

Solar Senior Capital Ltd.
Form 10-Q
November 02, 2016
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

.. **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)

Edgar Filing: Solar Senior Capital Ltd. - Form 10-Q

Maryland
(State of Incorporation)

27-4288022
(I.R.S. Employer

500 Park Avenue

Identification No.)

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

10022
(Zip Code)

(212) 993-1670

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>

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

The number of shares of the registrant's Common Stock, \$.01 par value, outstanding as of November 1, 2016 was 16,025,011.

Table of Contents

SOLAR SENIOR CAPITAL LTD.

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

TABLE OF CONTENTS

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Statements of Assets and Liabilities as of September 30, 2016 (unaudited) and December 31, 2015</u>	3
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2016 (unaudited) and September 30, 2015 (unaudited)</u>	4
<u>Consolidated Statements of Changes in Net Assets for the nine months ended September 30, 2016 (unaudited) and the year ended December 31, 2015</u>	5
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 (unaudited) and September 30, 2015 (unaudited)</u>	6
<u>Consolidated Schedule of Investments as of September 30, 2016 (unaudited)</u>	7
<u>Consolidated Schedule of Investments as of December 31, 2015</u>	10
<u>Notes to Consolidated Financial Statements (unaudited)</u>	13
<u>Report of Independent Registered Public Accounting Firm</u>	33
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	53
Item 4. <u>Controls and Procedures</u>	53
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	55
Item 1A. <u>Risk Factors</u>	55
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	55
Item 3. <u>Defaults Upon Senior Securities</u>	55
Item 4. <u>Mine Safety Disclosures</u>	55
Item 5. <u>Other Information</u>	55
Item 6. <u>Exhibits</u>	56
<u>Signatures</u>	58

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 the context states otherwise.

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

(in thousands, except share amounts)

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Investments at fair value:		
Companies less than 5% owned (cost: \$267,355 and \$253,373, respectively)	\$ 261,479	\$ 242,502
Companies 5% to 25% owned (cost: \$3,754 and \$3,816, respectively)	1,986	2,423
Companies more than 25% owned (cost: \$64,347 and \$62,423, respectively)	64,448	61,593
Total investments (cost: \$335,456 and \$319,612, respectively)	327,913	306,518
Cash	4,336	3,070
Cash equivalents (cost: \$184,962 and \$49,997, respectively)	184,962	49,997
Receivable for investments sold	17	45
Dividends receivable	1,391	526
Interest receivable	1,151	2,040
Prepaid expenses and other assets	329	381
Total assets	\$ 520,099	\$ 362,577
Liabilities		
Credit facility payable (see notes 6 and 7)	\$ 43,000	\$ 116,200
Payable for investments and cash equivalents purchased	204,312	54,897
Distributions payable	1,825	1,355
Management fee payable (see note 3)	852	831
Performance-based incentive fee payable (see note 3)	118	
Interest payable (see note 7)	224	262
Administrative services expense payable (see note 3)	455	534
Other liabilities and accrued expenses	447	194
Total liabilities	\$ 251,233	\$ 174,273
Commitments and contingencies (see notes 10 and 11)		
Net Assets		
Common stock, par value \$0.01 per share, 200,000,000 and 200,000,000 common shares authorized, respectively, and 16,025,011 and 11,533,315 issued and outstanding, respectively	\$ 160	\$ 115
Paid-in capital in excess of par	286,413	211,486
Distributions in excess of net investment income	(5,185)	(5,185)
Accumulated net realized loss	(4,979)	(5,018)
Net unrealized depreciation	(7,543)	(13,094)

Edgar Filing: Solar Senior Capital Ltd. - Form 10-Q

Total net assets	\$ 268,866	\$ 188,304
Net Asset Value Per Share	\$ 16.78	\$ 16.33

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		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
INVESTMENT INCOME:				
Interest:				
Companies less than 5% owned	\$ 5,165	\$ 4,948	\$ 14,456	\$ 15,265
Companies 5% to 25% owned	51	55	153	162
Dividends:				
Companies more than 25% owned	1,767	1,433	5,278	3,709
Other income:				
Companies less than 5% owned	1	74	97	163
Companies more than 25% owned	17	10	47	19
Total investment income	7,001	6,520	20,031	19,318
EXPENSES:				
Management fees (see note 3)	\$ 852	\$ 882	\$ 2,483	\$ 2,627
Performance-based incentive fees (see note 3)	636	115	1,486	272
Interest and other credit facility expenses (see note 7)	870	895	2,634	3,387
Administrative services expense (see note 3)	301	309	895	845
Other general and administrative expenses	324	349	997	1,152
Total expenses	2,983	2,550	8,495	8,283
Performance-based incentive fees waived (see note 3)	(518)	(115)	(1,131)	(272)
Net expenses	2,465	2,435	7,364	8,011
Net investment income	\$ 4,536	\$ 4,085	\$ 12,667	\$ 11,307
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND CASH EQUIVALENTS:				
Net realized gain on investments and cash equivalents (companies less than 5% owned)	\$ 8	\$ 37	\$ 39	\$ 86
Net change in unrealized gain (loss) on investments and cash equivalents	625	(5,617)	5,551	(5,906)
Net realized and unrealized gain (loss) on investments and cash equivalents	633	(5,580)	5,590	(5,820)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS				
	\$ 5,169	\$ (1,495)	\$ 18,257	\$ 5,487
EARNINGS (LOSS) PER SHARE (see note 5)				
	\$ 0.42	\$ (0.13)	\$ 1.55	\$ 0.48

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)

	Nine months ended September 30, 2016 (unaudited)	Year ended December 31, 2015
Increase in net assets resulting from operations:		
Net investment income	\$ 12,667	\$ 15,373
Net realized gain	39	18
Net change in unrealized gain (loss)	5,551	(14,344)
Net increase in net assets resulting from operations	18,257	1,047
Distributions to stockholders:		
From net investment income	(12,667)	(16,262)
Capital transactions:		
Net proceeds from shares sold	75,255	
Less common stock offering costs	(309)	
Reinvestment of distributions	26	
Net increase in net assets resulting from capital transactions	74,972	
Total increase (decrease) in net assets	80,562	(15,215)
Net assets at beginning of period	188,304	203,519
Net assets at end of period ⁽¹⁾	\$ 268,866	\$ 188,304
Capital share activity:		
Common stock sold	4,490,152	
Common stock issued from reinvestment of distributions	1,544	