory and management fees	4,273	6,378	(33)%
Interest and other credit facility expenses	536	1,227	(56)%
Administrative service fee	479	787	(39)%
Other general and administrative expenses	2,018	1,371	47%
Total expenses	$ 11,402	$ 10,475	9%

Total expenses increased by approximately $0.9 million for the three months ended September 20, 2009 compared to the same period in 2008. Investment advisory and management fees, which are based on gross assets, were lower in the third quarter of 2009 than 2008 primarily due to the reduced fair value of our

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investment portfolio. The performance-based incentive fee, which is computed based on percentage returns on our net asset value, was higher in the third quarter of 2009 compared to 2008 as our investment adviser surpassed the specified thresholds during 2009. (See Note 4 of the Notes to the September 30, 2009 Consolidated Financial Statements for the details on this calculation.)

Interest and other credit facility expenses were lower in the third quarter of 2009 compared to 2008 because a large portion of the amortization of set-up costs associated with the facilities ended in the first quarter of 2009 as the Company s other credit facility (referred to below as the Warehouse Facility) expired. The increase in other general and administrative expenses in the third quarter of 2009 compared to 2008 is primarily due to approximately $1.4 million in nonrecurring legal costs associated with our public offering, that did not qualify for deferral. During 2009, recurring other general and administrative costs declined due to a reduction in corporate overhead and a decrease in unincorporated business tax.

Net Realized and Unrealized Gains and Losses

	For the Three Months Ended September 30,	
	2009	2008
	(in thousands)	
Net realized gain (loss) investments	$ (151,269)	$ 18
Net realized gain (loss) forward contracts	(1,844)	13,370
Net realized loss foreign currency exchange	(284)	(357)
Net unrealized gain (loss) investments	175,839	(128,332)
Net unrealized gain forward contracts	1,726	4,675
Net unrealized gain (loss) foreign currency exchange	(1,987)	1,985
Total net realized and unrealized gain (loss)	$ 22,181	$ (108,641)

The increase in unrealized gains on investments for the third quarter of 2009 was primarily due to the reversal of unrealized losses on investments sold or deemed worthless and an increase in the fair value of our assets during the third quarter of 2009 compared to an overall weakening in the economy during the same period in 2008.

The net realized loss during the third quarter of 2009 was primarily due to four common and preferred equity positions that were deemed worthless resulting in a realized loss of $121.6 million as well as from the sales of six debt and equity investments resulting in a realized loss of $29.6 million.

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

Results of Operations for the Nine Months Ended September 30, 2009 compared to the Nine Months Ended September 30, 2008

Revenue

	For the Nine Months Ended September 30,		
	2009	2008	% Change
	(in thousands)		
Investment income	$ 81,214	$ 95,923	(15)%

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The decrease in investment income for the first nine months of 2009 compared to the same period in 2008 was primarily due to lower average LIBOR rates and the placement of certain assets on nonaccrual status; this was partially offset by a higher average invested balance during 2009. LIBOR rates fell below 1.5% preceding the first quarter of 2009 and continued to fall throughout the year (dropping below 1% preceeding the third quarter) compared to LIBOR rates near 5% heading into the first quarter of 2008.

Expenses

	For the Nine Months Ended September 30, 2009	2008	% Change
	(in thousands)		
Performance-based incentive fee	$ 12,395	$ 3,503	254%
Investment advisory and management fees	12,348	19,003	(35)%
Interest and other credit facility expenses	1,565	2,393	(35)%
Administrative service fee	1,512	2,492	(39)%
Other general and administrative expenses	3,817	3,213	19%
Total expenses	$ 31,637	$ 30,604	3%

Total expenses remained relatively constant for the first nine months of 2009 compared to the same period in 2008. The performance-based incentive fee, which is computed based on percentage returns on our net asset value, was higher in the first nine months of 2009 compared to 2008 as we surpassed the specified thresholds during 2009. Investment advisory and management fees, which are based on gross assets, were lower in the first nine months of 2009 than 2008 primarily due to the reduced fair value of our investment portfolio. (See Note 4 of the Notes to the September 30, 2009 Consolidated Financial Statements for the details on this calculation.)

The decrease in the administrative service fee for the first nine months of 2009 compared to 2008 was primarily due to the internalization of various operational functions. The increase in other general and administrative expenses for the first nine months of 2009 compared to the same period in 2008 is primarily due to approximately $1.4 million in nonrecurring legal costs associated with our public offering, that did not qualify for deferral. During 2009, recurring other general and administrative costs declined due to a reduction in corporate overhead and a decrease in unincorporated business tax.

Net Realized and Unrealized Gains and Losses

	For the Nine Months Ended September 30, 2009	2008
	(in thousands)	
Net realized loss investments	$ (227,191)	$ (181)
Net realized gain (loss) forward contracts	(9,674)	2,219
Net realized gain (loss) foreign currency exchange	(751)	465
Net unrealized gain (loss) investments	237,940	(160,671)
Net unrealized gain (loss) forward contracts	(963)	2,883
Net unrealized gain (loss) foreign currency exchange	(1,958)	1,251
Total net realized and unrealized loss	$ (2,597)	$ (154,034)

The increase in unrealized gains on investments for the first nine months of 2009 was primarily due to the reversal of unrealized losses on the investments sold or deemed worthless and an increase in the fair value of our assets compared to overall weakening in the economy during the same period in 2008.

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The net realized loss during the first nine months of 2009 was primarily due to realized losses of approximately $72.7 million on the sale of three debt investments as well as losses of approximately $147.5 million due to five debt and equity securities that were deemed worthless.

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

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

Revenue

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

The increase in interest income for the year ended December 31, 2008 compared to the period ended December 31, 2007 was primarily due to twelve months of income during 2008 versus a partial year in 2007 and a higher average invested balance versus outstanding cash during 2008. The average cash balance during the period ended December 31, 2007 was $530.0 million compared to $40.3 million in 2008.

Operating Expenses

	Year Ended December 31, 2008	Period From March 13 (inception) to December 31, 2007	% Change
	(in thousands)		
Investment advisory and management fees	$ 24,297	$ 19,719	23%
Performance-based incentive fee	9,008		
Interest and other credit facility expenses	3,343		
Administrative service fee	3,430	1,474	133%
Other general and administrative expenses	4,300	3,579	20%
Total operating expenses	$ 44,378	$ 24,772	79%

Almost two-thirds of the $19.6 million increase in total operating expenses during 2008 was attributable to the recognition of the performance-based incentive fee, as the respective hurdle rates were surpassed, and interest and other credit facility expenses related to our credit facilities established during 2008. Investment advisory and management fees were higher in 2008 primarily because 2008 included a full year of expense versus a partial year in 2007. Other general and administrative expenses and administrative service fees also increased during 2008 due to the partial year comparison and the build out of our corporate infrastructure.

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Net Realized and Unrealized Gains and Losses

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

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

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

Income Tax

	Year Ended December 31, 2008	Period From March 13 (inception) to December 31, 2007	% Change
	(in thousands)		
Income tax expense on net investment income	$ 2,182	$ 689	217%
Income tax expense (benefit) on realized gain (loss)	60	(181)	133%
Total income tax expense (benefit)	$ 2,242	$ 508	

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

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

After the completion of this offering, we intend to elect to be treated for income tax purposes as a RIC. As a RIC, we generally will not have to pay corporate-level federal income taxes on ordinary income or capital gains that we distribute to our stockholders as dividends. See Material U.S. Federal Income Tax Considerations. In addition, after completion of this offering and Solar Capital Merger, we will be a corporation and no longer be subject to unincorporated business tax.

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Liquidity and Capital Resources

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and commenced operations in March 2007. On March 13, 2007, we conducted a private placement of units in Solar Capital LLC. Approximately 46.7 million units were issued in connection with the initial private placement. In addition, in connection with the initial private placement, the Magnetar entities acquired approximately 35 million units. The consideration paid by the Magnetar entities in connection with such transactions consisted of a portfolio of debt and equity investments, together with accrued and unpaid interest thereon and additional funding commitments in such investments, as well as a cash investment.

At September 30, 2009 and December 31, 2008, we had cash and cash equivalents of approximately $18.0 million and $65.8 million, respectively. Cash provided by and used by operating activities for the nine months ended September 30, 2009 and the year ended December 31, 2008 was approximately $11.8 million and $106.8 million, respectively, consisting primarily of the items described in Results of Operations.

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

In connection with the Solar Capital Merger, Solar Capital Ltd will issue $125 million of Distribution Notes to the LLC Holders. The Distribution Notes will be due in February 2014 and will have a coupon of 8.75%, payable quarterly. The Distribution Notes are pre-payable at par at any time and are subject to customary terms and conditions.

As a business development company, we will have an ongoing need to raise additional capital for investment purposes. As a result, we expect from time to time to access the debt and/or equity markets when we believe it is necessary and appropriate to do so. Since the middle of 2007, global credit and other financial markets have suffered substantial stress, volatility, illiquidity and disruption. These events have significantly diminished overall confidence in the debt and equity markets and caused increasing economic uncertainty. A further deterioration in the financial markets or a prolonged period of illiquidity without improvement could materially impair our ability to raise equity capital or locate debt capital on commercially reasonable terms.

Credit Facility

In January 2010, Solar Capital Ltd. received commitments to amend and restate our $250 million Senior Secured Revolving Credit Facility (the Credit Facility) with Citibank and various lenders. Citibank serves as administrative agent for the lenders. Citi acted as the sole lead bookrunner and the sole lead arranger for the Credit Facility. Under the terms of the Credit Facility, the lenders agreed to extend credit to Solar Capital (the Borrower) in an aggregate principal or face amount not exceeding $250 million at any one time outstanding. The Credit Facility also allows the Borrower and the lenders to provide for a commitment increase to an amount not greater than $600 million. The Credit Facility is a three-year multi-currency revolving facility (with a stated maturity date in February 2013) and is secured by substantially all of the assets of Solar Capital s investment portfolio. Interest rate options include Base Rate (BR) loans, indexed to currency specific LIBOR, and Alternate Base Rate (ABR) loans, indexed to the Prime or Fed Funds rates. Borrowings bear interest at a rate per annum equal to the BR plus 3.25% and ABR plus 2.25%. The Credit Facility contains certain customary affirmative and negative covenants and events of default, including the occurrence of a change of control. In addition, the Credit Facility contains certain financial covenants that among other things, requires us to maintain a minimum shareholder s equity, a minimum leverage ratio and a minimum debt to total assets ratio. The Credit Facility will be used to supplement Solar Capital s equity capital to make additional investments and for other general corporate purposes.

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Distribution Notes

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

Contractual Obligations

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

Off-Balance Sheet Arrangements

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

Borrowings

We had borrowings of $25.6 million and $0 outstanding as of September 30, 2009 and December 31, 2008, respectively, under the Credit Facility. See Credit Facility for a description of the Credit Facility. Upon completion of this offering, we will also have approximately $125 million of the Distribution Notes outstanding.

Distributions

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

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Related Parties

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

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

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

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

- As a result of certain transactions prior to and immediately following our initial private placement, the Magnetar entities own as of September 30, 2009, either directly or indirectly, approximately 42.84% of our outstanding equity, and are expected to own, either directly or indirectly, 24.39% of our outstanding shares of common stock upon the completion of this offering.

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

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

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BUSINESS

Solar Capital

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. From time to time, we may also invest in public companies that are thinly traded. We are managed by Solar Capital Partners. Solar Capital Management provides the administrative services necessary for us to operate.

As of September 30, 2009, our long term investments totaled $792.4 million and our net asset value was $732.9 million. Our portfolio was comprised of debt and equity investments in 36 portfolio companies and our income producing assets, which represented 91% of our total portfolio, had a weighted average annualized yield of approximately 14.8%.

Upon the consummation of the Solar Capital Merger but prior to this offering and the Concurrent Private Placement, there will be approximately 26.65 million shares and $125 million in Distribution Notes outstanding. Giving effect to the completion of the Pre-IPO Distribution and the Solar Capital Merger, the September 30, 2009 net asset value would have been approximately $532.9 million, or $20.00 per share, on a pro forma basis. See Capitalization. As described in further detail below, we estimate that our December 31, 2009 net asset value will be between $570.3 and $572.9 million, or between $21.40 and $21.50 per share, on a pro forma basis. As of January 26, 2010, reflecting the Solar Capital Merger, this offering, the Pre-IPO Distribution, and the Concurrent Private Placement, our outstanding debt was approximately 22% of total assets, making us one of the least levered publicly traded business development companies.

Our portfolio primarily consists of direct investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans made to private leveraged companies organized and located in the United States, including middle-market companies. As of September 30, 2009, 70% of the fair value of our debt investments had fixed interest rates, 23% had floating interest rates, and 7% had floating interest rates with a floor, below which the variable component cannot adjust. As of September 30, 2009, our debt investments had a weighted average price, on a fair value basis, of 88.1 as a percentage of par. We also invest in equity securities, such as preferred stock, common stock, warrants and other equity interests received in connection with our debt investments or through direct investments. 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.

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.

We were formed in February 2007 as Solar Capital LLC, a Maryland limited liability company, and on March 13, 2007, we conducted our initial private placement of units in Solar Capital LLC. Solar Capital Investors, LLC, an entity funded by the management of Solar Capital Partners, acquired approximately 3.3 million units in connection with the initial private placement. In addition, in connection with the initial private placement, the Magnetar entities acquired approximately 35 million units.

Immediately prior to the pricing of this offering, through a series of transactions Solar Capital LLC will be merged with and into Solar Capital Ltd., a Maryland corporation, leaving Solar Capital Ltd. as the surviving entity. An aggregate of approximately 26.65 million shares of common stock of Solar Capital Ltd. and $125 million in Distribution Notes of Solar Capital Ltd. will be issued to the LLC Holders in connection with the Solar Capital Merger. The Distribution Notes will be due in February 2014 and will have a coupon of 8.75%, payable

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quarterly. The Distribution Notes are pre-payable at par at any time and are subject to customary terms and conditions. See Management s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Distribution Notes.

Dividends

On January 26, 2010, the board of directors of Solar Capital Ltd. declared a dividend of $0.60 per share, payable on April 1, 2010 to holders of record as of March 18, 2010. This dividend payment is contingent upon the completion of our initial public offering during the first quarter of 2010. The amount of the dividend will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. Purchasers in this offering will be entitled to receive this dividend payment. We anticipate that the dividend will be paid from post-offering taxable earnings, including interest and capital gains generated by our investment portfolio. However, if we do not generate sufficient taxable earnings during the year, the dividend may constitute a return of capital. The specific tax characteristics of our dividends will be reported to shareholders after the end of each calendar year. See Distributions.

Recent Developments

Estimated Net Asset Value

Our December 31, 2009 unaudited net asset value per share is estimated to be between $21.40 and $21.50 on a pro forma basis reflecting the Pre-IPO Distribution and the Solar Capital Merger. On January 14, 2010, our board of directors approved the fair value of our portfolio assets as of December 31, 2009 in accordance with our valuation policy. Our December 31, 2009 net asset value estimate is based on this board-approved fair value of our portfolio investments as well as other factors, including expected investment income earned on the portfolio and completion of the Pre-IPO Distribution. The increase in net asset value per share from September 30, 2009 to December 31, 2009 is primarily due to the appreciation of our portfolio assets and our retained investment income for the quarter. See Determination of Net Asset Value and Risk Factors There will be uncertainty as to the value of our portfolio investments.

New Revolving Credit Facility

In January 2010, Solar Capital Ltd. received commitments to amend and restate our Senior Secured Revolving Credit Facility with Citibank and various other lenders, which will become effective upon the completion of our initial public offering. The facility size will be $250 million, which may be increased up to $600 million, and expires in February 2013. Per this agreement, base rate borrowings bear interest at the LIBOR plus 3.25%.

Recent Portfolio Activity

During the fourth quarter of 2009, we purchased approximately $48 million of Rug Doctor, L.P. mezzanine debt. Rug Doctor, L.P. is one the largest manufacturers and marketers of consumer carpet care machines and cleaning products in the United States.

On January 20, 2010, NISC signed a definitive agreement to be acquired by International Business Machines Corp. NISC is a government services platform focused on management technology consulting and information technology services with domain expertise within high priority Federal sectors, including energy, homeland defense, and information technology. Solar Capital s investments in NISC include a second lien loan, a subordinated loan and an equity interest. As of September 30, 2009, the second lien and mezzanine loans, on a combined basis, had a par amount of $55.7 million and a fair value of $56.2 million. The equity interest had an original cost of $2.3 million and a fair value of $16.3 million, as of September 30, 2009. As a result of the change of control, we expect to receive proceeds of at least $61.3 million for the combined loans and at least the fair value of the equity. The transaction is expected to close in the first quarter of 2010, pending customary closing conditions, including regulatory reviews.

Distributions to LLC Holders

In December 2009, Solar Capital LLC declared the Pre-IPO Distribution, which was paid to LLC Holders on a pro-rata basis on January 29, 2010. In addition, immediately prior to the pricing of this offering, an aggregate of

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approximately 26.65 million shares of common stock of Solar Capital Ltd. and $125 million in Distribution Notes of Solar Capital Ltd. will be issued to the LLC Holders in connection with the Solar Capital Merger.

About Solar Capital Partners

Solar Capital Partners is controlled by Michael S. Gross, our chairman and chief executive officer, is led by Mr. Gross and Bruce Spohler, our chief operating officer, and is supported by a team of 12 dedicated investment professionals, including Brian Gerson, Cedric Henley and David Mait. We refer to Messrs. Gross, Spohler, Gerson, Henley and Mait as Solar Capital Partners senior investment professionals. Solar Capital Partners investment team has extensive experience in the private equity and leveraged lending industries, as well as significant contacts with financial sponsors operating in those industries. The investment team led by Messrs. Gross and Spohler have invested in 52 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 44 different financial sponsors, through September 30, 2009. 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.

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

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

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

We also rely on the more than 20 years of experience of Mr. Spohler, who has served as our chief operating officer and a partner of Solar Capital Partners since inception. Previously, Mr. Spohler was a managing director and a former co-head of U.S. Leveraged Finance for CIBC World Markets. He held numerous senior roles at CIBC World Markets, including serving on the U.S. Management Committee, Global Executive Committee and the Deals Committee, which approves all of CIBC World Markets U.S. corporate finance debt capital decisions. During Mr. Spohler s tenure, he was responsible for senior loan, high yield and mezzanine origination and execution, as well as CIBC World Markets below investment grade loan portfolio in the U.S. As a co-head of U.S. Leveraged Finance, Mr. Spohler oversaw over 300 capital raising and merger and acquisition transactions, comprising over $40 billion in market capitalization.

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

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

Market Opportunity

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

Middle-market companies have faced increasing difficulty in accessing the capital markets. While many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult in recent years as institutional investors have sought to invest in larger, more liquid offerings. In addition, many private finance companies that, until recently, financed their lending and investing activities through securitization transactions have lost that source of funding and cut back lending significantly.

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

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

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

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

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

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

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Competitive Advantages and Strategy

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

Management Expertise

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

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

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

Investment Portfolio

Our portfolio investments consist of portfolio companies that have strong cash flows and have maintained financial and operating performance despite the recent economic climate. As of September 30, 2009, 99.7% of our total portfolio value was comprised of performing assets. The majority of our assets have been seasoned, which has allowed us to gain a solid understanding of our borrowers and the industries in which they compete. Additionally, over time, we have established productive relationships with our portfolio companies. As of September 30, 2009, our portfolio was focused within relatively recession-resistant industries. Approximately 40% of our portfolio on a fair value basis was invested in beverage, food, and tobacco and aerospace and defense industries, which we consider to be defensive during times of economic turmoil. As of September 30, 2009, the companies for which we had debt investments in our portfolio had an average EBITDA (earnings before interest, taxes, depreciation, and amortization) of $174 million weighted on a fair value basis, which has grown 5.4% over the last 12 months (based on information received as of September 30, 2009) and was 3.0 times greater than portfolio company cash interest costs. As of September 30, 2009, the median EBITDA for the companies for which we had debt investments was $78 million. Our portfolio companies senior debt and the debt through the Solar Capital investment tranche were 2.8 and 4.8 times greater than average EBITDA, weighted on a fair value basis, and 3.0 and 5.3 times greater than average EBITDA, weighted on a par basis.

Investment Capacity

The proceeds from this offering and the Concurrent Private Placement, the borrowing capacity under our new credit facility and the expected repayments of existing investments will provide us with a substantial amount of capital available for deployment into new investment opportunities. We believe we are well positioned for the current marketplace. We believe that in the current economic environment financing needs of many companies will increase while funding options are limited, allowing us to capitalize on favorable investment opportunities.

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Solar Capital s Limited Leverage

As of January 26, 2010, reflecting the Solar Capital Merger, this offering, the Pre-IPO Distribution, and the Concurrent Private Placement, our outstanding debt was approximately 22% of total assets, making us one of the least levered publicly traded business development companies. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. To the extent borrowing conditions improve and leverage becomes available on more attractive terms, we may increase our relative level of debt in the future. However, we do not currently anticipate operating with a substantial amount of debt relative to our total assets. Furthermore, by maintaining prudent leverage levels, we believe we will be better positioned to weather future market downturns.

Proprietary Sourcing and Origination

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

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

These direct investments enable us to perform more in-depth due diligence and play an active role in structuring financings. We believe that effectuating the transaction terms and having greater insight into a portfolio company s operations and financial picture assist Solar Capital in minimizing downside potential, while reinforcing Solar Capital as a trusted partner who delivers comprehensive financing solutions. Since our inception, Solar Capital Partners has sourced investments in 52 different portfolio companies for Solar Capital, which investments involved an aggregate of more than 44 different financial sponsors, through September 30, 2009.

Versatile Transaction Structuring and Flexibility of Capital

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

Emphasis on Achieving Strong Risk-Adjusted Returns

Solar Capital Partners uses a disciplined investment and risk management process that emphasizes a rigorous fundamental research and analysis framework. Solar Capital Partners seeks to build our portfolio on a bottom-up basis, choosing and sizing individual positions based on their relative risk/reward profiles as a

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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 cross-correlation exposure and issuer and industry concentration. Our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to risk. When market conditions make it difficult for us to invest according to our criteria, we are highly selective in deploying our capital. We do not pursue short-term origination targets. We believe this approach enables us to build an attractive investment portfolio that meets our return and value criteria over the long term.

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

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

Deep Industry Focus with Substantial Information Flow

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

Longer Investment Horizon

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

Investments

Solar Capital seeks to create a diverse portfolio that includes senior secured loans, mezzanine loans and equity securities by investing approximately $20 to $100 million of capital, on average, in the securities of leveraged companies, including middle-market companies. Our portfolio includes both senior secured loans and mezzanine loans. Structurally, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. As such, other creditors may rank senior to us in the event of an insolvency. However, mezzanine loans rank senior to common and preferred equity in a borrowers capital structure. Typically, mezzanine loans have elements of both debt and equity instruments, offering the fixed returns in the form of interest payments associated with senior debt, while providing lenders an opportunity to

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participate in the capital appreciation of a borrower, if any, through an equity interest. This equity interest typically takes the form of warrants. Due to its higher risk profile and often less restrictive covenants as compared to senior loans, mezzanine loans generally earn a higher return than senior secured loans. The warrants associated with mezzanine loans are typically detachable, which allows lenders to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the borrower. Mezzanine loans also may include a put feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed formula. We believe that mezzanine loans offer an attractive investment opportunity based upon their historic returns and resilience during economic downturns.

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

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

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

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

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

Diversified/conglomerate services	Real estate
Education	Retail
Electronics	Specialty finance
Energy/utilities	Technology
Equipment rental	Telecommunications
Farming and agriculture	Utilities

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

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Set forth below is a list of our ten largest portfolio company investments as of September 30, 2009, as well as the top ten industries in which we were invested as of September 30, 2009, in each case calculated as a percentage of our total assets as of such date.

Portfolio Company	% of Total Assets
DS Waters	10.61%
National Interest Security Corporation	8.46%
Adams Outdoor Advertising	6.34%
Asurion Corporation	5.84%
Booz Allen Hamilton, Inc.	5.02%
Earthbound Farm	4.63%
Fleetpride Corporation	4.54%
Wire Rope Corporation	4.19%
Weetabix Group	3.26%
Direct Buy Inc.	3.23%