

Solar Capital Ltd.
Form 10-Q
August 04, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarter Ended June 30, 2014

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

SOLAR CAPITAL LTD.

(Exact name of registrant as specified in its charter)

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Maryland
(State of Incorporation)

26-1381340
(I.R.S. Employer

Identification No.)

500 Park Avenue

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

10022
(Zip Code)

(212) 993-1670

(Registrant's telephone number, including area code)

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

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

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

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

The number of shares of the registrant's Common Stock, \$.01 par value, outstanding as of August 1, 2014 was 42,465,162.

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SOLAR CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2014

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

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

(in thousands, except share amounts)

	June 30, 2014 (unaudited)	December 31, 2013
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: \$614,284 and \$688,685, respectively)	\$ 608,088	\$ 680,720
Companies 5% to 25% owned (cost: \$8,264 and \$7,789, respectively)	7,933	7,789
Companies more than 25% owned (cost: \$342,541 and \$394,285, respectively)	368,126	399,890
Total investments (cost: \$965,089 and \$1,090,759, respectively)	984,147	1,088,399
Cash and cash equivalents	696,642	585,278
Foreign currency (cost: \$1,667 and \$1,702, respectively)	1,683	1,701
Interest receivable	7,404	5,623
Dividends receivable	4,272	8,605
Deferred financing costs	3,282	3,300
Derivatives (see note 7)		
Receivable for investments sold	7,591	14,870
Prepaid expenses and other assets	1,080	666
Total assets	\$ 1,706,101	\$ 1,708,442
Liabilities		
Revolving credit facilities (see note 6 and 8)	\$	\$
Unsecured senior notes (see note 8)	100,000	100,000
Senior secured notes (see note 6 and 8)	75,000	75,000
Term loan (see note 6 and 8)	50,000	50,000
Distributions payable	16,986	17,698
Payable for investments and cash equivalents purchased	501,235	454,887
Management fee payable (see note 3)	6,173	5,780
Performance-based incentive fee payable (see note 3)		4,633
Administrative services expense payable (see note 3)	968	2,085
Interest payable (see note 8)	1,489	1,499
Other liabilities and accrued expenses	1,327	1,223
Total liabilities	\$ 753,178	\$ 712,805
Commitments and contingencies (see note 12)		
Net Assets		
Common stock, par value \$0.01 per share, 200,000,000 and 200,000,000 common shares authorized, respectively, and 42,465,162 and 44,244,195 shares issued and outstanding, respectively	\$ 425	\$ 442

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Paid-in capital in excess of par	1,071,484	1,110,545
Distributions in excess of net investment income	(18,258)	(17,344)
Accumulated net realized loss	(119,802)	(92,706)
Net unrealized appreciation (depreciation)	19,074	(5,300)
Total net assets	\$ 952,923	\$ 995,637
Net Asset Value Per Share	\$ 22.44	\$ 22.50

See notes to consolidated financial statements.

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

(in thousands, except share amounts)

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
INVESTMENT INCOME:				
Interest:				
Companies less than 5% owned	\$ 19,020	\$ 26,390	\$ 42,035	\$ 54,953
Companies 5% to 25% owned	245	1,466	480	2,896
Companies more than 25% owned	4,232	2,434	5,196	4,552
Dividends:				
Companies 5% to 25% owned		(65)		5,565
Companies more than 25% owned	4,507	8,920	12,923	17,276
Total investment income	28,004	39,145	60,634	85,242
EXPENSES:				
Management fees (see note 3)	\$ 6,173	\$ 7,267	\$ 12,383	\$ 14,401
Performance-based incentive fees (see note 3)		4,814	3,213	11,194
Interest and other credit facility expenses (see note 8)	3,621	4,819	7,213	9,642
Administrative services expense (see note 3)	1,442	1,529	2,611	2,256
Other general and administrative expenses	636	1,460	1,658	2,974
Total expenses	11,872	19,889	27,078	40,467
Net investment income	\$ 16,132	\$ 19,256	\$ 33,556	\$ 44,775
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS, FOREIGN CURRENCIES AND DERIVATIVES:				
Net realized gain (loss) on investments and cash equivalents:				
Companies less than 5% owned	\$ (2)	\$ (1,619)	\$ 6	\$ (1,391)
Companies 5% to 25% owned	248		1,176	
Companies more than 25% owned	26		(25,284)	472
Net realized gain (loss) on investments and cash equivalents	272	(1,619)	(24,102)	(919)
Net realized loss on foreign currencies and derivatives:	(1,015)	(293)	(2,994)	(304)
Net realized loss	(743)	(1,912)	(27,096)	(1,223)
Net change in unrealized gain (loss) on investments and cash equivalents	637	(18,263)	21,419	(9,695)
Net change in unrealized gain (loss) on foreign currencies and derivatives	1,058	906	2,955	1,936
Net change in unrealized gain (loss)	1,695	(17,357)	24,374	(7,759)
Net realized and unrealized gain (loss) on investments, cash equivalents, foreign currencies and derivatives	952	(19,269)	(2,722)	(8,982)
	\$ 17,084	\$ (13)	\$ 30,834	\$ 35,793

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS

EARNINGS (LOSS) PER SHARE (see note 5)	\$ 0.40	\$ (0.00)	\$ 0.71	\$ 0.80
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See notes to consolidated financial statements.

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SOLAR CAPITAL LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except share amounts)

	Six months ended June 30, 2014 (unaudited)	Year ended December 31, 2013
Increase in net assets resulting from operations:		
Net investment income	\$ 33,556	\$ 84,935