

Solar Capital Ltd.  
Form 10-Q  
July 31, 2013  
Table of Contents

**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 June 30, 2013

.. **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 or Incorporation)

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

**500 Park Avenue**

Identification No.)

**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 July 30, 2013 was 45,040,613.

**Table of Contents**

**SOLAR CAPITAL LTD.**

**FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2013**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Statements of Assets and Liabilities as of June 30, 2013 (unaudited) and December 31, 2012</u>	1
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2013 (unaudited) and the three and six months ended June 30, 2012 (unaudited)</u>	2
<u>Consolidated Statements of Changes in Net Assets for the six months ended June 30, 2013 (unaudited) and the year ended December 31, 2012</u>	3
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2013 (unaudited) and the six months ended June 30, 2012 (unaudited)</u>	4
<u>Consolidated Schedule of Investments as of June 30, 2013 (unaudited)</u>	5
<u>Consolidated Schedule of Investments as of December 31, 2012</u>	9
<u>Notes to Consolidated Financial Statements (unaudited)</u>	13
<u>Report of Independent Registered Public Accounting Firm</u>	30
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	45
Item 4. <u>Controls and Procedures</u>	45
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	46
Item 1A. <u>Risk Factors</u>	46
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	46
Item 3. <u>Defaults upon Senior Securities</u>	46
Item 4. <u>Mine Safety Disclosures</u>	46
Item 5. <u>Other Information</u>	46
Item 6. <u>Exhibits</u>	47
<u>Signatures</u>	49

**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)

	June 30, 2013 (unaudited)	December 31, 2012
<b>Assets</b>		
Investments at fair value:		
Companies less than 5% owned (cost: \$850,659 and \$856,134, respectively)	\$ 818,068	\$ 831,306
Companies 5% to 25% owned (cost: \$174,334 and \$167,564, respectively)	157,829	165,406
Companies more than 25% owned (cost: \$437,850 and \$408,373, respectively)	440,702	398,810
Total investments (cost: \$1,462,843 and \$1,432,071, respectively)	1,416,599	1,395,522
Cash	7,503	14,133
Foreign currency (cost: \$529 and \$899, respectively)	524	906
Interest and dividends receivable	19,747	15,147
Deferred financing costs	4,040	4,228
Derivatives	4	17
Receivable for investments sold	2,862	
Prepaid expenses and other assets	808	450
<b>Total assets</b>	<b>\$ 1,452,087</b>	<b>\$ 1,430,403</b>
<b>Liabilities</b>		
Revolving credit facilities (see note 6 and 8)	\$ 143,792	\$ 264,452
Unsecured senior notes (see note 8)	100,000	100,000
Senior secured notes (see note 6 and 8)	75,000	75,000
Term loan (see note 6 and 8)	50,000	50,000
Dividends payable	27,004	23,217
Payable for investments purchased	31,829	21,756
Management fee payable	7,267	6,612
Performance-based incentive fee payable	4,814	6,050
Interest payable	2,207	2,406
Administrative services expense payable	1,067	1,058
Other liabilities and accrued expenses	804	1,579
<b>Total liabilities</b>	<b>\$ 443,784</b>	<b>\$ 552,130</b>
<b>Net Assets</b>		
Common stock, par value \$0.01 per share, 200,000,000 and 200,000,000 common shares authorized, respectively, and 45,006,497 and 38,694,060 shares issued and outstanding, respectively	\$ 450	\$ 387
Paid-in capital in excess of par	1,126,441	978,279
Distributions in excess of net investment income	(13,875)	(4,662)

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Accumulated net realized loss	(56,854)	(55,631)
Net unrealized depreciation	(47,859)	(40,100)
<b>Total net assets</b>	<b>\$ 1,008,303</b>	<b>\$ 878,273</b>
<b>Net Asset Value Per Share</b>	<b>\$ 22.40</b>	<b>\$ 22.70</b>

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 June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
<b>INVESTMENT INCOME:</b>				
Interest and dividends:				
Companies more than 25% owned	\$ 11,354	\$ 1,362	\$ 21,828	\$ 2,444
Companies 5% to 25% owned	1,401	5,652	8,461	5,652
Companies less than 5% owned	26,390	27,819	54,953	63,046
Total investment income	39,145	34,833	85,242	71,142
<b>EXPENSES:</b>				
Management fees (see note 3)	\$ 7,267	\$ 5,673	\$ 14,401	\$ 10,951
Performance-based incentive fees (see note 3)	4,814	3,591	11,194	8,866
Interest and other credit facility expenses	4,819	9,051	9,642	11,746
Administrative services expense	1,529	1,128	2,256	1,824
Other general and administrative expenses	1,460	995	2,974	2,004
Total operating expenses	19,889	20,438	40,467	35,391
Income tax expense		26		283
Total expenses	19,889	20,464	40,467	35,674
Net investment income	\$ 19,256	\$ 14,369	\$ 44,775	\$ 35,468
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FOREIGN CURRENCIES AND DERIVATIVES:</b>				
Net realized gain (loss) on investments:				
Companies more than 25% owned	\$	\$ (687)	\$ 472	\$ 10,315
Companies 5% to 25% owned				
Companies less than 5% owned	(1,619)	(19,635)	(1,391)	(20,360)
Net realized loss on investments	(1,619)	(20,322)	(919)	(10,045)
Net realized gain (loss) on foreign currencies and derivatives:	(293)	1,167	(304)	841
Total net realized loss before income taxes	(1,912)	(19,155)	(1,223)	(9,204)
Income tax expense				785
Net realized loss	(1,912)	(19,155)	(1,223)	(9,989)
Net change in unrealized gain (loss) on investments	(18,263)	19,286	(9,695)	38,120
Net change in unrealized gain (loss) on foreign currencies and derivatives	906	1,562	1,936	(1,379)
Net change in unrealized gain (loss)	(17,357)	20,848	(7,759)	36,741

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Net realized and unrealized gain (loss) on investments, foreign currencies and derivatives	(19,269)	1,693	(8,982)	26,752
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	\$ (13)	\$ 16,062	\$ 35,793	\$ 62,220
<b>EARNINGS (LOSS) PER SHARE (see note 5)</b>	\$ (0.00)	\$ 0.44	\$ 0.80	\$ 1.70

See notes to consolidated financial statements.

**Table of Contents**

**SOLAR CAPITAL LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

**(in thousands, except shares)**

	<b>Six months ended June 30, 2013 (unaudited)</b>	<b>Year ended December 31, 2012</b>
<b>Increase in net assets resulting from operations:</b>		