

Solar Capital Ltd.  
Form 10-Q  
August 02, 2011  
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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 June 30, 2011

.. **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 August 2, 2011 was 36,501,373.

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**SOLAR CAPITAL LTD.**

**FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2011**

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**PART I. FINANCIAL INFORMATION**

**Item 1. 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 June 30, 2011, and the related consolidated statements of operations for the three and six-month periods ended June 30, 2011 and 2010, the statement of changes in net assets for the six-month period ended June 30, 2011 and statements of cash flows for the six-month periods ended June 30, 2011 and 2010. These consolidated financial statements 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 Ltd. as of December 31, 2010, and the related consolidated statement of changes in net assets for the year ended December 31, 2010 and we expressed an unqualified opinion on them in our report dated March 1, 2011.

/s/ KPMG LLP

New York, New York

August 2, 2011

**Table of Contents****SOLAR CAPITAL LTD.****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

(in thousands, except shares)

	June 30, 2011 (unaudited)	December 31, 2010
<b>Assets</b>		
Investments at value:		
Companies more than 25% owned (cost: \$35,004 and \$20,511, respectively)	\$ 38,104	\$ 20,508
Companies 5% to 25% owned (cost: \$38,086 and \$34,806, respectively)	31,825	29,235
Companies less than 5% owned (cost: \$993,943 and \$1,008,244 respectively)	934,566	926,478
Total investments (cost: \$1,067,033 and \$1,063,561, respectively)	1,004,495	976,221
Cash and cash equivalents	374,450	288,732
Interest and dividends receivable	7,066	5,592
Deferred credit facility costs	4,768	5,904
Fee revenue receivable	4,061	3,935
Derivative assets (cost \$2,938 and \$0, respectively)	2,517	604
Receivable for investments sold	2,441	10,560
Deferred offering costs	367	
Prepaid expenses and other receivables	337	243
<b>Total Assets</b>	<b>1,400,502</b>	<b>1,291,791</b>
<b>Liabilities</b>		
Credit facilities payable	400,356	400,000
Term Loan	35,000	35,000
Payable for investments purchased	82,630	14,625
Dividend payable	21,869	
Due to Solar Capital Partners LLC:		
Investment advisory and management fee payable	5,096	4,892
Performance-based incentive fee payable	5,269	4,347
Interest payable	1,018	597
Deferred fee revenue	738	1,242
Due to Solar Capital Management LLC	450	773
Derivative liabilities	300	1,539
Income taxes payable	471	329
Other accrued expenses and payables	1,046	1,453
<b>Total Liabilities</b>	<b>554,243</b>	<b>464,797</b>
<b>Net Assets</b>		
Common stock, par value \$0.01 per share 36,447,607 and 36,383,158 shares issued and outstanding, respectively, 200,000,000 authorized	364	364
Paid-in capital in excess of par	928,553	926,991
Distributions in excess of net investment income	(4,726)	(1,545)
Accumulated net realized losses	(14,984)	(10,541)
Net unrealized depreciation	(62,948)	(88,275)
<b>Total Net Assets</b>	<b>\$ 846,259</b>	<b>\$ 826,994</b>

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Number of shares outstanding	36,447,607	36,383,158
<b>Net Asset Value Per Share</b>	<b>\$ 23.22</b>	<b>\$ 22.73</b>

See notes to consolidated financial statements.

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

(in thousands, except shares)

	Three months ended June 30, 2011 (unaudited)	Three months ended June 30, 2010 (unaudited)	Six months ended June 30, 2011 (unaudited)	Six months ended June 30, 2010 (unaudited)
<b>INVESTMENT INCOME:</b>				
Interest and dividends:				
Companies more than 25% owned	\$ 753	\$	\$ 1,448	\$
Companies 5% to 25% owned				7,619
Other interest and dividend income	34,530	28,284	66,129	55,975
Total interest and dividends	35,283	28,284	67,577	63,594
<b>Total investment income</b>	<b>35,283</b>	<b>28,284</b>	<b>67,577</b>	<b>63,594</b>
<b>EXPENSES:</b>				
Investment advisory and management fees	5,096	4,431	10,083	8,797
Performance-based incentive fee	5,269	3,792	10,057	9,071
Interest and other credit facility expenses	1,895	3,646	3,932	6,597
Administrative service fee	279	258	717	711
Other general and administrative expenses	1,376	991	2,270	2,141
Total operating expenses	13,915	13,118	27,059	27,317
<b>Net investment income</b>	<b>21,368</b>	<b>15,166</b>	<b>40,518</b>	<b>36,277</b>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, DERIVATIVES AND FOREIGN CURRENCIES:</b>				
Net realized gain (loss):				
Investments:				
Companies 5% to 25% owned				16,397
Companies less than 5% owned	2,304	(481)	5,106	(44,209)
Net realized gain(loss) on investments	2,304	(481)	5,106	(27,812)
Derivatives	(4,872)	8,196	(9,235)	9,748
Foreign currency exchange	(242)	(5)	(314)	3,531
<b>Net realized gain (loss)</b>	<b>(2,810)</b>	<b>7,710</b>	<b>(4,443)</b>	<b>(14,533)</b>
Net change in unrealized gain (loss):				
Investments:				
Companies more than 25% owned	1,478		3,103	
Companies 5% to 25% owned	(430)	(1,403)	(690)	(18,080)
Companies less than 5% owned	(8,478)	(2,300)	22,389	78,888
Net change in unrealized gain (loss) on investments	(7,430)	(3,703)	24,802	60,808
Derivatives	473	(2,555)	214	(3,326)

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Foreign currency exchange

783

(104)

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311

(708)