

Solar Capital Ltd.
Form 10-Q
November 02, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarter Ended September 30, 2016

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

SOLAR CAPITAL LTD.

(Exact name of registrant as specified in its charter)

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Maryland
(State of Incorporation)

26-1381340
(I.R.S. Employer

Identification No.)

500 Park Avenue

New York, N.Y.
(Address of principal executive offices)

10022
(Zip Code)

(212) 993-1670

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller Reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's Common Stock, \$.01 par value, outstanding as of November 1, 2016 was 42,248,525.

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SOLAR CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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

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

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

(in thousands, except share amounts)

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: \$890,455 and \$926,055, respectively)	\$ 876,797	\$ 886,788
Companies 5% to 25% owned (cost: \$8,511 and \$8,511, respectively)	1,294	1,233
Companies more than 25% owned (cost: \$460,168 and \$410,142, respectively)	483,736	424,570
Total investments (cost: \$1,359,134 and \$1,344,708, respectively)	1,361,827	1,312,591
Cash	3,755	2,587
Cash equivalents (cost: \$289,940 and \$274,983, respectively)	289,940	274,983
Receivable for investments sold	9,368	11,374
Interest receivable	6,736	6,408
Dividends receivable	9,753	8,487
Prepaid expenses and other assets	987	874
Total assets	\$ 1,682,366	\$ 1,617,304
Liabilities		
Revolving credit facilities (see notes 6 and 8)	\$ 217,700	\$ 207,900
Unsecured senior notes (\$100,000 and \$100,000 face amounts, respectively, reported net of unamortized debt issuance costs of \$2,913 and \$2,996, respectively. See note 8)	97,087	97,004
Senior secured notes (see notes 6 and 8)	75,000	75,000
Term loan (see notes 6 and 8)	50,000	50,000
Distributions payable	16,899	16,986
Payable for cash equivalents purchased	289,940	274,983
Management fee payable (see note 3)	7,318	6,523
Performance-based incentive fee payable (see note 3)	4,251	1,408
Administrative services expense payable (see note 3)	2,388	2,324
Interest payable (see note 8)	2,713	1,665
Other liabilities and accrued expenses	1,507	813
Total liabilities	\$ 764,803	\$ 734,606
Commitments and contingencies (see notes 12 and 13)		
Net Assets		
Common stock, par value \$0.01 per share, 200,000,000 and 200,000,000 common shares authorized, respectively, and 42,248,525 and 42,464,762 shares issued and outstanding, respectively	\$ 422	\$ 425
Paid-in capital in excess of par	990,586	993,991

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Distributions in excess of net investment income	(12,838)	(15,592)
Accumulated net realized loss	(63,300)	(64,009)
Net unrealized appreciation (depreciation)	2,693	(32,117)
Total net assets	\$ 917,563	\$ 882,698
Net Asset Value Per Share	\$ 21.72	\$ 20.79

See notes to consolidated financial statements.

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

(in thousands, except share amounts)

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
INVESTMENT INCOME:				
Interest:				
Companies less than 5% owned	\$ 29,076	\$ 21,066	\$ 83,375	\$ 56,219
Companies more than 25% owned	429	639	1,437	2,022
Dividends:				
Companies less than 5% owned	1	8	1	10
Companies more than 25% owned	9,852	8,393	29,604	25,329
Other income:				
Companies less than 5% owned	403	334	702	459
Companies more than 25% owned	37	5	81	14
Total investment income	39,798	30,445	115,200	84,053
EXPENSES:				
Management fees (see note 3)	\$ 7,318	\$ 6,254	\$ 21,245	\$ 18,155
Performance-based incentive fees (see note 3)	4,251	1,971	13,363	1,971
Interest and other credit facility expenses (see note 8)	8,519	3,875	19,083	11,105
Administrative services expense (see note 3)	1,617	1,245	4,417	3,844
Other general and administrative expenses	1,089	811	3,640	2,308
Total expenses	22,794	14,156	61,748	37,383
Performance-based incentive fees waived (see note 3)		(700)		(700)
Net expenses	22,794	13,456	61,748	36,683
Net investment income	\$ 17,004	\$ 16,989	\$ 53,452	\$ 47,370
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:				
Net realized gain (loss) on investments and cash equivalents:				
Companies less than 5% owned	\$ 469	\$ 151	\$ 507	\$ (5,080)
Companies 5% to 25% owned	301	337	201	(1,063)
Companies more than 25% owned		(373)		(353)
Net realized gain (loss) on investments and cash equivalents	770	115	708	(6,496)
Net realized gain (loss) on foreign currencies	(1)	(42)	1	(45)
Net realized gain (loss)	769	73	709	(6,541)
Net change in unrealized gain (loss) on investments and cash equivalents	7,846	(17,008)	34,810	(12,577)
Net change in unrealized gain (loss) on foreign currencies		32		9

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Net change in unrealized gain (loss)	7,846	(16,976)	34,810	(12,568)
Net realized and unrealized gain (loss) on investments, cash equivalents and foreign currencies	8,615	(16,903)	35,519	(19,109)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 25,619	\$ 86	\$ 88,971	\$ 28,261
EARNINGS PER SHARE (see note 5)	\$ 0.61	\$ 0.00	\$ 2.11	\$ 0.67

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****(in thousands, except share amounts)**

	Nine months ended September 30, 2016 (unaudited)	Year ended December 31, 2015
Increase in net assets resulting from operations:		
Net investment income	\$ 53,452	\$ 64,356
Net realized gain (loss)	709	(4,874)
Net change in unrealized gain (loss)	34,810	(45,402)
Net increase in net assets resulting from operations	88,971	14,080
Distributions to stockholders:		
From net investment income	(50,698)	(67,944)
Capital transactions:		
Repurchases of common stock	(3,408)	(6)
Net decrease in net assets resulting from capital transactions	(3,408)	(6)
Total increase (decrease) in net assets	34,865	(53,870)
Net assets at beginning of period	882,698	936,568
Net assets at end of period⁽¹⁾	\$ 917,563	\$ 882,698
Capital stock activity:		
Common stock repurchased	(216,237)	(400)
Net decrease from capital stock activity	(216,237)	(400)

(1) Includes overdistributed net investment income of (\$12,838) and (\$15,592), respectively.
See notes to consolidated financial statements.

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

(in thousands)

	Nine months ended	
	September 30, 2016	September 30, 2015
Cash Flows from Operating Activities:		
Net increase in net assets resulting from operations	\$ 88,971	\$ 28,261
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net realized (gain) loss on investments and cash equivalents	(708)	6,496
Net realized (gain) loss on foreign currencies	(1)	45
Net change in unrealized (gain) loss on investments and cash equivalents	(34,810)	12,577
Net change in unrealized gain on foreign currencies		(9)
(Increase) decrease in operating assets:		
Purchase of investments	(372,727)	(320,568)
Proceeds from disposition of investments	358,767	115,889
Capitalization of payment-in-kind interest		(380)
Collections of payment-in-kind interest	243	
Receivable for investments sold	2,006	603
Interest receivable	(328)	(4,947)
Dividends receivable	(1,266)	16
Prepaid expenses and other assets	(113)	(44)
Increase (decrease) in operating liabilities:		
Payable for investments and cash equivalents purchased	14,957	(67,996)
Management fee payable	795	145
Performance-based incentive fee payable	2,843	(2,927)
Administrative services expense payable	64	(660)
Interest payable	1,048	1,186
Other liabilities and accrued expenses	694	210
Net Cash Provided by (Used in) Operating Activities	60,435	(232,103)
Cash Flows from Financing Activities:		
Cash distributions paid	(50,785)	(50,959)
Deferred financing costs	83	29
Repurchase of common stock	(3,408)	
Proceeds from borrowings	570,000	145,200
Repayment of borrowings	(560,200)	(71,800)
Net Cash Provided by (Used in) Financing Activities	(44,310)	22,470
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,125	(209,633)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	277,570	635,340
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 293,695	\$ 425,707
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 18,035	\$ 9,919

See notes to consolidated financial statements.

Table of Contents**SOLAR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)**

September 30, 2016

(in thousands, except share/unit amounts)

Description	Industry	Spread Above Index ⁽¹⁰⁾	LIBOR Floor	Interest Rate ⁽¹⁾	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Bank									
Debt/Senior									
Secured Loans									
94.0%									
AccentCare, Inc.	Health Care Providers & Services	L+950	1.00%	10.50%	9/3/2015	9/3/2022	\$ 17,500	\$ 17,227	\$ 17,325
Achaogen, Inc.	Pharmaceuticals	L+699	1.00%	7.99%	8/5/2015	8/5/2019	25,000	25,156	24,750
Aegis Toxicology Sciences Corporation	Health Care Providers & Services	L+850	1.00%	9.50%	2/20/2014	8/24/2021	29,000	28,720	25,375
AgaMatrix, Inc.	Health Care Equipment & Supplies	L+835		8.87%	2/6/2015	2/1/2019	9,667	9,665	9,618
AirXpanders, Inc. (6)	Health Care Equipment & Supplies			7.34%	4/22/2016	7/14/2017	1,375	1,344	1,402
American Teleconferencing Services, Ltd. (PGI)	Communications Equipment	L+650	1.00%	7.50%	5/5/2016	12/8/2021	5,664	5,127	5,537
Amerilife Group, LLC	Insurance	L+875	1.00%	9.75%	7/9/2015	1/10/2023	15,000	14,735	14,700
Argo Turboserve Corporation & Argo Tech, LLC	Air Freight & Logistics	L+1025		11.09%	5/2/2014	5/2/2018	12,730	12,730	12,603
Asurion, LLC	Insurance	L+750	1.00%	8.50%	2/27/2014	3/3/2021	8,960	8,671	8,934
AviatorCap SII, LLC I ⁽³⁾	Aerospace & Defense			12.00%	5/31/2011	1/31/2019	605	605	605
AviatorCap SII, LLC II ⁽³⁾	Aerospace & Defense			11.00%	8/23/2011	1/31/2019	13	13	13
Axcella Health Inc.	Pharmaceuticals	L+880		9.32%	8/7/2015	8/31/2019	20,000	20,093	20,000
Bishop Lifting Products, Inc. ⁽⁸⁾	Trading Companies & Distributors	L+800	1.00%	9.00%	3/24/2014	3/27/2022	25,000	24,819	20,000
Breathe Technologies, Inc.	Health Care Equipment & Supplies	L+830		8.82%	11/5/2015	11/5/2019	15,000	15,030	13,500
CardioDX, Inc.	Health Care Providers & Services	P+670		10.20%	6/18/2015	4/1/2019	7,500	7,597	7,275
Cardiva Medical, Inc.	Health Care Equipment & Supplies	L+870		9.22%	8/19/2015	8/19/2019	8,500	8,618	8,415
CAS Medical Systems, Inc.	Health Care Equipment & Supplies	L+875		9.27%	6/30/2016	7/1/2020	6,000	5,982	6,000
Cerapedics, Inc.	Health Care Equipment & Supplies			8.68- 8.78%	4/22/2016	3/1/2019	7,013	6,707	7,013
Cianna Medical, Inc.	Health Care Equipment & Supplies	L+900		9.52%	9/28/2016	9/28/2020	6,000	5,963	5,963
Clinical Ink, Inc.	Health Care Technology	L+850	0.70%	9.20%	3/8/2016	3/8/2020	6,500	6,472	6,435
Conventus Orthopaedics, Inc.	Health Care Equipment & Supplies	L+865		9.17%	6/15/2016	6/1/2020	5,250	5,159	5,171
Datapipe, Inc.	IT Services	L+800	1.00%	9.00%	8/14/2014	9/15/2019	27,000	26,599	26,595
Delphinus Medical Technologies, Inc.	Health Care Equipment & Supplies			9.25-9.30%	4/22/2016	2/23/2017	1,000	989	1,020
	Multiline Retail			12.00% PIK	11/5/2012	10/31/2019	10,782	8,511	1,294

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Direct Buy Inc. ^{(4)**}										
DISA Holdings Acquisition Subsidiary Corp	Professional Services	L+850	1.00%	9.50%	12/9/2014	6/9/2021		51,476	50,873	49,932
Easyfinancial Services, Inc. ⁽⁵⁾⁽⁶⁾	Consumer Finance	BA+699	1.00%	7.99%	9/27/2012	10/4/2019	C\$	10,000	9,261	7,586
Emerging Markets Communications, LLC	Wireless Telecommunication Services	L+962.5	1.00%	10.63%	6/29/2015	7/1/2022	\$	27,000	26,646	27,000
Entegriion, Inc.	Health Care Equipment & Supplies			10.03%	4/22/2016	4/1/2017		700	687	707
Falmouth Group Holdings Corp. (AMPAC)	Chemicals	L+675	1.00%	7.75%	12/7/2015	12/14/2021		3,915	3,862	3,915
Genoa, A QoL Healthcare Company, LLC	Health Care Providers & Services	L+775	1.00%	8.75%	4/21/2015	4/30/2023		14,000	13,878	14,000
Global Tel*Link Corporation	Communications Equipment	L+375	1.25%	5.00%	11/6/2015	5/23/2020		7,349	5,915	7,137
Global Tel*Link Corporation	Communications Equipment	L+775	1.25%	9.00%	5/21/2013	11/23/2020		18,500	18,253	17,613
Greystone Select Holdings LLC & Greystone & Co., Inc.	Thriffs & Mortgage Finance	L+800	1.00%	9.00%	3/25/2014	3/26/2021		9,704	9,665	9,558
Hyland Software, Inc.	Software	L+725	1.00%	8.25%	6/12/2015	6/30/2023		5,000	4,978	4,963
IHS Intermediate, Inc.	Health Care Providers & Services	L+825	1.00%	9.25%	6/19/2015	7/20/2022		25,000	24,564	24,000
Inmar Acquisition Sub, Inc.	Professional Services	L+700	1.00%	8.00%	1/27/2014	1/27/2022		10,000	9,926	9,925
K2 Pure Solutions NoCal, L.P	Chemicals	L+900	1.00%	10.00%	8/19/2013	8/19/2019		7,475	7,392	7,326
Kore Wireless Group, Inc.	Wireless Telecommunication Services	L+825	1.00%	9.25%	9/12/2014	3/12/2021		55,500	54,666	54,945
LegalZoom.com, Inc.	Internet Software & Services	L+700	1.00%	8.00%	5/13/2015	5/13/2020		38,278	37,620	38,661
Lumeris Solutions Company, LLC	Health Care Technology			9.42%	4/22/2016	12/27/2017		9,981	10,051	10,081
Mitralign, Inc.	Health Care Equipment & Supplies			9.48%	4/22/2016	12/1/2018		1,875	1,788	1,866
Nabsys 2.0 LLC	Life Sciences Tools & Services			8.90%	4/22/2016	10/13/2018		5,524	5,318	5,524
OraMetrix, Inc.	Health Care Technology			9.50%	4/22/2016	11/21/2017		7,000	6,740	6,930
PhyMed Management LLC	Health Care Providers & Services	L+875	1.00%	9.75%	12/18/2015	5/18/2021		32,321	31,174	31,189
PQ Bypass, Inc.	Health Care Equipment & Supplies	L+885		9.37%	4/21/2016	4/21/2020		5,000	4,913	4,925
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+425	1.00%	5.25%	11/25/2015	11/25/2021		1,017	1,009	1,017
PSKW, LLC & PDR, LLC	Health Care Providers & Services	L+839	1.00%	9.39%	11/25/2015	11/25/2021		8,900	8,741	8,744
Rapid Micro Biosystems, Inc.	Life Sciences Tools & Services	L+880		9.32%	6/30/2015	6/30/2019		16,000	16,257	15,760
Rug Doctor LLC ⁽³⁾	Diversified Consumer Services	L+975	1.50%	11.25%	12/23/2013	12/31/2018		9,111	8,904	9,111
Salient Partners, L.P	Asset Management	L+850	1.00%	9.50%	6/10/2015	6/9/2021		15,307	15,054	15,001
Scynexis, Inc.	Pharmaceuticals	L+849		9.01%	9/30/2016	9/30/2020		15,000	14,745	14,745
SOINT, LLC ⁽³⁾	Aerospace & Defense			15.00%	6/8/2012	11/30/2018		3,213	3,204	3,213
Southern Auto Finance Company ⁽⁶⁾	Consumer Finance			11.15%	10/19/2011	12/4/2018		25,000	24,794	24,750
Sunesis Pharmaceuticals, Inc.	Pharmaceuticals	L+854		9.06%	3/31/2016	4/1/2020		7,500	7,370	7,462
Syngen, Inc.	Life Sciences Tools & Services			11.18%	4/22/2016	6/1/2017		225	222	232
T2 Biosystems, Inc.	Health Care Equipment & Supplies	L+705		7.57%	7/11/2014	7/1/2019		23,611	23,919	23,611
TierPoint, LLC				9.75-						
	IT Services	L+875-887.5	1.00%	9.88%	12/2/2014	12/2/2022		34,000	33,643	33,082
	Trading Companies and Distributors	L+750	1.00%	8.50%	9/26/2014	10/1/2022		20,000	19,838	20,000

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TMK Hawk Parent, Corp. (TriMark)											
TouchTunes Interactive Networks, Inc.	Media	L+825	1.00%	9.25%	5/28/2015	5/27/2022	14,000	13,820	13,685		
Trevi Therapeutics, Inc.	Pharmaceuticals	L+775		8.27%	12/29/2014	6/29/2018	6,875	7,016	6,875		
U.S. Anesthesia Partners Inc.	Health Care Providers & Services	L+925	1.00%	10.25%	9/24/2014	9/24/2020	30,000	29,783	29,700		
Varilease Finance, Inc.	Multi-Sector Holdings	L+825	1.00%	9.25%	8/22/2014	8/24/2020	48,000	47,371	47,760		
Total Bank Debt/Senior Secured Loans								\$ 880,392	\$ 862,074		

Subordinated Debt/Corporate Notes 3.0%

Alegeus Technologies Holdings Corp	Health Care Technology	L+1200	1.00%	13.00%	6/24/2012	2/15/2019	28,200	\$ 27,910	\$ 27,918	
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See notes to consolidated financial statements.

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September 30, 2016

(in thousands, except share/unit amounts)

Description	Industry	Interest Rate ⁽¹⁾	Acquisition Date	Maturity	Shares/ Units	Cost	Fair Value
				Date			
Preferred Equity 1.7%							
SOAGG LLC (3)(6)(7)	Aerospace & Defense	8.00%	12/14/2010	6/30/2018	6,064	\$ 6,064	\$ 6,277
SOINT, LLC (3)(6)(7)	Aerospace & Defense	15.00%	6/8/2012	6/30/2018	86,667	8,667	9,317
Total Preferred Equity						\$ 14,731	\$ 15,594
Common Equity/Equity Interests/Warrants 49.7%							
AgaMatrix Inc. Warrants*	Health Care Equipment & Supplies		2/6/2015		125,314	\$ 144	\$ 108
Ark Real Estate Partners LP (2)(3)*	Diversified Real Estate Activities		3/12/2007			527	364
Ark Real Estate Partners II LP (2)(3)*	Diversified Real Estate Activities		10/23/2012			12	9
B Riley Financial Inc. (6)	Research & Consulting Services		3/16/2007		38,015	2,684	508
CardioDx, Inc. Warrants*	Health Care Providers & Services		6/18/2015		39,863	129	
CAS Medical Systems, Inc. Warrants*	Health Care Equipment & Supplies		6/30/2016		48,518	38	24
Cianna Medical, Inc. Warrants*	Health Care Equipment & Supplies		9/28/2016		89,726	37	39
Conventus Orthopaedics, Inc. Warrants*	Health Care Equipment & Supplies		6/15/2016		157,500	65	50
Crystal Financial LLC (3)(6)	Diversified Financial Services		12/28/2012		280,303	280,737	303,000
Direct Buy Inc.(4)*	Multiline Retail		11/5/2012		76,999		
PQ Bypass, Inc. Warrants*	Health Care Equipment & Supplies		4/21/2016		176,471	70	47
RD Holdco Inc. (Rug Doctor)(3)*	Diversified Consumer Services		12/23/2013		231,177	15,683	16,348
RD Holdco Inc. (Rug Doctor) Class B (3)*	Diversified Consumer Services		12/23/2013		522	5,216	5,216
RD Holdco Inc. (Rug Doctor) Warrants (3)*	Diversified Consumer Services		12/23/2013		30,370	381	301
Scynexis, Inc. Warrants*	Pharmaceuticals		9/30/2016		122,435	105	110
Senior Secured Unitranche Loan Program LLC (3)(6)	Asset Management		11/25/2015			86,512	84,827
Senior Secured Unitranche Loan Program II LLC (3)(6)	Asset Management		8/5/2016			43,643	45,135
Sunesis Pharmaceuticals, Inc. Warrants*	Pharmaceuticals		3/31/2016		104,001	118	155
Total Common Equity/Equity Interests/Warrants						\$ 436,101	\$ 456,241
Total Investments (9) 148.4%						\$ 1,359,134	\$ 1,361,827
Par Amount							
Cash Equivalents 31.6%							
U.S. Treasury Bill	Government		9/29/2016	11/25/2016	\$ 290,000	\$ 289,940	\$ 289,940
Total Investments & Cash Equivalents 180.0%						\$ 1,649,074	\$ 1,651,767

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Liabilities in Excess of Other Assets (80.0%)

(734,204)

Net Assets 100.0% **\$ 917,563**

- (1) Floating rate debt investments typically bear interest at a rate determined by reference to the London Interbank Offered Rate (LIBOR), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of September 30, 2016.
- (2) Ark Real Estate Partners is held through SLRC ADI Corp., a taxable subsidiary.
- (3) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the Investment Company Act of 1940 (1940 Act), due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the nine months ended September 30, 2016 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2015	Gross Additions	Gross Reductions	Realized Gain (Loss)	Interest/ Dividend /Other Income	Fair Value at September 30, 2016
ARK Real Estate Partners LP	\$ 364	\$	\$	\$	\$	\$ 364
ARK Real Estate Partners II LP	9					9
AviatorCap SII, LLC I	914		309		69	605
AviatorCap SII, LLC II	350		337		15	13
Crystal Financial LLC	290,000	5,737			23,700	303,000
RD Holdco Inc. (Rug Doctor, common equity).	14,335					16,348
RD Holdco Inc. (Rug Doctor, class B)	5,216					5,216
RD Holdco Inc. (Rug Doctor, warrants)	214					301
Rug Doctor LLC	8,838				862	9,111
Senior Secured Unitranche Loan Program LLC	80,677	34,726	28,875		4,558	84,827
Senior Secured Unitranche Loan Program II LLC		43,642			9	45,135
SOAGG LLC	8,632		2,148		428	6,277
SOINT, LLC	5,705		2,492		505	3,213
SOINT, LLC (preferred equity)	9,316				976	9,317
	\$ 424,570	\$ 84,105	\$ 34,161	\$	\$ 31,122	\$ 483,736

- (4) Denotes investments in which we are an Affiliated Person but not exercising a controlling influence, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 5% but less than 25% of the outstanding voting securities of the investment. Transactions during the nine months ended September 30, 2016 in these affiliated investments are as follows:

Name of Issuer	Fair Value at December 31, 2015	Gross Additions	Gross Reductions	Realized Gain (Loss)	Interest/ Dividend Income	Fair Value at September 30, 2016
Direct Buy Inc. (common equity)	\$	\$				