

WhiteHorse Finance, Inc.  
Form 10-Q  
May 12, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

**Form 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the quarterly period ended March 31, 2014**

**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 814-00967**

**WHITEHORSE FINANCE, INC.**

**(Exact Name of Registrant as Specified in its Charter)**

**Delaware** **45-4247759**  
**(State or Other Jurisdiction of (I.R.S. Employer**  
**Incorporation or Organization) Identification No.)**

**1450 Brickell Avenue, 31<sup>st</sup> Floor**

**33131**

**Miami, Florida**  
**(Address of Principal Executive Offices) (Zip Code)**

(305) 379-2322

**(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 (or for such shorter period that the registrant was required to file such reports), 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 (§232.405 of this chapter) 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 a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 Securities Exchange Act of 1934). Yes  No

As of May 12, 2014 the Registrant had 14,982,857 shares of common stock, \$0.001 par value, outstanding.

**WHITEHORSE FINANCE, INC.**

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**Part I. Financial Information****Item I. Financial Statements****WhiteHorse Finance, Inc.****Consolidated Statements of Assets and Liabilities***(in thousands, except share and per share data)*

	March 31, 2014 (Unaudited)	December 31, 2013
<b>Assets</b>		
Investments, at fair value (cost \$284,650 and \$272,608, respectively)	\$ 286,862	\$ 272,439
Cash and cash equivalents	25,737	92,905
Restricted cash and cash equivalents	14,443	3,078
Interest receivable	1,911	1,585
Deferred financing costs	3,679	3,827
Prepaid expenses and other receivables	381	319
<b>Total assets</b>	<b>\$ 333,013</b>	<b>\$ 374,153</b>
<b>Liabilities</b>		
Credit facility	\$ -	\$ 25,000
Senior notes	30,000	30,000
Unsecured term loan	55,000	55,000
Distributions payable	5,319	5,317
Management fees payable	2,079	2,831
Payable for investments purchased	11,723	28,606
Accounts payable and accrued expenses	751	397
<b>Total liabilities</b>	<b>104,872</b>	<b>147,151</b>
<b>Net assets</b>		
Common stock, 14,982,857 and 14,977,056 shares issued and outstanding, par value \$0.001 per share and 100,000,000 authorized	15	15
Paid-in capital in excess of par	228,734	228,646
Undistributed net investment loss	(2,183	) (854
Net unrealized appreciation (depreciation) on investments	1,575	(805
<b>Total net assets</b>	<b>228,141</b>	<b>227,002</b>
<b>Total liabilities and total net assets</b>	<b>\$ 333,013</b>	<b>\$ 374,153</b>
Number of shares outstanding	14,982,857	14,977,056

Net asset value per share	\$ 15.23	\$ 15.16
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*See notes to the consolidated financial statements*

**WhiteHorse Finance, Inc.****Consolidated Statements of Operations (Unaudited)***(in thousands, except share and per share data)*

	Three months ended March 31,	
	2014	2013
Investment income		
Interest income	\$ 8,250	\$ 8,382
Total investment income	8,250	8,382
Expenses		
Interest expense	1,355	1,362
Base management fees	1,443	1,077
Performance-based incentive fees	151	952
Administrative service fees	325	389
General and administrative expenses	986	593
Total expenses	4,260	4,373
Net investment income	3,990	4,009
Realized and unrealized gains (losses) on investments		
Net realized gains (losses) on investments	-	-
Net change in unrealized appreciation (depreciation) on investments	2,380	(501 )
Net realized and unrealized gains (losses) on investments	2,380	(501 )
Net increase in net assets resulting from operations	\$ 6,370	\$ 3,508
Per Common Share Data		
Basic and diluted earnings per common share	\$ 0.43	\$ 0.23
Dividends and distributions declared per common share	\$ 0.36	\$ 0.36
Basic and diluted weighted average common shares outstanding	14,982,728	14,965,624

*See notes to the consolidated financial statements*

**WhiteHorse Finance, Inc.****Consolidated Statements of Change in Net Assets (Unaudited)***(in thousands, except share and per share data)*

	Common Stock		Paid-in Capital in	Net Investment	Net Realized Loss on	Net Unrealized Appreciation (Depreciation) on	Total Net
	Shares	Par amount	Excess of Par	Income	Investments	Investments	Assets
Balance at January 1, 2013	14,965,624	\$ 15	\$ 228,466	\$ 1,164	\$ (71 )	\$ (525 )	\$ 229,049
Net increase in net assets resulting from operations	—	—	—	4,009	—	(501 )	3,508
Distributions declared	—	—	—	(5,313 )	—	—	(5,313 )
Balance at March 31, 2013	14,965,624	\$ 15	\$ 228,466	\$ (140 )	\$ (71 )	\$ (1,026 )	\$ 227,244
Balance at January 1, 2014	14,977,056	\$ 15	\$ 228,646	\$ (854 )	\$ —	\$ (805 )	\$ 227,002
Stock issued in connection with dividend reinvestment plan	5,801	—	88	—	—	—	88
Net increase in net assets resulting from operations	—	—	—	3,990	—	2,380	6,370
Distributions declared	—	—	—	(5,319 )	—	—	(5,319 )
Balance at March 31, 2014	14,982,857	\$ 15	\$ 228,734	\$ (2,183 )	\$ —	\$ 1,575	\$ 228,141

*See notes to the consolidated financial statements*

**WhiteHorse Finance, Inc.****Consolidated Statements of Cash Flows (Unaudited)***(in thousands, except share and per share data)*

	Three months ended March 31,	
	2014	2013
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 6,370	\$ 3,508
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Paid in kind income	(290 )	(123 )
Net unrealized depreciation (appreciation) on investments	(2,380 )	501
Amortization of discount	(204 )	(263 )
Amortization of deferred financing costs	148	119
Acquisition of investments	(16,623 )	(52,951 )
Proceeds from principal payments and sales of portfolio investments	5,074	167
Net changes in operating assets and liabilities:		
Interest receivable	(326 )	(2,633 )
Due from related party	-	(70 )
Prepaid expenses and other receivables	(62 )	113
Payable for investments purchased	(16,883 )	1,930
Management fees payable	(752 )	1,724
Accounts payable and accrued expenses	354	(433 )
Restricted cash and cash equivalents	(11,365 )	30,546
Net cash used in operating activities	(36,939 )	(17,865 )
Cash flows from financing activities		
Repayment of borrowings on credit facility	(25,000 )	-
Distributions paid to common stockholders, net of distributions reinvested	(5,229 )	(1,616 )
Net cash (used in) provided by financing activities	(30,229 )	(1,616 )
Net change in cash and cash equivalents	(67,168 )	(19,481 )
Cash and cash equivalents at beginning of period	92,905	156,123
Cash and cash equivalents at end of period	\$ 25,737	\$ 136,642
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,202	\$ 1,253
Supplemental noncash disclosures:		
Dividends reinvested	\$ 88	\$ -



*See notes to the consolidated financial statements*

**WhiteHorse Finance, Inc.****Consolidated Schedule of Investments (Unaudited)****March 31, 2014***(in thousands, except share and per share data)*

Investment Type(6)	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Par / Shares	Amortized Cost	Fair Value	Fair Value As A Percentage Of Net Assets
North America Debt Investments							
Aerospace & Defense ILC Industries, LLC							
First Lien Secured Term Loan	L+6.50% (1.50% Floor)	8.00%	7/11/18	\$4,633	\$4,622	\$4,634	2.03 %
Second Lien Secured Term Loan	L+10.00% (1.50% Floor)	11.50%	7/11/19	5,000	4,885	4,960	2.17
				9,633	9,507	9,594	4.20
Building Products TCO Funding Corp.							
First Lien Secured Term Loan	L+7.50% (2.00% Floor)	9.50%	4/27/15	17,450	17,393	17,484	7.66
Consumer Finance Oasis Legal Finance, LLC							
Second Lien Secured Term Loan	N/A <sup>(4)</sup>	10.50%	9/30/18	10,000	9,815	9,970	4.37
Sigue Corporation							
Second Lien Secured Term Loan	L+9.00% (1.00% Floor)	10.00%	12/27/18	25,000	24,520	24,950	10.94
				35,000	34,335	34,920	15.31
Data Processing & Outsourced Services Future Payment Technologies, L.P.							
Second Lien Secured Term Loan	L+10.00%	11.00%	12/31/18	35,175	33,827	34,999	15.34

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(1.00% Floor) (2.00% PIK)

Diversified Support Services ARSloane Acquisition, LLC Second Lien Secured Term Loan	L+10.50%	11.75%	10/1/20	4,000	3,924	4,040	1.77
	(1.25% Floor)						
Orion Healthcorp, Inc. Senior Secured Note	L+10.00%	12.00%	3/31/18	10,000	9,700	9,700	4.25
	(2.00% Floor)	(2.00% PIK)					
Smile Brands Group Inc. First Lien Secured Term Loan	L+6.25%	7.50%	8/16/19	11,940	11,720	11,892	5.21
	(1.25% Floor)			25,940	25,344	25,632	11.23

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Investment Type(6)	Spread Above Index(1)	Interest Rate(2)	Maturity Date	Par / Shares	Amortized Cost	Fair Value	Fair Value As A Percentage Of Net Assets
Education Services							
Renaissance Learning, Inc.							
Second Lien Secured Term Loan	L+7.75% (1.00% Floor)	8.75%	5/14/21	19,000	19,061	19,380	8.49
Electronic Equipment & Instruments							
AP Gaming I, LLC							
First Lien Secured Term Loan	L+8.25% (1.00% Floor)	9.25%	12/20/20	9,975	9,681	9,776	4.28
Health Care Distributors							
Comprehensive Decubitus Therapy, Inc.							
First Lien Secured Term Loan	L+13.50% (1.50% Floor)	15.00% (3.00% PIK)	3/15/18	14,312	14,073	14,283	6.26
First Lien Secured Revolving Loan	L+13.50% (1.50% Floor)	15.00% (3.00% PIK)	3/15/18	403	371	402	0.18
P2 Newco Acquisition, Inc.							
Second Lien Secured Term Loan	L+8.50% (1.00% Floor)	9.50%	10/22/21	10,000	9,903	9,970	4.37
				24,715	24,347	24,655	10.81
Health Care Facilities							
Grupo HIMA San Pablo, Inc							
First Lien Secured Term Loan	L+9.00% (1.50% Floor)	10.50%	1/31/18	14,850	14,607	14,761	6.47
Second Lien Secured Term Loan	N/A <sup>(4)</sup>	15.75%		1,000	957	989	0.43