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

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

SUBJECT TO COMPLETION, DATED NOVEMBER 4, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT

(to Prospectus dated May 12, 2010)

1,691,458 Shares

Solar Capital Ltd.

Common Stock

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

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

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

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

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

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

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

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

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

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

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

Joint Book-Running Managers

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

Lead Managers

Deutsche Bank Securities **SunTrust Robinson Humphrey**

Co-Managers

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

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, 2010

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

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PROSPECTUS SUPPLEMENT SUMMARY

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

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

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

Solar Capital

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

On February 9, 2010 we priced our initial public offering, selling 5.68 million shares, including the underwriters over-allotment, at a price of $18.50 per share. Concurrent with our initial public offering, Michael S. Gross, our Chief Executive Officer, and Bruce Spohler, our Chief Operating Officer, collectively purchased an additional 0.6 million shares through a private placement transaction exempt from registration under the Securities Act of 1933, as amended, or the Securities Act (the Concurrent Private Placement) also at $18.50 per share.

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

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

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

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

About Solar Capital Partners

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

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

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

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

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

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

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

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

Market Opportunity

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

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

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

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

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

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

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

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

Competitive Advantages and Strategy

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

Management Expertise

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

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

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

Investment Portfolio

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

Investment Capacity

The proceeds from our initial public offering and the Concurrent Private Placement, the borrowing capacity under our credit facility and our $35 million senior secured term loan (the Term Loan), and the expected repayments of existing investments provide us with a substantial amount of capital available for deployment into new investment opportunities. We believe we are well positioned for the current marketplace. We believe that in the current economic environment financing needs of many companies will increase while funding options are limited, allowing us to capitalize on favorable investment opportunities.

Solar Capital s Limited Leverage

As of November 2, 2010, we had borrowings of $160.0 million. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. To the extent borrowing conditions improve and leverage becomes available on more attractive terms, we may increase our relative level of debt in the future. However, we do not currently anticipate operating with a substantial amount of debt relative to our total assets. Furthermore, by maintaining prudent leverage levels, we believe we will be better positioned to weather future market downturns.

Proprietary Sourcing and Origination

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

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

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

Versatile Transaction Structuring and Flexibility of Capital

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

Emphasis on Achieving Strong Risk-Adjusted Returns

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

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

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

Deep Industry Focus with Substantial Information Flow

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

Longer Investment Horizon

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

Risk Factors

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

We have a limited operating history of only three and a half years;

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

We operate in a highly competitive market for investment opportunities;

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

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

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

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

We may experience fluctuations in our quarterly results;

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

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

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

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

Operating and Regulatory Structure

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

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

Our Corporate Information

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

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THE OFFERING

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

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

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

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FEES AND EXPENSES

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

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

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses would remain at the levels set forth in the table above and have excluded performance-based incentive fees. See Note 6 below for additional information regarding certain assumptions regarding our level of leverage.

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

(1) All underwriting discounts and commissions (sales load) will be borne by the selling stockholders.

(2) The offering expenses of this offering are estimated to be approximately $120,000. The offering expenses as a percentage of the offering price of shares to be sold in this offering is based on the last reported sales price of our common stock on the NASDAQ Global Select Market on November 3, 2010.

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

(4) Our base management fee under the Investment Advisory and Management Agreement is based on our gross assets, which is defined as all the assets of Solar Capital, including those acquired using borrowings for investment purposes, and assumes the base management fee remains consistent with the annualized fee incurred for the nine months ended September 30, 2010. See Investment Advisory and Management Agreement in the accompanying prospectus.

(5) Assumes that annual incentive fees earned by our investment adviser, Solar Capital Partners, remain consistent with the annualized incentive fees earned by Solar Capital Partners for the nine months ended September 30, 2010. The incentive fee consists of two parts:

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

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

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

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

(6) We may borrow funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. The costs associated with our outstanding borrowings are indirectly born by our investors. For purposes of this section, we have computed interest expense using the average balance outstanding on our revolving credit facility balance during the nine months ended September 30, 2010, plus our $35 million dollar Term Loan. We used the LIBOR rate on, September 30, 2010 and the interest rate on our revolving credit facility and our Term Loan of LIBOR plus 3.25%. We have also included the estimated amortization of fees incurred in establishing our revolving credit facility, and our senior secured term loan. We also have approximately $125 million of the Senior Unsecured Notes outstanding. For purposes of this section we have included estimated annual interest expense as well as the amortization of any deferred costs associated with the Senior Unsecured Notes. As of September 30, 2010, we had $300 million outstanding and $55 million remaining available to us under our revolving credit facility and we had $35 million outstanding under our Term Loan. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Other expenses are based on the annualized amounts for the nine months ended September 30, 2010 and include our overhead expenses, including payments under our Administration Agreement based on our allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement. See Administration Agreement in the accompanying prospectus.

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

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SELECTED FINANCIAL AND OTHER DATA

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

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

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

Dividends and distributions declared	
Offering costs(5)	0.00

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

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

(3) The number of shares used to calculate weighted average shares for use in computations on a per share basis have been decreased retroactively by a factor of approximately 0.4022 for all periods prior to February 9, 2010. This factor represents the effective impact of the reduction in shares resulting from the Solar Capital Merger. The per share calculations are based on 32,860,454 weighted average shares outstanding as of December 31, 2009, 2008, and 2007 and 33,168,872 shares and 32,918,479 weighted average shares outstanding as of September 30, 2010.

(4) Unaudited.

(5) Rounds to less than $0.01.

Selected Quarterly Financial Data (Unaudited)

(dollar amounts in thousands, except per share data)

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

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

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

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

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

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RISK FACTORS

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

We operate in a highly competitive market for investment opportunities.

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

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

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

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

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

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

In addition, the Magnetar entities have agreed that, until February 10, 2011, they will not, without our prior written consent, dispose of or hedge an aggregate of 3,931,875, after taking into account the shares sold in this offering, shares of our common stock or securities convertible or exchangeable for shares of our common stock. We may in our sole discretion release the Magnetar entities from this lock-up agreement at any time without notice. Of the 1,691,458 shares of our common stock being sold by the Magnetar entities in this offering (without giving effect to the overallotment option), 280,040 of such shares are not currently subject to lock-up restrictions. We have agreed to release the Magnetar entities from the lock-up restrictions on the remaining 1,411,418 shares of our common stock being sold in this offering. To the extent the underwriters exercise the overallotment option, we will release the Magnetar entities from the lock-up restrictions on any such shares to be sold under the overallotment option. The Magnetar entities will generally be able to resell their shares of our common stock without restriction beginning on February 10, 2011, subject to the provisions of Rule 144 promulgated under the Securities Act.

Sales of substantial amounts of our common stock, or the availability of such common stock for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

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

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted, as a BDC, to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss.

As of November 2, 2010, we had no borrowings outstanding under our revolving credit facility, $35 million outstanding under our Term Loan and $125 million of Senior Unsecured Notes. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights on certain matters and might have other rights, preferences, or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price

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

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

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

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

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

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

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Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on the portfolio, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

	Assumed total return on our portfolio (net of expenses)				
	(10)%	(5)%	0%	5%	10%
Corresponding return to stockholder(1)	(12.9)%	(7.9)%	2.9%	2.1%	7.7%

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

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

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

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

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

Our relationship with Magnetar may create conflicts of interest.

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

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FORWARD-LOOKING STATEMENTS AND PROJECTIONS

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

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

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

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USE OF PROCEEDS

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

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on the NASDAQ Global Select Market under the symbol SLRC . The following table sets forth, for each fiscal quarter since our initial public offering on February 9, 2010, the net asset value (NAV) per share of our common stock, the high and low sales prices for our common stock, such sales prices as a percentage of NAV per share and quarterly distributions per share.

		Price Range				
	NAV(1)	High	Low	High Sales Price as a Percentage of NAV(2)	Low Sales Price as a Percentage of NAV(2)	Cash Distributions Per Share(3)
Fiscal 2010						
Fourth Quarter (through November 3, 2010)	*	$ 23.50	$ 21.32	*	*	$ 0.60(4)
Third Quarter	$ 22.09	21.80	18.75	98.7%	81.4%	0.60
Second Quarter	22.07	24.14	18.77	109.4%	85.1%	0.60
First Quarter (from February 9, 2010 through March 31, 2010)	22.18	22.22	17.29	100.2%	78.0%	0.34

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

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

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

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

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

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

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

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although we currently intend to distribute realized net capital gains (*i.e.*, net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment.

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

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

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are generally automatically reinvested in shares of our common stock. As a result, stockholders that do not participate in the dividend reinvestment plan may experience dilution over time. Stockholders who do not elect to receive dividends in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend payable to a stockholder.

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

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

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

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

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

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

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Recent Developments

Dividend

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

Critical Accounting Policies

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

Valuation of Portfolio Investments

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

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

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

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

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

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

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

securities affected by significant events; and

securities that the investment adviser believes were priced incorrectly.

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

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

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

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

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

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

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

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

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

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

Revenue Recognition

Our revenue recognition policies are as follows:

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

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

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

Portfolio Investments

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

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

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

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

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

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

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

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

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

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

Revenue

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

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

Expenses

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

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

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

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

Net Realized and Unrealized Gains and Losses

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

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

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

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

Revenue

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

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

Expenses

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

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

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

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

Net Realized and Unrealized Gains and Losses

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

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

The combination of the net realized and unrealized gains or losses resulted in a net gain of $47.7 million for the nine months ended September 30, 2010 compared to a net loss of $2.6 million for the same period in 2009. The net gain for the nine months ended September 30, 2010 was primarily due to increases in the fair value of our portfolio assets during the period as well as realizations in excess of prior valuations. The net increase in the fair value of our portfolio assets was primarily due to continued credit improvement in the portfolio, the tightening of credit spreads in the high yield market and portfolio realizations. The net loss during the nine months ended September 30, 2009 was primarily due to overall weakening in the economy during the period resulting in lower portfolio asset values. We analyze this section on a combined basis because offsets may exist in the individual line items due to foreign exchange fluctuations and movements from unrealized to realized.

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

Liquidity and Capital Resources

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

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

Credit Facility, Term Loan and Senior Unsecured Notes

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

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

Senior Unsecured Notes. In February 2010, as a component of the Solar Capital Merger, Solar Capital Ltd. issued $125 million of Senior Unsecured Notes. The Senior Unsecured Notes mature in February 2014 and have a coupon of 8.75%, payable quarterly in cash beginning May 1, 2010. The Senior Unsecured Notes are redeemable at any time, in whole or in part, at a price of 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. Further, we must use the net cash proceeds from the issuance of any other senior notes either to redeem or make an offer to purchase the outstanding Senior Unsecured Notes at a price of 100% of their principal amount, plus accrued and unpaid interest to the date of redemption. The Senior Unsecured Notes subject us to customary covenants, including, among other things, (i) a requirement to maintain an asset coverage ratio of at least 2.00 to 1.00; (ii) a requirement that in the event of a change of control (as defined in the agreement governing the Senior Unsecured Notes) we will be required to offer to repurchase the Senior Unsecured Notes at a price of 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase; and (iii) a restriction on incurring any debt on a junior lien basis, or any debt that is contractually subordinated in right of payment to any other debt unless it is also subordinated to the Senior Unsecured Notes on substantially identical terms. The agreement under which the Senior Unsecured Notes have been issued contains customary events of default.

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

Contractual Obligations

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

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

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

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

Off-Balance Sheet Arrangements

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

Assets and Liabilities.

Borrowings

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

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Distributions and Dividends

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

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

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

Related Parties

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

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

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

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

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

Solar Capital Partners and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with ours. Solar Capital Partners and its affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners allocation procedures. In addition, we have adopted a formal code of ethics that governs the conduct of our officers and directors. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

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SENIOR SECURITIES

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

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

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

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ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

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

Sunset of Reduced Tax Rate Provisions

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

Recent Tax Legislation

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

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

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

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SELLING STOCKHOLDERS

The following table sets forth:

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

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

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

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

UNDERWRITING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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LEGAL MATTERS

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

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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AVAILABLE INFORMATION

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

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

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Solar Capital Ltd.:

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

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

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

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

/s/ KPMG LLP
New York, New York

November 2, 2010

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SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except shares)

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

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

See notes to consolidated financial statements.

SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except shares)

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

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands except shares)

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

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS

September 30, 2010

(in thousands, except shares)

(unaudited)

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

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

September 30, 2010

(in thousands, except shares)

(unaudited)

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

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

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

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

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

September 30, 2010

(unaudited)

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS

December 31, 2009

(in thousands, except shares)

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

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

December 31, 2009

(in thousands, except shares)

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

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

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

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

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

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

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)

December 31, 2009

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

See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

(in thousands, except shares)

(unaudited)

Note 1. Organization

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

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

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

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

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

Note 2. Significant Accounting Policies

Basis of Presentation The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), and include the accounts of the Company and its wholly-owned subsidiary, Solar Capital Luxembourg I S.a.r.l., which was incorporated under the laws of the Grand Duchy of Luxembourg on April 26, 2007. The consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition for the periods presented. All significant intercompany balances and transactions have been eliminated.

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

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SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2010

(in thousands, except shares)

(unaudited)

Certain prior period amounts have been reclassified to conform to current period presentation. As required by ASC 260-10, the number of shares used to calculate weighted average shares for use in computations on a per share basis have been decreased retroactively by a factor of approximately 0.4022 for all periods prior to February 9, 2010. This factor represents the effective impact of the reduction in shares resulting from the Merger.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year dividend distributions into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year dividend distributions, the Company accrues excise tax, if any, on estimated excess taxable income as taxable income is earned. For the nine months ended September 30, 2010, there was no U.S. Federal excise tax accrued.

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

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

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

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

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

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

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

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

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

Note 3. Investments

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

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

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

Note 4. Agreements

Solar Capital has an Investment Advisory and Management Agreement with Solar Capital Partners LLC (the Investment Adviser), under which the Investment Adviser will manage the day-to-day operations of, and provide investment advisory services to, Solar Capital. For providing these services, the Investment Adviser receives a fee from Solar Capital, consisting of two components a base management fee and an incentive fee. The base management fee is determined by taking the average value of Solar Capital s gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on Solar Capital s pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus Solar Capital s operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment

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

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

Note 5. Derivatives

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

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

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

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

Fair Values of Derivative Instruments

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

Total derivative assets				$ 294

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

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Effect of Derivative Instruments on the Consolidated Statements of Operations

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

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

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

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

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

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

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

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

Note 7. Fair Value

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair Value Measurements

As of September 30, 2010

(unaudited)

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

Fair Value Measurements

As of December 31, 2009

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

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

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

Fair Value Measurements Using Level 3 Inputs

As of September 30, 2010

(unaudited)

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

Fair Value Measurements Using Level 3 Inputs

As of December 31, 2009

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

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

Note 9. Stockholders Equity

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

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

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

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

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SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2010

(in thousands, except shares)

(unaudited)

Note 10. Earnings Per Share

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

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

As required by ASC 260-10, the number of shares used to calculate weighted average shares for use in computations on a per share basis have been decreased retroactively by a factor of approximately 0.4022 for all periods prior to February 9, 2010. This factor represents the effective impact of the reduction in shares resulting from the Merger.

Note 11. Financial Highlights

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

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

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

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SOLAR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

September 30, 2010

(in thousands, except shares)

(unaudited)

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

Note 12. New Accounting Pronouncements and Accounting Standards Updates

Fair Value Measurements and Disclosures

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

Note 13. Related Parties

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

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SOLAR CAPITAL LTD.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

(unaudited)

(in thousands, except shares)

Schedule 12-14

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

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

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

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

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

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SOLAR CAPITAL LTD.

SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

(unaudited)

(in thousands, except shares)

Schedule 12-14

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

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

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

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

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

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PROSPECTUS

27,327,475 Shares

Solar Capital Ltd.

Common Stock

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

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

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

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

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

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

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

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

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

May 12, 2010

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

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ABOUT THIS PROSPECTUS

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

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SUMMARY

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

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

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

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

Solar Capital

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

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

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

Capital Ltd. had

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

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

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

As of March 31, 2010, our long term investments totaled $839.0 million and our net asset value was $730.4 million. Our portfolio was comprised of debt and equity investments in 33 portfolio companies and our income producing assets, which represent 92.2% of our total portfolio, had a weighted average annualized yield on a fair value basis of approximately 13.9%.

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

About Solar Capital Partners

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

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

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

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

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

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

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

Market Opportunity

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

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

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

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

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

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

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

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

Competitive Advantages and Strategy

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

Management Expertise

As managing partner, Mr. Gross has principal management responsibility for Solar Capital Partners, to which he currently dedicates substantially all of his time. Mr. Gross has over 20 years of experience in leveraged finance, private equity and distressed debt investing.

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

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

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

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

Investment Portfolio

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

Investment Capacity

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

Solar Capital s Limited Leverage

As of March 31, 2010, our outstanding debt was approximately 13.5% of total assets, making us one of the least levered publicly traded business development companies. We believe our relatively low level of leverage provides us with a competitive advantage, allowing us to anticipate providing a consistent dividend to our investors as proceeds from our investments are available for reinvestment as opposed to being consumed by debt repayment. To the extent borrowing conditions improve and leverage becomes available on more attractive terms, we may increase our relative level of debt in the future. However, we do not currently anticipate operating with a substantial amount of debt relative to our total assets. Furthermore, by maintaining prudent leverage levels, we believe we will be better positioned to weather future market downturns.

Proprietary Sourcing and Origination

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

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

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

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

Versatile Transaction Structuring and Flexibility of Capital

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

Emphasis on Achieving Strong Risk-Adjusted Returns

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

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

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

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

Deep Industry Focus with Substantial Information Flow

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

Longer Investment Horizon

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

Risk Factors

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

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

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

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

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

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

- We may experience fluctuations in our quarterly results;

- We will become subject to corporate-level income tax on all of our income if we are unable to qualify as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, which would have a material adverse effect on our financial performance;

- We cannot assure you that the market price of shares of our common stock will not remain below our net asset value per share;

- Our common stock price may be volatile and may decrease substantially;

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

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

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

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

Operating and Regulatory Structure

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

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

Our Corporate Information

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

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THE OFFERING

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

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

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

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FEES AND EXPENSES

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

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

Example

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 53	$ 160	$ 265	$ 526

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

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

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

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

(5)

Assumes that annual incentive fees earned by our investment adviser, Solar Capital Partners, remain consistent with the annualized incentive fees earned by Solar Capital Partners for the three months ended March 31, 2010. The incentive fee consists of two parts:

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

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

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

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

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

(6) We may borrow funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. The costs associated with our outstanding borrowings are indirectly born by our investors. For purposes of this section, we have computed interest expense using the average balance outstanding during the year ended, and the LIBOR rate on, March 31, 2010 and the interest rate on our amended and restated Senior Secured Revolving Credit Facility of LIBOR plus 3.25%. We have also included the estimated amortization of fees incurred in establishing our amended and restated Senior Secured Revolving Credit Facility. We also have approximately $125 million of the Senior Unsecured Notes outstanding. For purposes of this section we have included estimated annual interest expense as well as the amortization of any deferred costs associated with the Senior Unsecured Notes. As of March 31, 2010, we had no borrowings outstanding and $270 million remaining available to us under our revolving credit facility. We may also issue preferred stock, subject to our compliance with applicable requirements under the 1940 Act.

(7) Other expenses are based on the annualized amounts for the three months ended March 31, 2010 and include our overhead expenses, including payments under our Administration Agreement based on our allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement. See Administration Agreement.

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

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SELECTED FINANCIAL AND OTHER DATA

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

	Three months ended March 31, 2010 (unaudited) (dollars in thousands)	Year ended December 31, 2009 (dollars in thousands)	Year ended December 31, 2008 (dollars in thousands)	Period from March 13, 2007 (inception) through December 31, 2007 (dollars in thousands)
Income statement data:				
Total investment income	$ 35,310	$ 109,670	$ 133,959	$ 78,455
Total expenses	14,199	42,408	46,560	25,461
Net investment income	21,111	67,262	87,399	