

Solar Senior Capital Ltd.
Form 10-Q
August 01, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended June 30, 2017

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 814-00849

SOLAR SENIOR CAPITAL LTD.

(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

27-4288022
(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, a non-accelerated filer, or an emerging growth company. See definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging growth company

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

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

The number of shares of the registrant's Common Stock, \$.01 par value, outstanding as of July 31, 2017 was 16,032,599.

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SOLAR SENIOR CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017

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

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

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

(in thousands, except share amounts)

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: \$305,031 and \$295,037, respectively)	\$ 299,372	\$ 289,399
Companies 5% to 25% owned (cost: \$3,768 and \$3,710, respectively)	1,953	1,825
Companies more than 25% owned (cost: \$74,026 and \$74,026, respectively)	73,960	74,310
Cash	3,502	11,876
Cash equivalents (cost: \$99,894 and \$139,952, respectively)	99,894	139,952
Dividends receivable	1,551	1,422
Interest receivable	1,103	1,463
Other receivable	20	19
Receivable for investments sold	49	1,450
Prepaid expenses and other assets	371	273
Total assets	\$ 481,775	\$ 521,989
Liabilities		
Credit facility payable (see notes 6 and 7)	\$ 109,300	\$ 98,300
Payable for investments and cash equivalents purchased	99,894	151,312
Distributions payable	1,884	1,883
Management fee payable (see note 3)	267	104
Interest payable (see note 7)	299	241
Administrative services expense payable (see note 3)	526	621
Other liabilities and accrued expenses	514	383
Total liabilities	\$ 212,684	\$ 252,844
Commitments and contingencies (see notes 10, 11 and 12)		
Net Assets		

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Common stock, par value \$0.01 per share, 200,000,000 and 200,000,000 common shares authorized, respectively, and 16,031,117 and 16,025,011 issued and outstanding, respectively	\$	160	\$	160
Paid-in capital in excess of par		287,621		287,515
Distributions in excess of net investment income		(5,342)		(5,342)
Accumulated net realized loss		(5,808)		(5,949)
Net unrealized depreciation		(7,540)		(7,239)
Total net assets	\$	269,091	\$	269,145
Net Asset Value Per Share	\$	16.79	\$	16.80

See notes to consolidated financial statements.

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

(in thousands, except share amounts)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
INVESTMENT INCOME:				
Interest:				
Companies less than 5% owned	\$ 5,610	\$ 4,867	\$ 10,866	\$ 9,291
Companies 5% to 25% owned	52	52	101	102
Dividends:				
Companies more than 25% owned	1,923	1,703	3,847	3,511
Other income:				
Companies less than 5% owned	54	43	301	96
Companies more than 25% owned	19	16	39	30
Total investment income	7,658	6,681	15,154	13,030
EXPENSES:				
Management fees (see note 3)	\$ 959	\$ 834	\$ 1,907	\$ 1,631
Performance-based incentive fees (see note 3)	122	465	197	850
Interest and other credit facility expenses (see note 7)	896	913	1,740	1,764
Administrative services expense (see note 3)	367	299	735	594
Other general and administrative expenses	477	332	953	673
Total expenses	2,821	2,843	5,532	5,512
Management fees waived (see note 3)	(692)		(1,481)	
Performance-based incentive fees waived (see note 3)	(122)	(228)	(197)	(613)
Net expenses	2,007	2,615	3,854	4,899
Net investment income	\$ 5,651	\$ 4,066	\$ 11,300	\$ 8,131
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND CASH EQUIVALENTS:				
Net realized gain on investments and cash equivalents (companies less than 5% owned)	\$ 38	\$ 22	\$ 141	\$ 31

Net change in unrealized gain (loss) on investments and cash equivalents:

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Companies less than 5% owned	21	14	(21)	3,826
Companies 5% to 25% owned		(94)	70	(94)
Companies more than 25% owned	(481)	666	(350)	1,194
Net change in unrealized gain (loss) on investments and cash equivalents	(460)	586	(301)	4,926
Net realized and unrealized gain (loss) on investments and cash equivalents	(422)	608	(160)	4,957
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 5,229	\$ 4,674	\$ 11,140	\$ 13,088
EARNINGS PER SHARE (see note 5)	\$ 0.33	\$ 0.41	\$ 0.70	\$ 1.13

See notes to consolidated financial statements.

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

(in thousands, except share amounts)

	Six months ended June 30, 2017 (unaudited)	Year ended December 31, 2016
Increase in net assets resulting from operations:		
Net investment income	\$ 11,300	\$ 18,316
Net realized gain	141	81
Net change in unrealized gain (loss)	(301)	5,855
Net increase in net assets resulting from operations	11,140	24,252
Distributions to stockholders:		
From net investment income	(11,300)	(18,316)
Capital transactions (see note 13):		
Net proceeds from shares sold		75,255
Less common stock offering costs		(376)
Reinvestment of distributions	106	26
Net increase in net assets resulting from capital transactions	106	74,905
Total increase (decrease) in net assets	(54)	80,841
Net assets at beginning of period	269,145	188,304
Net assets at end of period⁽¹⁾	\$ 269,091	\$ 269,145
Capital share activity:		
Common stock sold		4,490,152
Common stock issued from reinvestment of distributions	6,106	1,544
Net increase from capital share activity	6,106	4,491,696

(1) Includes overdistributed net investment income of (\$5,342) and (\$5,342), respectively.
See notes to consolidated financial statements.

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

(in thousands)

	Six months ended	
	June 30, 2017	June 30, 2016
Cash Flows from Operating Activities:		
Net increase in net assets resulting from operations	\$ 11,140	\$ 13,088
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized gain on investments and cash equivalents	(141)	(31)
Net change in unrealized (gain) loss on investments and cash equivalents	301	(4,926)
(Increase) decrease in operating assets:		
Purchase of investments	(94,733)	(53,074)
Proceeds from disposition of investments	85,073	38,812
Capitalization of payment-in-kind interest	(251)	
Receivable for investments sold	1,401	(9,273)
Interest receivable	360	725
Dividends receivable	(129)	(801)
Other receivable	(1)	(4)
Prepaid expenses and other assets	(98)	(90)
Increase (decrease) in operating liabilities:		
Payable for investments and cash equivalents purchased	(51,418)	(17,319)
Management fee payable	163	3
Performance-based incentive fee payable		237
Administrative services expense payable	(95)	(185)
Interest payable	58	45
Other liabilities and accrued expenses	131	104
Net Cash Used in Operating Activities	(48,239)	(32,689)
Cash Flows from Financing Activities:		
Cash distributions paid	(11,193)	(8,131)
Proceeds from borrowings	75,100	55,800
Repayments of borrowings	(64,100)	(30,400)
Net Cash Provided by (Used in) Financing Activities	(193)	17,269
NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,432)	(15,420)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	151,828	53,067
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 103,396	\$ 37,647

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 1,682	\$ 1,719
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Non-cash financing activities consist of the reinvestment of distributions of \$106 and \$0 for the six months ended June 30, 2017 and June 30, 2016, respectively.

See notes to consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)****June 30, 2017****(in thousands, except share/unit amounts)**

Description	Industry	Spread above Index ⁽³⁾	Libor Floor	Interest Rate (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Bank Debt/Senior Secured Loans		111.9%							
ABB/Con-Cise Optical Group LLC ⁽²⁾⁽¹⁴⁾	Health Care Equipment & Supplies	L+500	1.00%	6.22%	6/14/2016	6/15/2023	\$ 11,910	\$ 11,864	\$ 11,933
Acrisure, LLC ⁽²⁾	Insurance	L+500	1.00%	6.30%	5/3/2017	11/22/2023	6,983	6,965	7,062
Advantage Sales and Marketing, Inc.	Professional Services	L+650	1.00%	7.80%	2/14/2013	7/25/2022	8,000	7,958	7,700
Aegis Toxicology Sciences Corporation ⁽¹⁴⁾	Health Care Providers & Services	L+850	1.00%	9.79%	2/20/2014	8/24/2021	4,000	3,961	3,860
Alera Group Intermediate Holdings, Inc. ⁽²⁾⁽¹⁴⁾	Insurance	L+550	1.00%	6.55%	11/28/2016	12/30/2022	3,593	3,559	3,575
American Seafoods Group LLC ⁽²⁾⁽¹⁴⁾	Food Products	L+500	1.00%	6.23%	8/10/2015	8/19/2021	4,605	4,588	4,605
American Teleconferencing Services, Ltd. (PGI) ⁽²⁾⁽¹⁴⁾	Communications Equipment	L+650	1.00%	7.72%	5/5/2016	12/8/2021	15,344	14,576	15,344
Anesthesia Consulting & Management, LP ⁽²⁾⁽¹⁴⁾	Health Care Providers & Services	L+525	1.00%	6.55%	10/20/2016	10/31/2022	4,975	4,930	4,726
Capstone Logistics Acquisition, Inc. ⁽²⁾⁽¹⁴⁾	Professional Services	L+450	1.00%	5.73%	10/3/2014	10/7/2021	8,159	8,106	8,078
Confie Seguros Holding II Co. ⁽²⁾⁽¹⁴⁾	Insurance	L+550	1.00%	6.73%	10/13/2016	4/19/2022	9,950	9,861	9,851
DB Datacenter Holdings, Inc.	IT Services	L+475	1.00%	5.98%	12/28/2016	7/13/2021	5,000	4,930	4,950

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(2)(14)

Empower Payments Acquisition, Inc. (RevSpring) ⁽²⁾⁽¹⁴⁾	Professional Services	L+550	1.00%	6.80%	11/28/2016	11/30/2023	4,602	4,516	4,556
Engineering Solutions & Products, LLC ⁽⁶⁾⁽¹⁴⁾	Aerospace & Defense	L+600	2.00%	8.00%	11/5/2013	5/4/2018	58	58	58
Engineering Solutions & Products, LLC ⁽⁶⁾⁽¹⁴⁾	Aerospace & Defense	L+600	2.00%	8.00%	11/5/2013	11/5/2018	2,343	2,343	1,827
Falmouth Group Holdings Corp. (AMPAC) ⁽²⁾⁽¹⁴⁾	Chemicals	L+675	1.00%	8.05%	12/15/2016	12/14/2021	9,428	9,428	9,428
GenMark Diagnostics, Inc. ⁽²⁾⁽⁴⁾⁽¹⁴⁾	Health Care Providers & Services			6.90%	4/22/2016	1/12/2019	9,541	9,612	9,737
Global Holdings LLC & Payment Concepts LLC ⁽²⁾⁽¹⁴⁾	Consumer Finance	L+650	1.00%	7.71%	3/31/2017	5/5/2022	8,750	8,579	8,619
Global Tel*Link Corporation ⁽²⁾	Communications Equipment	L+375	1.25%	5.05%	11/6/2015	5/23/2020	3,383	3,090	3,391
Global Tel*Link Corporation	Communications Equipment	L+775	1.25%	9.05%	5/21/2013	11/23/2020	3,000	2,968	2,996
HC Group Holdings III, Inc. (Walgreens) ⁽²⁾	Health Care Providers & Services	L+500	1.00%	6.23%	3/25/2015	4/7/2022	4,913	4,895	4,900
Hostway Corporation ⁽²⁾⁽¹⁴⁾	Internet Software & Services	L+475	1.25%	8.05%	6/27/2014	12/13/2019	8,526	8,507	8,270
Island Medical Management Holdings, LLC ⁽²⁾⁽¹⁴⁾	Health Care Providers & Services	L+550	1.00%	6.68%	3/31/2017	9/1/2022	6,855	6,788	6,786
Kellermeyer Bergensons Services, LLC (KBS) ⁽²⁾⁽¹⁴⁾	Commercial Services & Supplies	L+500	1.00%	6.23%	10/31/2014	10/29/2021	4,875	4,842	4,851
Lumeris Solutions Company, LLC ⁽²⁾⁽¹⁴⁾	Health Care Technology	L+860	0.25%	9.68%	3/22/2017	2/1/2020	4,000	3,992	4,000
Metamorph US 3, LLC (Metalogix) ⁽²⁾⁽¹⁴⁾	Software	L+750 ⁽⁷⁾	1.00%	8.73%	12/1/2014	12/1/2020	7,997	7,875	4,798
Meter Readings Holding, LLC (Aclara) ⁽²⁾⁽¹⁴⁾	Electronic Equipment, Instruments & Components	L+575	1.00%	6.95%	6/15/2017	8/29/2023	7,980	7,960	7,960
		L+500	1.00%	6.30%	3/8/2017	3/10/2024	5,241	5,190	5,188

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MHE Intermediate Holdings, LLC ⁽²⁾⁽¹⁴⁾	Air Freight & Logistics									
Ministry Brands, LLC ⁽²⁾⁽¹⁴⁾	Software	L+500	1.00%	6.23%	11/21/2016	12/2/2022	8,707	8,629	8,642	
MRI Software LLC ⁽²⁾⁽¹⁴⁾	Software	L+600	1.00%	7.30%	6/7/2017	6/30/2023	7,674	7,597	7,597	
MYI Acquiror Corp. (McLarens Young) ⁽²⁾⁽¹⁴⁾	Insurance	L+450	1.25%	5.75%	5/21/2014	5/28/2019	3,356	3,342	3,356	
MYI Acquiror Ltd. (McLarens Young) ⁽²⁾⁽⁴⁾⁽¹⁴⁾	Insurance	L+450	1.25%	5.75%	5/21/2014	5/28/2019	4,282	4,265	4,282	
PetVet Care Centers, LLC ⁽²⁾⁽¹⁴⁾	Health Care Facilities	L+600	1.00%	7.22%	6/1/2017	6/8/2023	7,200	7,129	7,128	
Polycom, Inc. ⁽²⁾⁽¹⁴⁾	Communications Equipment	L+525	1.00%	6.41%	9/29/2016	9/27/2023	13,299	12,815	13,299	
PPT Management Holdings, LLC ⁽²⁾⁽¹⁴⁾	Health Care Providers & Services	L+600	1.00%	7.30%	12/15/2016	12/16/2022	7,960	7,886	7,880	
Professional DataSolutions, Inc. ⁽²⁾⁽¹⁴⁾	Software	L+550	1.00%	6.73%	3/23/2017	5/20/2022	6,525	6,431	6,459	
PSP Group, LLC (Pet Supplies Plus) ⁽²⁾⁽⁸⁾⁽¹⁴⁾	Specialty Retail	L+475	1.00%	6.05%	4/2/2015	4/6/2021	484	481	483	
QBS Holding Company, Inc. (Quorum) ⁽²⁾⁽¹⁴⁾	Software	L+475	1.00%	5.92%	8/1/2014	8/7/2021	6,059	6,021	5,969	
Richelieu Foods, Inc. ⁽²⁾⁽¹⁴⁾	Food Products	L+475	1.00%	6.04%	11/21/2014	5/21/2020	5,958	5,908	5,958	
Salient Partners, L.P. ⁽²⁾⁽¹⁴⁾	Asset Management	L+850	1.00%	9.66%	6/10/2015	6/9/2021	4,044	3,987	4,044	
Securus Technologies, Inc. ⁽¹⁴⁾	Communications Equipment	L+775	1.25%	9.00%	4/17/2013	4/30/2021	10,000	9,952	10,000	
SHO Holding I Corporation (Shoes for Crews) ⁽²⁾⁽¹⁴⁾	Footwear	L+500	1.00%	6.23%	11/20/2015	10/27/2022	5,910	5,864	5,895	
Suburban Broadband, LLC (Jab Wireless, Inc.) ⁽²⁾⁽¹⁴⁾	Wireless Telecommunication Services	L+450	1.00%	5.72%	11/29/2016	3/26/2019	4,962	4,925	4,863	
The Edelman Financial Center, LLC ⁽²⁾⁽¹⁴⁾	Diversified Financial Services	L+550	1.00%	6.66%	12/16/2015	12/18/2022	4,916	4,835	4,916	
The Hilb Group, LLC & Gencorp	Insurance	L+475	1.00%	6.05%	3/16/2016	6/24/2021	3,812	3,751	3,773	

Insurance Group, Inc. ⁽²⁾⁽¹⁴⁾									
Trident USA Health Services ⁽²⁾⁽¹⁴⁾	Health Care Providers & Services	L+575	1.25%	7.05%	7/29/2013	7/31/2019	8,743	8,712	7,890
TwentyEighty, Inc. ⁽¹⁴⁾	Professional Services	L+800 ⁽⁹⁾	1.00%	9.12%	1/31/2017	3/31/2020	897	861	897
TwentyEighty, Inc. ⁽¹⁴⁾	Professional Services			8.00% ⁽¹⁰⁾	1/31/2017	3/31/2020	1,916	1,808	1,782
TwentyEighty, Inc. ⁽¹⁴⁾	Professional Services			9.00% ⁽¹¹⁾	1/31/2017	3/31/2020	1,736	1,639	1,580

See notes to consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share/unit amounts)**

Description	Industry	Spread above Index ⁽³⁾	Libor Floor	Interest Rate (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Acute Care Centers, (2)(14)	Health Care Providers & Services	L+500	1.00%	6.30%	12/22/2016	5/15/2021	6,468	6,409	6,409
Buyer Acquisition Corp. (14)	Professional Services	L+475	1.00%	6.05%	2/17/2017	1/29/2022	4,616	4,594	4,594
Buyer B-Copernicus Corp., Inc. (2)(14)	Professional Services	L+500	1.00%	6.30%	3/27/2017	8/12/2022	4,489	4,467	4,467
Total Bank Debt/Senior Secured Loans								\$ 304,249	\$ 301,249
							Shares/ Units		
Common Equity/Equity Interests/Warrants									
Engineering Solutions & Products, (6)(12)(14)									
Aerospace & Defense									
							11/5/2013	133,668	\$ 1,367
Finance Group Holdings Corporation (Meris) Warrants⁽¹⁴⁾									
Health Care Technology									
							3/22/2017	52,000	16
Lien Loan Program (4)(5)(14)									
Asset Management									
							2/13/2015	41,187	38,700
Auto Healthcare Finance, (4)(5)(14)									
Diversified Financial Services									
							9/30/2013	32,839	32,839
FortyEighty Partners, LLC⁽¹⁴⁾									
Professional Services									
							1/31/2017	17,214	3,167

Common Equity/Equity Interests/Warrants					\$ 78,576	\$ 74,000
Investments⁽¹³⁾ 139.5%					\$ 382,825	\$ 375,200
					Par	
					Amount	
Cash Equivalents 37.1%						
Treasury Bill	Government	6/30/2017	8/17/2017	100,000	\$ 99,894	\$ 99,800
Investments & Cash Equivalents 176.6%					\$ 482,719	\$ 475,000
Liabilities in Excess of Other Assets (76.6%)						(206,000)
Assets 100.0%						\$ 269,000

See notes to consolidated financial statements.

See notes to consolidated financial statements.

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- (1) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of June 30, 2017.
- (2) Indicates an investment that is wholly or partially held by Solar Senior Capital Ltd. through its wholly-owned financing subsidiary SUNS SPV LLC (the SPV). Such investments are pledged as collateral under the Senior Secured Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of Solar Senior Capital Ltd. The respective par amount for the investment partially held through the SPV is \$4,592 for Genmark Diagnostics, Inc. The par balance in excess of this stated amount is held directly by Solar Senior Capital Ltd.
- (3) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (4) Indicates assets that the Company believes may not represent qualifying assets under Section 55(a) of the Investment Company Act of 1940 (1940 Act), as amended. If we fail to invest a sufficient portion of our assets in qualifying assets, we could be prevented from making follow-on investments in existing portfolio companies or could be required to dispose of investments at inappropriate times in order to comply with the 1940 Act. As of June 30, 2017, on a fair value basis, non-qualifying assets in the portfolio represented 18.3% of the total assets of the Company.
- (5) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 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 six months ended June 30, 2017 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2016	Gross Additions	Gross Reductions	Realized Gain (Loss)	Change in Unrealized		Dividend / Other Income	Fair Value at June 30, 2017
					Gain	(Loss)		
First Lien Loan Program LLC	\$ 38,810	\$	\$	\$	\$	(100)	\$ 2,039	\$ 38,710
Gemino Healthcare Finance, LLC	35,500					(250)	1,847	35,250
	\$ 74,310	\$	\$	\$	\$	(350)	\$ 3,886	\$ 73,960

(6)

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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 six months ended June 30, 2017 in these affiliated investments are as follows:

Name of Issuer	Fair Value at December 31, 2016	Gross Additions	Gross Reductions	Change in		Interest / Dividend Income	Fair Value at June 30, 2017
				Realized Gain (Loss)	Unrealized Gain (Loss)		
Engineering Solutions & Products, LLC (1 st lien)	\$	\$ 1,360	\$ 1,302	\$	\$	\$ 7	\$ 58
Engineering Solutions & Products, LLC (2 nd lien)	1,757				70	94	1,827
Engineering Solutions & Products, LLC (equity interests)	68						68
	\$ 1,825	\$ 1,360	\$ 1,302	\$	\$ 70	\$ 101	\$ 1,953

(7) Spread is 5.50% Cash / 2.00% PIK.

(8) PSP Group, LLC, PSP Service Newco, Inc., PSP Subco, LLC, PSP Stores, LLC, and PSP Distribution, LLC are co-borrowers.

(9) Spread is 3.50% Cash / 4.50% PIK.

(10) Coupon is 1.00% Cash / 7.00% PIK.

(11) Coupon is 0.25% Cash / 8.75% PIK.

(12) Our equity investment in Engineering Solutions & Products, LLC is held through ESP SSC Corp., a taxable consolidated subsidiary.

(13) Aggregate net unrealized depreciation for federal income tax purposes is \$11,052; aggregate gross unrealized appreciation and depreciation for federal tax purposes is \$2,945 and \$13,997, respectively, based on a tax cost of \$386,337.

(14) Investment valued using significant unobservable inputs.

Non-income producing security.

Investment contains a payment-in-kind (PIK) feature.

See notes to consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2017**

Industry Classification	Percentage of Total Investments (at fair value) as of June 30, 2017
Health Care Providers & Services	15.8%
Communications Equipment	12.0%
Asset Management	11.4%
Diversified Financial Services	10.7%
Professional Services	9.0%
Software	8.9%
Insurance	8.5%
Health Care Equipment & Supplies	3.2%
Food Products	2.8%
Chemicals	2.5%
Consumer Finance	2.3%
Internet Software & Services	2.2%
Electronic Equipment, Instruments & Components	2.1%
Footwear	1.6%
Air Freight & Logistics	1.4%
IT Services	1.3%
Wireless Telecommunication Services	1.3%
Commercial Services & Supplies	1.3%
Health Care Technology	1.1%
Aerospace & Defense	0.5%
Specialty Retail	0.1%
Total Investments	100.0%

See notes to consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS****December 31, 2016****(in thousands, except share/unit amounts)**

	Industry	Spread above Index ⁽³⁾	Libor Floor	Interest Rate ⁽¹⁾	Acquisition Date	Maturity Date	Par Amount
Fixed Loans	108.2%						
Group LLC ⁽²⁾	Health Care Equipment & Supplies	L+500	1.00%	6.00%	6/14/2016	6/15/2023	\$ 11,9
Marketing, Inc	Professional Services	L+650	1.00%	7.50%	2/14/2013	7/25/2022	8,0
s Corporation	Health Care Providers & Services	L+850	1.00%	9.50%	2/20/2014	8/24/2021	4,0
Holdings, Inc. ⁽²⁾	Insurance	L+550	1.00%	6.50%	11/28/2016	12/30/2022	8,6
⁽²⁾ (4)	Hotels, Restaurants & Leisure	L+575	1.25%	7.00%	2/28/2013	2/28/2019	2,6
(Apple Leisure) ⁽²⁾	Hotels, Restaurants & Leisure	L+575	1.25%	7.00%	2/28/2013	2/28/2019	3,5
LLC ⁽²⁾	Food Products	L+500	1.00%	6.00%	8/10/2015	8/19/2021	4,8
g Services, Ltd. (PGI) ⁽²⁾	Communications Equipment	L+650	1.00%	7.50%	5/5/2016	12/8/2021	8,6
Management, LP ⁽²⁾	Health Care Providers & Services	L+500	1.00%	6.00%	10/20/2016	10/31/2022	5,0
	Insurance	L+750	1.00%	8.50%	2/27/2014	3/3/2021	8
tion, Inc. ⁽²⁾	Professional Services	L+450	1.00%	5.50%	10/3/2014	10/7/2021	8,2
	Professional Services	L+525	1.00%	6.25%	6/28/2016	6/28/2022	2,6
Co. ⁽²⁾	Insurance	L+475	1.00%	5.75%	10/13/2016	4/19/2022	10,0
Corp. ⁽²⁾	Communications Equipment	L+538	1.00%	6.38%	6/16/2014	6/17/2020	4,8
iliate Holdings ⁽²⁾	Health Care Technology	L+425	1.00%	5.25%	12/1/2014	12/1/2021	3,3
Inc. ⁽²⁾	IT Services	L+475	1.00%	5.75%	12/28/2016	7/13/2021	5,0
ision, Inc. ⁽²⁾	Professional Services	L+550	1.00%	6.50%	11/28/2016	11/30/2023	4,6
Products, LLC ⁽⁶⁾	Aerospace & Defense	L+600	2.00%	8.00%	11/5/2013	11/5/2018	2,3
⁽²⁾	Health Care Providers & Services	L+475	1.00%	5.75%	2/20/2015	2/17/2021	4,7
Corp. (AMPAC) ⁽²⁾	Chemicals	L+675	1.00%	7.75%	12/15/2016	12/14/2021	9,4
⁽²⁾ (4)	Health Care Providers & Services			6.90%	4/22/2016	1/12/2019	9,6
ion ⁽²⁾	Communications Equipment	L+375	1.25%	5.00%	11/6/2015	5/23/2020	3,4
ion	Communications Equipment	L+775	1.25%	9.00%	5/21/2013	11/23/2020	3,0
nc. (Walgreens) ⁽²⁾	Health Care Providers & Services	L+500	1.00%	6.00%	3/25/2015	4/7/2022	4,9
	Internet Software & Services	L+475	1.25%	8.00%	6/27/2014	12/13/2019	8,7
Services, LLC (KBS) ⁽²⁾	Commercial Services & Supplies	L+500	1.00%	6.00%	10/31/2014	10/29/2021	4,8
ny, LLC ⁽²⁾	Health Care Technology			9.42%	4/22/2016	12/27/2017	2,0
s, LLC (TFS) ⁽²⁾	Air Freight & Logistics	L+500	1.00%	6.00%	3/3/2014	3/26/2020	11,0
stems, Inc. ⁽²⁾	Health Care Technology	L+475	1.00%	5.75%	9/26/2016	9/28/2023	4,9
Metalogix) ⁽²⁾	Software	L+650	1.00%	7.50%	12/1/2014	12/1/2020	8,0
	Software	L+500	1.00%	6.00%	11/21/2016	12/2/2022	5,4
arens Young) ⁽²⁾	Insurance	L+450	1.25%	5.75%	5/21/2014	5/28/2019	3,3
arens Young) ⁽²⁾ (4)	Insurance	L+450	1.25%	5.75%	5/21/2014	5/28/2019	4,2
	Health Care Providers & Services	L+550	1.00%	6.50%	4/19/2016	10/20/2022	5,9

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etVet) (2)	Health Care Facilities	L+475	1.00%	5.75%	1/29/2015	12/17/2020	4,4
	Communications Equipment	L+650	1.00%	7.50%	9/29/2016	9/27/2023	14,5
gs, LLC(2)	Health Care Providers & Services	L+600	1.00%	7.00%	12/15/2016	12/16/2022	8,0
plies Plus)(2)(7)	Specialty Retail	L+475	1.00%	5.75%	4/2/2015	4/6/2021	4
nc. (Quorum)(2)	Software	L+475	1.00%	5.75%	8/1/2014	8/7/2021	6,3
	Food Products	L+475	1.00%	5.75%	11/21/2014	5/21/2020	6,5
	Asset Management	L+850	1.00%	9.50%	6/10/2015	6/9/2021	4,2
	Communications Equipment	L+775	1.25%	9.00%	4/17/2013	4/30/2021	10,0
n (Shoes for Crews)(2)	Footwear	L+500	1.00%	6.00%	11/20/2015	10/27/2022	5,9
tion Corp. (2)	Textiles, Apparel & Luxury Goods	L+525	1.00%	6.25%	6/24/2016	6/30/2023	1,9
dings II, LLC(2)	Health Care Services	L+500	1.00%	6.00%	1/25/2016	1/26/2022	4,9
C (Jab Wireless, Inc.)(2)	Wireless Telecommunication Services	L+450	1.00%	5.50%	11/29/2016	3/26/2019	5,0
enter, LLC (2)	Diversified Financial Services	L+550	1.00%	6.50%	12/16/2015	12/18/2022	4,9
gencorp Insurance Group, Inc.)(2)	Insurance	L+500	1.00%	6.00%	3/16/2016	6/24/2021	3,8
ces (2)	Health Care Providers & Services	L+575	1.25%	7.00%	7/29/2013	7/31/2019	8,7
iller Heiman)(2)*	Professional Services	L+600	1.00%	7.00%	9/30/2013	9/30/2019	6,9
, LLC(2)	Health Care Providers & Services	L+500	1.00%	6.00%	12/22/2016	5/15/2021	6,5
rp. (Veritext)(2)	Professional Services	L+500	1.00%	6.00%	1/29/2016	1/29/2022	4,4

Secured Loans

See notes to consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)****December 31, 2016****(in thousands, except share/unit amounts)**

Description	Industry	Spread all-in-cost rate (%) (1)	Acquisition Date	Maturity Date	Par Amount	Cost	Fair Value
Common Equity/Equity Interests 27.6%							
Engineering Solutions & Products, LLC ⁽⁶⁾⁽⁸⁾	Aerospace & Defense		11/5/2013		133,668	\$ 1,367	\$ 68
First Lien Loan Program LLC ⁽⁴⁾⁽⁵⁾	Asset Management		2/13/2015			41,187	38,810
Gemino Healthcare Finance, LLC ⁽⁴⁾⁽⁵⁾	Diversified Financial Services		9/30/2013		32,839	32,839	35,500
Total Common Equity/Equity Interests						\$ 75,393	\$ 74,378
Total Investments⁽⁹⁾ 135.8%						\$ 372,773	\$ 365,534
Par Amount							
Cash Equivalents 52.0%							
U.S. Treasury Bill	Government		12/29/2016	2/2/2017	140,000	\$ 139,952	\$ 139,952
Total Investments & Cash Equivalents 187.8%						\$ 512,725	\$ 505,486
Liabilities in Excess of Other Assets (87.8%)							(236,341)
Net Assets 100.0%							\$269,145

See notes to consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)****December 31, 2016****(in thousands)**

- (1) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of December 31, 2016.
- (2) Indicates an investment that is wholly or partially held by Solar Senior Capital Ltd. through its wholly-owned financing subsidiary SUNS SPV LLC. Such investments are pledged as collateral under the Senior Secured Revolving Credit Facility (see Note 7 to the consolidated financial statements) and are not generally available to creditors, if any, of Solar Senior Capital Ltd. The respective par amount for the investment that is partially held through the SPV is \$4,821 for Genmark Diagnostics, Inc. The par balance in excess of this stated amount is held directly by Solar Senior Capital Ltd.
- (3) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (4) Indicates assets that the Company believes may not represent qualifying assets under Section 55(a) of the Investment Company Act of 1940 (1940 Act), as amended. If we fail to invest a sufficient portion of our assets in qualifying assets, we could be prevented from making follow-on investments in existing portfolio companies or could be required to dispose of investments at inappropriate times in order to comply with the 1940 Act. As of December 31, 2016, on a fair value basis, non-qualifying assets in the portfolio represented 17.4% of the total assets of the Company.
- (5) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 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 year ended December 31, 2016 in these controlled investments are as follows:

Name of Issuer	Fair Value at December 31, 2015	Gross Additions	Gross Reductions	Realized Gain (Loss)	Dividend/ Other Income	Fair Value at December 31, 2016
First Lien Loan Program LLC	\$ 27,593	\$ 11,603	\$	\$	\$ 3,264	\$ 38,810
Gemino Healthcare Finance, LLC	34,000				3,878	35,500
	\$ 61,593	\$ 11,603	\$	\$	\$ 7,142	\$ 74,310

- (6) 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 year ended

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December 31, 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 Income	Fair Value at December 31, 2016
Engineering Solutions & Products, LLC (1 st lien)	\$ 106	\$ 376	\$ 482	\$	\$ 11	\$
Engineering Solutions & Products, LLC (2 nd lien)	2,249				190	1,757
Engineering Solutions & Products, LLC (equity interests)	68					68
	\$ 2,423	\$ 376	\$ 482	\$	\$ 201	\$ 1,825

(7) PSP Group, LLC, PSP Service Newco, Inc., PSP Subco, LLC, PSP Stores, LLC, and PSP Distribution, LLC are co-borrowers.

(8) Our equity investment in Engineering Solutions & Products, LLC is held through ESP SSC Corp., a taxable consolidated subsidiary.

(9) Aggregate net unrealized depreciation for federal income tax purposes is \$10,676; aggregate gross unrealized appreciation and depreciation for federal tax purposes is \$3,649 and \$14,325, respectively, based on a tax cost of \$376,210.

* Investment is on non-accrual status.
Non-income producing security.

See notes to consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)****December 31, 2016**

Industry Classification	Percentage of Total Investments (at fair value) as of December 31, 2016
Health Care Providers & Services	16.8%
Communications Equipment	12.0%
Asset Management	11.7%
Diversified Financial Services	11.1%
Professional Services	8.5%
Insurance	8.4%
Software	4.7%
Health Care Equipment & Supplies	3.3%
Food Products	3.1%
Air Freight & Logistics	3.0%
Health Care Technology	2.8%
Chemicals	2.6%
Internet Software & Services	2.2%
Hotels, Restaurants & Leisure	1.7%
Footwear	1.6%
Wireless Telecommunication Services	1.4%
IT Services	1.4%
Commercial Services & Supplies	1.3%
Health Care Facilities	1.2%
Textile, Apparel & Luxury Goods	0.6%
Aerospace & Defense	0.5%
Specialty Retail	0.1%
Total Investments	100.0%

See notes to consolidated financial statements.

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SOLAR SENIOR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

June 30, 2017

(in thousands, except share amounts)

Note 1. Organization

Solar Senior Capital Ltd. (Solar Senior , the Company , SUNS , we , us , or our), a Maryland corporation formed December 16, 2010, is a closed-end, externally managed, non-diversified management investment company that has elected to be regulated as a business development company (BDC) under the Investment Company Act of 1940 (the 1940 Act). Furthermore, as the Company is an investment company, it continues to apply the guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946. In addition, for tax purposes, we have elected to be treated as a regulated investment company (RIC), under the Internal Revenue Code of 1986, as amended (the Code).

On January 28, 2011, Solar Senior was capitalized with initial equity of \$2 and commenced operations. On February 24, 2011, Solar Senior priced its initial public offering, selling 9.0 million shares, including the underwriters over-allotment, raising approximately \$168,000 of net proceeds. Concurrent with this offering, our senior management team purchased an additional 500,000 shares through a private placement, raising another \$10,000.

The Company s investment objective is to seek to maximize current income consistent with the preservation of capital. We seek to achieve our investment objective by investing directly or indirectly in senior secured loans, including first lien and second lien debt instruments, made primarily to leveraged private middle-market companies whose debt is rated below investment grade, which the Company refers to collectively as senior loans. From time to time, we may also invest in public companies that are thinly traded. Under normal market conditions, at least 80% of the value of the Company s net assets (including the amount of any borrowings for investment purposes) will be invested in senior loans.

Note 2. Significant Accounting Policies

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), and include the accounts of the Company and its wholly-owned subsidiaries. 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. Certain prior period amounts may have been reclassified to conform to current period presentation.

Interim consolidated financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X, as appropriate. Accordingly, they may not include all of the information and notes required by GAAP for annual consolidated financial statements. 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 periods. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for the fair presentation of financial statements, have been included.

The significant accounting policies consistently followed by the Company are:

- (a) Investment transactions are accounted for on the trade date;

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SOLAR SENIOR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

June 30, 2017

(in thousands, except share amounts)

(b) The Company conducts the valuation of its assets in accordance with GAAP and the 1940 Act. The Company generally values its assets on a quarterly basis, or more frequently if required. Investments for which market quotations are readily available on an exchange are valued at the closing price on the date of valuation. 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, management determines whether the quote obtained is sufficient according to GAAP to determine the fair value of the investment. If determined adequate, the Company uses the quote obtained. Debt investments with maturities of 60 days or less shall each be valued at cost plus accreted discount, or minus amortized premium, which is expected to approximate fair value, unless such valuation, in the judgment of Solar Capital Partners, LLC (the Investment Adviser), does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of the Company's board of directors (the Board). Investments for which reliable market quotations are not readily available or for which the pricing sources do not provide a valuation or methodology or provide a valuation or methodology that, in the judgment of the Investment Adviser or the Board 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 valuations are discussed with senior management of the Investment Adviser; (iii) independent valuation firms engaged by, or on behalf of, the Board will conduct independent appraisals and review the Investment Adviser's preliminary valuations and make their own independent assessment for (a) each portfolio investment that, when taken together with all other investments in the same portfolio company, exceeds 10% of estimated total assets, plus available borrowings, as of the end of the most recently completed fiscal quarter, and (b) each portfolio investment that is presently in payment default; (iv) the Board will discuss the 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 independent valuation firm.

The recommendation of fair value generally considers the following factors among others, as relevant: applicable market yields; 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, among others.

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 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 are valued utilizing a market approach, an income approach, or both approaches, as appropriate. However, in accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946, may be valued using net asset value as a practical expedient for fair value. The market approach uses

prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation approaches to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables,

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SOLAR SENIOR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

June 30, 2017

(in thousands, except share amounts)

applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the six months ended June 30, 2017, there has been no change to the Company's valuation approaches or techniques and the nature of the related inputs considered in the valuation process.

ASC Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment. The exercise of judgment is based in part on our knowledge of the asset class and our prior experience.

- (c) Gains or losses on investments are calculated by using the specific identification method.

- (d) The Company records dividend income and interest, adjusted for amortization of premium and accretion of discount, on an accrual basis. Loan origination fees, original issue discount, and market discounts are capitalized and we amortize such amounts into income using the effective interest method or on a straight-line basis, as applicable. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record call premiums on loans repaid as interest income when we receive such amounts. Capital structuring fees, amendment fees, consent fees, and any other non-recurring fee income as well as management fee and other fee income for services rendered, if any, are recorded as other income when earned.

- (e) The Company intends to comply with the applicable provisions of the Internal Revenue Code pertaining to regulated investment companies to make distributions of taxable income sufficient to relieve it of substantially all U.S. federal income taxes. The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. The Company will accrue excise tax on such estimated excess taxable income as appropriate.
- (f) Book and tax basis differences relating to stockholder distributions and other permanent book and tax differences are typically reclassified among the Company's capital accounts annually. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP.
- (g) Distributions to common stockholders are recorded as of the record date. The amount to be paid out as a distribution is determined by the Board. Net realized capital gains, if any, are generally distributed or deemed distributed at least annually.
- (h) In accordance with Regulation S-X and ASC Topic 810 *Consolidation*, the Company consolidates its interest in investment company subsidiaries, financing subsidiaries and certain wholly-owned holding

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SOLAR SENIOR CAPITAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

June 30, 2017

(in thousands, except share amounts)

companies that serve to facilitate investment in portfolio companies. In addition, the Company may also consolidate any controlled operating companies substantially all of whose business consists of providing services to the Company.

- (i) The accounting records of the Company are maintained in U.S. dollars. Any assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against the U.S. dollar on the date of valuation. The Company will not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations would be included with the net unrealized gain or loss from investments. The Company's investments in foreign securities, if any, may involve certain risks, including without limitation: 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 in terms of U.S. dollars and therefore the earnings of the Company.
- (j) The Company has made an irrevocable election to apply the fair value option of accounting to its senior secured revolving credit facility (the Credit Facility), in accordance with ASC 825-10. The Company uses an independent third-party valuation firm to assist in measuring its fair value.
- (k) In accordance with ASC 835-30, the Company records origination and other expenses related to certain debt issuances, if any, as a direct deduction from the carrying amount of the debt liability. These expenses are deferred and amortized using either the effective interest method or the straight-line method over the stated life. The straight-line method may be used on revolving facilities and when it approximates the effective yield method.
- (l) The Company records expenses related to shelf registration statements and applicable equity offering costs as prepaid assets. These expenses are typically charged as a reduction of capital upon utilization, in accordance with ASC 946-20-25. Certain subsequent costs are expensed per the AICPA Audit & Accounting Guide for Investment Companies.
- (m) Investments that are expected to pay regularly scheduled interest in cash are generally placed on non-accrual status when principal or interest cash payments are past due 30 days or more and/or when it is no longer probable that principal or interest cash payments will be collected. Such non-accrual investments are restored

to accrual status if past due principal and interest are paid in cash, and in management's judgment, are likely to continue timely payment of their remaining principal and interest obligations. Cash interest payments received on such investments may be recognized as income or applied to principal depending on management's judgment.

- (n) The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with a maturity of three months or less would qualify, with limited exceptions. The Company believes that certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities would qualify as cash equivalents.

Recent Accounting Pronouncements

In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended rules (together, "final rules") intended to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X was August 1, 2017. The

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(in thousands, except share amounts)

Company has evaluated the impact that the adoption of the amendments to Regulation S-X on its consolidated financial statements and disclosures and determined that the adoption of the amendments to Regulation S-X has not had a material impact on its consolidated financial statements.

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows, which will amend FASB ASC 230. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact of ASU 2016-18 on its consolidated financial statements and disclosures.

In December 2016, the FASB issued ASU 2016-19, Technical Corrections and Improvements. As part of this guidance, ASU 2016-19 amends FASB ASC 820 to clarify the difference between a valuation approach and a valuation technique. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. ASU 2016-19 is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 on a prospective basis. The Company has evaluated the impact of ASU 2016-19 on its consolidated financial statements and disclosures and determined that the adoption of ASU 2016-19 has not had a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities, which will amend FASB ASC 310-20. The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium, generally requiring the premium to be amortized to the earliest call date. For public business entities, the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact of ASU 2017-08 on its consolidated financial statements and disclosures.

Note 3. Agreements

Solar Senior has an Advisory Agreement with the Investment Adviser, under which the Investment Adviser manages the day-to-day operations of, and provides investment advisory services to, Solar Senior. For providing these services, the Investment Adviser receives a fee from Solar Senior, consisting of two components a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.00% of gross assets. For services rendered under the Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is

calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters. Base management fees for any partial month or quarter will be appropriately pro-rated. For purposes of computing the base management fee, gross assets exclude temporary assets acquired at the end of each fiscal quarter for purposes of preserving investment flexibility in the next fiscal quarter. Temporary assets include, but are not limited to, U.S. treasury bills, other short-term U.S. government or government agency securities, repurchase agreements or cash borrowings.

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The incentive fee has two parts, as follows: one is calculated and payable quarterly in arrears based on our 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 (other than fees for providing managerial assistance) accrued during the calendar quarter, minus our operating expenses for the quarter (excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments, if any, with a deferred interest feature (such as original issue discount, debt instruments with pay-in-kind interest and zero-coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains or losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 1.75% per quarter (7.00% annualized). The Company pays the Investment Adviser an incentive fee with respect to pre-incentive fee net investment income for each calendar quarter as follows:

no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle of 1.75%;

50% of 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 2.9167% in any calendar quarter (11.67% annualized);

and

20% of the amount of pre-incentive fee net investment income, if any, that exceeds 2.9167% in any calendar quarter (11.67% annualized) will be payable to the Investment Adviser.

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 Agreement, as of the termination date) and will equal 20% of the Company'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 net capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the Investment Adviser. For financial statement purposes, the second part of the incentive fee is accrued based upon 20% of cumulative net realized gains and net unrealized capital appreciation. No accrual was required for the three and six months ended June 30, 2017 and 2016.

For the three and six months ended June 30, 2017, the Company recognized \$959 and \$1,907, respectively, in gross base management fees and \$122 and \$197, respectively, in gross performance-based incentive fees. For the three months and six ended June 30, 2017, \$692 and \$1,481, respectively, of such base management fees were waived. For the three and six months ended June 30, 2017, \$122 and \$197, respectively, of such performance-based incentive fees were waived. For the three and six months ended June 30, 2016, the Company recognized \$834 and \$1,631, respectively, in gross base management fees and \$465 and \$850, respectively, in gross performance-based incentive fees. For the three and six months ended June 30, 2016, no base management fees were waived. For the three and six months ended June 30, 2016, \$228 and \$613, respectively, of such performance-based incentive fees were waived. For the quarterly periods ended September 30, 2016 to June 30, 2017 (the Waiver Period), the Investment Adviser had agreed to voluntarily waive a portion or all of the incentive fees, and to the extent necessary a portion or all of the base management fees, that the Investment Adviser would otherwise be entitled to receive pursuant to our investment advisory and management agreement with the Investment Adviser to the extent required in order for the Company to earn net investment income (exclusive of costs related to the expansion, extension and/or amendments of our credit facilities), as determined in accordance with GAAP, sufficient to maintain the Company's current level of distributions. A portion or all of

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the voluntary fee waivers made during the Waiver Period were made at the Investment Adviser's discretion and are subject to recapture by the Investment Adviser and reimbursement by the Company through June 30, 2018 to the extent GAAP net investment income equals or exceeds the current level of distributions, among other conditions. As of June 30, 2017, the total amount of fees waived that are subject to possible recoupment quarterly through June 30, 2018 was \$3,067. The amount to be waived or recaptured will be determined after the end of each quarter during the Waiver Period, with such amounts being accrued on a quarterly basis. For the three and six months ended June 30, 2017, there were no fees recaptured by the Investment Adviser. The voluntary fee waiver for the three and six months ended June 30, 2016 was made at the Investment Adviser's discretion and was subject to recapture by the Investment Adviser and reimbursement by the Company if net investment income during and/or for fiscal 2016 equaled or exceeded distributions declared in fiscal 2016. For fiscal 2016, there were no fees recaptured by the Investment Adviser.

Solar Senior has also entered into an Administration Agreement with Solar Capital Management, LLC (the Administrator) under which the Administrator provides administrative services for Solar Senior. For providing these services, facilities and personnel, Solar Senior reimburses the Administrator for Solar Senior'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 Senior's behalf, managerial assistance to those portfolio companies to which Solar Senior is required to provide such assistance. The Company typically reimburses the Administrator on a quarterly basis.

For the three and six months ended June 30, 2017, the Company recognized expenses under the Administration Agreement of \$367 and \$735, respectively. For the three and six months ended June 30, 2016, the Company recognized expenses under the Administration Agreement of \$299 and \$594, respectively. No managerial assistance fees were accrued or collected for the three and six months ended June 30, 2017 and 2016.

Note 4. Net Asset Value Per Share

At June 30, 2017, the Company's total net assets and net asset value per share were \$269,091 and \$16.79, respectively. This compares to total net assets and net asset value per share at December 31, 2016 of \$269,145 and \$16.80, respectively.

Note 5. Earnings Per Share

The following table sets forth the computation of basic and diluted net increase in net assets per share resulting from operations, pursuant to ASC 260-10, for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<u>Earnings per share (basic & diluted)</u>				
Numerator - net increase in net assets resulting from operations:	\$ 5,229	\$ 4,674	\$ 11,140	\$ 13,088
Denominator - weighted average shares:	16,029,874	11,533,315	16,028,103	11,533,315
Earnings per share:	\$ 0.33	\$ 0.41	\$ 0.70	\$ 1.13

Note 6. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

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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:

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.

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;
- c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; 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 and, if applicable, an independent third-party valuation firm's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

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).

Gains and losses for 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).

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. Such reclassifications are reported as transfers in/out of the appropriate category as of the end of the quarter in which the reclassifications occur.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share amounts)**

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis, as of June 30, 2017 and December 31, 2016:

Fair Value Measurements**As of June 30, 2017**

	Level 1	Level 2	Level 3	Measured at Net Asset Value*	Total
Assets:					
Bank Debt/Senior Secured Loans	\$	\$ 26,049	\$ 275,194	\$	\$ 301,243
Common Equity/Equity Interests/Warrants			35,332	38,710	74,042
Total Investments	\$	\$ 26,049	\$ 310,526	\$ 38,710	\$ 375,285
Liabilities:					
Credit Facility	\$	\$	\$ 109,300	\$	\$ 109,300

* In accordance with ASC 820-10, certain investments that are measured using the net asset value per share (or its equivalent) as a practical expedient for fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Assets and Liabilities. The portfolio investment in this category is First Lien Loan Program, LLC (FLLP). See Note 11 for more information on this investment, including its investment strategy and the Company's unfunded equity commitment to FLLP. This investment is not redeemable by the Company absent an election by the members of the entity to liquidate all investments and distribute the proceeds to the members.

Fair Value Measurements**As of December 31, 2016**

	Level 1	Level 2	Level 3	Measured at Net Asset Value*	Total
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Assets:					
Bank Debt/Senior Secured Loans	\$	\$ 40,888	\$ 250,268	\$	\$ 291,156
Common Equity/Equity Interests			35,568	38,810	74,378
Total Investments	\$	\$ 40,888	\$ 285,836	\$ 38,810	\$ 365,534
Liabilities:					
Credit Facility	\$	\$	\$ 98,300	\$	\$ 98,300

* In accordance with ASC 820-10, certain investments that are measured using the net asset value per share (or its equivalent) as a practical expedient for fair value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Assets and Liabilities.

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The following table provides a summary of the changes in fair value of Level 3 assets and liabilities for the six months ended June 30, 2017, 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 June 30, 2017:

Fair Value Measurements Using Level 3 Inputs

	Bank Debt/Senior Secured Loans	Common Equity/Equity Interests/Warrants
Fair value, December 31, 2016	\$ 250,268	\$ 35,568
Total gains or losses included in earnings:		
Net realized gain (loss)	76	
Net change in unrealized gain (loss)	3,049	(3,418)
Purchase of investment securities	84,747	3,182
Proceeds from dispositions of investment securities	(78,772)	
Transfers in/out of Level 3	15,826	
Fair value, June 30, 2017	\$ 275,194	\$ 35,332
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):	\$ 2,814	\$ (3,418)

During the three months ended June 30, 2017, Securus Technologies, Inc. was transferred from Level 2 to Level 3. At June 30, 2017, the Investment Adviser believed that Securus Technologies, Inc. was likely going to be prepaid at par in the near future. As such, the Investment Adviser felt that it was more representative of fair value to price the position at par, matching the price we would receive if the investment was prepaid, than to value the position using the public quote, which was above par. During the three months ended March 31, 2017, nThrive, Inc. was transferred from Level 2 to Level 3. At March 31, 2017, the Investment Adviser also believed that nThrive, Inc. was likely going to be prepaid in the near future. As such, the Investment Adviser felt that it was more representative of fair value to price the position at par, matching the price we would receive if the investment was prepaid, than to value the position using the public quote, which was above par. This position was repaid in the quarter ended June 30, 2017.

The following table shows a reconciliation of the beginning and ending balances for fair valued liabilities measured using significant unobservable inputs (Level 3) for the six months ended June 30, 2017:

Beginning fair value at December 31, 2016	\$ 98,300
Borrowings	75,100
Repayments	(64,100)
Transfers in/out of Level 3	
Ending fair value at June 30, 2017	\$ 109,300

The Company has made an irrevocable election to apply the fair value option of accounting to the Credit Facility, in accordance with ASC 825-10. On June 30, 2017, there were borrowings of \$109,300 on the Credit Facility. For the six months ended June 30, 2017, the Credit Facility had no net change in unrealized (appreciation) depreciation. The Company used an independent third-party valuation firm to assist in measuring the fair value of the Credit Facility.

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The following table provides a summary of the changes in fair value of Level 3 assets and liabilities for the year ended December 31, 2016, 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 December 31, 2016:

Fair Value Measurements Using Level 3 Inputs

	Bank Debt/Senior Secured Loans	Unsecured Notes	Common Equity/Equity Interests
Fair value, December 31, 2015	\$ 198,836	\$ 3,650	\$ 34,068
Total gains or losses included in earnings:			
Net realized gain (loss)	6		
Net change in unrealized gain (loss)	(1,812)	(6)	1,500
Purchase of investment securities	136,331		
Proceeds from dispositions of investment securities	(83,093)	(3,644)	
Transfers in/out of Level 3			
Fair value, December 31, 2016	\$ 250,268	\$	\$ 35,568
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):	\$ (2,857)	\$	\$ 1,500

During the year ended December 31, 2016, there were no transfers in and out of Levels 1 and 2.

The following table shows a reconciliation of the beginning and ending balances for fair valued liabilities measured using significant unobservable inputs (Level 3) for the year ended December 31, 2016:

Beginning fair value at December 31, 2015	\$ 116,200
Borrowings	136,800
Repayments	(154,700)
Transfers in/out of Level 3	

Ending fair value at December 31, 2016	\$ 98,300
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The Company has made an irrevocable election to apply the fair value option of accounting to the Credit Facility, in accordance with ASC 825-10. On December 31, 2016, there were borrowings of \$98,300 on the Credit Facility. For the year ended December 31, 2016, the Credit Facility had no net change in unrealized (appreciation) depreciation. The Company used an independent third-party valuation firm to assist in measuring the fair value of the Credit Facility.

Quantitative Information about Level 3 Fair Value Measurements

The Company typically determines the fair value of its performing debt investments utilizing a yield analysis. In a yield analysis, a price is ascribed for each investment based upon an assessment of current and expected market yields for similar investments and risk profiles. Additional consideration is given to current

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contractual interest rates, relative maturities and other key terms and risks associated with an investment. Among other factors, a significant determinant of risk is the amount of leverage used by the portfolio company relative to the total enterprise value of the company, and the rights and remedies of our investment within each portfolio company.

Significant unobservable quantitative inputs typically used in the fair value measurement of the Company's Level 3 assets and liabilities primarily reflect current market yields, including indices, and readily available quotes from brokers, dealers, and pricing services as indicated by comparable assets and liabilities, as well as enterprise values, returns on equity and earnings before income taxes, depreciation and amortization (EBITDA) multiples of similar companies, and comparable market transactions for equity securities.

Quantitative information about the Company's Level 3 asset and liability fair value measurements as of June 30, 2017 is summarized in the table below:

		Fair Value at	Principal		Range (Weighted
	Asset or	June 30,	Valuation	Unobservable Input	Average)
	Liability	2017	Technique/		
			Methodology		
Bank Debt / Senior					
Secured Loans	Asset	\$ 275,194	Yield Analysis	Market Yield	5.8% - 28.2% (7.9%)
		\$ 82	Enterprise Value	EBITDA Multiple	9.5x-24.5x (24.5x)
Common Equity/Equity					
Interests/Warrants	Asset	\$ 35,250	Enterprise Value	Return on Equity	5.0% - 23.0% (11.3%)
Credit Facility	Liability	\$ 109,300	Yield Analysis	Market Yield	L+1.4% - L+4.8% (L+2.0%)

Significant increases or decreases in any of the above unobservable inputs in isolation, including unobservable inputs used in deriving bid-ask spreads, if applicable, would result in a significantly lower or higher fair value measurement for such assets and liabilities.

Quantitative information about the Company's Level 3 asset and liability fair value measurements as of December 31, 2016 is summarized in the table below:

		Fair Value at	Principal		Range (Weighted
	Asset or	December 31,	Valuation	Unobservable Input	Average)
	Liability	2016	Technique/Methodology		
	Asset	\$ 250,268	Yield Analysis	Market Yield	5.7% - 37.3% (8.0%)

Bank Debt /
Senior Secured
Loans

	\$ 68	Enterprise Value	EBITDA Multiple	9.3x-27.0x (27.0x)
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Common
Equity/Equity
Interests

Asset	\$ 35,500	Enterprise Value	Return on Equity	3.0% - 21.7% (15.0%)	
Credit Facility	Liability \$ 98,300	Yield Analysis	Market Yield	L+1.4%	L+4.8% (L+2.0%)

Significant increases or decreases in any of the above unobservable inputs in isolation, including unobservable inputs used in deriving bid-ask spreads, if applicable, would result in a significantly lower or higher fair value measurement for such assets and liabilities.

Note 7. Debt

Senior Secured Revolving Credit Facility On August 26, 2011, the Company established the SPV which entered into the Credit Facility with Citigroup Global Markets Inc. acting as administrative agent. On January 10,

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2017, commitments to the Credit Facility, as amended, were increased from \$175,000 to \$200,000 by utilizing the accordion feature. It can also be expanded up to \$600,000. The stated interest rate on the Credit Facility is LIBOR plus 2.00% with no LIBOR floor requirement and the current final maturity date is June 30, 2020. The Credit Facility is secured by all of the assets held by the SPV. Under the terms of the Credit Facility, Solar Senior Capital and the SPV, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The Credit Facility also includes usual and customary events of default for credit facilities of this nature. The Credit Facility was amended on November 7, 2012, June 30, 2014 and May 29, 2015 to extend maturities and add greater investment flexibility, among other changes.

The Company has made an irrevocable election to apply the fair value option of accounting to the Credit Facility, in accordance with ASC 825-10. We believe accounting for the Credit Facility at fair value better aligns the measurement methodologies of assets and liabilities, which may mitigate certain earnings volatility. ASC 825-10 requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statements of Assets and Liabilities and changes in fair value of the Credit Facility are reported in the Consolidated Statements of Operations.

The average annualized interest cost for all borrowings for the six months ended June 30, 2017 and the year ended December 31, 2016 was 2.98% and 2.59%, respectively. These costs are exclusive of other credit facility expenses such as unused fees and fees paid to the back-up servicer, if any. The maximum amount borrowed on the Credit Facility during the six months ended June 30, 2017 and the year ended December 31, 2016, was \$109,300 and \$141,600, respectively.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share amounts)****Note 8. Financial Highlights and Senior Securities Table**

The following is a schedule of financial highlights for the six months ended June 30, 2017 and for the year ended December 31, 2016:

	Six months ended June 30, 2017 (unaudited)	Year ended December 31, 2016
Per Share Data:(a)		
Net asset value, beginning of year	\$ 16.80	\$ 16.33
Net investment income	0.71	1.42
Net realized and unrealized gain (loss)	(0.01)	0.50
Net increase in net assets resulting from operations	0.70	1.92
Distributions to stockholders:		
From net investment income	(0.71)	(1.42)
Offering costs and other		(0.03)
Net asset value, end of period	\$ 16.79	\$ 16.80
Per share market value, end of period	\$ 16.74	\$ 16.44
Total Return(b)	6.04%	20.70%
Net assets, end of period	\$ 269,091	\$ 269,145
Shares outstanding, end of period	16,031,117	16,025,011
Ratios to average net assets(c):		
Net investment income	4.20%	8.68%
Operating expenses	0.78%*	2.65%*
Interest and other credit facility expenses	0.65%	1.56%
Total expenses	1.43%*	4.21%*
Average debt outstanding	\$ 91,522	\$ 109,938

Portfolio turnover ratio	23.4%	38.4%
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- (a) Calculated using the average shares outstanding method.
 - (b) Total return is based on the change in market price per share during the period and takes into account distributions, if any, reinvested in accordance with the dividend reinvestment plan. Total return does not include a sales load.
 - (c) Not annualized for periods less than one year.
- * The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is shown net of voluntary management and incentive fee waivers (see note 3). For the six months ended June 30, 2017, the ratios of operating expenses to average net assets and total expenses to average net assets would be 1.41% and 2.05%, respectively, without the voluntary management and incentive fee waivers. For the year ended December 31, 2016, the ratios of operating expenses to average net assets and total expenses to average net assets would be 3.60% and 5.15%, respectively, without the voluntary management and incentive fee waivers.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share amounts)**

Information about our senior securities is shown in the following table as of each year ended December 31 since the Company commenced operations, unless otherwise noted. The indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Revolving Credit Facility				
Fiscal 2017 (through June 30, 2017)	\$ 109,300	\$ 3,462	\$	N/A
Fiscal 2016	98,300	3,738		N/A
Fiscal 2015	116,200	2,621		N/A
Fiscal 2014	143,200	2,421		N/A
Fiscal 2013	61,400	4,388		N/A
Fiscal 2012	39,100	5,453		N/A
Fiscal 2011	8,600	21,051		N/A

- (1) Total amount of each class of senior securities outstanding at the end of the period presented.
- (2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by one thousand to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each class of debt, the total Asset Coverage Per Unit was divided based on the amount outstanding at the end of the period for each. As of June 30, 2017, asset coverage was 346.2%.
- (3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.
- (4) Not applicable, we do not have senior securities that are registered for public trading.

Note 9. Gemino Healthcare Finance, LLC

We acquired Gemino Healthcare Finance, LLC (d/b/a Gemino Senior Secured Healthcare Finance) (Gemino) on September 30, 2013. Gemino is a commercial finance company that originates, underwrites, and manages primarily secured, asset-based loans for small and mid-sized companies operating in the healthcare industry. Our initial investment in Gemino was \$32,839. The management team of Gemino co-invested in the transaction and continues to lead Gemino.

Concurrent with the closing of the transaction, Gemino entered into a new, four-year, non-recourse, \$100,000 credit facility with non-affiliates, which was expandable to \$150,000 under its accordion feature. Effective March 31, 2014, the credit facility was expanded to \$105,000 and again on June 27, 2014 to \$110,000. On May 27, 2016, Gemino entered into a new \$125,000 credit facility which replaced the previously existing facility. The new facility has similar terms as compared to the previous facility and includes an accordion feature increase to \$200,000 and has a maturity date of May 27, 2020.

On December 31, 2013, we contributed our 32,839 units in Gemino to Gemino Senior Secured Healthcare LLC (Gemino Senior Secured Healthcare). In exchange for this contribution, we received 19,839 units of equity interests and \$13,000 in floating rate secured notes of Gemino Senior Secured Healthcare bearing interest at LIBOR plus 7.50%, maturing on December 31, 2018. However, our financial statements, including our schedule of investments, reflected our investments in Gemino Senior Secured Healthcare on a consolidated basis.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share amounts)**

On October 28, 2016, Gemino Senior Secured Healthcare was dissolved. As of June 30, 2017, Gemino's management team and Solar Senior own approximately 7% and 93% of the equity in Gemino, respectively.

Gemino currently manages a highly diverse portfolio of directly-originated and underwritten senior-secured commitments. As of June 30, 2017, the portfolio totaled approximately \$206,003 of commitments, of which \$120,688 were funded, on total assets of \$120,044. As of December 31, 2016, the portfolio totaled approximately \$186,360 of commitments, of which \$114,386 were funded, on total assets of \$118,490. At June 30, 2017, the portfolio consisted of 36 issuers with an average balance of approximately \$3,352 versus 35 issuers with an average balance of approximately \$3,268 at December 31, 2016. All of the commitments in Gemino's portfolio are floating-rate, senior-secured, cash-pay loans. Gemino's credit facility, which is non-recourse to us, had approximately \$85,000 and \$83,000 of borrowings outstanding at June 30, 2017 and December 31, 2016, respectively. For the three months ended June 30, 2017 and 2016, Gemino had net income of \$655 and \$963, respectively, on gross income of \$2,760 and \$3,313, respectively. For the six months ended June 30, 2017 and 2016, Gemino had net income of \$1,423 and \$2,388, respectively, on gross income of \$5,611 and \$7,132, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions.

Note 10. Commitments and Contingencies

The Company had unfunded debt and equity commitments to delayed draw and revolving loans, as well as to Gemino. The total amount of these unfunded commitments as of June 30, 2017 and December 31, 2016 is \$20,526 and \$13,073, respectively, comprised of the following:

	June 30, 2017	December 31, 2016
Gemino Healthcare Finance, LLC	\$ 5,000	\$ 5,000
PetVet Care Centers, LLC	4,800	
MRI Software LLC	2,951	
Engineering Solutions & Products, LLC	1,678	1,736
Alera Group Intermediate Holdings, Inc	1,390	3,860
MHE Intermediate Holdings, LLC	1,229	
Professional DataSolutions, Inc	1,148	
The Hilb Group, LLC & Gencorp Insurance Group, Inc.	983	
Island Medical Management Holdings, LLC	591	
VT Buyer Acquisition Corp. (Veritext)	340	486
Ministry Brands, LLC	276	1,507
TwentyEighty, Inc	140	

CIBT Holdings, Inc			484
Total Commitments*	\$	20,526	\$ 13,073

* The Company controls the funding of the Gemino Healthcare Finance, LLC commitment and may cancel it at its discretion.

As of June 30, 2017 and December 31, 2016, the Company had sufficient cash available and/or liquid securities available to fund its commitments as well as the commitments to FLLP disclosed in Note 11 and Solar Life Science Program LLC (LSJV) disclosed in Note 12.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share amounts)****Note 11. First Lien Loan Program LLC**

On September 10, 2014, the Company entered into a limited liability company agreement to create FLLP with Voya Investment Management LLC (Voya). Voya acts as the investment advisor for several wholly-owned insurance subsidiaries of Voya Financial, Inc. (NYSE: VOYA). The joint venture vehicle, structured as an unconsolidated Delaware limited liability company, is expected to invest primarily in senior secured floating rate term loans to middle market companies predominantly owned by private equity sponsors or entrepreneurs. Solar Senior and Voya have committed to provide \$50,750 and \$7,250, respectively, of capital to the joint venture. All portfolio decisions and generally all other decisions in respect of the FLLP must be approved by an investment committee of the FLLP consisting of representatives of the Company and Voya (with approval from a representative of each required). On February 13, 2015, FLLP commenced operations. On February 13, 2015, FLLP as transferor and FLLP 2015-1, LLC, a newly formed wholly owned subsidiary of FLLP, as borrower entered into a \$75,000 senior secured revolving credit facility (the FLLP Facility) with Wells Fargo Securities, LLC acting as administrative agent. Solar Senior Capital Ltd. acts as servicer under the FLLP Facility. The FLLP Facility was scheduled to mature on February 13, 2020. The FLLP Facility generally bears interest at a rate of LIBOR plus a range of 2.25%-2.50%. FLLP and FLLP 2015-1, LLC, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The FLLP Facility also includes usual and customary events of default for credit facilities of this nature. On August 15, 2016, the FLLP Facility was amended, expanding commitments to \$100,000 and extending the maturity date to August 16, 2021. There were \$76,088 and \$75,941 of borrowings outstanding as of June 30, 2017 and Dec, 31 2016, respectively. As of June 30, 2017 and December 31, 2016, Solar Senior and Voya contributed combined equity capital in the amount of \$47,071 and \$47,071, respectively. Of the \$47,071 of contributed equity capital at June 30, 2017, the Company contributed \$29,584 in the form of investments and \$11,603 in the form of cash and Voya contributed \$5,884 in the form of cash. As of June 30, 2017, Solar Senior and Voya's remaining commitments totaled \$9,563 and \$1,366, respectively. The Company, along with Voya, controls the funding of FLLP and FLLP may not call the unfunded commitments without approval of both the Company and Voya.

As of June 30, 2017 and December 31, 2016, FLLP had total assets of \$122,408 and \$122,225, respectively. For the same periods, FLLP's portfolio consisted of first lien floating rate senior secured loans to 25 and 25 different borrowers, respectively. For the three months ended June 30, 2017, FLLP invested \$3,744 across 6 portfolio companies. For the three months ended June 30, 2016, FLLP invested \$7,185 across 4 portfolio companies. Investments prepaid totaled \$8,626 for the three months ended June 30, 2017 and \$6,184 for the three months ended June 30, 2016. At June 30, 2017 and December 31, 2016, the weighted average yield of FLLP's portfolio was 6.9% and 6.6%, respectively, measured at fair value and 6.8% and 6.5%, respectively, measured at cost.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share amounts)****FLLP Portfolio as of June 30, 2017**

Description	Industry	Spread Above Index⁽¹⁾	LIBOR Floor	Interest Rate⁽²⁾	Maturity Date	Par Amount	Cost	Fair Value⁽³⁾
1A Smart Start LLC	Electronic Equipment, Instruments & Components	L+475	1.00%	6.05%	2/21/22	\$ 7,880	\$ 7,821	\$ 7,880
Alera Group Intermediate Holdings, Inc. ⁽⁴⁾	Insurance	L+550	1.00%	6.55%	12/30/22	3,593	3,559	3,575
Anesthesia Consulting & Management, LP ⁽⁴⁾	Health Care Providers & Services	L+525	1.00%	6.55%	10/31/22	4,975	4,930	4,726
Capstone Logistics Acquisition, Inc. ⁽⁴⁾	Professional Services	L+450	1.00%	5.73%	10/7/21	5,284	5,248	5,231
Confie Seguros Holding II Co. ⁽⁴⁾	Insurance	L+550	1.00%	6.73%	4/19/22	5,473	5,424	5,418
DB Datacenter Holdings, Inc. ⁽⁴⁾	IT Services	L+475	1.00%	5.98%	7/13/21	5,500	5,456	5,445
Empower Payments Acquisition, Inc. (RevSpring) ⁽⁴⁾	Professional Services	L+550	1.00%	6.80%	11/30/23	4,602	4,516	4,556
Falmouth Group Holdings Corp. (AMPAC) ⁽⁴⁾	Chemicals	L+675	1.00%	8.05%	12/14/21	5,458	5,458	5,458
Island Medical Management Holdings, LLC ⁽⁴⁾	Health Care Providers & Services	L+550	1.00%	6.68%	9/1/22	4,593	4,547	4,547
Kellermeyer Bergensons Services, LLC (KBS) ⁽⁴⁾	Commercial Services & Supplies	L+500	1.00%	6.23%	10/29/21	2,438	2,421	2,425
MedRisk, LLC		L+525	1.00%	6.34%	3/1/23	3,950	3,917	3,950

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Health Care Providers & Services									
Metamorph US 3, LLC (Metalogix) ⁽⁴⁾	Software	L+750 ⁽⁵⁾	1.00%	8.73%	12/1/20	3,998	3,935	2,399	
Ministry Brands, LLC ⁽⁴⁾	Software	L+500	1.00%	6.23%	12/2/22	4,353	4,313	4,321	
National Spine and Pain Centers, LLC	Health Care Providers & Services	L+450	1.00%	5.56%	6/2/24	3,000	2,985	2,985	
Pet Holdings ULC & Pet Supermarket, Inc.	Specialty Retail	L+550	1.00%	6.60%	7/5/22	4,825	4,762	4,777	
PSP Group, LLC (Pet Supplies Plus) ⁽⁴⁾	Specialty Retail	L+475	1.00%	6.05%	4/6/21	5,326	5,292	5,312	
QBS Holding Company, Inc. (Quorum) ⁽⁴⁾	Software	L+475	1.00%	5.92%	8/7/21	3,263	3,240	3,214	
Salient Partners, L.P. ⁽⁴⁾	Asset Management	L+850	1.00%	9.66%	6/9/21	4,943	4,873	4,943	
Sarnova HC, LLC	Trading Companies and Distributors	L+475	1.00%	5.98%	1/28/22	4,938	4,898	4,938	
Suburban Broadband, LLC (Jab Wireless, Inc.) ⁽⁴⁾	Wireless Telecommunication Services	L+450	1.00%	5.72%	3/26/19	8,106	8,022	7,944	
Telular Corporation	Wireless Telecommunication Services	L+425	1.25%	5.55%	6/24/19	4,918	4,905	4,918	
The Hilb Group, LLC & Gencorp Insurance Group, Inc. ⁽⁴⁾	Insurance	L+475	1.00%	6.05%	6/24/21	3,895	3,834	3,856	
Tronair Parent Inc.	Aerospace & Defense	L+475	1.00%	5.84%	9/8/23	4,963	4,917	4,950	
VT Buyer Acquisition Corp. (Veritext) ⁽⁴⁾	Professional Services	L+475	1.00%	6.05%	1/29/22	5,555	5,529	5,527	
Wirb-Copernicus Group, Inc. ⁽⁴⁾	Professional Services	L+500	1.00%	6.30%	8/12/22	5,958	5,907	5,958	
							\$ 120,709	\$ 119,253	

- (1) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (2) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of June 30, 2017.
- (3) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Board's valuation process described elsewhere herein.

- (4) The Company also holds this security on its Consolidated Statements of Assets and Liabilities.
- (5) Spread is 5.50% Cash / 2.0% PIK.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share amounts)****FLLP Portfolio as of December 31, 2016 (audited)**

Description	Industry	Spread Above LIBOR Index⁽¹⁾	Floor	Interest Rate⁽²⁾	Maturity Date	Par Amount	Cost	Fair Value⁽³⁾
1A Smart Start LLC	Electronic Equipment, Instruments & Components	L+475	1.00%	5.75%	2/21/22	\$ 7,920	\$ 7,855	\$ 7,920
Alera Group Intermediate Holdings, Inc. ⁽⁴⁾	Insurance	L+550	1.00%	6.50%	12/30/22	3,456	3,422	3,422
Anesthesia Consulting & Management, LP ⁽⁴⁾	Health Care Providers & Services	L+500	1.00%	6.00%	10/31/22	5,000	4,951	4,950
Capstone Logistics Acquisition, Inc. ⁽⁴⁾	Professional Services	L+450	1.00%	5.50%	10/7/21	5,361	5,320	5,308
CIBT Holdings, Inc. ⁽⁴⁾	Professional Services	L+525	1.00%	6.25%	6/28/22	2,620	2,596	2,594
Confie Seguros Holding II Co. ⁽⁴⁾	Insurance	L+475	1.00%	5.75%	4/19/22	5,500	5,447	5,537
DB Datacenter Holdings, Inc. ⁽⁴⁾	IT Services	L+475	1.00%	5.75%	7/13/21	5,500	5,450	5,417
Empower Payments Acquisition, Inc. (RevSpring) ⁽⁴⁾	Professional Services	L+550	1.00%	6.50%	11/30/23	4,625	4,533	4,532
Falmouth Group Holdings Corp. (AMPAC) ⁽⁴⁾	Chemicals	L+675	1.00%	7.75%	12/14/21	5,486	5,486	5,486
Kellermeyer Bergensons Services, LLC (KBS) ⁽⁴⁾	Commercial Services & Supplies	L+500	1.00%	6.00%	10/29/21	2,438	2,419	2,389
MedRisk, LLC	Health Care Providers & Services	L+525	1.00%	6.25%	3/1/23	3,970	3,934	3,970

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Metamorph US 3, LLC (Metalogix) ⁽⁴⁾	Software	L+650	1.00%	7.50%	12/1/20	4,000	3,928	2,860	
Ministry Brands, LLC ⁽⁴⁾	Software	L+500	1.00%	6.00%	12/2/22	2,746	2,719	2,719	
Pearl Merger Sub, LLC (PetVet) ⁽⁴⁾	Health Care Facilities	L+475	1.00%	5.75%	12/17/20	5,390	5,313	5,329	
Pet Holdings ULC & Pet Supermarket, Inc.	Specialty Retail	L+550	1.00%	6.50%	7/5/22	4,538	4,474	4,481	
PSP Group, LLC (Pet Supplies Plus) ⁽⁴⁾	Specialty Retail	L+475	1.00%	5.75%	4/6/21	5,353	5,315	5,327	
QBS Holding Company, Inc. (Quorum) ⁽⁴⁾	Software	L+475	1.00%	5.75%	8/7/21	3,430	3,404	3,293	
Salient Partners, L.P. ⁽⁴⁾	Asset Management	L+850	1.00%	9.50%	6/9/21	5,154	5,073	5,025	
Sarnova HC, LLC	Trading Companies and Distributors	L+475	1.00%	5.75%	1/28/22	4,963	4,919	4,962	
Suburban Broadband, LLC (Jab Wireless, Inc.) ⁽⁴⁾	Wireless Telecommunication Services	L+450	1.00%	5.50%	3/26/19	8,168	8,060	8,086	
Telular Corporation	Wireless Telecommunication Services	L+425	1.25%	5.50%	6/24/19	5,063	5,047	5,051	
The Hilb Group, LLC & Gencorp Insurance Group, Inc. ⁽⁴⁾	Insurance	L+500	1.00%	6.00%	6/24/21	3,814	3,747	3,776	
Tronair Parent Inc.	Aerospace & Defense	L+475	1.00%	5.75%	9/8/23	4,988	4,939	4,963	
VT Buyer Acquisition Corp. (Veritext) ⁽⁴⁾	Professional Services	L+500	1.00%	6.00%	1/29/22	4,481	4,443	4,459	
Wirb-Copernicus Group, Inc.	Professional Services	L+500	1.00%	6.00%	8/12/22	5,486	5,434	5,431	
							\$ 118,228	\$ 117,287	

- (1) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (2) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of December 31, 2016.
- (3) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Board's valuation process described elsewhere herein.
- (4) The Company also holds this security on its Consolidated Statements of Assets and Liabilities.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****June 30, 2017****(in thousands, except share amounts)**

Below is certain summarized financial information for FLLP as of June 30, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and 2016:

	June 30, 2017	December 31, 2016 (audited)
Selected Balance Sheet Information for FLLP:		
Investments at fair value (cost \$120,709 and \$118,228, respectively)	\$ 119,253	\$ 117,287
Cash and other assets	3,154	4,938
Total assets	\$ 122,407	\$ 122,225
Debt outstanding	\$ 76,088	\$ 75,941
Distributions payable	1,123	981
Interest payable and other credit facility related expenses	800	708
Accrued expenses and other payables	157	241
Total liabilities	\$ 78,168	\$ 77,871
Members' equity	\$ 44,239	\$ 44,354
Total liabilities and members' equity	\$ 122,407	\$ 122,225

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Selected Income Statement Information for FLLP:				
Interest income	\$ 2,093	\$ 1,540	\$ 4,100	\$ 2,883
Service fees*	\$ 19	\$ 16	\$ 39	\$ 30
Interest and other credit facility expenses	751	509	1,443	973
Other general and administrative expenses	48	51	40	86

Total expenses	818	576	1,522	1,089
Net investment income	\$ 1,275	\$ 964	\$ 2,578	\$ 1,794
Realized gain on investments	69		69	
Net change in unrealized gain (loss) on investments	(314)	295	(516)	375
Net realized and unrealized gain (loss) on investments	(245)	295	(447)	375
Net income	\$ 1,030	\$ 1,259	\$ 2,131	\$ 2,169

* Service fees are included within the Company's Consolidated Statements of Operations as other income.

Note 12. Solar Life Science Program LLC

On February 22, 2017, the Company and Solar Capital Ltd. formed LSJV with an affiliate of Deerfield Management. The Company committed \$75,000 to LSJV. As of June 30, 2017, LSJV has not commenced operations.

Note 13. Capital Share Transactions

As of June 30, 2017 and December 31, 2016, 200,000,000 shares of \$0.01 par value capital stock were authorized.

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Transactions in capital stock were as follows:

	Shares		Amount	
	Six months ended June 30, 2017	Year ended December 31, 2016	Six months ended June 30, 2017	Year ended December 31, 2016
Shares sold (less offering costs)		4,490,152	\$	\$ 74,879
Shares issued in reinvestment of distributions	6,106	1,544	106	26
Net increase	6,106	4,491,696	\$ 106	\$ 74,905

Note 14. Subsequent Events

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the consolidated financial statements were issued.

On July 6, 2017, the Board declared a monthly distribution of \$0.1175 per share payable on August 1, 2017 to holders of record as of July 20, 2017.

On August 1, 2017, the Board declared a monthly distribution of \$0.1175 per share payable on August 31, 2017 to holders of record as of August 17, 2017.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Solar Senior Capital Ltd.:

We have reviewed the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Senior Capital Ltd. (the Company) as of June 30, 2017, the related consolidated statements of operations for the three-month and six-month periods ended June 30, 2017 and 2016, the related consolidated statement of changes in net assets for the six-month period ended June 30, 2017, and the related consolidated statements of cash flows for the six-month periods ended June 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review 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 and accounting 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 review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above 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 consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Senior Capital Ltd., as of December 31, 2016 and the related consolidated statements of operations, changes in net assets, and cash flows for the year ended December 31, 2016, and in our report dated February 22, 2017, we expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

New York, New York

August 1, 2017

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

Some of the statements in this report constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained herein involve risks and uncertainties, including statements as to:

our future operating results;

our business prospects and the prospects of our portfolio companies;

the impact of investments that we expect to make;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of our portfolio companies.

We generally use words such as anticipates, believes, expects, intends and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including any factors set forth in Risk Factors and elsewhere in this report.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including any annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

Solar Senior Capital Ltd. (Solar Senior , the Company , we or our), a Maryland corporation formed in December 2010, is a closed-end, externally managed, non-diversified management investment company that has elected to be regulated as a business development company (BDC) under the Investment Company Act of 1940, as amended (the 1940 Act). Furthermore, as the Company is an investment company, it continues to apply the guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946. In addition, for tax purposes, the Company has elected to be regulated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code).

On February 24, 2011, we priced our initial public offering, selling 9.0 million shares, including the underwriters over-allotment, raising approximately \$168 million in net proceeds. Concurrent with this offering, Solar Senior Capital Investors LLC, an entity controlled by Michael S. Gross, our Chairman and Chief Executive Officer, and Bruce Spohler, our Chief Operating Officer, purchased an additional 500,000 shares through a concurrent private placement, raising another \$10 million.

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On August 26, 2011, we established a \$200 million senior secured revolving credit facility (the Credit Facility) with Citigroup Global Markets Inc. acting as administrative agent. In connection with the Credit Facility, our wholly-owned subsidiary, SUNS SPV LLC (the SPV) was formed. The Credit Facility, as amended, currently has an aggregate of \$200 million of commitments available. It can also be expanded up to \$600 million. The stated interest rate on the Credit Facility is LIBOR plus 2.00% with no LIBOR floor requirement and the current final maturity date is June 30, 2020. The Credit Facility is secured by all of the assets held by the SPV. Under the terms of the Credit Facility, Solar Senior Capital and the SPV, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The Credit Facility also includes usual and customary events of default for credit facilities of this nature. The Credit Facility was amended on November 7, 2012, June 30, 2014 and May 29, 2015 to extend maturities and add greater investment flexibility, among other changes.

We invest primarily in privately held U.S. middle-market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive. We define middle market to refer to companies with annual revenues between \$50 million and \$1 billion. Our investment objective is to seek to maximize current income consistent with the preservation of capital. We seek to achieve our investment objective by directly and indirectly investing in senior loans, including first lien, unitranche, and second lien debt instruments, made to private middle-market companies whose debt is rated below investment grade, which we refer to collectively as senior loans. We may also invest in debt of public companies that are thinly traded or in equity securities. Under normal market conditions, at least 80% of the value of our net assets (including the amount of any borrowings for investment purposes) will be invested in senior loans. Senior loans typically pay interest at rates which are determined periodically on the basis of a floating base lending rate, primarily LIBOR, plus a premium. Senior loans in which we invest are typically made to U.S. and, to a limited extent, non-U.S. corporations, partnerships and other business entities which operate in various industries and geographical regions. Senior loans typically are rated below investment grade. Securities rated below investment grade are often referred to as leveraged loans, high yield or junk securities, and may be considered high risk compared to debt instruments that are rated investment grade. In addition, some of our debt investments are not scheduled to fully amortize over their stated terms, which could cause us to suffer losses if the respective issuer of such debt investment is unable to refinance or repay their remaining indebtedness at maturity. While the Company does not typically seek to invest in traditional equity securities as part of its investment objective, the Company may occasionally acquire some equity securities in connection with senior loan investments and in certain other unique circumstances, such as the Company's equity investments in Gemino Healthcare Finance, LLC (Gemino) and First Lien Loan Program (FLLP).

We invest in senior loans made primarily to private, leveraged middle-market companies with approximately \$20 million to \$100 million of earnings before income taxes, depreciation and amortization (EBITDA). Our business model is focused primarily on the direct origination of investments through portfolio companies or their financial sponsors. Our direct investments in individual securities will generally range between \$5 million and \$30 million each, although we expect that this investment size will vary proportionately with the size of our capital base and/or strategic initiatives. 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 opportunistic 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. We may invest up to 30% of our total assets in such opportunistic investments, including loans issued by non-U.S. issuers, subject to compliance with our regulatory obligations as a BDC under the 1940 Act. Our investment activities are managed by Solar Capital Partners, LLC (Solar Capital Partners or Investment Adviser) and supervised by our board of directors, a majority of whom are non-interested, as such term is defined in the 1940 Act. Solar Capital Management, LLC (Solar Capital Management or Administrator) provides the administrative services necessary for us to operate.

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As of June 30, 2017, the Investment Adviser has directly invested approximately \$6.3 billion in more than 270 different portfolio companies since 2006. Over the same period, the Investment Adviser completed transactions with more than 180 different financial sponsors.

Recent Developments

On July 6, 2017, the Board declared a monthly distribution of \$0.1175 per share payable on August 1, 2017 to holders of record as of July 20, 2017.

On August 1, 2017, the Board declared a monthly distribution of \$0.1175 per share payable on August 31, 2017 to holders of record as of August 17, 2017.

Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make. As a BDC, we must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in eligible portfolio companies. The definition of eligible portfolio company includes certain public companies that do not have any securities listed on a national securities exchange and companies whose securities are listed on a national securities exchange but whose market capitalization is less than \$250 million.

Revenue

We generate revenue primarily in the form of interest and dividend income from the securities we hold and capital gains, if any, on investment securities that we may sell. Our debt investments generally have a stated term of three to seven years and typically bear interest at a floating rate usually determined on the basis of a benchmark London interbank offered rate (LIBOR), commercial paper rate, or the prime rate. Interest on our debt investments is generally payable quarterly but may be monthly or semi-annually. In addition, our investments may provide payment-in-kind (PIK) interest. Such amounts of accrued PIK interest are added to the cost of the investment on the respective capitalization dates and generally become due at maturity of the investment or upon the investment being called by the issuer. We may also generate revenue in the form of commitment, origination, structuring fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

Expenses

All investment professionals of the investment adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, are provided and paid for by Solar Capital Partners. We bear all other costs and expenses of our operations and transactions, including (without limitation):

the cost of our organization and public offerings;

the cost of calculating our net asset value, including the cost of any third-party valuation services;

the cost of effecting sales and repurchases of our shares and other securities;

interest payable on debt, if any, to finance our investments;

fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence reviews of prospective investments and advisory fees;

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transfer agent and custodial fees;

fees and expenses associated with marketing efforts;

federal and state registration fees, any stock exchange listing fees;

federal, state and local taxes;

independent directors' fees and expenses;

brokerage commissions;

fidelity bond, directors and officers errors and omissions liability insurance and other insurance premiums;

direct costs and expenses of administration, including printing, mailing, long distance telephone and staff;

fees and expenses associated with independent audits and outside legal costs;

costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws; and

all other expenses incurred by either Solar Capital Management or us in connection with administering our business, including payments under the Administration Agreement that will be based upon our allocable portion of overhead and other expenses incurred by Solar Capital Management in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the costs of compensation and related expenses of our chief compliance officer and our chief financial officer and any administrative support staff.

We expect our general and administrative operating expenses related to our ongoing operations to increase moderately in dollar terms. During periods of asset growth, we generally expect our general and administrative operating expenses to decline as a percentage of our total assets and increase during periods of asset declines. Incentive fees, interest expense and costs relating to future offerings of securities, among others, may also increase or reduce overall operating expenses based on portfolio performance, interest rate benchmarks, and offerings of our securities relative to comparative periods, among other factors.

Portfolio and Investment Activity

During the three months ended June 30, 2017, we invested \$31.5 million across 11 portfolio companies. This compares to investing \$33.6 million in 13 portfolio companies for the three months ended June 30, 2016. Investments

sold or prepaid during the three months ended June 30, 2017 totaled \$29.6 million versus \$21.2 million for the three months ended June 30, 2016.

At June 30, 2017, our portfolio consisted of 48 portfolio companies and was invested 80.3% in senior secured loans and 19.7% in common equity/equity interests/warrants (of which 9.4% is Gemino Healthcare Finance, LLC and 10.3% is First Lien Loan Program LLC) measured at fair value versus 52 portfolio companies invested 80.7% in senior secured loans and 19.3% in common equity/equity interests (of which 10.7% is Gemino Healthcare Finance, LLC and 8.6% is First Lien Loan Program LLC) at June 30, 2016.

At June 30, 2017, 96.5% or \$362.1 million of our income producing investment portfolio* was floating rate and 3.5% or \$13.1 million was fixed rate, measured at fair value. At June 30, 2016, 96.1% or \$313.0 million of our income producing investment portfolio* was floating rate and 3.9% or \$12.7 million was fixed rate, measured at fair value.

Since the initial public offering of Solar Senior on February 24, 2011 and through June 30, 2017, invested capital totaled approximately \$1.1 billion in more than 120 portfolio companies. Over the same period, Solar Senior completed transactions with more than 75 different financial sponsors.

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* We have included First Lien Loan Program LLC and Gemino Healthcare Finance, LLC as 100% floating rate within our income producing investment portfolio.

Gemino Healthcare Finance, LLC

We acquired Gemino Healthcare Finance, LLC (d/b/a Gemino Senior Secured Healthcare Finance) (Gemino) on September 30, 2013. Gemino is a commercial finance company that originates, underwrites, and manages primarily secured, asset-based loans for small and mid-sized companies operating in the healthcare industry. Our initial investment in Gemino was \$32.8 million. The management team of Gemino co-invested in the transaction and continues to lead Gemino.

Concurrent with the closing of the transaction, Gemino entered into a new, four-year, non-recourse, \$100.0 million credit facility with non-affiliates, which was expandable to \$150.0 million under its accordion feature. Effective March 31, 2014, the credit facility was expanded to \$105.0 million and again on June 27, 2014 to \$110.0 million. On May 27, 2016, Gemino entered into a new \$125.0 million credit facility which replaced the previously existing facility. The new facility has similar terms as compared to the previous facility and includes an accordion feature increase to \$200.0 million and has a maturity date of May 27, 2020.

On December 31, 2013, we contributed our 32,839 units in Gemino to Gemino Senior Secured Healthcare LLC (Gemino Senior Secured Healthcare). In exchange for this contribution, we received 19,839 units of equity interests and \$13.0 million in floating rate secured notes of Gemino Senior Secured Healthcare bearing interest at LIBOR plus 7.50%, maturing on December 31, 2018. However, our financial statements, including our schedule of investments, reflected our investments in Gemino Senior Secured Healthcare on a consolidated basis. On October 28, 2016, Gemino Senior Secured Healthcare was dissolved. As of June 30, 2017, Gemino's management team and Solar Senior own approximately 7% and 93% of the equity in Gemino, respectively.

Gemino currently manages a highly diverse portfolio of directly-originated and underwritten senior-secured commitments. As of June 30, 2017, the portfolio totaled approximately \$206.0 million of commitments, of which \$120.7 million were funded, on total assets of \$120.0 million. As of December 31, 2016, the portfolio totaled approximately \$186.4 million of commitments, of which \$114.4 million were funded, on total assets of \$118.5 million. At June 30, 2017, the portfolio consisted of 36 issuers with an average balance of approximately \$3.4 million versus 35 issuers with an average balance of approximately \$3.3 million at December 31, 2016. All of the commitments in Gemino's portfolio are floating-rate, senior-secured, cash-pay loans. Gemino's credit facility, which is non-recourse to us, had approximately \$85.0 million and \$83.0 million of borrowings outstanding at June 30, 2017 and December 31, 2016, respectively. For the three months ended June 30, 2017 and 2016, Gemino had net income of \$0.7 million and \$1.0 million, respectively, on gross income of \$2.8 million and \$3.3 million, respectively. For the six months ended June 30, 2017 and 2016, Gemino had net income of \$1.4 million and \$2.4 million, respectively, on gross income of \$5.6 million and \$7.1 million, respectively. Due to timing and non-cash items, there may be material differences between GAAP net income and cash available for distributions. As such, and subject to fluctuations in Gemino's funded commitments, the timing of originations, and the repayments of financings, the Company cannot guarantee that Gemino will be able to maintain consistent dividend payments to us.

First Lien Loan Program LLC

On September 10, 2014, the Company entered into a limited liability company agreement to create a First Lien Loan Program (FLLP) with Voya Investment Management LLC (Voya). Voya acts as the investment advisor for several wholly-owned insurance subsidiaries of Voya Financial, Inc. (NYSE: VOYA). The joint venture vehicle, structured as an unconsolidated Delaware limited liability company, is expected to invest primarily in senior secured floating rate term loans to middle market companies predominantly owned by private equity sponsors or entrepreneurs. Solar

Senior and Voya have committed to provide \$50.75 million and \$7.25 million, respectively, of capital to the joint venture. All portfolio decisions and generally all other decisions

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in respect of the FLLP must be approved by an investment committee of the FLLP consisting of representatives of the Company and Voya (with approval from a representative of each required). On February 13, 2015, FLLP commenced operations. On February 13, 2015, FLLP as transferor and FLLP 2015-1, LLC, a newly formed wholly owned subsidiary of FLLP, as borrower entered into a \$75.0 million senior secured revolving credit facility (the FLLP Facility) with Wells Fargo Securities, LLC acting as administrative agent. Solar Senior Capital Ltd. acts as servicer under the FLLP Facility. The FLLP Facility was scheduled to mature on February 13, 2020. The FLLP Facility generally bears interest at a rate of LIBOR plus a range of 2.25%-2.50%. FLLP and FLLP 2015-1, LLC, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The FLLP Facility also includes usual and customary events of default for credit facilities of this nature. On August 15, 2016, the FLLP Facility was amended, expanding commitments to \$100.0 million and extending the maturity date to August 16, 2021. There were \$76.1 million and \$75.9 million of borrowings outstanding as of June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017 and December 31, 2016, Solar Senior and Voya contributed combined equity capital in the amount of \$47.1 million and \$47.1 million, respectively. Of the \$47.1 million of contributed equity capital at June 30, 2017, the Company contributed \$29.6 million in the form of investments and \$11.6 million in the form of cash and Voya contributed \$5.9 million in the form of cash. As of June 30, 2017, Solar Senior and Voya's remaining commitments totaled \$9.6 million and \$1.4 million, respectively. The Company, along with Voya, controls the funding of FLLP and FLLP may not call the unfunded commitments without approval of both the Company and Voya.

As of June 30, 2017 and December 31, 2016, FLLP had total assets of \$122.4 million and \$122.2 million, respectively. For the same periods, FLLP's portfolio consisted of first lien floating rate senior secured loans to 25 and 25 different borrowers, respectively. For the three months ended June 30, 2017 and 2016, FLLP invested \$3.7 million across 6 portfolio companies and \$7.2 million across 4 portfolio companies, respectively. Investments prepaid totaled \$8.6 million and \$6.2 million, respectively, for the three months ended June 30, 2017 and 2016. At June 30, 2017 and December 31, 2016, the weighted average yield of FLLP's portfolio was 6.9% and 6.6%, respectively, measured at fair value and 6.8% and 6.5%, respectively, measured at cost.

Table of Contents**FLLP Portfolio as of June 30, 2017 (in thousands)**

Description	Industry	Spread Above Index⁽¹⁾	LIBOR Floor	Interest Rate⁽²⁾	Maturity Date	Par Amount	Cost	Fair Value⁽³⁾
1A Smart Start LLC	Electronic Equipment, Instruments & Components	L+475	1.00%	6.05%	2/21/22	\$ 7,880	\$ 7,821	\$ 7,880
Alera Group Intermediate Holdings, Inc. ⁽⁴⁾	Insurance	L+550	1.00%	6.55%	12/30/22	3,593	3,559	3,575
Anesthesia Consulting & Management, LP ⁽⁴⁾	Health Care Providers & Services	L+525	1.00%	6.55%	10/31/22	4,975	4,930	4,726
Capstone Logistics Acquisition, Inc. ⁽⁴⁾	Professional Services	L+450	1.00%	5.73%	10/7/21	5,284	5,248	5,231
Confie Seguros Holding II Co. ⁽⁴⁾	Insurance	L+550	1.00%	6.73%	4/19/22	5,473	5,424	5,418
DB Datacenter Holdings, Inc. ⁽⁴⁾	IT Services	L+475	1.00%	5.98%	7/13/21	5,500	5,456	5,445
Empower Payments Acquisition, Inc. (RevSpring) ⁽⁴⁾	Professional Services	L+550	1.00%	6.80%	11/30/23	4,602	4,516	4,556
Falmouth Group Holdings Corp. (AMPAC) ⁽⁴⁾	Chemicals	L+675	1.00%	8.05%	12/14/21	5,458	5,458	5,458
Island Medical Management Holdings, LLC ⁽⁴⁾	Health Care Providers & Services	L+550	1.00%	6.68%	9/1/22	4,593	4,547	4,547
Kellermeyer Bergensons Services, LLC (KBS) ⁽⁴⁾	Commercial Services & Supplies	L+500	1.00%	6.23%	10/29/21	2,438	2,421	2,425
MedRisk, LLC	Health Care Providers & Services	L+525	1.00%	6.34%	3/1/23	3,950	3,917	3,950
Metamorph US 3, LLC (Metalogix) ⁽⁴⁾	Software	L+750 ⁽⁵⁾	1.00%	8.73%	12/1/20	3,998	3,935	2,399
Ministry Brands, LLC ⁽⁴⁾	Software	L+500	1.00%	6.23%	12/2/22	4,353	4,313	4,321
National Spine and Pain Centers, LLC	Health Care Providers & Services	L+450	1.00%	5.56%	6/2/24	3,000	2,985	2,985
Pet Holdings ULC & Pet Supermarket, Inc.	Specialty Retail Specialty Retail	L+550 L+475	1.00% 1.00%	6.60% 6.05%	7/5/22 4/6/21	4,825 5,326	4,762 5,292	4,777 5,312

PSP Group, LLC (Pet Supplies Plus) ⁽⁴⁾								
QBS Holding Company, Inc. (Quorum) ⁽⁴⁾	Software	L+475	1.00%	5.92%	8/7/21	3,263	3,240	3,214
Salient Partners, L.P. ⁽⁴⁾	Asset Management	L+850	1.00%	9.66%	6/9/21	4,943	4,873	4,943
Sarnova HC, LLC	Trading Companies and Distributors	L+475	1.00%	5.98%	1/28/22	4,938	4,898	4,938
Suburban Broadband, LLC (Jab Wireless, Inc.) ⁽⁴⁾	Wireless Telecommunication Services	L+450	1.00%	5.72%	3/26/19	8,106	8,022	7,944
Telular Corporation	Wireless Telecommunication Services	L+425	1.25%	5.55%	6/24/19	4,918	4,905	4,918
The Hilb Group, LLC & Gencorp Insurance Group, Inc. ⁽⁴⁾	Insurance	L+475	1.00%	6.05%	6/24/21	3,895	3,834	3,856
Tronair Parent Inc.	Aerospace & Defense	L+475	1.00%	5.84%	9/8/23	4,963	4,917	4,950
VT Buyer Acquisition Corp. (Veritext) ⁽⁴⁾	Professional Services	L+475	1.00%	6.05%	1/29/22	5,555	5,529	5,527
Wirb-Copernicus Group, Inc. ⁽⁴⁾	Professional Services	L+500	1.00%	6.30%	8/12/22	5,958	5,907	5,958
							\$ 120,709	\$ 119,253

- (1) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (2) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of June 30, 2017.
- (3) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Board's valuation process described elsewhere herein.
- (4) The Company also holds this security on its Consolidated Statements of Assets and Liabilities.
- (5) Spread is 5.50% Cash / 2.0% PIK.

Table of Contents**FLLP Portfolio as of December 31, 2016 (audited) (in thousands)**

Description	Industry	Spread Above LIBOR Index⁽¹⁾	Floor	Interest Rate⁽²⁾	Maturity Date	Par Amount	Cost	Fair Value⁽³⁾
1A Smart Start LLC	Electronic Equipment, Instruments & Components	L+475	1.00%	5.75%	2/21/22	\$ 7,920	\$ 7,855	\$ 7,920
Alera Group Intermediate Holdings, Inc. ⁽⁴⁾	Insurance	L+550	1.00%	6.50%	12/30/22	3,456	3,422	3,422
Anesthesia Consulting & Management, LP ⁽⁴⁾	Health Care Providers & Services	L+500	1.00%	6.00%	10/31/22	5,000	4,951	4,950
Capstone Logistics Acquisition, Inc. ⁽⁴⁾	Professional Services	L+450	1.00%	5.50%	10/7/21	5,361	5,320	5,308
CIBT Holdings, Inc. ⁽⁴⁾	Professional Services	L+525	1.00%	6.25%	6/28/22	2,620	2,596	2,594
Confie Seguros Holding II Co. ⁽⁴⁾	Insurance	L+475	1.00%	5.75%	4/19/22	5,500	5,447	5,537
DB Datacenter Holdings, Inc. ⁽⁴⁾	IT Services	L+475	1.00%	5.75%	7/13/21	5,500	5,450	5,417
Empower Payments Acquisition, Inc. (RevSpring) ⁽⁴⁾	Professional Services	L+550	1.00%	6.50%	11/30/23	4,625	4,533	4,532
Falmouth Group Holdings Corp. (AMPAC) ⁽⁴⁾	Chemicals	L+675	1.00%	7.75%	12/14/21	5,486	5,486	5,486
Kellermeyer Bergensons Services, LLC (KBS) ⁽⁴⁾	Commercial Services & Supplies	L+500	1.00%	6.00%	10/29/21	2,438	2,419	2,389
MedRisk, LLC	Health Care Providers & Services	L+525	1.00%	6.25%	3/1/23	3,970	3,934	3,970
Metamorph US 3, LLC (Metalogix) ⁽⁴⁾	Software	L+650	1.00%	7.50%	12/1/20	4,000	3,928	2,860
Ministry Brands, LLC ⁽⁴⁾	Software	L+500	1.00%	6.00%	12/2/22	2,746	2,719	2,719
Pearl Merger Sub, LLC (PetVet) ⁽⁴⁾	Health Care Facilities	L+475	1.00%	5.75%	12/17/20	5,390	5,313	5,329
Pet Holdings ULC & Pet Supermarket, Inc.	Specialty Retail	L+550	1.00%	6.50%	7/5/22	4,538	4,474	4,481
PSP Group, LLC (Pet Supplies)	Specialty Retail	L+475	1.00%	5.75%	4/6/21	5,353	5,315	5,327

Plus) ⁽⁴⁾									
QBS Holding Company, Inc. (Quorum) ⁽⁴⁾	Software	L+475	1.00%	5.75%	8/7/21	3,430	3,404	3,293	
Salient Partners, L.P. ⁽⁴⁾	Asset Management	L+850	1.00%	9.50%	6/9/21	5,154	5,073	5,025	
Sarnova HC, LLC	Trading Companies and Distributors	L+475	1.00%	5.75%	1/28/22	4,963	4,919	4,962	
Suburban Broadband, LLC (Jab Wireless, Inc.) ⁽⁴⁾	Wireless Telecommunication Services	L+450	1.00%	5.50%	3/26/19	8,168	8,060	8,086	
Telular Corporation	Wireless Telecommunication Services	L+425	1.25%	5.50%	6/24/19	5,063	5,047	5,051	
The Hilb Group, LLC & Gencorp Insurance Group, Inc. ⁽⁴⁾	Insurance	L+500	1.00%	6.00%	6/24/21	3,814	3,747	3,776	
Tronair Parent Inc.	Aerospace & Defense	L+475	1.00%	5.75%	9/8/23	4,988	4,939	4,963	
VT Buyer Acquisition Corp. (Veritext) ⁽⁴⁾	Professional Services	L+500	1.00%	6.00%	1/29/22	4,481	4,443	4,459	
Wirb-Copernicus Group, Inc.	Professional Services	L+500	1.00%	6.00%	8/12/22	5,486	5,434	5,431	
							\$ 118,228	\$ 117,287	

- (1) Floating rate instruments accrue interest at a predetermined spread relative to an index, typically the LIBOR or PRIME rate. These instruments are typically subject to a LIBOR or PRIME rate floor.
- (2) Floating rate debt investments typically bear interest at a rate determined by reference to either the London Interbank Offered Rate (LIBOR or L) index rate or the prime index rate (PRIME or P), and which typically reset monthly, quarterly or semi-annually. For each debt investment we have provided the current interest rate in effect as of December 31, 2016.
- (3) Represents the fair value in accordance with ASC Topic 820. The determination of such fair value is not included in the Board's valuation process described elsewhere herein.
- (4) The Company also holds this security on its Consolidated Statements of Assets and Liabilities.

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Below is certain summarized financial information for FLLP as of June 30, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and 2016:

	June 30, 2017	December 31, 2016 (audited)
Selected Balance Sheet Information for FLLP (in thousands):		
Investments at fair value (cost \$120,709 and \$118,228, respectively)	\$ 119,253	\$ 117,287
Cash and other assets	3,154	4,938
Total assets	\$ 122,407	\$ 122,225
Debt outstanding	\$ 76,088	\$ 75,941
Distributions payable	1,123	981
Interest payable and other credit facility related expenses	800	708
Accrued expenses and other payables	157	241
Total liabilities	\$ 78,168	\$ 77,871
Members' equity	\$ 44,239	\$ 44,354
Total liabilities and members' equity	\$ 122,407	\$ 122,225

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Selected Income Statement Information for FLLP (in thousands):				
Interest income	\$ 2,093	\$ 1,540	\$ 4,100	\$ 2,883
Service fees*	\$ 19	\$ 16	\$ 39	\$ 30
Interest and other credit facility expenses	751	509	1,443	973
Other general and administrative expenses	48	51	40	86
Total expenses	818	576	1,522	1,089
Net investment income	\$ 1,275	\$ 964	\$ 2,578	\$ 1,794
Realized gain on investments	69		69	
Net change in unrealized gain (loss) on investments	(314)	295	(516)	375
Net realized and unrealized gain (loss) on investments	(245)	295	(447)	375

Net income	\$	1,030	\$	1,259	\$	2,131	\$	2,169
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* Service fees are included within the Company's Consolidated Statements of Operations as other income.

Solar Life Science Program LLC

On February 22, 2017, the Company and Solar Capital Ltd. formed LSJV with an affiliate of Deerfield Management. The Company committed \$75.0 million to LSJV. As of June 30, 2017, LSJV has not commenced operations.

Critical Accounting Policies

The preparation of consolidated 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 consolidated financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have

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identified the following items as critical accounting policies. Within the context of these critical accounting policies and disclosed subsequent events herein, we are not currently aware of any other reasonably likely events or circumstances that would result in materially different amounts being reported.

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:

The Company conducts the valuation of its assets in accordance with GAAP and the 1940 Act. The Company generally values its assets on a quarterly basis, or more frequently if required. Investments for which market quotations are readily available on an exchange are valued at the closing price on the date of valuation. 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, management determines whether the quote obtained is sufficient according to GAAP to determine the fair value of the investment. If determined adequate, the Company uses the quote obtained. Debt investments with maturities of 60 days or less shall each be valued at cost plus accreted discount, or minus amortized premium, which is expected to approximate fair value, unless such valuation, in the judgment of the Investment Adviser, does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of the Company's board of directors (the Board).

Investments for which reliable market quotations are not readily available or for which the pricing sources do not provide a valuation or methodology or provide a valuation or methodology that, in the judgment of the Investment Adviser or the Board does not represent fair value, each 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 valuations are discussed with senior management of the Investment Adviser; (iii) independent valuation firms engaged by, or on behalf of, the Board will conduct independent appraisals and review the Investment Adviser's preliminary valuations and make their own independent assessment for (a) each portfolio investment that, when taken together with all other investments in the same portfolio company, exceeds 10% of estimated total assets, plus available borrowings, as of the end of the most recently completed fiscal quarter, and (b) each portfolio investment that is presently in payment default; (iv) the Board will discuss the 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 independent valuation firm.

The recommendation of fair value generally considers the following factors among others, as relevant: applicable market yields; 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, among others.

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 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 are valued utilizing a market approach, an income approach, or both approaches, as appropriate. However, in accordance with ASC 820-10, certain investments that qualify as investment companies in accordance with ASC 946, may be valued using net asset value as a practical expedient for fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or

liabilities (including a business). The income approach uses valuation approaches to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these

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approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the six months ended June 30, 2017, there has been no change to the Company's valuation approaches or techniques and the nature of the related inputs considered in the valuation process.

Accounting Standards Codification (ASC) Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment. The exercise of judgment is based in part on our knowledge of the asset class and our prior experience.

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

Valuation of Credit Facility

The Company has made an irrevocable election to apply the fair value option of accounting to the Credit Facility, in accordance with ASC 825-10. We believe accounting for the Credit Facility at fair value better aligns the measurement methodologies of assets and liabilities, which may mitigate certain earnings volatility.

Revenue Recognition

The Company records dividend income and interest, adjusted for amortization of premium and accretion of discount, on an accrual basis. Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more and/or when it is no longer probable that principal or interest/dividend cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest or dividends are paid in cash, and in management's judgment, are likely to continue timely payment of their remaining interest or dividend obligations. Interest or dividend cash payments received on investments may be recognized as income or applied to principal depending upon management's judgment. Some of our investments may have contractual PIK interest or dividends. PIK interest and dividends computed at the contractual rate are accrued into income and reflected as

receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable

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(reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at the maturity of the investment or upon the investment being called by the issuer. At the point the Company believes PIK is not expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncanceled interest or dividends is reversed from the related receivable through interest or dividend income, respectively. The Company does not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if the Company again believes that PIK is expected to be realized. Loan origination fees, original issue discount, and market discounts are capitalized and amortized into income using the interest method or straight-line, as applicable. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Capital structuring fees are recorded as other income when earned.

The typically higher yields and interest rates on PIK securities, to the extent we invested, reflects the payment deferral and increased credit risk associated with such instruments and that such investments may represent a significantly higher credit risk than coupon loans. PIK securities may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. PIK interest has the effect of generating investment income and increasing the incentive fees payable at a compounding rate. In addition, the deferral of PIK interest also increases the loan-to-value ratio at a compounding rate. PIK securities create the risk that incentive fees will be paid to the Investment Adviser based on non-cash accruals that ultimately may not be realized, but the Investment Adviser will be under no obligation to reimburse the Company for these fees. For the three and six months ended June 30, 2017, capitalized PIK income totaled \$0.1 million and \$0.3 million, respectively. For the three and six months ended June 30, 2016, capitalized PIK income totaled \$0.0 million and less than \$0.1 million, respectively.

Net Realized Gain or Loss and Net Change in Unrealized Gain or Loss

We generally measure realized gain or loss by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized origination or commitment fees and prepayment penalties. The net change in unrealized gain or loss reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized gain or loss, when gains or losses are realized. Gains or losses on investments are calculated by using the specific identification method.

Income Taxes

Solar Senior Capital, a U.S. corporation, has elected to be treated as a RIC under Subchapter M of the Code. In order to qualify for taxation as a RIC, the Company is required, among other things, to timely distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, for each year. Depending on the level of taxable income earned in a given tax year, we may choose to carry forward taxable income in excess of current year 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 distributions, the Company accrues an estimated excise tax, if any, on estimated excess taxable income.

Recent Accounting Pronouncements

In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended rules (together, final rules) intended to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in investment

company financial statements, as well as other amendments. The

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compliance date for the amendments to Regulation S-X was August 1, 2017. The Company has evaluated the impact that the adoption of the amendments to Regulation S-X on its consolidated financial statements and disclosures and determined that the adoption of the amendments to Regulation S-X has not had a material impact on its consolidated financial statements.

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows, which will amend FASB ASC 230. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact of ASU 2016-18 on its consolidated financial statements and disclosures.

In December 2016, the FASB issued ASU 2016-19, Technical Corrections and Improvements. As part of this guidance, ASU 2016-19 amends FASB ASC 820 to clarify the difference between a valuation approach and a valuation technique. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. ASU 2016-19 is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 on a prospective basis. The Company has evaluated the impact of ASU 2016-19 on its consolidated financial statements and disclosures and determined that the adoption of ASU 2016-19 has not had a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities, which will amend FASB ASC 310-20. The amendments in this Update shorten the amortization period for certain callable debt securities held at a premium, generally requiring the premium to be amortized to the earliest call date. For public business entities, the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company is evaluating the impact of ASU 2017-08 on its consolidated financial statements and disclosures.

RESULTS OF OPERATIONS

Results comparisons are for the three and six months ended June 30, 2017 and 2016:

Investment Income

For the three and six months ended June 30, 2017, gross investment income totaled \$7.7 million and \$15.2 million, respectively. For the three and six months ended June 30, 2016, gross investment income totaled \$6.7 million and \$13.0 million, respectively. The increase in gross investment income for the year over year three and six month periods was primarily due to a larger average investment portfolio size year over year and to the continued growth of the FLLP portfolio.

Expenses

Net expenses totaled \$2.0 million and \$3.9 million, respectively, for the three and six months ended June 30, 2017, of which \$1.1 million and \$2.1 million, respectively, were gross base management fees and gross performance-based

incentive fees and \$0.9 million and \$1.7 million, respectively, were interest and other credit facility expenses. Over the same periods, \$0.7 million and \$1.5 million, respectively, of base management fees

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were waived and \$0.1 million and \$0.2 million, respectively, of performance-based incentive fees were waived. Administrative services and other general and administrative expenses totaled \$0.8 million and \$1.7 million, respectively, for the three and six months ended June 30, 2017. Net expenses totaled \$2.6 million and \$4.9 million, respectively, for the three and six months ended June 30, 2016, of which \$1.3 million and \$2.5 million, respectively, were gross base management fees and gross performance-based incentive fees and \$0.9 million and \$1.8 million, respectively, were interest and other credit facility expenses. Over the same periods, no base management fees were waived and \$0.2 million and \$0.6 million, respectively, of performance-based incentive fees were waived. Administrative services and other general and administrative expenses totaled \$0.6 million and \$1.3 million, respectively, for the three and six months ended June 30, 2016. Expenses generally consist of management fees, performance-based incentive fees, administrative services expenses, insurance, legal expenses, directors' expenses, audit and tax expenses, transfer agent fees and expenses, and other general and administrative expenses. Interest and other credit facility expenses generally consist of interest, unused fees, agency fees and loan origination fees, if any, among others. For the three and six month periods, the decrease in net expenses year over year is primarily due to a management fee waiver.

Net Investment Income

The Company's net investment income totaled \$5.7 million and \$11.3 million, or \$0.35 and \$0.71, per average share, respectively, for the three and six months ended June 30, 2017. The Company's net investment income totaled \$4.1 million and \$8.1 million, or \$0.35 and \$0.71, per average share, respectively, for the three and six months ended June 30, 2016.

Net Realized Gain

The Company had investment sales and prepayments totaling approximately \$29.6 million and \$85.5 million, respectively, for the three and six months ended June 30, 2017. Net realized gains over the same periods were \$0.04 million and \$0.1 million, respectively. The Company had investment sales and prepayments totaling approximately \$21.2 million and \$39.0 million, respectively, for the three and six months ended June 30, 2016. Net realized gains over the same periods were \$0.02 million and \$0.03 million, respectively. Net realized gains for the three and six months ended June 30, 2017 were related to the sale of select assets. Net realized gains for the three and six months ended June 30, 2016 were primarily related to the sales of CT Technologies Intermediate Holdings and Varsity Brands Holdings Co., Inc.

Net Change in Unrealized Gain (Loss)

For the three and six months ended June 30, 2017, net change in unrealized gain (loss) on the Company's assets and liabilities totaled (\$0.5) million and (\$0.3) million, respectively. For the three and six months ended June 30, 2016, net change in unrealized gain on the Company's assets and liabilities totaled \$0.6 million and \$5.0 million, respectively. Net unrealized loss for the three months ended June 30, 2017 is primarily due to depreciation in the value of our investments in Gemino Healthcare Finance, LLC, Metamorph US 3, LLC, and Anesthesia Consulting & Management, LP, among others, partially offset by appreciation in Hostway Corporation, Aegis Toxicology Sciences Corporation and QBS Holding Company, Inc., among others. Net unrealized loss for the six months ended June 30, 2017 is primarily due to depreciation in the value of our investments in Metamorph US 3, LLC, Gemino Healthcare Finance, LLC and Anesthesia Consulting & Management, LP, among others, partially offset by appreciation in Hostway Corporation, Securus Technologies, Inc. and American Teleconferencing Services, Ltd., among others. Net unrealized gain for the three months ended June 30, 2016 is primarily due to appreciation in the value of our investments in Securus Technologies, Inc., Gemino and FLLP, among others, partially offset by depreciation in Trident USA Health Services, TwentyEighty, Inc., Hostway Corporation and Metamorph US 3, LLC, among others. Net unrealized gain

for the six months ended June 30, 2016 is primarily due to appreciation in the value of our investments in Securus Technologies, Inc., Gemino, CGSC of Delaware Holdings Corp., Asurion, LLC, FLLP and Global Tel*Link Corporation, among others, partially offset by depreciation in Trident USA Health Services, Hostway Corporation, TwentyEighty, Inc. and Metamorph US 3, LLC, among others.

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Net Increase in Net Assets From Operations

For the three and six months ended June 30, 2017, the Company had a net increase in net assets resulting from operations of \$5.2 million and \$11.1 million, respectively. For the same periods, earnings per average share were \$0.33 and \$0.70, respectively. For the three and six months ended June 30, 2016, the Company had a net increase in net assets resulting from operations of \$4.7 million and \$13.1 million, respectively. For the same periods, earnings per average share were \$0.41 and \$1.13, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resources are generally available through its Credit Facility, through periodic follow-on equity offerings, as well as from cash flows from operations, investment sales and pre-payments of investments. At June 30, 2017, the Company had \$109.3 million in borrowings outstanding on its Credit Facility and \$90.7 million of unused capacity, subject to borrowing base limits.

In September 2016, the Company closed a follow-on public equity offering of 4.5 million shares of common stock at \$16.76 per share raising approximately \$75.0 million in net proceeds. In the future, the Company may raise additional equity or debt capital, among other considerations. The primary uses of funds will be investments in portfolio companies, reductions in debt outstanding and other general corporate purposes. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful.

We currently expect that our liquidity needs will be met with cash flows from operations, borrowings under our Credit Facility, including its accordion feature, as well as from other available financing activities.

Cash Equivalents

We deem certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities as cash equivalents. The Company makes purchases that are consistent with its purpose of making investments in securities described in paragraphs 1 through 3 of Section 55(a) of the 1940 Act. From time to time, including at or near the end of each fiscal quarter, we consider using various temporary investment strategies for our business. One strategy includes taking proactive steps by utilizing cash equivalents as temporary assets with the objective of enhancing our investment flexibility pursuant to Section 55 of the 1940 Act. More specifically, from time-to-time we may purchase U.S. Treasury bills or other high-quality, short-term debt securities at or near the end of the quarter and typically close out the position on a net cash basis subsequent to quarter end. We may also utilize repurchase agreements or other balance sheet transactions, including drawing down on our credit facilities, as deemed appropriate. The amount of these transactions or such drawn cash for this purpose is excluded from total assets for purposes of computing the asset base upon which the management fee is determined. We held approximately \$100 million in cash equivalents as of June 30, 2017.

Debt

Senior Secured Revolving Credit Facility On August 26, 2011, the Company established the SPV which entered into the Credit Facility with Citigroup Global Markets Inc. acting as administrative agent. On January 10, 2017, commitments to the Credit Facility, as amended, were increased from \$175 million to \$200 million by utilizing the accordion feature. It can also be expanded up to \$600 million. The stated interest rate on the Credit Facility is LIBOR plus 2.00% with no LIBOR floor requirement and the current final maturity date is June 30, 2020. The Credit Facility is secured by all of the assets held by the SPV. Under the terms of the Credit Facility, Solar Senior Capital and the

SPV, as applicable, have made certain customary representations and warranties, and are required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. The Credit Facility also includes usual and customary events of default for credit facilities of this nature. The Credit Facility was amended on November 7, 2012,

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June 30, 2014 and May 29, 2015 to extend maturities and add greater investment flexibility, among other changes. At June 30, 2017, the Company was in compliance with all financial and operational covenants required by the Credit Facility.

Contractual Obligations

Payments due by Period as of June 30, 2017
(dollars in millions)

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Senior Secured Revolving Credit Facility (1)	\$ 109.3	\$	\$	\$ 109.3	\$

(1) At June 30, 2017, \$90.7 million of capacity remained unused.

Information about our senior securities is shown in the following table (in thousands) as of each year ended December 31 since the Company commenced operations, unless otherwise noted. The (1) indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding(1)	Asset Coverage Per Unit(2)	Involuntary Liquidating Preference Per Unit(3)	Average Market Value Per Unit(4)
Revolving Credit Facility				
Fiscal 2017 (through June 30, 2017)	\$ 109,300	\$ 3,462	\$	N/A
Fiscal 2016	98,300	3,738		N/A
Fiscal 2015	116,200	2,621		N/A
Fiscal 2014	143,200	2,421		N/A
Fiscal 2013	61,400	4,388		N/A
Fiscal 2012	39,100	5,453		N/A
Fiscal 2011	8,600	21,051		N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each class of debt, the total Asset Coverage Per Unit was divided based on the amount outstanding at the end of the period for each. As of June 30, 2017, asset coverage was 346.2%.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Not applicable, we do not have senior securities that are registered for public trading.

We have also entered into two contracts under which we have future commitments: the Advisory Agreement, pursuant to which Solar Capital Partners, LLC has agreed to serve as our investment adviser, and the Administration Agreement, pursuant to which Solar Capital Management, LLC has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the Advisory Agreement are equal to (1) a percentage of the value of our average gross assets and (2) a two-part incentive fee. Payments under the Administration Agreement are equal to an amount based upon our allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective staffs. Either party may terminate each of the Advisory Agreement and Administration Agreement without penalty upon 60 days' written notice to the other. See note 3 to our Consolidated Financial Statements.

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On September 10, 2014, FLLP entered into a servicing agreement with the Company. FLLP engaged and retained the Company to provide certain administrative services relating to the facilities, supplies and necessary ongoing overhead support services for the operation of FLLP's ongoing business affairs in exchange for a fee. Either party may terminate this agreement upon 30 days' written notice to the other.

Off-Balance Sheet Arrangements

The Company had unfunded debt and equity commitments to delayed draw and revolving loans as well as to Gemino Healthcare Finance, LLC. The total amount of these unfunded commitments as of June 30, 2017 and December 31, 2016 is \$20.5 million and \$13.1 million, respectively, comprised of the following:

<i>(in millions)</i>	June 30, 2017	December 31, 2016
Gemino Healthcare Finance, LLC	\$ 5.0	\$ 5.0
PetVet Care Centers, LLC	4.9	
MRI Software LLC	2.9	
Engineering Solutions & Products, LLC	1.7	1.7
Alera Group Intermediate Holdings, Inc	1.4	3.9
MHE Intermediate Holdings, LLC	1.2	
Professional DataSolutions, Inc	1.1	
The Hilb Group, LLC & Gencorp Insurance Group, Inc.	1.0	
Island Medical Management Holdings, LLC	0.6	
VT Buyer Acquisition Corp. (Veritext)	0.3	0.5
Ministry Brands, LLC	0.3	1.5
TwentyEighty, Inc	0.1	
CIBT Holdings, Inc		0.5
Total Commitments*	\$ 20.5	\$ 13.1

* The Company controls the funding of the Gemino Healthcare Finance, LLC commitment and may cancel it at its discretion (also see First Lien Loan Program LLC section in Item 7).

As of June 30, 2017 and December 31, 2016, the Company had sufficient cash available and/or liquid securities available to fund its commitments as well as the commitments to FLLP and LSJV disclosed earlier.

In the normal course of its business, we invest or trade in various financial instruments and may enter into various investment activities with off-balance sheet risk, which may 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.

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The following table reflects the cash distributions per share on our common stock for the two most recent fiscal years and the current fiscal year to date:

Date Declared	Record Date	Payment Date	Amount
Fiscal 2017			
August 1, 2017	August 17, 2017	August 31, 2017	\$ 0.1175
July 6, 2017	July 20, 2017	August 1, 2017	0.1175
June 7, 2017	June 22, 2017	July 6, 2017	0.1175
May 2, 2017	May 18, 2017	June 2, 2017	0.1175
April 6, 2017	April 20, 2017	May 2, 2017	0.1175
February 22, 2017	March 23, 2017	April 4, 2017	0.1175
February 7, 2017	February 23, 2017	March 1, 2017	0.1175
January 5, 2017	January 19, 2017	February 1, 2017	0.1175
YTD Total (2017)			\$ 0.94
Fiscal 2016			
December 8, 2016	December 22, 2016	January 4, 2017	\$ 0.1175
November 2, 2016	November 23, 2016	December 1, 2016	0.1175
October 5, 2016	October 20, 2016	November 1, 2016	0.1175
September 12, 2016	September 22, 2016	October 4, 2016	0.1175
August 2, 2016	August 18, 2016	September 1, 2016	0.1175
July 7, 2016	July 21, 2016	August 2, 2016	0.1175
June 7, 2016	June 23, 2016	July 1, 2016	0.1175
May 3, 2016	May 19, 2016	June 2, 2016	0.1175
April 7, 2016	April 21, 2016	May 3, 2016	0.1175
February 24, 2016	March 24, 2016	April 1, 2016	0.1175
February 4, 2016	February 18, 2016	March 2, 2016	0.1175
January 7, 2016	January 21, 2016	February 2, 2016	0.1175
Total (2016)			\$ 1.41
Fiscal 2015			
December 2, 2015	December 17, 2015	January 5, 2016	\$ 0.1175
November 3, 2015	November 19, 2015	December 1, 2015	0.1175
October 7, 2015	October 22, 2015	November 3, 2015	0.1175
September 9, 2015	September 24, 2015	October 1, 2015	0.1175
August 4, 2015	August 20, 2015	September 1, 2015	0.1175
July 8, 2015	July 23, 2015	July 31, 2015	0.1175
June 9, 2015	June 25, 2015	July 1, 2015	0.1175
May 5, 2015	May 21, 2015	June 2, 2015	0.1175
April 9, 2015	April 23, 2015	May 1, 2015	0.1175
February 25, 2015	March 19, 2015	April 2, 2015	0.1175
February 3, 2015	February 19, 2015	February 27, 2015	0.1175

January 8, 2015	January 22, 2015	January 30, 2015	0.1175
Total (2015)			\$ 1.41

Tax characteristics of all distributions will be reported to shareholders on Form 1099 after the end of the calendar year. Future distributions, if any, will be determined by our Board. We expect that our distributions to stockholders will generally be from accumulated net investment income, from net realized capital gains or non-taxable return of capital, if any, as applicable.

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We have elected 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 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 distribution, then stockholders cash distributions 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 distributions.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a business development company, we may in the future be limited in our ability to make distributions. Also, our revolving credit facility may limit our ability to declare distributions if we default under certain provisions. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of the tax benefits available to us as a regulated investment company. In addition, in accordance with GAAP and tax regulations, we include in income certain amounts that we have not yet received in cash, such as contractual payment-in-kind interest, which represents contractual interest added to the loan balance that becomes due at the end of the loan term, or the accrual of original issue or market discount. Since we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our investment company taxable income to obtain tax benefits as a regulated investment company.

With respect to the distributions to stockholders, income from origination, structuring, closing and certain other upfront fees associated with investments in portfolio companies are treated as taxable income and accordingly, distributed to stockholders. For the six months ended June 30, 2017 and the year ended December 31, 2016, 14.8% and 10.9% of distributions were funded from the waiver of management and incentive fees.

Related Parties

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

We have entered into the Advisory Agreement with Solar Capital Partners. Mr. Gross, our Chairman and Chief Executive Officer and Mr. Spohler, our Chief Operating Officer and board member, are managing members and senior investment professionals of, and have financial and controlling interests in, the Investment Adviser. In addition, Mr. Peteka, our Chief Financial Officer, Treasurer and Corporate Secretary serves as the Chief Financial Officer for Solar Capital Partners.

The Administrator provides us with the office facilities and administrative services necessary to conduct day-to-day operations pursuant to our Administration Agreement. We reimburse the Administrator 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.

We have entered into a license agreement with the Investment Adviser, pursuant to which the Investment Adviser has granted us a non-exclusive, royalty-free license to use the name Solar Capital. The Investment Adviser may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with ours. For example, the Investment Adviser presently serves as investment

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adviser to Solar Capital Ltd., a publicly traded BDC, which focuses on investing in senior secured loans, including unitranche loans, mezzanine loans and equity securities. In addition, Michael S. Gross, our Chairman and Chief Executive Officer, Bruce Spohler, our Chief Operating Officer, and Richard L. Peteka, our Chief Financial Officer, serve in similar capacities for Solar Capital Ltd. The Investment Adviser and certain investment advisory 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, the Investment Adviser 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 the Investment Adviser's allocation procedures.

Related party transactions may occur between Solar Senior Capital Ltd. and Gemino Healthcare Finance, LLC, between Solar Senior Capital Ltd. and First Lien Loan Program LLC, between Solar Senior Capital Ltd. and Solar Life Science Program LLC and between Solar Senior Capital Ltd. and FLLP 2015-1, LLC. These transactions may occur in the normal course of business. No administrative fees are paid to Solar Capital Partners by Gemino Healthcare Finance, LLC, Solar Life Science Program LLC or First Lien Loan Program LLC.

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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. During the six months ended June 30, 2017, most of the investments in our portfolio had floating interest rates. Our loans are primarily based on floating LIBOR and typically have durations of one to three months after which they reset to current market interest rates. Most of our loans to portfolio companies have LIBOR floors. The Company also has a revolving credit facility that is based on floating LIBOR and commercial paper rates. Assuming no changes to our balance sheet as of June 30, 2017 and no new defaults by portfolio companies, a hypothetical one-quarter of one percent decrease in LIBOR on our floating rate assets and liabilities would decrease our net investment income per average share by approximately two cents per average share over the next twelve months. Assuming no changes to our balance sheet as of June 30, 2017 and no new defaults by portfolio companies, a hypothetical one percent increase in LIBOR on our floating rate assets and liabilities would increase our net investment income per average share by approximately nine cents per average share over the next twelve months. However, we may hedge against interest rate fluctuations from time-to-time by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in any benefits of certain changes in interest rates with respect to our portfolio of investments.

Increase (Decrease) in LIBOR	(0.25%)	1.00%
Increase (Decrease) in Net Investment Income Per Share Per Year	\$ (0.02)	\$ 0.09

Item 4. Controls and Procedures**(a) Evaluation of Disclosure Controls and Procedures**

As of June 30, 2017 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our

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management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Changes in Internal Controls Over Financial Reporting

Management has not identified any change in the Company's internal control over financial reporting that occurred during the second quarter of 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We, Solar Capital Management, LLC and Solar Capital Partners, LLC are not currently subject to any material pending legal proceedings threatened against us. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations beyond what has been disclosed with these financial statements.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in "Risk Factors" in the March 9, 2017 filing of our Registration Statement on Form N-2, which could materially affect our business, financial condition and/or operating results. The risks described in our Registration Statement on Form N-2 are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not engage in unregistered sales of securities during the quarter ended June 30, 2017.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Table of Contents**Item 6. Exhibits**

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

Exhibit

Number	Description
3.1	Articles of Amendment and Restatement(1)
3.2	Amended and Restated Bylaws(1)
4.1	Form of Common Stock Certificate(1)
10.1	Dividend Reinvestment Plan(1)
10.2	First Amended and Restated Investment Advisory and Management Agreement by and between Registrant and Solar Capital Partners, LLC (7)
10.3	Form of Custody Agreement(4)
10.4	Amended and Restated Administration Agreement by and between Registrant and Solar Capital Management, LLC(4)
10.5	Form of Indemnification Agreement by and between Registrant and each of its directors(1)
10.6	Trademark License Agreement by and between Registrant and Solar Capital Partners, LLC(1)
10.7	Form of Share Purchase Agreement by and between Registrant and Solar Senior Capital Investors, LLC(1)
10.8	Form of Amendment No. 1 to Share Purchase Agreement by and between Registrant and Solar Senior Capital Investors, LLC(2)
10.9	Form of Contribution Agreement, dated as of August 26, 2011, by and between SUNS SPV LLC, as the contributee, and Solar Senior Capital Ltd., as the contributor(3)
10.10	Form of Loan and Servicing Agreement, dated as of August 26, 2011 (as amended through May 29, 2015), by and among the Registrant, as the servicer and the transferor, SUNS SPV LLC, as the borrower, each of the conduit lenders from time to time party thereto, each of the liquidity banks from time to time party thereto, each of the lender agents from time to time party thereto, Citibank, N.A., as the administrative agent and collateral agent, and Wells Fargo Bank, N.A., as the account bank, the backup servicer and the collateral custodian(5)
10.11	Fourth Amendment to the Loan and Servicing Agreement, dated as of May 29, 2015 by and among the Registrant, as the transferor and the servicer, SUNS SPV LLC, as the borrower, Citibank, N.A., as the administrative agent and collateral agent, each of the conduit lenders from time to time party thereto, each of the lender agents from time to time party thereto, each of the liquidity banks from time to time party thereto, each of the institutional lenders from time to time party thereto, and Wells Fargo Bank, N.A., as the account bank, the collateral custodian and the backup servicer(5)
10.12	Form of Limited Liability Company Agreement, dated as of September 10, 2014, by and among the Registrant, Voya Retirement Insurance and Annuity Company, ReliaStar Life Insurance Company, and Voya Insurance and Annuity Company, by and through Voya Investment Management LLC, as

agent and investment manager(6)

- 10.13 Form of Solar Life Science Program LLC Limited Liability Company Agreement, dated as of February 22, 2017, by and between Solar Capital Ltd., Solar Senior Capital Ltd. and Deerfield Solar Holdings LLC(8)
- 11.1 Computation of Per Share Earnings (included in the notes to the financial statements contained in this report)

Table of Contents**Exhibit**

Number	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.*

- (1) Previously filed in connection with Solar Senior Capital Ltd. s registration statement on Form N-2 (File No. 333-171330) filed on February 14, 2011.
- (2) Previously filed in connection with Solar Senior Capital Ltd. s report on Form 10-K filed on February 22, 2012.
- (3) Previously filed in connection with Solar Senior Capital Ltd. s report on Form 8-K filed on August 31, 2011.
- (4) Previously filed in connection with Solar Senior Capital Ltd. s report on Form 10-K filed on February 25, 2014.
- (5) Previously filed in connection with Solar Senior Capital Ltd. s report on Form 10-Q filed on August 4, 2015.
- (6) Previously filed in connection with Solar Senior Capital Ltd. s report on Form 10-Q filed on November 4, 2014.
- (7) Previously filed in connection with Solar Senior Capital Ltd. s report on Form 10-Q filed on August 2, 2016.
- (8) Previously filed in connection with Solar Senior Capital Ltd. s report on Form 10-Q filed on May 2, 2017.
- * Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 1, 2017.

SOLAR SENIOR CAPITAL LTD.

By: /S/ MICHAEL S. GROSS
Michael S. Gross

Chief Executive Officer

(Principal Executive Officer)

By: /S/ RICHARD L. PETEKA
Richard L. Peteka

Chief Financial Officer

(Principal Financial and Accounting Officer)