

WhiteHorse Finance, Inc.

Form 497

November 08, 2018

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**Filed pursuant to Rule 497  
Registration No. 333-217093**

**SUBJECT TO COMPLETION, DATED NOVEMBER 8,  
2018**

**PRELIMINARY PROSPECTUS SUPPLEMENT  
(To prospectus dated October 23, 2018)**

**WhiteHorse Finance, Inc.**

**\$**

**% Notes due 2025**

We are an externally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended. H.I.G. WhiteHorse Advisers, LLC serves as our investment adviser. H.I.G. WhiteHorse Administration, LLC serves as our administrator. These entities are affiliates of H.I.G. Capital, L.L.C., an alternative asset manager founded in 1993 and focused on the lower middle market. H.I.G. Capital, L.L.C. had approximately \$21 billion of capital under management as of September 30, 2018 (based on the regulatory assets under management as reported on Form ADV).

Our investment objective is to generate attractive risk-adjusted returns primarily by originating and investing in senior secured loans, including first lien and second lien facilities, to performing lower middle market companies across a broad range of industries. Such loans typically carry a floating interest rate based on the London Interbank Offered Rate, and have a term of three to six years. We invest primarily in securities that are rated below investment grade by rating agencies or that may be rated below investment grade if they were so rated. Below investment grade securities, which are often referred to as junk bonds, are viewed as speculative investments because of concerns with respect to the issuer's capacity to pay interest and repay principal.

We are offering for sale \$ in aggregate principal amount of % notes due 2025, which we refer to as the Notes. The Notes will mature on , 2025. We will pay interest on the Notes on February 28, May 31, August 31 and November 30 of each year, beginning on February 28, 2019. We may redeem the Notes in whole or in part at any time or from time to time on or after , 2021, at the redemption price discussed under the caption Specific Terms of the

Notes and the Offering Optional Redemption in this prospectus. The Notes will be issued in minimum denominations of \$25 and integral multiples of \$25 in excess thereof.

The Notes will be our direct senior unsecured obligations and rank equally in right of payment with existing and future unsecured, unsubordinated indebtedness issued by WhiteHorse Finance, Inc.

We intend to apply to list the Notes on The NASDAQ Global Select Market, and, subject to official notice of issuance, we expect trading in the Notes on the NASDAQ Global Select Market to begin within 30 days of the original issue date, under the symbol WHFBZ. The Notes are expected to trade flat. This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not included in the trading price. Currently, there is no public market for the Notes.

**Investing in our securities, including the Notes, involves a high degree of risk, including credit risk and the risk of use of leverage. Before buying any of our Notes, you should read the discussion of the risks of investing in us, including the risk of leverage, that are described in the Supplementary Risk Factors section beginning on page S-13 of this prospectus supplement and the Risk Factors section beginning on page 13 of the accompanying prospectus.**

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in the Notes. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. We maintain a website at [www.whitehorsefinance.com](http://www.whitehorsefinance.com) and make all of our annual, quarterly and current reports, proxy statements and other information available, free of charge, on or through our website. This information will also be available, free of charge, by contacting us at 1450 Brickell Avenue, 31<sup>st</sup> Floor, Miami, Florida 33131, Attention: Investor Relations, or by calling us collect at (305) 381-6999. This contact information may also be used to make stockholder inquiries. The SEC also maintains a website at <http://www.sec.gov> that contains this information.

**Neither the SEC nor any state securities commission or other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Per Note	Total
Public offering price	\$	%
Underwriting discount and commission	\$	%
Proceeds, before expenses, to us <sup>(1)</sup>	\$	%

We estimate that we will incur approximately \$ (or \$ per Note) in expenses in connection with this offering, (1)including the fees and expenses incident to securing any required review by the Financial Industry Regulatory Authority, Inc. See Underwriting for additional information. Ladenburg Thalmann & Co. Inc., or Ladenburg, as representative of the underwriters, may also exercise an option to purchase up to an additional \$ aggregate principal amount of Notes from us at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement to cover over-allotments, if any. If the underwriters exercise this option in full, the total underwriting discount will be \$ , and total proceeds, before expenses, will be \$ .

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

Delivery of the Notes in book-entry form through The Depository Trust Company, or DTC, will be made on or about November , 2018.

*Joint Book-Running Managers*

**Ladenburg Thalmann**

**BB&T Capital Markets**  
*Lead Managers*

**Janney Montgomery Scott**

B. Riley FBR

Incapital

Oppenheimer & Co.

The date of this prospectus supplement is November , 2018.

---

TABLE OF CONTENTS

**You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front of this prospectus supplement or the accompanying prospectus, as applicable. Our business, financial condition and prospects may have changed since that date. To the extent required by applicable law, we will update this prospectus supplement and the accompanying prospectus during the offering period to reflect material changes to the disclosure in this prospectus supplement and the accompanying prospectus.**

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds and updates information contained in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information and disclosure. To the extent the information contained in this prospectus supplement differs from the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. You should read this prospectus supplement and the accompanying prospectus together with the additional information described under the heading **Additional Information** before investing in the Notes.

---

TABLE OF CONTENTS

**TABLE OF CONTENTS**  
**PROSPECTUS SUPPLEMENT**

<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	<u>S-1</u>
<u>SPECIFIC TERMS OF THE NOTES AND THE OFFERING</u>	<u>S-7</u>
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>S-12</u>
<u>SUPPLEMENTARY RISK FACTORS</u>	<u>S-13</u>
<u>USE OF PROCEEDS</u>	<u>S-17</u>
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	<u>S-18</u>
<u>CAPITALIZATION</u>	<u>S-20</u>
<u>SENIOR SECURITIES</u>	<u>S-21</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>S-23</u>
<u>DESCRIPTION OF OUR NOTES</u>	<u>S-38</u>
<u>CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	<u>S-47</u>
<u>UNDERWRITING</u>	<u>S-52</u>
<u>LEGAL MATTERS</u>	<u>S-55</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>S-55</u>
<u>ADDITIONAL INFORMATION</u>	<u>S-55</u>
<u>INDEX TO FINANCIAL STATEMENTS</u>	<u>SF-1</u>

**PROSPECTUS**

<u>PROSPECTUS SUMMARY</u>	<u>1</u>
<u>FEES AND EXPENSES</u>	<u>8</u>
<u>RISK FACTORS</u>	<u>13</u>
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>46</u>
<u>USE OF PROCEEDS</u>	<u>47</u>
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	<u>48</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>51</u>
<u>SENIOR SECURITIES</u>	<u>69</u>
<u>PRICE RANGE OF COMMON STOCK</u>	<u>70</u>
<u>SALES OF COMMON STOCK BELOW NET ASSET VALUE</u>	<u>72</u>
<u>THE COMPANY</u>	<u>78</u>
<u>PORTFOLIO COMPANIES</u>	<u>87</u>
<u>MANAGEMENT</u>	<u>91</u>
<u>THE ADVISER AND THE ADMINISTRATOR</u>	<u>101</u>
<u>RELATED PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS</u>	<u>113</u>
<u>CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS</u>	<u>116</u>
<u>SELLING STOCKHOLDERS</u>	<u>118</u>
<u>DETERMINATION OF NET ASSET VALUE</u>	<u>119</u>
<u>DISTRIBUTION REINVESTMENT PLAN</u>	<u>122</u>



TABLE OF CONTENTS

<u>DESCRIPTION OF OUR CAPITAL STOCK</u>	<u>124</u>
<u>DESCRIPTION OF OUR PREFERRED STOCK</u>	<u>129</u>
<u>DESCRIPTION OF OUR SUBSCRIPTION RIGHTS</u>	<u>130</u>
<u>DESCRIPTION OF WARRANTS</u>	<u>132</u>
<u>DESCRIPTION OF OUR DEBT SECURITIES</u>	<u>134</u>
<u>REGULATION</u>	<u>145</u>
<u>BROKERAGE ALLOCATION AND OTHER PRACTICES</u>	<u>150</u>
<u>TAX MATTERS</u>	<u>151</u>
<u>PLAN OF DISTRIBUTION</u>	<u>160</u>
<u>CUSTODIAN, TRANSFER AND DISTRIBUTION PAYING AGENT AND REGISTRAR</u>	<u>162</u>
<u>LEGAL MATTERS</u>	<u>162</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>162</u>
<u>ADDITIONAL INFORMATION</u>	<u>162</u>
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>F-1</u>

S-ii

---

TABLE OF CONTENTS

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights some of the information in this prospectus supplement. It is not complete and may not contain all of the information that you may want to consider. For a more complete understanding of this offering, we encourage you to read this entire prospectus supplement and the accompanying prospectus and the documents that are referenced in this prospectus supplement and the accompanying prospectus, together with any other accompanying supplements. You should read carefully the more detailed information set forth under *Supplementary Risk Factors* in this prospectus supplement and *Risk Factors* in the accompanying prospectus.*

*Except where the context suggests otherwise, the terms:*

*we, us, our and WhiteHorse Finance refer (unless the context otherwise requires) to WhiteHorse Finance, Inc., a Delaware corporation, and its consolidated subsidiaries, WhiteHorse Credit (as defined below), WhiteHorse California (as defined below) and WhiteHorse Finance Warehouse, LLC;*

*H.I.G. Capital refers (unless the context otherwise requires), collectively, to H.I.G. Capital, L.L.C., a Delaware limited liability company, and its affiliates. H.I.G. Capital employs all of WhiteHorse Finance's investment professionals, as well as those of WhiteHorse Advisers (as defined below), WhiteHorse Administration (as defined below) and their respective affiliates;*

*WhiteHorse Credit refers to WhiteHorse Finance Credit I, LLC, a special purpose Delaware limited liability company and a wholly owned subsidiary of WhiteHorse Finance;*

*WhiteHorse California refers to WhiteHorse Finance (CA), LLC, a special purpose Delaware limited liability company and a wholly owned subsidiary of WhiteHorse Credit;*

*WhiteHorse Advisers and the Investment Adviser refer to H.I.G. WhiteHorse Advisers, LLC, a Delaware limited liability company and an affiliate of H.I.G. Capital;*

*WhiteHorse Administration and the Administrator refer to H.I.G. WhiteHorse Administration, LLC, a Delaware limited liability company and an affiliate of H.I.G. Capital;*

*Private Notes refer to the \$30 million senior unsecured notes privately issued on August 7, 2018 to qualified institutional investors in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended; and*

*Credit Facility refers to the \$200 million secured revolving credit facility between WhiteHorse Credit, as borrower, and the Lender, which refers, collectively, to JPMorgan Chase Bank, N.A., together with any additional lenders that have or may join the Credit Facility in the future.*

## WhiteHorse Finance

We are an externally managed, non-diversified, closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act. In addition, for tax purposes, we elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code, and intend to qualify annually for such treatment.

We are a direct lender targeting debt investments in privately held, lower middle market companies located in the United States. We define the lower middle market as those companies with enterprise values between \$50 million and \$350 million. Our investment objective is to generate attractive risk-adjusted returns primarily by originating and investing in senior secured loans, including first lien and second lien facilities, to performing lower middle market companies across a broad range of industries. Such loans typically carry a floating interest rate based on the London Interbank Offered Rate, or LIBOR, and have a term of three to six years. While we focus principally on originating senior secured loans to lower middle market companies, we may also make opportunistic investments at other levels of a company's capital structure, including mezzanine loans or equity interests. We also may receive warrants to



purchase common stock in connection with our debt investments. We generate current income through the receipt of interest payments, as well as origination and other fees, capital appreciation and dividends.

S-1

---

## TABLE OF CONTENTS

We invest primarily in securities that are rated below investment grade by rating agencies or that may be rated below investment grade if they were so rated. Below investment grade securities, which are often referred to as junk bonds, are viewed as speculative investments because of concerns with respect to the issuer's capacity to pay interest and repay principal.

As of September 30, 2018, our investment portfolio consisted primarily of senior secured loans across 49 positions in 36 companies with an aggregate fair value of approximately \$509.6 million. As of December 31, 2017, our investment portfolio consisted primarily of senior secured loans across 43 positions in 32 companies with an aggregate fair value of approximately \$440.7 million. At these dates, the majority of our portfolio comprised senior secured loans to lower middle market borrowers.

## Organizational Structure

The following shows an organizational chart reflecting our relationship with our Investment Adviser and Administrator and our direct and indirect ownership interests in certain of our subsidiaries as of the date of this prospectus supplement:

## Market Opportunity

We pursue an investment strategy focused on originating senior secured loans to lower middle market companies, including first lien and second lien investments. We may also make investments at other levels of a company's capital structure, including mezzanine loans or equity interests, and receive warrants to purchase common stock in connection with our debt investments. We believe that market inefficiencies and an imbalance between the supply of, and demand for, capital in the lower middle market credit market create attractive investment opportunities for the origination of primary loans for the following reasons:

***Specialized Lending Requirements.*** In our experience, lending to lower middle market companies requires more rigorous due diligence and underwriting processes than lending to larger companies. Lower middle market companies typically have fewer management resources to dedicate to the borrowing process, and often receive little or no assistance from financial advisors. Because of these and other specialized lending requirements, only a limited segment of the lending community has historically served lower middle market borrowers.

***Decrease in Commercial Bank Lending Activity.*** In recent years, regulatory changes and ongoing consolidation of smaller commercial banks have curtailed U.S. bank lending capacity. In response, we believe that many remaining commercial banks have deemphasized their service and product offerings to lower middle market companies in favor of lending to larger customers. We believe that the relative decline in the number of commercial banks and a shift in emphasis by remaining banks has driven a higher volume of lower middle market deal flow to us.

## TABLE OF CONTENTS

***Lower Middle Market Environment.*** We believe that as the economic recovery continues following the credit crisis, there has been increased competition for lower middle market investments due to new hedge funds and non-bank lenders that have entered the market and due to improving financial performance of lower middle market companies.

However, we believe that our strong lower middle market position will continue to allow us to find investment opportunities with attractive risk-adjusted returns.

***Significant Demand for Credit.*** We believe that demand for debt financing from lower middle market companies will remain strong because these companies will continue to require credit to refinance existing debt, to support growth initiatives and to finance acquisitions. We believe the strong demand by lower middle market companies should increase lending opportunities for us.

***Inefficient Market.*** We believe there are a number of inefficiencies in the lower middle market credit market which allow us to achieve superior risk-adjusted returns relative to other types of loans. Unlike larger companies, lower middle market borrowers may not have a financial advisor and, as a result, may not receive as many financing offers, leading to more favorable financing terms for us, and may be less sophisticated in negotiating the terms of their financing. Moreover, the simpler capital structures frequently found in lower middle market companies often enhance protections and reduce or eliminate inter-creditor issues. In addition, lower middle market lenders face less competition than lenders to larger companies. As a result, lower middle market lenders frequently have greater flexibility in structuring favorable transactions.

We believe these factors, taken together, should increase lending opportunities for us and enable us to generate attractive risk-adjusted returns.

## **Competitive Strengths**

***Leading Lower Middle Market Position.*** H.I.G. Capital is one of the leading global alternative asset managers focused on the lower middle market. With more than 20 years of investment experience focused primarily on lower middle market companies, H.I.G. Capital believes it has a specialized knowledge of the lower middle market and expertise in evaluating the issues and opportunities facing lower middle market companies throughout economic cycles. We believe that the quality of these resources provides a significant advantage and contributes to the strength of our business.

***Large and Experienced Management Team with Substantial Resources.*** Our Investment Adviser has access through a staffing agreement, or the Staffing Agreement, with an affiliate of H.I.G. Capital under which the affiliate has agreed to make experienced investment professionals available to our Investment Advisor and to provide access to senior investment personnel to enable our Investment Adviser to perform its obligations under our Investment Advisory Agreement. The Staffing Agreement allows our Investment Adviser to utilize the resources and expertise of H.I.G. Capital's more than 650 employees in 19 offices across the United States, Europe and South America as of September 30, 2018. As of such date, H.I.G. Capital had approximately 375 experienced investment professionals, including approximately 125 professionals dedicated to debt investing. We believe that the quality of these resources provides a significant advantage and contributes to the strength of our business.

***Extensive Deal Sourcing Infrastructure.*** Given the inefficiencies of the lower middle market, finding smaller companies that represent attractive debt investment opportunities requires a different sourcing network than that for larger companies. For more than 20 years, H.I.G. Capital has built an extensive and proprietary network of deal sources in the lower middle market consisting of accountants, attorneys and other advisors who have access to these companies. Each of H.I.G. Capital's investment professionals is involved in deal sourcing, and our in-house business

development group of approximately 25 dedicated deal sourcing professionals as of September 30, 2018 further enhanced our sourcing network. We believe H.I.G. Capital's extensive deal sourcing infrastructure provides us with access to investment opportunities that may not be available to many of our competitors.

***Deep Credit Expertise.*** As of September 30, 2018, H.I.G. Capital's credit platform managed over \$12 billion of assets across multiple investment funds supported by its dedicated credit investment professionals. These investment professionals bring a depth of experience and skills across a broad range of transaction types, including primary loan originations, secondary debt purchases and special situations and distressed debt investments. We believe this experience and expertise in credit documentation, loan structuring

S-3

---

## TABLE OF CONTENTS

and restructuring negotiations helps to protect our investments and maximize our recovery value to the extent a portfolio company does not perform as expected.

***Disciplined Investment and Underwriting Process.*** Through its more than 20 years of investment experience, H.I.G. Capital has developed a disciplined investment process entailing intensive bottom-up fundamental analysis in order to generate attractive risk-adjusted returns while preserving downside protection. Our Investment Adviser utilizes the established investment processes developed by H.I.G. Capital to analyze investment opportunities, including structuring loans with appropriate covenants and pricing loans based on its knowledge of the lower middle market and on its rigorous underwriting standards. Each investment is reviewed by the investment committee, which is comprised of senior investment professionals of H.I.G. Capital with an average of more than 20 years of investment experience as of September 30, 2018.

## **Investment Strategy**

Our investment strategy is to generate current income and capital appreciation primarily by originating secured loans.

We seek to create a broad portfolio consisting of investments generally in the range of \$5 million to \$25 million primarily in debt securities and loans of U.S. based lower middle market companies. We primarily target borrowers in the United States with enterprise values of \$50 million to \$350 million across a broad range of industries. The proceeds of our loans are used for a variety of purposes, including refinancings of existing debt, acquisition financing, or working capital to support growth or realignment.

While we focus principally on originating senior secured loans to lower middle market companies that we believe have attractive risk adjusted returns, including first lien and second lien facilities, we may also opportunistically make investments at other levels of a company's capital structure, including mezzanine loans or equity interests. We also may receive warrants to purchase common stock in connection with our debt investments. We may also invest in assets consistent with our investment strategy indirectly through the acquisitions of interests in other investment companies. We generate current income through the receipt of interest payments, origination and other fees, and dividends. Our typical loans carry a floating interest rate based on LIBOR plus a spread, have a term of three to six years, are secured by all tangible and intangible assets of the borrower and include covenants, monitoring and information rights in favor of the lender.

Target businesses will typically exhibit some or all of the following characteristics:

- enterprise value of between \$50 million and \$350 million;
- organized in the United States;
- experienced management team;
- stable and predictable free cash flows;
- discernible downside protection through recurring revenue or strong tangible asset coverage;
- products and services with distinctive competitive advantages or other barriers to entry;
- low technology and market risk; and
- strong customer relationships.

None of these investment policies is fundamental, and they may be changed without stockholder approval.

We expect that, from time to time, our investments may include certain non-qualifying assets, including assets of non-U.S. companies, certain publicly traded companies and, to a lesser extent and subject to certain limits under the 1940 Act, registered or unregistered investment companies. See Risk Factors Risks Relating to our Business and Structure The constraints imposed on us as a business development company and RIC may hinder the achievement of

our investment objective and Regulation Qualifying Assets in the accompanying prospectus.

S-4

---

TABLE OF CONTENTS

## Recent Developments

**Reduction in Asset Coverage Ratio.** In March 2018, the Small Business Credit Availability Act, or the SBCAA, was enacted into law. The SBCAA amended the 1940 Act to reduce the asset coverage requirements applicable to business development companies from 200% to 150% so long as the business development company meets certain disclosure requirements and obtains certain approvals. On August 1, 2018, our stockholders approved the reduced asset coverage requirement as previously discussed. As a result, our asset coverage requirements applicable to senior securities decreased from 200% to 150%, effective August 2, 2018.

**Redemption of Senior Notes.** On July 10, 2018, we notified American Stock Transfer & Trust Company, LLC, the trustee for our 6.50% Senior Notes due 2020, or the Senior Notes, of our election to redeem the \$30 million aggregate principal amount of the Senior Notes outstanding, and instructed the trustee to provide notice of such redemption to the holders of the Senior Notes in accordance with the terms of the indenture agreement under which the Senior Notes are issued. The redemption was completed on August 9, 2018, and the Senior Notes were delisted from the NASDAQ Global Select Market.

**Issuance of Private Notes.** On July 13, 2018, we entered into an agreement governing the issuance of \$30 million aggregate principal amount of the Private Notes to qualified institutional investors in a private placement offered in reliance on Section 4(a)(2) of the Securities Act. The Private Notes have a fixed interest rate of 6.00% and are due on August 7, 2023, unless redeemed, purchased or prepaid prior to such date by us or our affiliates in accordance with the terms of the Private Notes. Interest on the Private Notes will be due semiannually, and the interest rate is subject to increase (up to 6.50%) in the event that, subject to certain exceptions, the Private Notes cease to have an investment grade rating. In addition, we are obligated to offer to repay the Private Notes at par if certain change in control events occur. The Private Notes are general unsecured obligations that rank *pari passu* with all of our outstanding and future unsecured unsubordinated indebtedness issued by us. The closing of the transaction occurred on August 7, 2018. We used the net proceeds from this offering, together with cash on hand, to redeem all of our Senior Notes, as discussed above.

**Waiver of Management Fees on Cash.** WhiteHorse Advisers has agreed to waive that portion of the base management fee payable with respect to cash and cash equivalents and restricted cash and cash equivalents to which it would otherwise be entitled under the Investment Advisory Agreement (defined below) for the fiscal quarters ended September 30, 2018, December 31, 2018 and March 31, 2019; and for the fiscal quarter ended June 30, 2019 only to the extent that the determination of base management fees would otherwise include March 31, 2019 cash and cash equivalents and restricted cash and cash equivalents for the purpose of calculating the average carrying value of consolidated gross assets.

**Reduction in Management Fees on Assets Using Leverage Over 200% Asset Coverage.** On November 1, 2018, at an in-person meeting, our board of directors approved an amended and restated investment advisory agreement, or the Investment Advisory Agreement. The Investment Advisory Agreement was amended and restated to reduce the base management fee on assets financed using leverage over 200% asset coverage (over 1.0x debt to equity). Effective November 1, 2018, the base management fee is calculated at an annual rate of 2.0% of the average carrying value of consolidated gross assets (including cash and cash equivalents and assets purchased with borrowed funds); provided, however, the base management fee shall be calculated at an annual rate of 1.25% of the average carrying value of consolidated gross assets (including cash and cash equivalents and assets purchased with borrowed funds), that exceeds the product of (i) 200% and (ii) the value of our total net assets, at the end of the two most recently completed calendar quarters.

***Potential Joint Venture.*** We are exploring the formation of a joint venture with an experienced institutional investor to invest in senior secured credit assets consistent with our overall investment strategy. There is no assurance that we will ultimately form such a joint venture, which remains in an early stage of development.

S-5

---



TABLE OF CONTENTS

## **Supplementary Risk Factors**

Investing in us involves a high degree of risk and you could lose all or part of your investment. We refer to certain of these risks below.

The Notes will be unsecured and therefore will be effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future.

The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries. The Indenture (as defined below) under which the Notes will be issued will contain limited protection for holders of the Notes.

An active trading market for the Notes may not develop, which could limit the market price of the Notes or your ability to sell them.

If a rating agency assigns the Notes a non-investment grade rating or the Notes are not rated, the Notes may be subject to greater price volatility than similar securities without such a rating.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.

We may not be able to invest the proceeds of this offering in portfolio companies in a timely manner.

The trading market or market value of the Notes or any other publicly issued debt securities may fluctuate.

We may choose to redeem the Notes when prevailing interest rates are relatively low.

A downgrade, suspension or withdrawal of the credit rating assigned by a rating agency to us or our securities, if any, could cause the liquidity or market value of the Notes to decline significantly.