

Solar Capital Ltd.
Form 10-Q
November 05, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended September 30, 2018

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 814-00754

SOLAR CAPITAL LTD.

(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

26-1381340
(I.R.S. Employer)

Identification No.)

500 Park Avenue

New York, N.Y.

(Address of principal executive offices)

10022

(Zip Code)

(212) 993-1670

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting company

Emerging growth company

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

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

The number of shares of the registrant's Common Stock, \$.01 par value, outstanding as of November 1, 2018 was 42,260,826.

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SOLAR CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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Table of Contents**PART I. FINANCIAL INFORMATION**

In this Quarterly Report, Solar Capital, Company, Fund, we, us, and our refer to Solar Capital Ltd. unless the states otherwise.

Item 1. Financial Statements**SOLAR CAPITAL LTD.****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

(in thousands, except share amounts)

	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: \$894,050 and \$835,041, respectively)	\$ 893,481	\$ 834,410
Companies more than 25% owned (cost: \$499,089 and \$609,226, respectively)	517,299	626,760
Cash	10,182	5,963
Cash equivalents (cost: \$199,806 and \$144,826, respectively)	199,806	144,826
Receivable for investments sold	25,864	6,160
Dividends receivable	9,745	15,013
Interest receivable	8,134	7,336
Other receivable		58
Prepaid expenses and other assets	781	1,039
Total assets	\$ 1,665,292	\$ 1,641,565
Liabilities		
Revolving credit facility (see notes 6 and 7)	\$ 114,000	\$ 245,600
Unsecured senior notes due 2022 (see notes 6 and 7)	150,000	150,000
Unsecured tranche c senior notes due 2022 (\$21,000 and \$21,000 face amounts, respectively, reported net of unamortized debt issuance costs of \$274 and \$316, respectively. See note 7)	20,726	20,684
Unsecured senior notes due 2023 (\$75,000 and \$75,000 face amounts, respectively, reported net of unamortized debt issuance costs of \$1,537 and \$1,813, respectively. See note 7)	73,463	73,187
Term loans (see notes 6 and 7)	50,000	50,000
SSLP 2016-1, LLC revolving credit facility (the SSLP Facility) (see notes 6 and 7)	22,998	
SSLP II 2016-1, LLC revolving credit facility (the SSLP II Facility) (see notes 6 and 7)	26,168	

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NEFPASS SPV LLC credit facility (\$30,000 and \$0 face amounts, respectively, reported net of unamortized debt issuance costs of \$1,129 and \$0, respectively. See note 7)	28,871	
Payable for investments and cash equivalents purchased	210,221	145,118
Distributions payable	18,007	16,904
Management fee payable (see note 3)	6,399	7,373
Performance-based incentive fee payable (see note 3)	4,604	4,660
Interest payable (see note 7)	6,768	2,485
Administrative services expense payable (see note 3)	2,067	2,756
Other liabilities and accrued expenses	3,408	1,193
Total liabilities	\$ 737,700	\$ 719,960

Commitments and contingencies (see notes 10, 11, 12 and 13)

Net Assets

Common stock, par value \$0.01 per share, 200,000,000 and 200,000,000 common shares authorized, respectively, and 42,260,826 and 42,260,826 shares issued and outstanding, respectively	\$ 423	\$ 423
Paid-in capital in excess of par	991,340	991,340
Distributions in excess of net investment income	(8,862)	(13,319)
Accumulated net realized loss	(72,505)	(73,742)
Net unrealized appreciation (see notes 12 and 13)	17,196	16,903
Total net assets	\$ 927,592	\$ 921,605
Net Asset Value Per Share	\$ 21.95	\$ 21.81

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**

(in thousands, except share amounts)

	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
INVESTMENT INCOME:				
Interest:				
Companies less than 5% owned	\$ 21,859	\$ 21,465	\$ 70,704	\$ 64,882
Companies more than 25% owned	884	293	1,842	935
Dividends:				
Companies less than 5% owned	12	5	22	21
Companies more than 25% owned	14,255	13,726	41,446	37,080
Other income:				
Companies less than 5% owned	83	264	1,101	993
Companies more than 25% owned	49	394	175	516
Total investment income	37,142	36,147	115,290	104,427
EXPENSES:				
Management fees (see note 3)	\$ 6,399	\$ 6,751	\$ 19,285	\$ 20,037
Performance-based incentive fees (see note 3)	4,604	4,329	14,109	12,395
Interest and other credit facility expenses (see note 7)	5,521	5,348	17,522	15,974
Administrative services expense (see note 3)	1,459	1,346	4,151	3,994
Other general and administrative expenses	743	1,058	3,785	2,303
Total expenses	18,726	18,832	58,852	54,703
Net investment income	\$ 18,416	\$ 17,315	\$ 56,438	\$ 49,724
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:				
Net realized gain (loss) on investments and cash				

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equivalents:				
Companies less than 5% owned	\$ 687	\$ (28)	\$ 1,074	\$ 470
Companies 5% to 25% owned	(7)	(8,515)	168	(8,534)
Companies more than 25% owned			(5)	
Net realized gain (loss) on investments and cash equivalents	680	(8,543)	1,237	(8,064)
Net realized gain (loss) on foreign currencies		2		1
Net realized gain (loss)	680	(8,541)	1,237	(8,063)
Net change in unrealized gain (loss) on investments and cash equivalents:				
Companies less than 5% owned	530	1,061	62	6,324
Companies 5% to 25% owned		8,511		7,734
Companies more than 25% owned	(1,496)	(1,182)	231	(2,614)
Net change in unrealized gain (loss) on investments and cash equivalents	(966)	8,390	293	11,444
Net change in unrealized loss on foreign currencies		(1)		(1)
Net change in unrealized gain (loss)	(966)	8,389	293	11,443
Net realized and unrealized gain (loss) on investments, cash equivalents and foreign currencies	(286)	(152)	1,530	3,380
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 18,130	\$ 17,163	\$ 57,968	\$ 53,104
EARNINGS PER SHARE (see note 5)	\$ 0.43	\$ 0.41	\$ 1.37	\$ 1.26

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(in thousands, except share amounts)

	Nine months ended September 30, 2018 (unaudited)	Year ended December 31, 2017
Increase in net assets resulting from operations:		
Net investment income	\$ 56,438	\$ 68,363
Net realized gain (loss)	1,237	(12,015)
Net change in unrealized gain	293	14,082
Net increase in net assets resulting from operations	57,968	70,430
Distributions to stockholders:		
From net investment income	(51,981)	(67,612)
Capital transactions (see note 16):		
Reinvestment of distributions		280
Net increase (decrease) in net assets resulting from capital transactions		280
Total increase in net assets	5,987	3,098
Net assets at beginning of period	921,605	918,507
Net assets at end of period (1)	\$ 927,592	\$ 921,605
Capital stock activity (see note 16):		
Common stock issued from reinvestment of distributions		12,301
Net increase from capital stock activity		12,301

(1) Includes overdistributed net investment income of (\$8,862) and (\$13,319), respectively.
See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)****(in thousands)**

	Nine months ended	
	September 30, 2018	September 30, 2017
Cash Flows from Operating Activities:		
Net increase in net assets resulting from operations	\$ 57,968	\$ 53,104
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized (gain) loss on investments and cash equivalents	(1,237)	8,064
Net realized gain on foreign currencies		(1)
Net change in unrealized (gain) loss on investments and cash equivalents	(293)	(11,444)
Net change in unrealized loss on foreign currencies		1
Effect of consolidation of Senior Secured Unitranche Loan Program LLC (SSLP) and Senior Secured Unitranche Loan Program II LLC (SSLP II) (see notes 12 and 13)	(445)	
(Increase) decrease in operating assets:		
Purchase of investments	(473,649)	(351,516)
Proceeds from disposition of investments	525,366	267,739
Capitalization of payment-in-kind interest	(136)	(201)
Collections of payment-in-kind interest	784	173
Receivable for investments sold	(19,704)	5,677
Interest receivable	(798)	582
Dividends receivable	5,268	(2,698)
Other receivable	58	(336)
Prepaid expenses and other assets	258	(157)
Increase (decrease) in operating liabilities:		
Payable for investments and cash equivalents purchased	65,103	(110,214)
Management fee payable	(974)	(119)
Performance-based incentive fee payable	(56)	(83)
Administrative services expense payable	(689)	(1,197)
Interest payable	4,283	2,165
Other liabilities and accrued expenses	2,215	(600)
Net Cash Provided by (Used in) Operating Activities	163,322	(141,061)
Cash Flows from Financing Activities:		
Cash distributions paid	(50,878)	(50,423)
Proceeds from issuance of unsecured debt		100,000
Deferred financing costs	320	82
Consolidation of SSLP Facility and SSLP II Facility	61,066	
Proceeds from secured borrowings	395,969	452,200

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Repayment of secured borrowings	(510,600)	(467,400)
Net Cash Provided by (Used in) Financing Activities	(104,123)	34,459
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59,199	(106,602)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	150,789	312,046
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 209,988	\$ 205,444
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 13,239	\$ 13,809

Non-cash financing activities consist of the reinvestment of distributions of \$0 and \$280 for the nine months ended September 30, 2018 and 2017, respectively.

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)****September 30, 2018****(in thousands, except share/unit amounts)**

Description	Industry	Spread Above Index (9)	LIBOR Floor	Interest Rate (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Senior Secured Loans 84.3%									
Bank Debt/Senior Secured Loans									
Aegis Toxicology Sciences Corporation (10)	Health Care Providers & Services	L+550	1.00%	7.84%	5/7/2018	5/9/2025	\$ 26,000	\$ 25,563	\$ 26,000
Alteon Health, LLC (10)(16)(17)	Health Care Providers & Services	L+650	1.00%	8.74%	9/14/2018	9/1/2022	15,315	15,196	14,626
American Teleconferencing Services, Ltd. (PGI) (10)(17)	Communications Equipment	L+650	1.00%	8.84%	5/5/2016	12/8/2021	31,415	30,339	31,415
Amerilife Group, LLC (10)	Insurance	L+875	1.00%	10.99%	7/9/2015	1/10/2023	15,000	14,802	15,000
Associated Pathologists, LLC (10)(16)(17)	Health Care Providers & Services	L+500	1.00%	7.23%	9/14/2018	8/1/2021	3,835	3,813	3,835
Atria Wealth Solutions, Inc. (10)(17)	Diversified Financial Services	L+600	1.00%	8.61%	9/14/2018	11/30/2022	8,416	8,331	8,331
Bishop Lifting Products, Inc. (7)(10)	Trading Companies & Distributors	L+800	1.00%	10.24%	3/24/2014	3/27/2022	25,000	24,880	24,500
Datto, Inc. (10)	IT Services	L+800	1.00%	10.15%	12/6/2017	12/7/2022	25,000	24,566	25,000
Falmouth Group Holdings Corp. (AMPAC) (10)(16)(17)	Chemicals	L+675	1.00%	8.99%	12/7/2015	12/14/2021	42,963	42,702	42,963
Global Holdings LLC & Payment Concepts LLC (10)(17)	Consumer Finance	L+750	1.00%	9.83%	9/14/2018	5/5/2022	7,159	7,049	7,159
		L+400	1.25%	6.39%	11/6/2015	5/23/2020	7,089	6,389	7,143

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Global Tel*Link Corporation	Communications Equipment								
Global Tel*Link Corporation	Communications Equipment	L+825	1.25%	10.64%	5/21/2013	11/23/2020	18,500	18,360	18,604
Greystone Select Holdings LLC & Greystone & Co., Inc. (10)	Thriffs & Mortgage Finance	L+800	1.00%	10.20%	3/29/2017	4/17/2024	19,950	19,782	19,950
CIMS, Inc. (10)	Software	L+650	1.00%	8.64%	9/7/2018	9/12/2024	12,670	12,418	12,416
HS Intermediate, Inc. (10)	Health Care Providers & Services	L+825	1.00%	10.61%	6/19/2015	7/20/2022	25,000	24,688	24,750
K2 Pure Solutions NoCal, L.P. (10)	Chemicals	L+900	1.00%	11.24%	8/19/2013	2/19/2021	7,331	7,272	7,331
Kore Wireless Group, Inc. (10)	Wireless Telecommunication Services	L+825	1.00%	10.64%	9/12/2014	3/12/2021	55,500	54,998	54,390
Logix Holding Company, LLC (10)(17)	Communications Equipment	L+575	1.00%	7.99%	9/14/2018	12/22/2024	7,197	7,131	7,197
On Location Events, LLC & PrimeSport Holdings Inc. (10)(16)(17)	Media	L+550	1.00%	7.83%	12/7/2017	9/29/2021	24,750	24,508	24,565
Pet Holdings LLC & Pet Supermarket, Inc. (5)(10)(16)(17)	Specialty Retail	L+550	1.00%	7.84%	9/14/2018	7/5/2022	29,388	29,081	29,388
PhyMed Management LLC (10)	Health Care Providers & Services	L+875	1.00%	11.07%	12/18/2015	5/18/2021	32,321	31,602	31,998
Phynet Dermatology LLC (10)	Health Care Providers & Services	L+550	1.00%	7.66%	9/5/2018	8/16/2024	9,668	9,572	9,571
PPT Management Holdings, LLC (10)	Health Care Providers & Services	L+750 PIK	1.00%	9.69%	9/14/2018	12/16/2022	19,310	19,167	16,414
PSKW, LLC & PDR, LLC (10)(16)(17)	Health Care Providers & Services	L+425	1.00%	6.64%	9/14/2018	11/25/2021	2,107	2,098	2,107
PSKW, LLC & PDR, LLC (10)(16)(17)	Health Care Providers & Services	L+826	1.00%	10.65%	10/24/2017	11/25/2021	26,647	26,325	26,647

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2018****(in thousands, except share/unit amounts)**

Description	Industry	Spread		Interest Rate (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
		Above LIBOR Index (9)	Floor						
Rug Doctor LLC (3)(10)	Diversified Consumer Services	L+975	1.50%	12.33%	12/23/2013	10/31/2019	\$ 9,111	\$ 9,032	\$ 9,111
Solara Medical Supplies, Inc. (10)(17)	Health Care Providers & Services	L+600	1.00%	8.39%	5/31/2018	5/31/2023	5,022	4,951	4,972
Southern Auto Finance Company (5)(10)	Consumer Finance			11.15%	10/19/2011	12/4/2019	25,000	24,900	25,000
The Octave Music Group, Inc. (fka TouchTunes) (10)	Media	L+825	1.00%	10.36%	5/28/2015	5/27/2022	14,000	13,873	14,000
Varilease Finance, Inc. (10)	Multi-Sector Holdings	L+825	1.00%	10.59%	8/22/2014	8/24/2020	33,000	32,764	33,000
Total Bank Debt/Senior Secured Loans								\$ 576,152	\$ 577,383

Life Science Senior Secured Loans

Alimera Sciences, Inc. (10)	Pharmaceuticals	L+765		9.77%	1/5/2018	7/1/2022	25,000	\$ 24,968	\$ 25,000
Ardelyx, Inc. (5)(10)	Pharmaceuticals	L+745		9.57%	5/10/2018	11/1/2022	24,500	24,315	24,316
aTyr Pharma, Inc. (10)	Pharmaceuticals	P+410		9.10%	11/18/2016	11/18/2020	8,667	8,898	8,797
Axcella Health Inc. (10)	Pharmaceuticals	L+850		10.58%	1/9/2018	1/9/2022	21,000	21,165	21,157
BioElectron Technology Corporation (10)	Pharmaceuticals	L+750		9.62%	8/9/2018	8/10/2022	10,500	10,418	10,395
		L+850		10.58%	1/5/2018	1/5/2022	22,000	22,222	22,000

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Breathe Technologies, Inc. (10)	Health Care Equipment & Supplies								
CardioDx, Inc. (10)	Health Care Providers & Services	P+670		11.70%	6/18/2015	4/1/2019	1,750	2,443	2,327
Cardiva Medical, Inc. (10)	Health Care Equipment & Supplies	L+795	0.63%	10.18%	9/24/2018	9/1/2022	12,000	12,004	12,000
Cianna Medical, Inc. (10)	Health Care Equipment & Supplies	L+900		11.08%	9/28/2016	9/28/2020	9,000	9,607	9,720
Corindus Vascular Robotics, Inc. (5)(10)	Health Care Equipment & Supplies	L+725		9.35%	3/9/2018	3/1/2022	6,783	6,757	6,783
Delphinus Medical Technologies, Inc. (10)	Health Care Equipment & Supplies	L+850		10.62%	8/18/2017	9/1/2021	3,750	3,717	3,769
OmniGuide Holdings, Inc. (10)(15)	Health Care Equipment & Supplies	L+805		10.17%	7/30/2018	7/9/2023	10,500	10,470	10,447
PQ Bypass, Inc. (10)	Health Care Equipment & Supplies	L+885	1.00%	10.93%	4/21/2016	4/21/2020	5,000	5,072	4,975
Restoration Robotics, Inc. (10)	Health Care Equipment & Supplies	L+795		10.07%	5/10/2018	5/1/2022	9,000	8,852	8,955
scPharmaceuticals, Inc. (10)	Pharmaceuticals	L+845		10.57%	5/23/2017	5/1/2021	5,000	4,990	5,025
Scynexis, Inc. (10)	Pharmaceuticals	L+849		10.61%	9/30/2016	9/30/2020	15,000	15,250	15,225
SentreHeart, Inc. (10)	Health Care Equipment & Supplies	L+885		10.93%	11/15/2016	11/15/2020	10,000	10,140	10,100
Sunesis Pharmaceuticals, Inc. (10)	Pharmaceuticals	L+854		10.66%	3/31/2016	4/1/2020	3,750	3,816	3,769
Total Life Science Senior Secured Loans								\$ 205,104	\$ 204,760
Total Senior Secured Loans								\$ 781,256	\$ 782,143

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2018****(in thousands, except share/unit amounts)**

Description	Industry	Interest Rate (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Equipment financing							
Off Crane Service, (10)(18)	Commercial Services & Supplies	10.55%	7/31/2017	6/8/2022	\$ 1,405	\$ 1,405	\$ 1,405
Resources, Inc. (12)	Oil, Gas & Consumable Fuels	11.40%	8/17/2018	3/27/2020	348	339	348
78, LLC (12)	Media	10.00%	7/31/2017	11/1/2021	703	703	703
erly Hills Corporate Leasing, Inc. (18)	Road & Rail	10.57%	3/19/2018	9/9/2019	486	509	486
ckhawk Leasing, LLC (18)	Oil, Gas & Consumable Fuels	11.34%	2/16/2018	3/1/2022	3,328	3,100	3,328
ghtwater Acquisition, LLC (10)(18)	Machinery	12.24%	8/17/2018	4/20/2019	149	150	149
ital City Jet Leasing, Inc. (12)	Airlines	10.00%	4/4/2018	4/4/2023	2,261	2,261	2,261
tral Freight Services, (10)(12)	Road & Rail	7.16%	7/31/2017	1/14/2024	1,779	1,779	1,779
ctor Leasing Co. & CZM Leasing, Inc. (18)	Machinery	12.00-14.11%	7/31/2017	5/31/2019-8/3/2022	3,632	3,612	3,632
mpion Air, Inc. (10)(12)	Airlines	10.00%	3/19/2018	1/1/2019	3,350	3,339	3,350
	Commercial Services & Supplies	13.30%	5/3/2018	5/15/2022	2,140	2,125	2,140

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icate ductions, (10)(12)							
on Sales Rentals, C (10)(12)	Commercial Services & Supplies	10.00%	9/18/2018	10/1/2021	2,193	2,131	2,
ipment rating ses, LLC (10)(14)	Multi-Sector Holdings	7.53-8.37%	4/27/2018	8/1/22-4/27/2025	33,630	33,630	33,6
ily First ght, C(10)(12)	Road & Rail	9.29-11.52%	7/31/2017	7/2/2019-1/22/2022	970	968	9
da CL nnical vices, Inc. (18)	Commercial Services & Supplies	8.77%	3/22/2018	7/13/2023	2,058	2,058	2,0
rgia Jet, (10)(12)	Airlines	8.00%	12/4/2017	12/4/2021	2,513	2,513	2,4
ocomm ems (10)(18)	Wireless Telecommunication Services	12.00%	5/10/2018	5/10/2021	1,739	1,739	1,7
at Plains							
mpression dings, LLC (12)	Oil, Gas & Consumable Fuels	9.37-9.93%	3/19/2018	8/1/2019-9/7/19	9,241	9,210	9,
oe Coaches A, C(10)(18)	Road & Rail	8.12-9.90%	7/31/2017	7/1/2022-11/17/2022	5,315	5,316	5,2
key tracting pany, LLC (12)(13)	Oil, Gas & Consumable Fuels	10.00%	11/15/2017	11/15/2020	4,074	4,074	4,0
rstate NDT, (10)(18)	Road & Rail	11.32-12.09%	6/11/2018	7/1/2023-10/1/2023	2,536	2,536	2,5
Motorsports, (10)(18)	Road & Rail	13.96%	8/17/2018	1/25/2022	423	420	4
ght Transfer vices, Inc. & mpstr ess, Inc. (18)	Commercial Services & Supplies	12.05-12.76%	7/31/2017	4/11/2020-4/30/2020	605	605	6
l Pak, LLC (18)	Road & Rail	8.58%	2/5/2018	3/1/2024	757	757	7
icorp erprises, C(10)(12)	Road & Rail	12.18%	7/31/2017	2/3/2021	3,100	3,100	3,2
cal ufacturing, C dba	Paper & Forest Products	12.91-12.98%	7/31/2017	7/30/2022-10/25/2022	1,437	1,437	1,4

ndview er npany, LLC (18)							
idian sulting I o, Inc. (12)	Hotels, Restaurants & Leisure	10.72%	7/31/2017	12/4/2021	2,206	2,206	2,206
untain Air icopters, (10)(12)	Commercial Services & Supplies	10.00%	7/31/2017	4/30/2022	1,712	1,712	1,712
holland rgy Services ipment sing, LLC (18)	Commercial Services & Supplies	8.89%	8/17/2018	10/30/2019	1,068	1,064	1,064

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2018****(in thousands, except share/unit amounts)**

Description	Industry	Interest Rate (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
OKK Equipment, LLC (10)(12)	Commercial Services & Supplies	10.15%	7/31/2017	8/27/2023	\$ 637	\$ 637	\$ 626
Reston Limousine & Travel Service, Inc. (10)(18)	Road & Rail	11.82%	9/13/2017	10/1/2021	1,563	1,582	1,571
Rosasco Crane & Rigging, Inc. (10)(18)	Commercial Services & Supplies	11.13-11.53%	8/25/2017	4/1/2021-9/1/2022	848	848	851
RVR Air Charter, LLC & RVR Aviation, LLC (10)(12)	Airlines	12.00%	7/31/2017	8/1/2020-1/1/2022	2,915	2,915	2,941
Santek Environmental, LLC (10)(18)	Commercial Services & Supplies	10.00%	7/31/2017	3/1/2021	116	116	116
Santek Environmental of Alabama, LLC (10)(18)	Commercial Services & Supplies	8.95-10.00%	7/31/2017	12/18/2020-11/29/2021	198	198	197
Sidelines Tree Service LLC (10)(18)	Diversified Consumer Services	10.31-10.52%	7/31/2017	8/1/2022-10/1/2022	455	456	459
South Texas Oilfield Solutions, LLC (10)(18)	Energy Equipment & Services	12.52-13.76%	3/29/2018	9/1/2022-7/1/2023	3,546	3,546	3,546
Southern Nevada Oral & Maxillofacial Surgery, LLC (10)(12)	Health Care Providers & Services	12.00%	7/31/2017	3/1/2024	1,435	1,435	1,464
Southwest Traders, Inc. (10)(18)	Road & Rail	9.13%	11/21/2017	11/1/2020	155	155	153

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ST Coaches, LLC (10)(18)	Road & Rail	8.21-8.59%	7/31/2017	10/1/2022-10/1/2023	4,503	4,503	4,503
Star Coaches Inc. (10)(18)	Road & Rail	8.42%	3/9/2018	4/1/2025	3,899	3,899	3,899
Sturgeon Services International Inc. (10)(12)	Energy Equipment & Services	18.41%	7/31/2017	2/28/2022	1,864	1,864	1,836
Sun-Tech Leasing of Texas, L.P. (10)(18)	Road & Rail	8.68-8.83%	7/31/2017	6/25/2020-7/25/2021	478	478	471
Superior Transportation, Inc. (10)(18)	Road & Rail	9.77-10.30%	7/31/2017	4/23/2022-1/1/2024	4,643	4,641	4,640
The Smedley Company & Smedley Services, Inc. (10)(12)	Commercial Services & Supplies	9.92-14.68%	7/31/2017	10/29/2023-2/10/2024	6,446	6,490	6,615
Tornado Bus Company (10)(18)	Road & Rail	10.78%	7/31/2017	9/1/2021	2,301	2,301	2,326
Trinity Equipment Rentals, Inc. (10)(12)	Commercial Services & Supplies	11.02%	9/13/2018	10/1/2022	1,000	1,000	1,000
Trolleys, Inc. (10)(18)	Road & Rail	9.81%	7/18/2018	8/1/2022	3,214	3,214	3,214
Up Trucking Services, LLC (10)(18)	Road & Rail	11.91%	3/23/2018	4/1/2022	2,308	2,348	2,308
Waste Services of Alabama, LLC (10)(18)	Commercial Services & Supplies	10.24%	8/17/2018	11/27/2020	1,966	1,972	1,976
Waste Services of Tennessee, LLC (10)(18)	Commercial Services & Supplies	8.95-10.15%	7/31/2017	2/7/2021-11/29/2021	804	804	798
Waste Services of Texas, LLC (10)(18)	Commercial Services & Supplies	8.95%	7/31/2017	12/6/2021	158	158	156
WJV658, LLC (10)(12)	Airlines	8.50%	7/31/2017	7/1/2022	8,031	8,031	8,031
W.P.M., Inc., WPM-Southern, LLC, WPM Construction Services, Inc. (10)(12)	Construction & Engineering	7.50%	7/31/2017	10/1/2022	3,231	3,231	3,189

Shares/Units

NEF Holdings, LLC Equity Interests (3)(10)(11)	Multi-Sector Holdings		7/31/2017		200	145,000	145,200
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**Total
Equipment
Financing** **\$ 296,620 \$ 297,312**

Preferred Equity 1.0%							
SOAGG LLC (3)(5)(6)(10)	Aerospace & Defense	8.00%	12/14/2010	6/30/2020	2,864	\$ 2,864	\$ 3,152
SOINT, LLC (3)(5)(6)(10)	Aerospace & Defense	15.00%	6/8/2012	6/30/2020	60,073	6,007	6,557

**Total
Preferred
Equity** **\$ 8,871 \$ 9,709**

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2018****(in thousands, except share/unit amounts)**

Description	Industry	Acquisition Date	Shares/Units	Cost	Fair Value
Common Equity/Equity Interests/Warrants	34.7%				
Ark Real Estate Partners LP					
(2)(3)(10)*	Diversified Real Estate Activities	3/12/2007		\$ 527	\$ 82
Ark Real Estate Partners II LP					
(2)(3)(10)*	Diversified Real Estate Activities	10/23/2012		12	2
aTyr Pharma, Inc. Warrants (10)*	Pharmaceuticals	11/18/2016	88,792	106	
B Riley Financial Inc. (5)	Research & Consulting Services	3/16/2007	38,015	2,684	861
CardioDx, Inc. Warrants (10)*	Health Care Providers & Services	6/18/2015	3,986	129	
CardioFocus, Inc. Warrants (10)*	Health Care Equipment & Supplies	3/31/2017	440,816	51	45
CAS Medical Systems, Inc. Warrants (10)*	Health Care Equipment & Supplies	6/30/2016	48,491	38	41
Cianna Medical, Inc. Warrants (10)*	Health Care Equipment & Supplies	9/28/2016	134,590	56	397
Conventus Orthopaedics, Inc. Warrants (10)*	Health Care Equipment & Supplies	6/15/2016	157,500	65	45
Corindus Vascular Robotics, Inc. Warrants (5)(10)*	Health Care Equipment & Supplies	3/9/2018	79,855	40	41
Crystal Financial LLC (3)(5)(10)	Diversified Financial Services	12/28/2012	280,303	280,737	301,500
Delphinus Medical Technologies, Inc. Warrants (10)*	Health Care Equipment & Supplies	8/18/2017	380,904	74	66
Essence Group Holdings Corporation (Lumeris) Warrants (10)*	Health Care Technology	3/22/2017	208,000	63	308

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PQ Bypass, Inc. Warrants (10)*	Health Care Equipment & Supplies	4/21/2016	176,471	70	39
RD Holdco Inc. (Rug Doctor) (3)(10)*	Diversified Consumer Services	12/23/2013	231,177	15,683	12,849
RD Holdco Inc. (Rug Doctor) Class B (3)(10)*	Diversified Consumer Services	12/23/2013	522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants (3)(10)*	Diversified Consumer Services	12/23/2013	30,370	381	
Restoration Robotics, Inc. Warrants (10)*	Health Care Equipment & Supplies	5/10/2018	72,776	111	40
Scynexis, Inc. Warrants (10)*	Pharmaceuticals	9/30/2016	122,435	105	
SentreHeart, Inc. Warrants (10)*	Health Care Equipment & Supplies	11/15/2016	261,825	126	83
Sunesis Pharmaceuticals, Inc. Warrants (10)*	Pharmaceuticals	3/31/2016	104,001	118	1
Total Common Equity/Equity Interests/Warrants				\$ 306,392	\$ 321,616
Total Investments (8) 152.1%				\$ 1,393,139	\$ 1,410,780

Description	Industry	Acquisition Date	Maturity		Par Amount
			Date		
Cash Equivalents 21.5%					
U.S. Treasury Bill	Government	9/28/2018	10/18/2018	\$ 200,000	\$ 199,806 \$ 199,806
Total Investments & Cash Equivalents 173.6%				\$ 1,592,945	\$ 1,610,586
Liabilities in Excess of Other Assets (73.6%)					(682,994)
Net Assets 100.0%.				\$	927,592

(1) Floating rate debt investments typically bear interest at a rate determined by reference to the London Interbank Offered Rate (LIBOR), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current rate of interest, or in the case of leases the current implied yield, in effect as of September 30, 2018.

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

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2018****(in thousands)**

(3) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the Investment Company Act of 1940 (1940 Act), due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the nine months ended September 30, 2018 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2017	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend/ Other Income	Fair Value at September 30, 2018
Ark Real Estate Partners LP	\$ 263	\$	\$	\$ (5)	\$ (181)	\$	\$ 82
Ark Real Estate Partners II LP	6				(4)		2
AviatorCap SII, LLC I	10		10				
Crystal Financial LLC	303,200				(1,700)	22,720	301,500
Equipment Operating Leases, LLC		34,511	881			1,001	33,630
NEF Holdings, LLC	145,500				(300)	7,000	145,200
RD Holdco Inc. (Rug Doctor, common equity)	10,102				2,747		12,849
RD Holdco Inc. (Rug Doctor, class B)	5,216						5,216
RD Holdco Inc. (Rug Doctor, warrants)	35				(35)		
Rug Doctor LLC	9,111				(13)	854	9,111
SSLP(19)	88,736	25,322	115,038		626	6,289	
SSLP II(19)	51,744	21,781	72,858		(758)	4,628	
SOAGG LLC	4,537		1,283		(102)	210	3,152
SOINT, LLC (preferred equity)	8,300		1,694		(49)	761	6,557
	\$ 626,760	\$ 81,614	\$ 191,764	\$ (5)	\$ 231	\$ 43,463	\$ 517,299

(4) Denotes investments in which we are an Affiliated Person but not exercising a controlling influence, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than

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5% but less than 25% of the outstanding voting securities of the investment. Transactions during the nine months ended September 30, 2018 in these affiliated investments are as follows:

Name of Issuer	Fair Value at December 31, 2017	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized Gain (Loss)	Interest/ Dividend Income	Fair Value at September 30, 2018
DSW Group Holdings LLC	\$	\$	\$	\$ 168	\$	\$	\$

- (5) Indicates assets that the Company believes may not represent qualifying assets under Section 55(a) of the Investment Company Act of 1940 (1940 Act), as amended. If we fail to invest a sufficient portion of our assets in qualifying assets, we could be prevented from making follow-on investments in existing portfolio companies or could be required to dispose of investments at inappropriate times in order to comply with the 1940 Act. As of September 30, 2018, on a fair value basis, non-qualifying assets in the portfolio represented 23.7% of the total assets of the Company.
- (6) Solar Capital Ltd. s investments in SOAGG, LLC and SOINT, LLC include a two and one dollar investment in common shares, respectively.
- (7) Bishop Lifting Products, Inc., SEI Holding I Corporation, Singer Equities, Inc. & Hampton Rubber Company are co-borrowers.
- (8) Aggregate net unrealized appreciation for U.S. federal income tax purposes is \$10,480; aggregate gross unrealized appreciation and depreciation for federal tax purposes is \$23,961 and \$13,481, respectively, based on a tax cost of \$1,400,300. All of the Company s investments are pledged as collateral against the borrowings outstanding on the revolving credit facility. The Company generally acquires its investments in private transactions exempt from registration under the Securities Act of 1933, as amended (the Securities Act). These investments are generally subject to certain limitations on resale, and may be deemed to be restricted securities under the Securities Act.
- (9) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (10) Level 3 investment valued using significant unobservable inputs.
- (11) NEF Holdings, LLC is held through NEFCORP LLC, a wholly-owned consolidated taxable subsidiary and NEFPASS LLC, a wholly-owned consolidated subsidiary.
- (12) Indicates an investment that is wholly held by Solar Capital Ltd. through NEFPASS LLC.
- (13) Hawkeye Contracting Company, LLC, Eagle Creek Mining, LLC & Falcon Ridge Leasing, LLC are co-borrowers.
- (14) Equipment Operating Leases, LLC is a subsidiary of NEF Holdings, LLC.
- (15) OmniGuide Holdings, Inc., Domain Surgical, Inc. and OmniGuide, Inc. are co-borrowers.
- (16) Indicates an investment that is wholly or partially held by Solar Capital Ltd. through its wholly-owned consolidated financing subsidiary SSLP 2016-1, LLC (the SSLP SPV). Such investments are pledged as collateral under the SSLP 2016-1, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of Solar Capital Ltd.

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)

September 30, 2018

(in thousands)

- (17) Indicates an investment that is wholly or partially held by Solar Capital Ltd. through its wholly-owned consolidated financing subsidiary SSLP II 2016-1, LLC (the SSLP II SPV). Such investments are pledged as collateral under the SSLP II 2016-1, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of Solar Capital Ltd.
- (18) Indicates an investment that is held by Solar Capital Ltd. through its wholly-owned consolidated financing subsidiary NEFPASS SPV, LLC (the NEFPASS SPV). Such investments are pledged as collateral under the NEFPASS SPV, LLC Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of Solar Capital Ltd.
- (19) On September 14, 2018 and September 18, 2018, the Company acquired 100% of the equity of SSLP II and SSLP, respectively, and as such is consolidating these investments as of this date.
- * Non-income producing security.
Represents estimated change in receivable balance.

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)****September 30, 2018****(in thousands)**

Industry Classification	Percentage of Total Investments (at fair value) as of September 30, 2018
Diversified Financial Services (Crystal Financial LLC)	21.9%
Multi-Sector Holdings (includes NEF Holdings, LLC and Equipment Operating Leases, LLC)	15.0%
Health Care Providers & Services	11.7%
Pharmaceuticals	8.0%
Health Care Equipment & Supplies	6.3%
Communications Equipment	4.5%
Wireless Telecommunication Services	4.0%
Chemicals	3.6%
Media	2.8%
Road & Rail	2.7%
Consumer Finance	2.3%
Specialty Retail	2.1%
Diversified Consumer Services	2.0%
IT Services	1.8%
Trading Companies & Distributors	1.7%
Commercial Services & Supplies	1.6%
Thriffs & Mortgage Finance	1.4%
Airlines	1.3%
Oil, Gas & Consumable Fuels	1.2%
Insurance	1.1%
Software	0.9%
Aerospace & Defense	0.7%
Energy Equipment & Services	0.5%
Machinery	0.3%
Construction & Engineering	0.2%
Hotels, Restaurants & Leisure	0.2%
Paper & Forest Products	0.1%
Research & Consulting Services	0.1%
Health Care Technology	0.0%
Diversified Real Estate Activities	0.0%
Total Investments	100.0%

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See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2017****(in thousands, except share/unit amounts)**

Description	Industry	Spread Above Index (9)	LIBOR Floor	Interest Rate (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Senior Secured Loans 83.5%									
<u>Bank Debt/Senior Secured Loans</u>									
AccentCare, Inc. (11)	Health Care Providers & Services	L+525	1.00%	6.94%	12/29/2017	3/3/2022	\$ 2,580	\$ 2,567	\$ 2,567
AccentCare, Inc. (11)	Health Care Providers & Services	L+950	1.00%	11.01%	9/3/2015	9/3/2022	10,000	9,869	9,900
Aegis Toxicology Sciences Corporation (11)	Health Care Providers & Services	L+850	1.00%	10.17%	2/20/2014	8/24/2021	31,000	30,606	30,070
American Teleconferencing Services, Ltd. (PGI) (11)	Communications Equipment	L+650	1.00%	7.90%	5/5/2016	12/8/2021	21,627	21,127	21,303
Amerilife Group, LLC (11)	Insurance	L+875	1.00%	10.25%	7/9/2015	1/10/2023	15,000	14,775	14,887
Argo Turboserve Corporation & Argo Tech, LLC (11)	Air Freight & Logistics	L+1425(10)		15.73%	5/2/2014	5/2/2018	6,660	6,235	6,660
AviatorCap SII, LLC I (3)(11)	Aerospace & Defense			12.00%	5/31/2011	1/31/2019	10	10	10
Bishop Lifting Products, Inc. (7)(11)	Trading Companies & Distributors	L+800	1.00%	9.57%	3/24/2014	3/27/2022	25,000	24,857	23,500
Datto, Inc. (11)	IT Services	L+800	1.00%	9.41%	12/6/2017	12/7/2022	25,000	24,505	24,500
DISA Holdings Acquisition Subsidiary Corp. (11)	Professional Services	L+850	1.00%	9.84%	12/9/2014	6/9/2021	51,476	51,008	51,476
	Chemicals	L+675	1.00%	8.44%	12/7/2015	12/14/2021	9,298	9,265	9,298

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Falmouth Group Holdings Corp. (AMPAC) (11)									
Global Tel*Link Corporation	Communications Equipment	L+400	1.25%	5.69%	11/6/2015	5/23/2020	7,194	6,205	7,230
Global Tel*Link Corporation	Communications Equipment	L+825	1.25%	9.94%	5/21/2013	11/23/2020	18,500	18,317	18,540
Greystone Select Holdings LLC & Greystone & Co., Inc. (11)	Thrifts & Mortgage Finance	L+800	1.00%	9.40%	3/29/2017	4/17/2024	20,000	19,815	20,000
HS Intermediate, Inc. (11)	Health Care Providers & Services	L+825	1.00%	9.62%	6/19/2015	7/20/2022	25,000	24,639	24,562
K2 Pure Solutions NoCal, L.P. (11)	Chemicals	L+900	1.00%	10.57%	8/19/2013	2/19/2021	7,475	7,398	7,400
Kore Wireless Group, Inc. (11)	Wireless Telecommunication Services	L+825	1.00%	9.94%	9/12/2014	3/12/2021	55,500	54,866	54,945
MRI Software LLC (11)	Software	L+625	1.00%	7.83%	6/7/2017	6/30/2023	16,352	16,197	16,271
On Location Events, LLC & PrimeSport Holdings Inc. (11)	Media	L+550	1.00%	7.04%	12/7/2017	9/29/2021	60,000	59,260	59,250
PhyMed Management LLC (11)	Health Care Providers & Services	L+875	1.00%	10.21%	12/18/2015	5/18/2021	32,321	31,430	31,271
PSKW, LLC & PDR, LLC (11)	Health Care Providers & Services	L+826	1.00%	9.95%	10/24/2017	11/25/2021	3,461	3,394	3,392
Radiology Partners, Inc. (11)	Health Care Providers & Services	L+575	1.00%	7.44%	11/28/2017	12/4/2023	9,122	9,032	9,031
Rug Doctor LLC (3)(11)	Diversified Consumer Services	L+975	1.50%	11.42%	12/23/2013	12/31/2018	9,111	9,019	9,111
Salient Partners, L.P. (11)	Asset Management	L+850	1.00%	9.85%	6/10/2015	6/9/2021	13,980	13,803	13,980
Southern Auto Finance Company (5)(11)	Consumer Finance			11.15%	10/19/2011	12/4/2018	25,000	24,905	25,000
The Octave Music Group, Inc. (fka TouchTunes) (11)	Media	L+825	1.00%	9.62%	5/28/2015	5/27/2022	14,000	13,852	14,000
Varilease Finance, Inc. (11)	Multi-Sector Holdings	L+825	1.00%	9.58%	8/22/2014	8/24/2020	48,000	47,548	48,000
Total Bank Debt/Senior								\$ 554,504	\$ 556,154

See notes to consolidated financial statements.

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Description	Industry	Spread Above LIBOR Index (9)	Floor	Interest Rate (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
<u>Life Science Senior Secured Loans</u>									
Achaogen, Inc. (5)(11)	Pharmaceuticals	L+699	1.00%	8.34%	8/5/2015	8/5/2019	\$ 20,833	\$ 21,783	\$ 22,500
aTyr Pharma, Inc. (11)	Pharmaceuticals	P+410		8.35%	11/18/2016	11/18/2020	10,000	9,986	10,100
Axcella Health Inc. (11)	Pharmaceuticals	L+880		10.15%	8/7/2015	8/31/2019	20,000	20,600	20,900
Breathe Technologies, Inc. (11)	Health Care Equipment & Supplies	L+830		9.65%	11/5/2015	11/5/2019	15,000	16,774	16,800
CardioDx, Inc. (11)	Health Care Providers & Services	P+670		11.20%	6/18/2015	4/1/2019	4,000	4,507	4,480
CardioFocus, Inc. (11)	Health Care Equipment & Supplies	L+750		8.88%	3/31/2017	7/1/2020	5,300	5,307	5,300
Cardiva Medical, Inc. (11)	Health Care Equipment & Supplies	L+865	0.63%	10.00%	2/2/2017	2/2/2021	9,000	9,125	9,045
CAS Medical Systems, Inc. (11)	Health Care Equipment & Supplies	L+875		10.10%	6/30/2016	7/1/2020	6,000	6,083	6,045
Cianna Medical, Inc. (11)	Health Care Equipment & Supplies	L+900		10.35%	9/28/2016	9/28/2020	7,500	7,613	7,556
Claret Medical, Inc. (11)	Health Care Equipment & Supplies	P+450		9.00%	11/22/2017	10/1/2020	5,000	4,947	4,933
Clinical Ink, Inc. (11)	Health Care Technology	L+850	0.70%	9.86%					