

Edgar Filing: INTERPHARM HOLDINGS INC - Form 8-K

INTERPHARM HOLDINGS INC
Form 8-K
November 24, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) November 18, 2004

Interpharm Holdings, Inc.
(Exact name of Registrant as specified in charter)

Delaware	0-22710	13-3673965
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

69 Mall Drive, Commack, New York 11725

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (631) 543-2800

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Principal Officers; Appointment of Principal Officers.

On November 18, 2004, the Board of Directors of Interpharm Holdings, Inc. ("the Company") appointed Raj Sutaria as Chief Operating Officer of the Company. Mr. Sutaria is also currently the Chief Operating Officer of Interpharm, Inc., the Company's wholly owned and sole operating subsidiary, and will continue in that position.

Raj Sutaria graduated from University of Colorado at Boulder in 1997 with

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B.B.A. in Marketing. He has served as Production Manager, Director of Manufacturing, Vice President and Chief Operating Officer of Interpharm, Inc. since 1997.

Raj Sutaria is an owner/member of Sutaria Family Realty, LLC. The Company's 100,000 square foot facility at 75 Adams Avenue in Hauppauge, New York is owned by Sutaria Family Realty, LLC. The Company leases an entire building pursuant to a non-cancellable lease expiring in October, 2019, which houses the Company's manufacturing, warehousing and some of the Company's executive offices. The current annual lease payments to the landlord, Sutaria Family Realty, LLC, are \$480,000, plus property taxes, insurance, maintenance and other expenses related to the leased facility. Upon a change in ownership of the Company, and every three years thereafter, the annual base rent, which the Company believes is below fair market value, will be adjusted to fair market value, as determined by an independent appraisal.

Raj Sutaria is the son of Maganlal K. Sutaria, the Chairman of the Company's Board of Directors and the Company's Chief Executive Officer and the nephew of Bhupatlal K. Sutaria, the Company's President.

Mr. Sutaria's currently has an employment agreement, the term of which ends December 31, 2007. The employment agreement provides for a base salary of \$160,000 per year, which may be increased at the discretion of the Compensation Committee of the Company's Board of Directors.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTERPHARM HOLDINGS, INC.

November 24, 2004

By: /s/ George Aronson

George Aronson
Chief Financial Officer

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Contracts

\$
—

\$
—

\$

107,133

\$

—

\$

107,133

Unfunded Loan Commitments

—

11,198

—

554,477

565,675

Total Liabilities

\$

—

\$

11,198

\$

107,133

\$

554,477

\$

672,808

* Other financial instruments include forward foreign currency exchange contracts, which are reported as unrealized gain/loss at period end.

Please refer to the detailed Schedule of Investments for a breakdown of investment type by industry category.

The following is a summary of significant unobservable inputs used in the fair valuation of assets and liabilities categorized within Level 3 of the fair value hierarchy:

Category	Ending Balance at 08/31/2017	Valuation Technique	Unobservable Inputs	Input Range
Assets:				
Asset Backed Securities	\$ 1,000,000	Model Price	Trade Price	—

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Asset Backed Securities	500,912	Option Adjusted Spread	Indicative Quote for Comparable Security	—
Common Stocks	717,043	Enterprise Value	Valuation Multiple	9.3x-14.6x
Corporate Bonds	3,319,215	Model Price	Market Comparable Yields	5.5%-8.8%
Corporate Bonds	687,210	Option Adjusted Spread off the prior month end broker mark over the 3 month LIBOR	Indicative Quote	—
Corporate Bonds	5,485	Enterprise Value	Valuation Multiple	7.5x
Preferred Stocks	6,727	Model Price	Liquidation Value	—
Senior Fixed Rate Interests	2,232,915	Enterprise Value	Valuation Multiple	9.8x
Senior Floating Rate Interests	5,388,681	Model Price	Purchase Price	—
Senior Floating Rate Interests	2,266,394	Enterprise Value	Valuation Multiple	9.3x-9.8x
Senior Floating Rate Interests	1,895,851	Model Price	Market Comparable Yields	6.3%-5.3%
Senior Floating Rate Interests	830,550	Option Adjusted Spread off the prior month end broker mark over the 3 month LIBOR	Indicative Quote	—
Total Assets	\$ 18,850,983			
Liabilities:				
Unfunded Loan Commitments	\$554,477	Model Price	Purchase Price	—

Significant changes in indicative quote or valuation multiple would generally result in significant changes in the fair value of the security.

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. Transfers between valuation levels, if any, are in comparison to the valuation levels at the end of the previous fiscal year, and are effective using the fair value as of the end of the current fiscal period.

Guggenheim Credit Allocation Fund
SCHEDULE OF INVESTMENTS (Unaudited)

August 31, 2017

For the period ended August 31, 2017, there were \$355,239 transferred from Level 3 to Level 2 due to availability of market price information. There were no other securities that transferred between levels.

Summary of Fair Value of Level 3 Activity

Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value for the period ended August 31, 2017:

LEVEL 3 - Fair value measurement using significant unobservable inputs

	Assets					Total Assets	Liabilities
	Senior Floating Rate Interests/Senior Fixed Rate Interests	Asset-Backed Securities	Corporate Bonds	Preferred Stocks	Common Stocks		Unfunded Loan Commitments
GUGGENHEIM CREDIT ALLOCATION FUND							
Assets:							
Beginning Balance	\$ 14,048,028	\$ 855,012	\$ 4,013,632	\$—	\$ 1,386,620	\$ 20,303,292	\$ 671,334
Purchases	736,994	1,000,000	82	109,809	—	1,846,885	(163,434)
Sales, maturities and paydowns	(2,778,373)	—	(6,833)	(103,082)	(515,635)	(3,403,923)	214,668
Total realized gains or losses included in earnings	(15,742)	—	(252)	—	(1,260,200)	(1,276,194)	(123,212)
Total change in unrealized gains or losses included in earnings	623,484	1,139	5,281	—	1,106,258	1,736,162	(33,681)
Transfers out of Level 3	—	(355,239)	—	—	—	(355,239)	(11,198)
Ending Balance	\$ 12,614,391	\$ 1,500,912	\$ 4,011,910	\$ 6,727	\$ 717,043	\$ 18,850,983	\$ 554,477
Net Change in unrealized appreciation (depreciation) for investments in securities still held at August 31, 2017	\$ 563,741	\$ (52)	\$ 2,593	\$ -	\$ (251,454)	\$ 314,828	\$ 81,389

Affiliated Transactions

Transactions during the period ended August 31, 2017, in which the portfolio company is an "affiliated person", were as follows:

Security Name	Value 05/31/17	Additions	Reductions	Change in Unrealized	Value 08/31/17	Shares 08/31/17	Investment Income
Aspect Software Parent, Inc.	\$862,445	\$—	\$—	\$(269,066)	\$593,379	57,610	\$—
Aspect Software, Parent Inc. 11.23% (1 Month LIBOR + 1000 bps) due 05/25/20	1,284,735	—	(8,204)	(22,374)	1,254,157	1,279,752	36,606
Aspect Software, Parent Inc. 11.20% (1 Month LIBOR + 1000 bps) due 05/25/18	385,000	82,500	—	—	467,500	467,500	12,669
Targus Group International Equity, Inc.	49,647	—	—	(331)	49,316	33,098	—
Targus Group International Equity, Inc. 7.50% due 12/31/19	158,467	6,067	—	—	164,534	164,534	6,178
Targus Group International, Inc. 14.00% (Prime Rate + 1050 bps) due 05/24/16	—	—	—	—	—	383,723	—
	\$2,740,294	\$88,567	\$(8,204)	\$(291,771)	\$2,528,886		\$55,453

NOTES TO SCHEDULE OF INVESTMENTS (Unaudited) August 31, 2017

Note 1 – Organization and Significant Accounting Policies

Organization

Guggenheim Credit Allocation Fund (the “Fund”) was organized as a Delaware statutory trust on June 26, 2013. The Fund is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”).

The Fund’s investment objective is to seek total return through a combination of current income and capital appreciation.

Guggenheim Funds Investment Advisors, LLC (“GFIA”) provides advisory services. Guggenheim Funds Distributors, LLC (“GFD”) acts as principal underwriter for the Fund. GFIA and GFD are affiliated entities.

Significant Accounting Policies

The Fund operates as an investment company and, accordingly, follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

The following significant accounting policies are in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and are consistently followed by the Fund. This requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. All time references are based on Eastern Time.

The NAV of the Fund is calculated by dividing the market value of the Fund’s securities and other assets, less all liabilities, by the number of outstanding shares of the Fund.

Valuation of Investments

The Board of Trustees of the Fund (the “Board”) has adopted policies and procedures for the valuation of the Fund's investments (the “Valuation Procedures”). Pursuant to the Valuation Procedures, the Board has delegated to a valuation committee, consisting of representatives from Guggenheim’s investment management, fund administration, legal and compliance departments (the “Valuation Committee”), the day-to-day responsibility for implementing the Valuation Procedures, including, under most circumstances, the responsibility for determining the fair value of the Fund’s securities and/or other assets.

Valuations of the Fund's securities are supplied primarily by pricing services appointed pursuant to the processes set forth in the Valuation Procedures. The Valuation Committee convenes monthly, or more frequently as needed, to review the valuation of all assets which have been fair valued for reasonableness. The Fund's officers, through the Valuation Committee and consistent with the monitoring and review responsibilities set forth in the Valuation Procedures, regularly review procedures used and valuations provided by the pricing services.

If the pricing service cannot or does not provide a valuation for a particular investment or such valuation is deemed unreliable, such investment is fair valued by the Valuation Committee.

Equity securities listed on an exchange (New York Stock Exchange (“NYSE”) or American Stock Exchange) are valued at the last quoted sale price as of the close of business on the NYSE, usually 4:00 p.m. on the valuation date. Equity

securities listed on the NASDAQ market system are valued at the NASDAQ Official Closing Price on the valuation date, which may not necessarily represent the last sale price. If there has been no sale on such exchange or NASDAQ on such day, the security is valued at the mean of the most recent bid and asked prices on such day.

Open-end investment companies ("mutual funds") are valued at their NAV as of the close of business, on the valuation date. Exchange-traded funds ("ETFs") and closed-end investment companies ("CEFs") are valued at the last quoted sales price.

Debt securities with a maturity of greater than 60 days at acquisition are valued at prices that reflect broker-dealer supplied valuations or are obtained from independent pricing services, which may consider the trade activity, treasury spreads, yields or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Short-term debt securities with a maturity of 60 days or less at acquisition are valued at amortized cost, provided such amount approximates market value. Money market funds are valued at net asset value.

Typically, loans are valued using information provided by an independent third party pricing service which uses broker quotes in a non-active market.

Generally, trading in foreign securities markets is substantially completed each day at various times prior to the close of the NYSE. The values of foreign securities are determined as of the close of such foreign markets or the close of the NYSE, if earlier. All investments quoted in foreign currency are valued in U.S. dollars on the basis of the foreign currency exchange rates prevailing at the close of U.S. business at 4:00 p.m. Investments in foreign securities may involve risks not present in domestic investments. The Valuation Committee will determine the current value of such foreign securities by taking into consideration certain factors which may include those discussed above, as well as the following factors, among others: the value of the securities traded on other foreign markets, ADR trading, closed-end fund trading, foreign currency exchange activity, and the trading prices of financial products that are tied to foreign securities such as World Equity Benchmark Securities. In addition, under the Valuation Procedures, the Valuation Committee and the Guggenheim Funds Investment Advisors, LLC ("GFIA or the "Adviser") are authorized to use prices and other information supplied by a third party pricing vendor in valuing foreign securities.

NOTES TO SCHEDULE OF INVESTMENTS (*Unaudited*) August 31, 2017

Investments for which market quotations are not readily available are fair-valued as determined in good faith by GI under the direction of the Board using methods established or ratified by the Board. Valuations in accordance with these methods are intended to reflect each security's (or asset's) "fair value". Each such determination is based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to market prices; sale prices; broker quotes; and models which derive prices based on inputs such as prices of securities with comparable maturities and characteristics, or based on inputs such as anticipated cash flows or collateral, spread over Treasuries, and other information analysis.

In connection with futures contracts and other derivative investments, such factors may include obtaining information as to how (a) these contracts and other derivative investments trade in the futures or other derivative markets, respectively, and (b) the securities underlying these contracts and other derivative investments trade in the cash market.

NOTES TO SCHEDULE OF INVESTMENTS (*Unaudited*) August 31, 2017

Note 2 – Financial Instruments

As part of its investment strategy, the Fund utilizes a variety of derivative instruments. These investments involve, to varying degrees, elements of market risk. Valuation and accounting treatment of these instruments can be found under Significant Accounting Policies in Note 1 of these Notes to Schedule of Investments.

Derivatives

Derivatives are instruments whose values depend on, or are derived from, in whole or in part, the value of one or more other assets, such as securities, currencies, commodities or indices. Derivative instruments may be used to increase investment flexibility (including to maintain cash reserves while maintaining exposure to certain other assets), for risk management (hedging) purposes, to facilitate trading, to reduce transaction costs and to pursue higher investment returns. Derivative instruments may also be used to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk and credit risk. U.S. GAAP requires disclosures to enable investors to better understand how and why a Fund uses derivative instruments, how these derivative instruments are accounted for and their effects on the Fund's financial position and results of operations.

Forward Foreign Currency Exchange Contracts

A forward foreign currency exchange contract is an agreement between two parties to exchange two designated currencies at a specific time in the future. Certain types of contracts may be cash settled, in an amount equal to the change in exchange rates during the term of the contract. The contracts can be used to hedge or manage exposure to foreign currency risks with portfolio investments or to gain exposure to foreign currencies.

The market value of a forward foreign currency exchange contract changes with fluctuations in foreign currency exchange rates. Furthermore, the Fund may be exposed to risk if the counterparties cannot meet the contract terms or if the currency value changes unfavorably as compared to the U.S. dollar.

In conjunction with the use of derivative instruments, the Fund is required to maintain collateral in various forms. The Fund uses, where appropriate, depending on the financial instrument utilized and the broker involved, margin deposits at the broker, cash and/or securities segregated at the custodian bank, discount notes or the repurchase agreements allocated to the Fund.

The Fund has established counterparty credit guidelines and enters into transactions only with financial institutions of investment grade or better. The Fund monitors the counterparty credit risk.

NOTES TO SCHEDULE OF INVESTMENTS (*Unaudited*) August 31, 2017

Note 3 – Fair Value Measurement

In accordance with U.S. GAAP, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. U.S. GAAP establishes a three-tier fair value hierarchy based on the types of inputs used to value assets and liabilities and requires corresponding disclosure. The hierarchy and the corresponding inputs are summarized below:

Level 1 — quoted prices in active markets for identical assets or liabilities.

Level 2 — significant other observable inputs (for example quoted prices for securities that are similar based on characteristics such as interest rates, prepayment speeds, credit risk, etc.).

Level 3 — significant unobservable inputs based on the best information available under the circumstances, to the extent observable inputs are not available, which may include assumptions.

The types of inputs available depend on a variety of factors, such as the type of security and the characteristics of the markets in which it trades, if any. Fair valuation determinations that rely on fewer or no observable inputs require greater judgment. Accordingly, fair value determinations for Level 3 securities require the greatest amount of judgment.

Independent pricing services are used to value a majority of the Fund's investments. When values are not available from a pricing service, they may be computed by the Fund's investment adviser or an affiliate. In any event, values may be determined using a variety of sources and techniques, including: market prices; broker quotes; and models which derive prices based on inputs such as prices of securities with comparable maturities and characteristics or based on inputs such as anticipated cash flows or collateral, spread over Treasuries, and other information and analysis. A significant portion of the Fund's assets and liabilities are categorized as Level 2 or Level 3, as indicated in this report.

Indicative quotes from broker-dealers, adjusted for fluctuations in criteria such as credit spreads and interest rates, may be also used to value the Fund's assets and liabilities, i.e. prices provided by a broker-dealer or other market participant who has not committed to trade at that price. Although indicative quotes are typically received from established market participants, the Fund may not have the transparency to view the underlying inputs which support the market quotations. Significant changes in an indicative quote would generally result in significant changes in the fair value of the security.

Certain fixed income securities are valued by obtaining a monthly indicative quote from a broker-dealer, adjusted for fluctuations in criteria such as credit spreads and interest rates.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The suitability of the techniques and sources employed to determine fair valuation are regularly monitored and subject to change.

Note 4 – Federal Income Tax Information

The Fund intends to comply with the provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and will distribute substantially all taxable net investment income and capital gains sufficient to relieve the Fund from all, or substantially all, federal income, excise and state income taxes. Therefore, no provision for federal or state income tax is required.

Tax positions taken or expected to be taken in the course of preparing the Fund's tax returns are evaluated to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management has analyzed the Fund's tax positions taken, or to be taken, on federal income tax returns for all open tax years, and has concluded that no provision for income tax is required in the Fund's financial statements. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years after they are filed.

At August 31, 2017, the cost of securities for federal income tax purposes, the aggregate gross unrealized gain for all securities for which there was an excess of value over tax cost, and the aggregate gross unrealized loss for all securities for which there was an excess of tax cost over value were as follows:

Cost	Tax Gain	Tax Unrealized Gain	Tax Unrealized Loss	Net Unrealized Loss
\$	225,935,744	\$	9,228,026	\$ (11,735,386)
				\$ (2,507,360)

NOTES TO SCHEDULE OF INVESTMENTS (*Unaudited*) August 31, 2017

Note 5 – Affiliated Transactions

Investments representing 5% or more of the outstanding voting shares of a portfolio company of a fund, or control of or by, or common control under GI, result in that portfolio company being considered an affiliated company of such fund, as defined in the 1940 Act.

Note 6 – Unfunded Loan Commitments

Pursuant to the terms of certain loan agreements, the Fund held unfunded loan commitments as of August 31, 2017. The Fund is obligated to fund these loan commitments at the borrower's discretion.

The unfunded loan commitments as of August 31, 2017, were as follows:

Borrower	Maturity Date	Face Amount*	Value
Acosta, Inc.	9/26/19	1,511,111	\$ 83,247
Advantage Sales & Marketing, Inc.	7/25/19	900,000	43,907
American Seafoods Group LLC / American Seafoods Finance, Inc.	8/19/21	450,000	44,158
American Stock Transfer & Trust	6/26/18	400,000	8,439
Aspect Software, Inc.	5/25/18	82,500	–
BBB Industries, LLC	11/4/19	1,100,000	65,927
Ceva Logistics Holdings BV (Dutch)	3/19/19	161,986	10,220
Cypress Intermediate Holdings III, Inc.	4/27/22	450,000	52,043
Hillman Group, Inc.	6/30/19	900,000	35,627
IntraWest Holdings S.à r.l.	12/10/18	1,100,000	11,198
Learning Care Group (US), Inc.	5/5/19	500,000	32,091
Lytix, Inc.	8/31/23	157,895	–
PowerSchool, Inc.	7/29/21	450,000	36,678
PowerSchool, Inc.	7/30/21	300,003	32,676
Pro Mach Group, Inc.	10/22/19	650,000	33,533
Signode Industrial Group	5/1/19	1,050,000	43,577
Signode Industrial Group US, Inc.	5/1/19	350,000	14,526
Surgery Center Holdings, Inc.	11/16/17	1,750,000	–
Ursa Insulation B.V.	4/26/21	EUR 60,096	–
Wencor Group	6/19/19	423,077	17,828
		12,746,668	565,675

* The face amount is denominated in U.S. dollars unless otherwise indicated.

Note 7 – Restricted Securities

The securities below are considered illiquid and restricted under guidelines established by the Board:

Restricted Securities	Acquisition Date	Cost	Value
Schahin II Finance Co. SPV Ltd. 5.88% due 09/25/22	01/08/14	\$ 783,911	\$ 82,523
Turbine Engines Securitization Ltd. 2013-1A, 6.38% due 12/13/48	11/27/13	282,310	266,988
		\$1,066,221	\$349,511

Other Information (Unaudited) August 31, 2017

Sector Classification

Information in the “Schedule of Investments” is categorized by sectors using sector-level classifications used by Bloomberg Industry Classification System, a widely recognized industry classification system provider. In the Fund’s registration statement, the Fund has investment policies relating to concentration in specific industries. For purposes of these investment policies, the Fund usually classifies industries based on industry-level classifications used by widely recognized industry classification system providers such as Bloomberg Industry Classification System, Global Industry Classification Standards and Barclays Global Classification Scheme.

Item 2. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended) as of a date within 90 days of the filing date of this report and have concluded, based on such evaluation, that the registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the registrant in this Form N-Q was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) There was no change in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended) that occurred during the registrant's last fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting.

Item 3. Exhibits.

A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Investment Company Act of 1940, as amended (17 CFR 270.30a-2(a)), is attached hereto.
