

Solar Senior Capital Ltd.
Form 10-Q
May 01, 2012
[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 March 31, 2012

.. **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 or 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, 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 April 30, 2012 was 9,500,100.

Table of Contents

SOLAR SENIOR CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2012

TABLE OF CONTENTS

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Report of Independent Registered Public Accounting Firm</u>	3
<u>Financial Statements</u>	
<u>Consolidated Statement of Assets and Liabilities as of March 31, 2012 (unaudited) and December 31, 2011</u>	4
<u>Consolidated Statement of Operations for the three months ended March 31, 2012 and the period from January 28, 2011 (commencement of operations) through March 31, 2011 (unaudited)</u>	5
<u>Consolidated Statement of Changes in Net Assets for the three months ended March 31, 2012 (unaudited) and the period from January 28, 2011 (commencement of operations) through December 31, 2011</u>	6
<u>Consolidated Statement of Cash Flows for the three months ended March 31, 2012 (unaudited) and the period from January 28, 2011 (commencement of operations) through March 31, 2011 (unaudited)</u>	7
<u>Consolidated Schedule of Investments as of March 31, 2012 (unaudited)</u>	8
<u>Consolidated Schedule of Investments as of December 31, 2011</u>	10
<u>Notes to Consolidated Financial Statements (unaudited)</u>	12
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	33
Item 4. <u>Controls and Procedures</u>	34
<u>PART II. OTHER INFORMATION</u>	35
Item 1. <u>Legal Proceedings</u>	35
Item 1A. <u>Risk Factors</u>	35
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 3. <u>Defaults upon Senior Securities</u>	35
Item 4. <u>Mine Safety Disclosures</u>	35
Item 5. <u>Other Information</u>	35
Item 6. <u>Exhibits</u>	36
<u>Signatures</u>	37

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

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 March 31, 2012, and the related consolidated statements of operations for the three-month period ended March 31, 2012 and the period from January 28, 2011 (commencement of operations) to March 31, 2011, the consolidated statement of changes in net assets for the three-month period ended March 31, 2012 and consolidated statements of cash flows for the three-month period ended March 31, 2012 and the period from January 28, 2011 (commencement of operations) to March 31, 2011. These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial accounting and reporting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Solar Senior Capital Ltd. as of December 31, 2011 and the related consolidated statement of changes in net assets for the period from January 28, 2011 (commencement of operations) to December 31, 2011, and we expressed an unqualified opinion on them in our report dated February 22, 2012.

/s/ KPMG LLP

New York, New York

May 1, 2012

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

(in thousands, except shares)

	March 31, 2012 (unaudited)	December 31, 2011
Assets		
Investments at fair value:		
Non-controlled, non-affiliated investments, at fair value (cost: \$214,233 and \$180,023, respectively)	\$ 215,008	177,749
Total investments	215,008	177,749
Cash and cash equivalents	1,820	2,934
Receivable for investments sold		4,931
Interest receivable	1,703	1,687
Deferred offering costs	50	
Prepaid expenses and other receivables	138	94
Total Assets	218,719	187,395
Liabilities		
Credit facility payable, at fair value	18,150	8,600
Payable for investments purchased	23,331	4,912
Dividends payable	950	
Due to Solar Capital Partners LLC:		
Investment advisory and management fee payable	498	944
Capital gains incentive fee payable	48	
Due to Solar Capital Management LLC	43	141
Other accrued expenses and payables	397	363
Total Liabilities	43,417	14,960
Net Assets		
Common stock, par value \$0.01 per share 9,500,100 shares issued and outstanding, 200,000,000 authorized	95	95
Paid-in capital in excess of par	177,815	177,815
Distributions in excess of net investment income	(2,849)	(2,625)
Accumulated net realized loss on investments	(534)	(576)
Net unrealized appreciation (depreciation) on investments	775	(2,274)
Total Net Assets	\$ 175,302	\$ 172,435
Number of shares outstanding	9,500,100	9,500,100
Net Asset Value Per Share	\$ 18.45	\$ 18.15

See notes to the consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATE STATEMENT OF OPERATIONS**

(in thousands, except shares)

	For the three months ended March 31, 2012 (unaudited)	For the period January 28, 2011 ⁽¹⁾ to March 31, 2011 (unaudited)
INVESTMENT INCOME:		
Interest income from non-controlled, non-affiliated investments	\$ 3,909	\$ 57
Total investment income	3,909	57
EXPENSES:		
Investment advisory and management fees	498	
Interest and other credit facility expenses	221	
Incentive fee on capital gains	48	28
Administrative service fee	164	27
Insurance expense	99	42
Audit and tax preparation	74	38
Other general and administrative expenses	155	42
Total expenses before debt issuance costs	1,259	177
Debt issuance costs	24	
Total expenses	1,283	177
Net investment income (loss)	2,626	(120)
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:		
Net realized gain on non-controlled, non-affiliated investments	42	
Net change in unrealized gain on non-controlled, non-affiliated investments	3,049	138
Net realized and unrealized gain on investments	3,091	138
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 5,717	\$ 18
Earnings per share ⁽²⁾	\$ 0.60	\$

⁽¹⁾ Commencement of operations.⁽²⁾ Less than \$0.005 per share for the period ending March 31, 2011.

See notes to the consolidated financial statements.

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

(in thousands, except shares)

	For the three months ended March 31, 2012 (unaudited)	For the period January 28, 2011 ⁽¹⁾ to December 31, 2011
Increase in net assets resulting from operations:		
Net investment income	\$ 2,626	\$ 2,600
Net realized gain (loss) on investments	42	(576)
Net change in unrealized gain (loss) on investments	3,049	(2,274)
Net increase (decrease) in net assets resulting from operations	5,717	(250)
Dividends declared	(2,850)	(5,225)
Capital share transactions:		
Proceeds from shares sold		190,002
Common stock offering costs		(12,092)
Net increase in net assets resulting from capital share transactions		177,910
Net increase in net assets	2,867	172,435
Net assets at beginning of period	172,435	
Net assets at end of period	\$ 175,302	\$ 172,435

(1) Commencement of operations.

See notes to the consolidated financial statements.

Table of Contents**SOLAR SENIOR CAPITAL LTD.****CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands except shares)

	For the three months ended March 31, 2012 (unaudited)	For the period January 28, 2011 ⁽¹⁾ to March 31, 2011 (unaudited)
Cash Flows from Operating Activities:		
Net increase in net assets from operations	\$ 5,717	\$ 18
Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities:		
Net realized gain on investments	(42)	
Net change in unrealized gain on investments	(3,049)	(138)
Debt issuance costs	24	
(Increase) decrease in operating assets:		
Purchase of investment securities	(39,968)	(23,790)
Proceeds from disposition of investment securities	5,800	
Receivable for investments sold	4,931	
Deferred offering costs	(50)	
Interest receivable	(16)	(58)
Prepaid expenses and other receivables	(44)	(382)
Increase (decrease) in operating liabilities:		
Payable for investments purchased	18,419	
Investment advisory and management fee payable	(446)	
Incentive fee on capital gains	48	28
Due to Solar Capital Management LLC	(98)	27
Offering costs payable		439
Other accrued expenses and payables	34	61
Net Cash Used in Operating Activities	(8,740)	(23,795)
Cash Flows from Financing Activities:		
Proceeds from shares sold		190,002
Common stock offering costs		(12,124)
Dividends paid	(1,900)	