WhiteHorse Finance, Inc.
Form 497
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PROSPECTUS SUPPLEMENT
(to Prospectus dated August 25, 2015)

WHITEHORSE FINANCE, INC.

Up to 3,321,033 Shares of Common Stock Issuable Upon Exercise of Rights to Subscribe for Such Shares

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. 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 small-capitalization, or small-cap, market. H.I.G. Capital, L.L.C. had approximately $15 billion of capital under management as of September 30, 2015 (based on the regulatory assets under management, or AUM, as reported on Form ADV).

Our investment objective is to generate risk-adjusted returns primarily by originating secured loans to small-cap companies across a broad range of industries, providing our stockholders with current income and capital appreciation. 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 issued non-transferable subscription rights to our stockholders of record as of 5:00 p.m., New York City time, on October 23, 2015, entitling the holders thereof to subscribe for up to an aggregate of 3,321,033 shares of our common stock. Record date stockholders received one right for each outstanding share of common stock owned on the record date. The rights entitle the holders to purchase one new share of common stock for every 4.511505 rights held. In addition, record date stockholders who fully exercise their rights will be entitled to subscribe, subject to the limitations described in this prospectus supplement and subject to allotment, for additional shares that remain unsubscribed as a result of any unexercised rights.

As a result of the terms of this offer, stockholders who do not fully exercise their rights will own, upon completion of this offer, a smaller proportional interest in us than they owned prior to the offer. In addition, because the subscription price per share will likely be less than the net asset value per share, based on our current market price, the offer will likely result in an immediate dilution of net asset value per share for all of our stockholders. This offering will also cause dilution in the distributions per share we are able to distribute subsequent to completion of the offering. Such dilution is not currently determinable because it is not known how many shares will be subscribed for or what the net asset value or market price of our common stock will be on the expiration date for the offer. If the subscription price per share is substantially less than the current net asset value per share, such dilution could be substantial. Any such dilution will disproportionately affect non-exercising stockholders. If the subscription price is less than our net asset value per share, then all stockholders will experience a decrease in the net asset value per share held by them, irrespective of whether they exercise all or any portion of their rights. See Risk Factors Your economic and voting interest in us, as well as your proportionate interest in our net asset value, may be diluted as a result of this rights offering and Dilution in this prospectus supplement for more information.

After giving effect to the sale of shares of our common stock in this offering, assuming all rights are exercised at the subscription price of $13.55 per share and our receipt of the estimated net proceeds from that sale, our as adjusted net asset value would have been approximately $264,527,679, or approximately $14.45 per share, representing immediate dilution of approximately $0.10 per share to our existing stockholders.

Our common stock is traded on the NASDAQ Global Select Market under the symbol WHF . The last reported closing price for our common stock on November 5, 2015 was $11.73 per share. The subscription rights are non-transferable and will not be listed for trading on the NASDAQ Global Select Market or any other stock exchange. The rights may not be purchased or sold, and there will not be any market for trading the rights. The shares of our common stock to be issued pursuant to this offering will be listed for trading on the NASDAQ Global Select Market under the symbol WHF . See The Offering for a complete discussion of the terms of this offer.

The subscription price is $13.55 per share. The offer will expire at 5:00 p.m., New York City time, on November 20, 2015, unless extended as described in this prospectus supplement. We, in our sole discretion, may extend the period for exercising the subscription rights. You will have the right to withdraw your subscriptions at any time prior to the expiration date for the offer.

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it will likely increase the risk of loss for purchasers in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Investing in our securities involves a high degree of risk. Before buying any securities, you should read the discussion of the material risks of investing in the rights, including the risk of leverage, in Risk Factors beginning on page S-14 of this prospectus supplement and on page 13 of the accompanying prospectus.

This prospectus supplement contains important information you should know before investing in the rights. 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. This information is available free of charge by contacting us at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131, Attention: Investor Relations, or by calling us collect at (305) 381-6999. The SEC also maintains a website at *http://www.sec.gov* that contains such information.

	Per Share(4)	Total(5)
Subscription price(1)	$13.55	$45,000,000
Estimated sales load (underwriting discounts and commissions)(2)(3)	$0.32	$1,058,012
Proceeds to us, before estimated expenses (1)(3)	$13.23	$43,941,988

(1) The subscription price is $13.55 per share. See The Offering Subscription Price.

(2)

In connection with this offering, Deutsche Bank Securities Inc., the dealer manager for this offering, will receive a fee for its financial advisory, marketing and soliciting services equal to the sum of: (i) 4% of the subscription price per share for each share issued to non-affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege and (ii) 1% of the subscription price per share for each share issued to affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege. See The Offering Distribution Arrangements.

(3) We estimate that we will incur offering expenses of approximately $500,000 in connection with this offering. We estimate that net proceeds to us after expenses will be $43,441,988 assuming all of the rights are exercised at the subscription price. We have agreed to pay certain fees and expenses of the dealer manager, including legal fees, in connection with the offering, subject to a cap of $200,000.

(4) The estimated total and per share dollar amount of all fees and expenses of the rights offering that will be borne by stockholders will be $1,558,012 and $0.47, respectively.

(5) Assumes all rights are exercised at the subscription price.

Dealer Manager

Deutsche Bank Securities

The date of this prospectus supplement is November 6, 2015.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the dealer manager has not, authorized any other person to provide you with different or additional information. We are not, and the dealer manager is 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 appearing in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front cover of this prospectus supplement. Our business, financial condition, results of operations, cash flows and prospects may have changed since that date. We will update these documents to reflect material changes only as required by law. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering and also adds to 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, Available Information before investing in the rights.

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PROSPECTUS

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement and the accompanying prospectus carefully.

Except as otherwise indicated, 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 Warehouse (as defined below) and Bayside Financing S.A.R.L.;

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

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;

Unsecured Term Loan refers to the $90 million unsecured term loan, as amended, between us, H.I.G. Bayside Loan Opportunity Fund II, L.P., as guarantor, and Citibank, N.A., as sole lead arranger;

Senior Notes refer to the $30 million senior notes issued on July 23, 2013; and

Credit Facility refers to the $150 million secured revolving credit facility, as amended, between WhiteHorse Warehouse, as borrower, and the Lender (as defined below), for which Natixis, New York Branch, provides liquidity support, and for which the Lender refers, collectively, to the asset-backed commercial paper conduit, together with any additional lenders that may join the Credit Facility in the future.

On December 3, 2012, we converted from a Delaware limited liability company into a Delaware corporation. In this conversion, WhiteHorse Finance, Inc. succeeded to the business of WhiteHorse Finance, LLC, and the members of WhiteHorse Finance, LLC became stockholders of WhiteHorse Finance, Inc. In this prospectus supplement, we refer to those transactions as the BDC Conversion and, where applicable, shares refer to our units prior to the BDC Conversion and to shares of common stock in our corporation afterward.

THE RIGHTS OFFERING

The Offer

We issued to stockholders of record, or record date stockholders, on October 23, 2015, or the record date, one non-transferable right for each share of our common stock held on the record date. Each holder of the rights, or rights holder, is entitled to subscribe for one share of our common stock for every 4.511505 rights held, which we refer to as the primary subscription right. We will not issue fractional shares of our common stock upon the exercise of rights; accordingly, rights may be exercised only in multiples of one.

The rights are non-transferable and will not be listed for trading on the NASDAQ Global Select Market or any other stock exchange. The rights may not be purchased or sold and there is no market for trading the rights. The shares of common stock to be issued pursuant to this offering will be listed for trading on the NASDAQ Global Select Market under the symbol WHF . See The Offering.

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Subscription Price

The subscription price per share is $13.55 per share. See The Offering Subscription Price.

Over-Subscription Privilege

Record date stockholders who fully exercise all rights issued to them (other than those rights which cannot be exercised because they represent the right to acquire less than one share) are entitled to subscribe for additional shares of our common stock which were not subscribed for by other stockholders, which we refer to as the remaining shares. If sufficient remaining shares of our common stock are available, all record date stockholders over-subscription requests will be honored in full. Shares acquired pursuant to the over-subscription privilege are subject to certain limitations and pro rata allocations. See The Offering Over-Subscription Privilege.

We understand that certain affiliates of the Adviser intend to exercise their pro rata subscription rights in full and to exercise their over-subscription privilege to purchase their allocable portions of any unsubscribed shares in the rights offering, in each case, at the subscription price. See The Offering Over-Subscription Privilege.

Purpose of the Offer

Our board of directors has determined that it is in the best interest of WhiteHorse Finance, Inc. and its stockholders to raise additional capital for new investments, primarily in senior secured loans to performing small-cap companies, as well as other general corporate purposes. We believe that making additional investments will enhance the diversification of our portfolio and reduce our risk exposure to any one particular investment. In addition, we believe that we must have sufficient liquidity available to remain a credible source of capital in the market for small-cap investments and unless we increase our present capital resources, we believe that we will have limited capital available for new investments in 2016. However, we expect to have sufficient financial resources available, including from investment income, to pay our expenses for the foreseeable future. We do not currently intend to use the proceeds from this or any future offerings of securities to maintain our distribution policy by funding future distributions. This offering gives existing stockholders the right to purchase additional shares while providing us access to additional capital resources. All costs of this rights offering will be borne by our stockholders whether or not they exercise their subscription rights. In connection with the approval of this rights offering, our board of directors considered the following factors:

- the subscription price relative to the market price and to our net asset value per share, including the likelihood that the subscription price will be below our net asset value per share and the resulting effect that the offering may have on our net asset value per share;
- the increased capital to be available upon completion of the rights offering for us to make additional investments consistent with our investment objective;
- the dilution in ownership and voting power to be experienced by non-exercising stockholders;
- the dilutive effect the offering will have on the dividends per share we distribute subsequent to completion of the offering;
- the terms and expenses in connection with the offering relative to other alternatives for raising capital, including fees payable to the dealer manager;
- the size of the offering in relation to the number of shares outstanding;
- the fact that the rights will not be listed on the NASDAQ Global Select Market;
- the market price of our common stock, both before and after the announcement of the rights offering;
- the general condition of the securities markets; and

any impact on operating expenses associated with an increase in capital, including an increase in fees payable to WhiteHorse Advisers.

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We cannot provide you any assurance of the amount of dilution, if any, that a stockholder will experience, that the current offering will be successful, or that by increasing the amount of our available capital, our aggregate expenses and, correspondingly, our expense ratio will be lowered. In addition, the management fee we pay to WhiteHorse Advisers is based upon our gross assets, which may include any cash or cash equivalents that we have not yet invested in the securities of portfolio companies, so we expect the management fee payable to WhiteHorse Advisers to increase as a result of the current offering.

In determining that this offer is in our best interest and in the best interests of our stockholders, we have retained Deutsche Bank Securities Inc., the dealer manager for this offering, to provide us with financial advisory, marketing and soliciting services relating to this offer, including advice with respect to the structure, timing and terms of the offer. In this regard, our board of directors considered current secondary market trading conditions, using a fixed pricing versus variable pricing mechanism, the benefits and drawbacks of conducting a non-transferable versus a transferable rights offering, the effect on us if this offer is not fully subscribed, the experience of the dealer manager in conducting rights offerings, and the inclusion of an over-subscription privilege.

Although we have no present intention to do so, we may, in the future and in our discretion, choose to make additional rights offerings from time to time for a number of shares and on terms which may or may not be similar to this offer, provided that our board of directors must determine that each subsequent rights offering is in the best interest of our stockholders. Any such future rights offering will be made in accordance with the Investment Company Act of 1940, as amended, or the 1940 Act.

Non-Transferability of Rights

The rights are being issued in this offering only to holders of our common stock as of the record date and are non-transferable. Therefore, each underlying share of common stock to be issued upon exercise of the rights, and not the rights, will be admitted for trading on the NASDAQ Global Select Market. See The Offering Non-Transferability of Rights.

Use of Proceeds

We intend to use the net proceeds from this offering primarily to make new investments in accordance with our investment objectives, as well as for general corporate purposes. See Use of Proceeds.

Dilutive Effects

Any stockholder who chooses not to participate in the offering should expect to own a smaller interest in us upon completion of the offering. The offering will dilute the ownership interest and voting power of stockholders who do not fully exercise their basic subscription rights. Further, because the net proceeds per share from the offering may be lower than our then-current net asset value per share, the offering may reduce our net asset value per share. The amount of dilution, if any, that a stockholder may experience could be substantial. See Dilution.

Amendments and Termination

We reserve the right to amend the terms and conditions of this offering, whether the amended terms are more or less favorable to you. We will comply with all applicable laws, including the federal securities laws, in connection with any such amendment. In addition, we may, in our sole discretion, terminate the rights offering at any time prior to delivery of the rights and the shares of our common stock offered hereby. If this rights offering is terminated, all rights will expire without value, and the subscription agent will return as soon as practicable all exercise payments, without interest.

How to Obtain Subscription Information

Contact your broker-dealer, trust company, bank or other nominee where your rights are held, or
Contact the information agent, D.F. King & Co., Inc., toll-free at (800) 591-8268. Broker-dealers and nominees may call (212) 493-3910.

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How to Subscribe

Deliver a completed subscription certificate and payment to the subscription agent by the expiration date of the rights offering, or
If your shares are held in an account with your broker-dealer, trust company, bank or other nominee, which qualifies as an Eligible Guarantor Institution under Rule 17Ad-15 of the Exchange Act, have your Eligible Guarantor Institution deliver a notice of guaranteed delivery to the subscription agent by the expiration date of the rights offering.

Subscription Agent

American Stock Transfer & Trust Company, LLC will act as the subscription agent in connection with this offer.

Information Agent

D.F. King & Co., Inc. will act as the information agent in connection with this offer. You may contact D.F. King & Co., Inc. toll-free with questions at (800) 591-8268. Broker-dealers and nominees may call (212) 493-3910.

Distribution Arrangements

Deutsche Bank Securities Inc. will act as dealer manager for the offering. Under the terms and subject to the conditions contained in the dealer manager agreement, the dealer manager will provide financial advisory services and marketing assistance in connection with the offering and will solicit the exercise of rights and participation in the over-subscription privilege by our stockholders. The offer is not contingent upon any number of rights being exercised. We have agreed to pay the dealer manager a fee for its financial advisory, marketing and soliciting services equal to the sum of: (i) 4% of the subscription price per share for each share issued to non-affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege and (ii) 1% of the subscription price per share for each share issued to affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege. See The Offering Distribution Arrangements. The dealer manager may reallow a portion of its fees to other broker-dealers that have assisted in soliciting the exercise of rights.

Important Dates to Remember

Record Date	October 23, 2015(1)
Subscription Period	from October 23, 2015 to November 20, 2015(1)
Expiration Date	November 20, 2015(1)
Deadline for Delivery of Subscription Certificates and Payment for Shares	November 20, 2015 at 5:00 p.m. EST(1)
Deadline for Delivery of Notice of Guaranteed Delivery	November 20, 2015 at 5:00 p.m. EST(1)
Deadline for Delivery of Subscription Certificates and Payment for Shares pursuant to Notice of Guaranteed Delivery	November 25, 2015 at 5:00 p.m. EST(1)

(1) Unless the offer is extended.

(2) Participating rights holders must, by the expiration date of the offer (unless the offer is extended), either (i) deliver

a subscription certificate and payment for shares or (ii) cause to be delivered on their behalf a notice of guaranteed delivery.

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COMPANY OVERVIEW

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 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, small-cap companies located in the United States. We define the small-cap 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 small-cap companies across a broad range of industries that 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 small-cap companies, we may also make opportunistic investments at other levels of a company s capital structure, including mezzanine loans or equity interests, and in companies outside of the small-cap market, to the extent we believe the investment presents an opportunity to achieve an attractive risk-adjusted return. 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.

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.

Our Investment Adviser

Our investment activities are managed by our investment adviser, WhiteHorse Advisers. WhiteHorse Advisers is an affiliate of H.I.G. Capital and is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments in portfolio companies on an ongoing basis. WhiteHorse Advisers has also agreed to provide us with access to personnel and its investment committee, or the investment committee. WhiteHorse Advisers is a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act. See The Adviser and the Administrator Investment Advisory Agreement Management Fee in the accompanying prospectus for a discussion of the fees that are payable by us to our Investment Adviser.

WhiteHorse Advisers entered into 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 WhiteHorse Advisers and to provide access to its senior investment personnel to enable WhiteHorse Advisers to perform all of the Investment Adviser s obligations under the Investment Advisory Agreement. See Related Party Transactions and Certain Relationships Staffing Agreement in the accompanying prospectus for a discussion of the Staffing Agreement. We believe that the Staffing Agreement provides our Investment Adviser with access to investment opportunities, which we refer to in the aggregate as deal flow, generated by H.I.G. Capital in the ordinary course of business and commits certain members of H.I.G. Capital s investment committee to serve as members of WhiteHorse

Advisers investment committee.

An affiliate of our Investment Adviser, WhiteHorse Administration, under an administrative agreement, or the Administration Agreement, provides the administrative services necessary for us to operate. See The Adviser and the Administrator Administration Agreement in the accompanying prospectus for a discussion of the fees and expenses for which we are required to reimburse WhiteHorse Administration.

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H.I.G. Capital

H.I.G. Capital is one of the leading global alternative asset managers focused on the small-cap market. H.I.G. Capital was founded in 1993 and, for more than 20 years, has grown by continually enhancing its strategic investment capabilities into additional asset classes within the small-cap market. As of September 30, 2015, H.I.G. Capital managed approximately $15 billion of capital (based on the regulatory assets under management, or AUM, as reported on Form ADV) through a number of buyout, credit-oriented and growth capital funds, each of which is focused on the small-cap market. As of such date, H.I.G. Capital operated through domestic offices in Atlanta, Boston, Chicago, Dallas, Miami, New York and San Francisco and international offices in Hamburg, London, Madrid, Milan, Paris and Rio de Janeiro and had a team of over 300 investment professionals. H.I.G. Capital s investment professionals share a common investment philosophy built around a highly analytical, private equity-like framework of rigorous business assessment, extensive due diligence and a disciplined risk valuation methodology that guides investment decisions. H.I.G. Capital has built an extensive and proprietary network of informal and unconventional deal sources in the small-cap business community consisting of accountants, attorneys, and other advisors who have access to small-cap companies. We believe that H.I.G. Capital, as an experienced small-cap investor, has a demonstrated ability to identify, source, analyze, invest and monitor investments in the small-cap market. H.I.G. Capital is headquartered in Miami, Florida.

Market Opportunity

We pursue an investment strategy focused on originating senior secured loans to small-cap companies, including first lien and second lien facilities. 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 small-cap credit market creates an attractive investment opportunity through the origination of primary loans for the following reasons:

Specialized Lending Requirements. In our experience, lending to small-cap companies requires more rigorous due diligence and underwriting processes than lending to larger companies. Small-cap companies typically have fewer management resources to dedicate to the borrowing process, and often receive no assistance from financial advisors in this regard. Because of these and other specialized lending requirements, only a limited segment of the lending community has historically served small-cap borrowers.

Reduced Lending by Commercial Banks. Recent regulatory changes and continued ownership of legacy assets have significantly curtailed banks lending capacities. In response, we believe that many commercial banks have deemphasized their service and product offerings to small-cap companies in favor of lending to larger customers. We believe that the relative decline in competition from commercial banks drives a higher volume of deal flow to us.

Reduced Credit Supply from Non-Bank Lenders. We believe lending to small-cap companies by hedge funds and other non-bank lenders is constrained, as many such lenders have gone out of business, exited this market or are winding down. Along with reduced lending by commercial banks, we believe that reduced credit supply from non-bank lenders provides a promising environment for originating loans to small-cap companies.

Significant Demand for Credit. We believe that demand for debt financing from small-cap 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 combination of strong demand by small-cap companies and the reduced supply of credit described above should increase lending opportunities for us.

Inefficient Market. We believe there are a number of inefficiencies in the small-cap credit market that permit us to achieve superior risk-adjusted returns relative to other types of loans. Unlike larger companies, small-cap 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 small-cap companies often enhance protections and reduce or eliminate intercreditor issues. In addition, small-cap lenders face less competition than lenders to larger companies. As a result, small-cap lenders frequently have greater flexibility in structuring favorable transactions.

We believe these factors, taken together, should increase lending opportunities for us.

Competitive Strengths

Leading Small-Cap Market Position. H.I.G. Capital is one of the leading global alternative asset managers focused on the small-cap market. With more than 20 years of investment experience focused primarily on small-cap companies, H.I.G. Capital believes it has a specialized knowledge of the small-cap marketplace and expertise in evaluating the issues and opportunities facing small-cap 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 the Staffing Agreement to the resources and expertise of H.I.G. Capital s more than 500 employees in thirteen offices across the United States, Europe and South America as of September 30, 2015. As of such date, H.I.G. Capital had over 300 experienced investment professionals, including over 90 professionals dedicated to debt investing. We believe that the quality of these resources provides a significant advantage and will contribute to the strength of our business.

Extensive Deal Sourcing Infrastructure. Given the inefficiencies of the small-cap 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 small-cap market consisting of accountants, attorneys and other advisors who have access to these companies. Each of H.I.G. Capital s over 300 investment professionals is involved in deal sourcing, and our in-house business development group of 32 dedicated deal sourcing professionals further enhances 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, 2015, H.I.G. Capital s credit platform managed approximately $8 billion of capital across multiple investment funds supported by over 90 dedicated credit investment professionals. These investment professionals bring a depth of experience across a broad range of transaction types, including primary loan originations and distressed debt investments, and focus on capital preservation by extending loans to portfolio companies with assets that it believes will retain sufficient value to repay us even in depressed markets or under liquidation scenarios. We believe this experience and expertise in credit documentation, loan structuring 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 small-cap 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, 2015.

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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:

Operating and Regulatory Structure

Our investment activities are managed by WhiteHorse Advisers and supervised by our board of directors, a majority of whom are independent of H.I.G. Capital, WhiteHorse Advisers and their respective affiliates.

We elected to be treated as a business development company under the 1940 Act and as a RIC under Subchapter M of the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors of a business development company be persons other than interested persons, as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

As a business development company, we are required to comply with certain regulatory requirements. For example, we note that any affiliated investment vehicle formed in the future and managed by our Investment Adviser may, notwithstanding different stated investment objectives, have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. If our Investment Adviser undertakes to manage a new fund in the future, we will not invest in any portfolio company in which that fund has a pre-existing investment, although we may co-invest with such affiliate on a concurrent basis, subject to compliance with existing regulatory guidance, applicable regulations, our allocation procedures and/or exemptive relief issued by the SEC. See Regulation in the accompanying prospectus.

Also, as a business development company, we are generally prohibited from acquiring assets other than qualifying assets unless, after giving effect to any acquisition, at least 70% of our total assets are qualifying assets. Qualifying assets generally include securities of eligible portfolio companies, cash, cash equivalents, U.S. government securities and high-quality debt instruments maturing in one year or less from the time of investment. Under the rules of the 1940 Act, eligible portfolio companies include (1) private U.S. operating companies, (2) public U.S. operating companies whose securities are not listed on a national securities exchange (e.g., the New York Stock Exchange) or registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and (3) public U.S. operating companies having a market capitalization of less than $250 million. Public U.S. operating companies whose securities are quoted on the over-the-counter bulletin board and through Pink Sheets LLC are not listed on a national securities exchange and therefore are eligible portfolio companies. See Regulation in the accompanying prospectus.

Use of Leverage

As a business development company, we are permitted under the 1940 Act to borrow funds to finance a portion of our investments. As of September 30, 2015, we had $88.5 million debt outstanding under the Credit Facility, $30 million of debt outstanding under the Senior Notes and $55 million of debt outstanding under the Unsecured Term Loan. In addition to the Credit Facility, the Senior Notes and the Unsecured Term Loan described above, we expect to use leverage to finance a portion of our investments in the future, consistent with the rules and regulations under the 1940 Act. We consolidate our financial results with those of WhiteHorse Warehouse for financial reporting purposes.

As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we cannot incur additional debt and could be required to sell a portion of our investments to repay debt when it is disadvantageous to do so. We measure our compliance with the leverage test applicable to business development companies under the 1940 Act on a consolidated basis. We expect to continue to use leverage to finance a portion of our investments in the future, consistent with the rules and regulations under the 1940 Act. We expect that we would incur such leverage through either a traditional credit facility or a securitization vehicle, rather than through an issuance of preferred stock.

The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. In the future, we may borrow from, and issue senior securities to, banks, insurance companies and other lenders. If the value of our assets decreases, leveraging would cause net asset value, or NAV, to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. See Risk Factors Risks Relating to our Business and Structure We intend to continue to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us in the accompanying prospectus.

Conflicts of Interest

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. On July 8, 2014, we received an exemptive relief order from the SEC, which permits us to participate in negotiated investments with our affiliates, subject to certain conditions. The exemptive relief order to co-invest with affiliated funds provides stockholders with access to a broader range of investment opportunities. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into certain joint transactions (which could include investments in the same portfolio company) with such affiliates, absent the prior approval of our independent directors. Our Investment Adviser and its affiliates, including persons that control, or are under common control with, us or our Investment Adviser, are also considered to be our affiliates under the 1940 Act.

We may invest alongside other clients of our Investment Adviser and its affiliates in certain circumstances where doing so is consistent with applicable law, the terms of our exemptive relief order, SEC staff interpretations and/or exemptive relief provided by the SEC. For example, we may invest alongside such accounts consistent with guidance promulgated by the staff of the SEC permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that our Investment Adviser, acting on our behalf and on behalf of other clients, negotiates no term other than price. We may also invest alongside our Investment Adviser s other clients as otherwise permissible under regulatory guidance, applicable regulations and the allocation policy of H.I.G. Capital and our Investment Adviser. Under this allocation policy, a fixed calculation, based on the type of investment, will be applied to determine the amount of each opportunity to be allocated to us. This allocation policy will be periodically approved by our Investment Adviser and reviewed by our independent directors. We expect that

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these determinations will be made similarly for other accounts sponsored or managed by our Investment Adviser and its affiliates. If sufficient securities or loan amounts are available to satisfy our and each such account s proposed demand, we expect that the opportunity will be allocated in accordance with our Investment Adviser s pre-transaction determination. Where there is an insufficient amount of an investment opportunity to satisfy us and other accounts sponsored or managed by our Investment Adviser or its affiliates, the allocation policy further provides that allocations among us and such other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available. However, we can offer no assurance that investment opportunities will be allocated to us fairly or equitably in the short-term or over time.

The exemptive relief we received permits greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other accounts sponsored or managed by our Investment Adviser or its affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions, as well as regulatory requirements and other relevant factors. See Related Party Transactions and Certain Relationships in the accompanying prospectus. We cannot assure you, however, that we will obtain such approvals or exemptive relief or develop opportunities that comply with such limitations.

In situations where co-investment with other accounts managed by our Investment Adviser or its affiliates is not permitted or appropriate, H.I.G. Capital and our Investment Adviser will need to decide which client will proceed with the investment. Our Investment Adviser s allocation policy provides, in such circumstances, for investments to be allocated on a rotational basis to assure that all clients of our Investment Adviser and its affiliates have fair and equitable access to such investment opportunities. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which a fund managed by our Investment Adviser or its affiliates has previously invested. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us.

See Risk Factors Risks Relating to our Business and Structure There are significant potential conflicts of interest that could affect our investment returns in the accompanying prospectus and Related Party Transactions and Certain Relationships in the accompanying prospectus.

Company Information

Our principal executive offices are located at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131, telephone number (305) 381-6999. Our corporate website is located at *www.whitehorsefinance.com.* Information on our website is not incorporated into or a part of this prospectus supplement.

Risk Factors

The value of our assets, as well as the market price of our securities, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. See Risk Factors beginning on page S-14 of this prospectus supplement and on page 13 of the accompanying prospectus, and the other information included in the accompanying prospectus, for additional discussion of factors you should carefully consider before deciding to invest in our securities.

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FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. The following table should not be considered a representation of our future expenses. Actual expenses may be greater or less than shown. Except where the context suggests otherwise, whenever this prospectus supplement contains a reference to fees or expenses paid by us or WhiteHorse Finance, or that we will pay fees or expenses, common stockholders will indirectly bear such fees or expenses as investors in WhiteHorse Finance.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	2.35 %[(1)]
Offering expenses (as a percentage of offering price)	1.11 %[(2)]
Dividend reinvestment plan fees	None [(3)]
Total stockholder transaction expenses (as a percentage of offering price)	3.46 %
Annual expenses (as a percentage of net assets attributable to common stock):	
Base management fees	3.84 %[(4)]
Incentive fees payable under Investment Advisory Agreement (20% of Pre-Incentive Fee Net Investment Income and 20% of realized capital gains)	2.54 %[(5)]
Interest payments on borrowed funds	3.03 %[(6)]
Other expenses	0.89 %[(7)]
Total annual expenses	10.30 %

(1) In connection with this offering, Deutsche Bank Securities Inc., the dealer manager for this offering, will receive a fee for its financial advisory, marketing and soliciting services equal to the sum of: (i) 4% of the subscription price per share for each share issued to non-affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege and (ii) 1% of the subscription price per share for each share issued to affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege. See The Offering Distribution Arrangements.

(2) Amount reflects estimated offering expenses of approximately $500,000, which assumes that the offer is fully subscribed. This amount includes the fee that we have agreed to pay to the subscription agent, estimated to be $20,000 plus reimbursement for its out-of-pocket expenses related to the offer. See The Offering Distribution Arrangements.

(3) The expenses of the dividend reinvestment plan, which consist primarily of the expenses of American Stock Transfer & Trust Company, LLC, are included in other expenses. See Dividend Reinvestment Plan in the accompanying prospectus.

(4) Our base management fee under the Investment Advisory Agreement is based on our gross assets, including assets purchased with borrowed funds and is payable quarterly in arrears. The management fee referenced in the table above is based on actual amounts incurred during the nine months ended September 30, 2015. The SEC requires that the Management fees percentage be calculated as a percentage of net assets attributable to common stockholders, rather than total assets, including assets that have been funded with borrowed monies because common stockholders bear all of this cost. The estimate of our base management fees assumes net assets of $221.4 million and leverage of $173.5 million, which reflects our net assets and leverage as of September 30, 2015.

(5) The incentive fee referenced in the table above is based on actual amounts incurred during the nine months ended September 30, 2015, annualized for a full year. The incentive fee consists of two components that are independent of each other (except as provided in the Incentive Fee Cap and Deferral Mechanism described below), with the

result that one component may be payable even if the other is not.

We have structured the calculation of these incentive fees, which we refer to as the Income and Capital Gain Incentive Fee Calculations, to include a fee limitation such that no incentive fee will be paid to our Investment Adviser for any fiscal quarter if, after such payment, the cumulative incentive fees paid to our Investment Adviser for the period that includes such fiscal quarter and the 11 full preceding fiscal quarters, which we refer to in this prospectus supplement as the Incentive Fee Look-back Period, would exceed 20.0% of our Cumulative Pre-Incentive Fee Net Return during the applicable Incentive Fee Look-back Period. The Incentive Fee Look-back Period commenced on January 1, 2013.

Prior to January 1, 2016, the Incentive Fee Look-back Period consists of fewer than 12 full fiscal quarters. For

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example, at the end of our first full fiscal quarter after our initial public offering, the Incentive Fee Look-back Period consisted of one full fiscal quarter and our Cumulative Pre-Incentive Fee Net Return will equal the sum of (a) the Pre-Incentive Fee Net Investment Income during that fiscal quarter and (b) our realized capital gains, realized capital losses, unrealized capital depreciation and unrealized capital appreciation, if any, during such fiscal quarter. Similarly, at the end of our second full fiscal quarter after our initial public offering, the Incentive Fee Look-back Period consisted of two full fiscal quarters and our Cumulative Pre-Incentive Fee Net Return equaled the sum of (a) the Pre-Incentive Fee Net Investment Income during those two fiscal quarters and (b) our cumulative realized capital gains, cumulative realized capital losses, cumulative unrealized capital depreciation and cumulative unrealized capital appreciation, with cumulative meaning occurring during the two full fiscal quarters elapsed since January 1, 2013. The deferral component of the Incentive Fee Cap and Deferral Mechanism may cause incentive fees that accrued during one fiscal quarter to be paid to our Investment Adviser at any time during the 11 full fiscal quarters following such initial full fiscal quarter.

We accomplish this limitation by subjecting each incentive fee payable to a cap, which we refer to in this prospectus supplement to as the Incentive Fee Cap. The Incentive Fee Cap in any quarter is equal to (a) 20.0% of Cumulative Pre-Incentive Fee Net Return during the Incentive Fee Look-back Period less (b) cumulative incentive fees of any kind paid to our Investment Adviser by us during the Incentive Fee Look-back Period. To the extent the Incentive Fee Cap is zero or a negative value in any quarter, we will pay no incentive fee to our Investment Adviser in that quarter. We will only pay incentive fees to the extent allowed by the Incentive Fee Cap and Deferral Mechanism. To the extent that the payment of incentive fees is limited by the Incentive Fee Cap and Deferral Mechanism, the payment of such fees may be deferred and paid up to three years after their date of deferment subject to applicable limitations included in the Investment Advisory Agreement.

The first component of the incentive fee, which is income-based and payable quarterly in arrears, equals 20% of the amount, if any, that our Pre-Incentive Fee Net Investment Income exceeds a 1.75% quarterly (7.00% annualized) hurdle rate (the Hurdle Rate), subject to a catch-up provision measured at the end of each calendar quarter and the Incentive Fee Cap and Deferral Mechanism described below. The operation of the first component of the incentive fee for each quarter is as follows:

no incentive fee is payable to our Investment Adviser in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the Hurdle Rate of 1.75% (7.00% annualized);
100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the Hurdle Rate but is less than 2.1875% in any calendar quarter (8.75% annualized) is payable to our Investment Adviser. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle Rate but is less than 2.50%) as the catch-up. The effect of the catch-up provision is that, if such Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter, our Investment Adviser will receive 20% of such Pre-Incentive Fee Net Investment Income as if the Hurdle Rate did not apply; and
20% of the amount of such Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to our Investment Adviser (once the Hurdle Rate is reached and the catch-up is achieved).

The portion of such incentive fee that is attributable to deferred interest (such as payment-in-kind interest or original issue discount) will be paid to the Investment Adviser, together with any other interest accrued on the loan from the date of deferral to the date of payment, only if and to the extent we actually receive such interest in cash, and any accrual thereof will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. Any reversal of such amounts would reduce net income for the quarter by the net amount of the reversal (after taking into account the reversal of incentive fees payable) and would result in a reduction and possibly elimination of the incentive fees for such quarter. For the avoidance of doubt, no incentive will be paid to the Investment Adviser on amounts accrued and not paid in respect of deferred interest.

There is no accumulation of amounts on the Hurdle Rate from quarter to quarter and, accordingly, there is no clawback of amounts previously paid if subsequent quarters are below the quarterly Hurdle Rate and there is no delay of payment if prior quarters are below the quarterly Hurdle Rate. Since the Hurdle Rate is fixed, as interest rates rise, it will be easier for our Investment Adviser to surpass the Hurdle Rate and receive an incentive fee based on Pre-Incentive Fee Net Investment Income.

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The second component, which is capital gains-based, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and equals 20% of our cumulative aggregate realized capital gains through the end of such year, computed net of our aggregate cumulative realized capital losses and aggregate cumulative unrealized capital depreciation through the end of such year, less the aggregate amount of any previously paid capital gains incentive fees and subject to the Incentive Fee Cap and Deferral Mechanism described below. The capital-gains component of the incentive fee excludes any portion of realized gains (losses) that are associated with the reversal of any portion of unrealized appreciation/depreciation attributable to periods prior to January 1, 2013. The capital gains component of the incentive fee is not subject to any minimum return to stockholders.

As described above, we will not pay any incentive fee at any time when, after such payment, the cumulative incentive fees paid to date would exceed 20% of the Cumulative Pre-Incentive Fee Net Return during the Incentive Fee Look-back Period.

(6) Our stockholders bear directly or indirectly the costs of borrowings under the Credit Facility and other debt instruments. The borrowing costs included in the table above are based on our outstanding indebtedness as of September 30, 2015, which consisted of $88.5 million of indebtedness outstanding under the Credit Facility, $30 million of indebtedness outstanding in Senior Notes and $55 million of indebtedness outstanding under the Unsecured Term Loan. At September 30, 2015, the weighted average effective interest rate for total outstanding debt was 3.30%. We expect to continue to use leverage to finance a portion of our investments in the future, consistent with the rules and regulations under the 1940 Act.

(7) Includes our overhead expenses, including payments under the Administration Agreement, based on our allocable portion of overhead and other expenses incurred by WhiteHorse Administration in performing its obligations under the Administration Agreement. See The Adviser and the Administrator Administration Agreement in the accompanying prospectus. Other expenses are based on actual amounts incurred during the nine months ended September 30, 2015, annualized for a full year.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. **In calculating the following expense amounts, we have assumed that our annual operating expenses remain at the levels set forth in the table above. This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 109	$ 250	$ 384	$ 688

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. If the 5% annual return were derived entirely from capital gains, you would pay expenses on a $1,000 investment of $118, $278, $430 and $774 over periods of one year, three years, five years and ten years, respectively. The example assumes reinvestment of all dividends and other distributions at NAV. Under certain circumstances, reinvestment of dividends and distributions under our dividend reinvestment plan may occur at a price per share that differs from NAV. Participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

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RISK FACTORS

Before you invest in our securities, you should be aware of various risks, including those described below and those set forth in the accompanying prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our securities could decline, and you may lose all or part of your investment.

The rights are non-transferable, and there is no market for the rights.

Other than in very limited circumstances, you may not sell, give away or otherwise transfer your rights. Because the rights are non-transferable, there is no market or other means for you to directly realize any value associated with the rights. You must exercise the rights and acquire additional shares of our common stock to realize any value.

Your economic and voting interest in us, as well as your proportionate interest in our net asset value, may be diluted as a result of this rights offering.

Stockholders who do not fully exercise their rights should expect that they will, at the completion of the offer, own a smaller proportional interest in us, including with respect to voting rights, than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of the offer.

In addition, if the subscription price is less than our net asset value per share, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offer. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of the rights offering or what proportion of the shares will be purchased as a result of the offer. Such dilution could be substantial.

This offering will also cause dilution in the dividends per share we are able to distribute subsequent to completion of the offering. In addition, our reported earnings per share will be retroactively adjusted to reflect the dilutive effects of this offering. See   Dilution.

We may terminate this rights offering at any time prior to delivery of the shares of our common stock offered hereby, and neither we nor the subscription agent will have any obligation to you expect to return your subscription payments, without interest.

We may, in our sole discretion, terminate the rights offering at any time prior to the delivery of the shares of our common stock offered hereby. If the rights offering is terminated, all rights will expire without value and the subscription agent will return as soon as practicable all exercise payments, without interest.

Continuation of the current decline in oil and natural gas prices for a prolonged period of time could have a material adverse effect on us.

A prolonged continuation of the current decline in oil and natural gas prices would adversely affect the credit quality and the underlying operating performance of our debt investments in energy-related businesses. A decrease in credit quality and the operating performance would, in turn, negatively affect the fair value of these investments, which would consequently negatively affect our net asset value. Should the current decline in oil and natural gas prices persist, it is likely that our energy-related portfolio companies abilities to satisfy financial or operating covenants imposed by us or other lenders will be adversely affected, thereby negatively impacting their financial condition and their ability to satisfy their debt service and other obligations to us. Likewise, should the current decline in oil and natural gas prices persist, it is likely that our energy-related portfolio companies cash flow and profit generating capacities would also be adversely affected.

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Due to the nature of our strategy and our valuation method, our portfolio may include investments for which the fair value may differ from the indicative value based on certain bid or ask prices of such investments.

Certain of our investments are not traded in active secondary markets but may have bid and ask prices that are suggestive of fair value. These bid and ask prices may be based on factors and inputs such as prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data. These bid and ask prices do not necessarily indicate what we believe to be the fair value of our illiquid assets, particularly in volatile trading markets, because of the absence of meaningful trading volumes. While our board of directors considers indicative pricing bids as inputs in determining the fair values of certain of our investments, the board may give more weight to other valuation methodologies. As such, the fair values of investments we determine using a combination of valuation methodologies may be higher than indicative price levels for such assets. See also Determination of Net Asset Value in the accompanying prospectus.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus supplement and the accompanying prospectus constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus supplement and the accompanying prospectus involve risks and uncertainties, including statements as to:

- our future operating results;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes to the value of our assets;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- the impact of increased competition;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our prospective portfolio companies to achieve their objectives;
- the relative and absolute performance of our Investment Adviser;
- our expected financings and investments;
- the adequacy of our cash resources and working capital;
- our ability to make distributions to our stockholders;
- the timing of cash flows, if any, from the operations of our prospective portfolio companies; and
- the impact of future acquisitions and divestitures.

We use words such as anticipate, believe, expect, intend may, might, will, should, could, can, estimate, anticipate, predict, potential and similar words to identify forward-looking statements. Our actual result could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth as Risk Factors and elsewhere in this prospectus supplement and the accompanying prospectus.

We have based the forward-looking statements included in this prospectus supplement on information available to us on the date of this prospectus supplement, and we assume no obligation to update any such forward-looking statements. Actual results could differ materially from those anticipated in our forward-looking statements and future results could differ materially from historical performance. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. This prospectus supplement may contain statistics and other data that have been obtained from or compiled from information made available by third-party service providers. We have not independently verified such statistics or data.

You should understand that, under Sections 27A(b)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E(b)(2)(B) of the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with any offering of securities pursuant to this prospectus supplement, the accompanying prospectus or in periodic reports we file under the Exchange Act.

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USE OF PROCEEDS

We estimate that net proceeds we will receive from this offering will be approximately $43.4 million assuming all of the rights are exercised at the subscription price of $13.55 and after deducting payments to the dealer manager of the sum of: (i) 4% of the subscription price per share for each share issued to non-affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege and (ii) 1% of the subscription price per share for each share issued to affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege, and estimated offering expenses of approximately $0.5 million payable by us.

We intend to use the net proceeds from the sale of our securities primarily to make new investments, principally in senior secured loans to performing small-cap companies in accordance with our investment objectives, as well as for general corporate purposes. We expect that our new investments will consist primarily of senior secured debt investments in small-cap companies. We will also pay operating expenses, including management and administrative fees, and may pay other expenses, such as due diligence expenses, relating to potential new investments, from the net proceeds of any offering of our securities. We may also use a portion of the net proceeds from the sale of our securities to temporarily repay (subject to future re-borrowing) amounts outstanding under the Credit Facility while we find suitable new investments. As of September 30, 2015, we had approximately $88.5 million outstanding under the Credit Facility. Generally, interest on borrowings under the Credit Facility, which matures on September 27, 2021, is the commercial paper rate plus 2.25% or LIBOR plus 2.75%. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources for additional information regarding the Credit Facility.

We anticipate that we will use substantially all of the net proceeds of an offering for the above purposes within approximately six months after the completion of any offering of our securities, depending on the availability of appropriate investment opportunities consistent with our investment objectives and market conditions. We cannot assure you that we will achieve our targeted investment pace.

Until such appropriate investment opportunities can be found, we will invest the net proceeds of any offering of our securities primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. Our ability to achieve our investment objective may be limited to the extent that the net proceeds from an offering, pending full investment, are held in lower yielding interest-bearing deposits or other short-term instruments. See Regulation Temporary Investments in the accompanying prospectus for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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CAPITALIZATION

The following table sets forth:

- our actual capitalization as of September 30, 2015; and
- our pro forma capitalization to give effect to the sale of 3,321,033 shares of our common stock in this offering, assuming all rights are exercised at the subscription price of $13.55 and our receipt of the estimated net proceeds from that sale.

This table should be read in conjunction with the Use of Proceeds section of this prospectus supplement and our Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto in the accompanying prospectus.

	As of September 30, 2015	
	Actual (unaudited)	Pro Forma (unaudited)
	(dollars in thousands)	
Assets:		
Investments, at fair value	$ 376,088	$ 376,088
Cash and cash equivalents	16,731	60,173
Restricted cash and cash equivalents	9,169	9,169
Other assets	7,112	6,846
Total assets	409,100	452,276
Liabilities:		
Debt	173,500	173,500
Other liabilities	14,248	14,248
Total liabilities	187,748	187,748
Net assets:		
Common stock, par value $0.001 per share; 100,000,000 shares authorized, 14,982,857 shares issued and outstanding, 18,303,890 shares issued and outstanding, as adjusted, respectively	15	18
Paid-in capital in excess of par	228,731	271,904
Accumulated overdistributed net investment income	(4,994)	(4,994)
Accumulated realized gains on investments	349	349
Accumulated unrealized (depreciation) appreciation on investments	(2,749)	(2,749)
Total net assets	221,352	264,528
Net asset value per common share	14.77	14.45

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DILUTION

As of September 30, 2015, our net assets were $221.4 million, or approximately $14.77 per share. After giving effect to the sale of 3,321,033 shares of our common stock in this offering, assuming all rights are exercised at the subscription price of $13.55 per share, and our receipt of the estimated net proceeds from that sale, our pro forma net asset value would have been approximately $264.5 million, or approximately $14.45 per share, representing an immediate dilution of approximately $0.10 per share to our existing stockholders.

The following table illustrates the dilutive effects of this offering on a per share basis, assuming all rights are exercised at the subscription price of $13.55 per share:

	As of September 30, 2015	
	Actual	As Adjusted
Net asset value per common share	$ 14.77	$ 14.45

	Three Months Ended September 30, 2015	
	Actual	As Adjusted
Net increase in net assets resulting from net investment income per common share	$0.38 (1)	$ 0.31 (2)
Net increase in net assets resulting from operations per common share	$0.10 (1)	$ 0.08 (2)
Distributions per common share	$0.36	$ 0.29 (3)

(1) Basic and diluted, weighted average number of shares outstanding is 14,982,857.

(2) Assumes that on July 1, 2015, the beginning of the indicated period, (1) all rights were exercised at the subscription price of $13.55 per share and (2) 3,321,033 shares of our common stock were issued upon exercise of such rights.

(3) Assumes actual cash distributions divided by adjusted shares, including shares issued upon exercise of rights.

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PRICE RANGE OF COMMON STOCK

Our common stock began trading on December 5, 2012 and is currently traded on the NASDAQ Global Select Market under the symbol WHF . The following table sets forth, for each fiscal quarter since January 1, 2013, the net asset value per share of our common stock, the high and low closing sales price for our common stock, such closing sales price as a premium or discount to our net asset value per share and quarterly distributions per share.

Period	NAV(1)	Closing Sales Price High	Closing Sales Price Low	Premium (Discount) of High Sales Price to NAV(2)	(Discount) of Low Sales Price to NAV(2)
Fiscal year ending December 31, 2015					
Fourth Quarter(3)	$ N/A	$ 13.55	$ 11.69	N/A%	N/A%
Third Quarter	14.77	13.56	11.52	(8.2)	(22.0)
Second Quarter	15.03	13.53	12.55	(10.0)	(16.5)
First Quarter	15.00	12.90	11.25	(14.0)	(25.0)
Fiscal year ended December 31, 2014					
Fourth Quarter	$ 15.04	$ 13.66	$ 11.37	(9.2)%	(24.4)%
Third Quarter	15.16	14.48	13.25	(4.5)	(12.6)
Second Quarter	15.21	14.66	13.11	(3.6)	(13.8)
First Quarter	15.23	15.17	14.02	(0.4)	(7.9)
Fiscal year ended December 31, 2013					
Fourth Quarter	$ 15.16	$ 15.74	$ 14.63	3.8 %	(3.5)%
Third Quarter	15.09	15.85	14.71	5.0	(2.5)
Second Quarter	15.04	15.99	14.35	6.3	(4.6)
First Quarter	15.18	15.83	14.71	4.3	(3.1)

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset value per share shown is based on outstanding shares at the end of the period.

(2) Calculated as of the respective high or low closing sales price divided by the quarter end net asset value.

(3) Through November 5, 2015.

For all periods presented in the table above, there was no return of capital included in any distribution.

Shares of business development companies may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount or premium to net asset value is separate and distinct from the risk that our net asset value will decrease.

The last reported closing price of our common stock on November 5, 2015, was $11.73 per share. As of November 5, 2015 we had 19 stockholders of record.

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THE OFFERING

Purpose of the Offer

Our board of directors has determined that it is in the best interest of WhiteHorse Finance, Inc. and its stockholders to raise additional capital for new investments, primarily in senior secured loans to performing small-cap companies, as well as for other general corporate purposes. We believe that making additional investments will enhance the diversification of our portfolio and reduce our risk exposure to any one particular investment. In addition, we believe that we must have sufficient liquidity available to remain a credible source of capital in the market for small-cap investments, and unless we increase our present capital resources, we believe that we will have limited capital available for new investments in 2016. However, we expect to have sufficient financial resources available, including from investment income, to pay our expenses for the foreseeable future. We do not currently intend to use the proceeds from this or any future offerings of securities to maintain our distribution policy by funding future distributions. The current offering gives existing stockholders the right to purchase additional shares at a price that is expected to be below market without incurring any commission or other charges, while providing us access to such additional capital resources. All costs of this rights offering will be borne by our stockholders whether or not they exercise subscription rights. In connection with the approval of this rights offering, our board of directors considered the following factors:

- the subscription price relative to the market price and to our net asset value per share, including the likelihood that the subscription price will be below our net asset value per share and the resulting effect that the offering may have on our net asset value per share;
- the increased capital to be available upon completion of the rights offering for us to make additional investments consistent with our investment objective;
- the dilution in ownership and voting power to be experienced by non-exercising stockholders;
- the dilutive effect the offering will have on the dividends per share we distribute subsequent to completion of the offering;
- the terms and expenses in connection with the offering relative to other alternatives for raising capital, including fees payable to the dealer manager;
- the size of the offering in relation to the number of shares outstanding;
- the fact that the rights will not be listed on the NASDAQ Global Select Market;
- the market price of our common stock, both before and after the announcement of the rights offering;
- the general condition of the securities markets; and
- any impact on operating expenses associated with an increase in capital, including an increase in fees payable to WhiteHorse Advisers.

We cannot provide you any assurance of the amount of dilution, if any, that a stockholder will experience, that the current offering will be successful, or that by increasing the size of our available equity capital, our aggregate expenses and, correspondingly, our expense ratio will be lowered. In addition, the management fee we pay to WhiteHorse Advisers is based upon our gross assets, which may include any cash or cash equivalents that we have not yet invested in the securities of portfolio companies, so we expect the management fee payable to WhiteHorse Advisers to increase as a result of the current offering.

In determining that this offer was in our best interest and in the best interests of our stockholders, we have retained Deutsche Bank Securities Inc., the dealer manager for this offering, to provide us with financial advisory, marketing and soliciting services relating to this offer, including advice with respect to the structure, timing and terms of the offer. In this regard, our board of directors considered current secondary market trading conditions, using a fixed pricing versus variable pricing mechanism, the benefits and drawbacks of

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conducting a non-transferable versus a transferable rights offering, the effect on us if this offer is not fully subscribed, the experience of the dealer manager in conducting rights offerings, and the inclusion of an over-subscription privilege.

Although we have no present intention to do so, we may, in the future and in our discretion, choose to make additional rights offerings from time to time for a number of shares and on terms which may or may not be similar to this offer, provided that our board of directors must determine that each subsequent rights offering is in the best interest of our stockholders. Any such future rights offering will be made in accordance with the 1940 Act.

Terms of the Offer

We issued to record date stockholders non-transferable rights to subscribe for up to approximately 3,321,033 shares. Each record date stockholder is being issued one non-transferable right for each whole share owned on the record date. The rights entitle each holder, or rights holder, to acquire at the subscription price determined by an authorized committee of our board of directors one share for every 4.511505 rights held (1 for 4.511505), which we refer to as the primary subscription right. Rights may be exercised at any time during the subscription period, which commenced on October 23, 2015, the record date, and ends at 5:00 p.m., New York City time, on November 20, 2015, unless extended by us, the expiration date.

The rights are non-transferable and are not listed on the NASDAQ Global Select Market or any other exchange. The shares of our common stock issued pursuant to an exercise of rights will be listed on the NASDAQ Global Select Market under the symbol WHF . The rights will be evidenced by subscription certificates which will be mailed to stockholders, except as discussed below under Foreign Stockholders.

We will not issue fractional shares upon the exercise of rights; accordingly, rights may be exercised only in multiples of one.

Shares for which there is no subscription during the primary subscription will be offered, by means of the over-subscription privilege, first to record date stockholders who fully exercise the rights issued to them pursuant to this offering (other than those rights that cannot be exercised because they represent in the aggregate the right to acquire less than one share) and who wish to acquire more than the number of shares they are entitled to purchase pursuant to the exercise of their rights. Shares acquired pursuant to the over-subscription privilege are subject to certain limitations and pro rata allocations. See Over-Subscription Privilege below.

For purposes of determining the number of shares a record date stockholder may acquire pursuant to the offer, broker-dealers, trust companies, banks or others whose shares are held of record by Cede & Co. (Cede) or by any other depository or nominee will be deemed to be the holders of the rights that are issued to Cede or the other depository or nominee on their behalf.

There is no minimum number of rights which must be exercised in order for the offer to close.

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Over-Subscription Privilege

Shares not subscribed for by rights holders, which we refer to as remaining shares, will be offered, by means of the over-subscription privilege, to rights holders who have fully exercised the rights issued to them and who wish to acquire more than the number of shares they are entitled to purchase pursuant to the basic subscription. Rights holders should indicate on the subscription certificate that they submit with respect to the exercise of the rights issued to them how many additional shares they are willing to acquire pursuant to the over-subscription privilege. If there are sufficient remaining shares, all rights holders over-subscription requests will be honored in full. If rights holders requests for shares pursuant to the over-subscription privilege exceed the remaining shares available, the available remaining shares will be allocated pro-rata among rights holders who over-subscribe based on the number of shares held on the record date. The percentage of remaining shares each over-subscribing stockholder may acquire will be rounded down to result in delivery of whole shares. The allocation process may involve a series of allocations to assure that the total number of remaining shares available for over-subscriptions is distributed on a pro-rata basis. The formula to be used in allocating the remaining shares is as follows:

$$\frac{\text{Stockholder s Record Date Position}}{\text{Total Record Date Position of All Over-Subscribers}} \times \text{Remaining Shares}$$

However, if this pro-rata allocation results in any holder being allocated a greater number of shares than the holder subscribed for pursuant to the exercise of the over-subscription privilege, then such holder will be allocated only such number of shares pursuant to the over-subscription privilege as such holder subscribed for.

Banks, brokers, trustees and other nominee holders of rights will be required to certify to the subscription agent, before any over-subscription privilege may be exercised with respect to any particular beneficial owner, as to the aggregate number of rights exercised pursuant to the primary subscription and the number of shares subscribed for pursuant to the over-subscription privilege by such beneficial owner and that such beneficial owner s primary subscription was exercised in full. We will not offer or sell in connection with the offer any rights that are not subscribed for pursuant to the primary subscription or the over-subscription privilege.

H.I.G. Bayside Debt & LBO Fund II, L.P. and H.I.G. Bayside Loan Opportunity Fund II, L.P., or the Bayside Funds, have indicated to us that they intend to exercise their privilege to over-subscribe for up to all of the shares of our common stock not subscribed for by other stockholders in this offering. Affiliates of H.I.G. Capital serve as investment adviser to each of the Bayside Funds. Any oversubscription of shares of our common stock by the Bayside Funds in this offering will be effected in accordance with the pro rata allocation of shares applicable to all stockholders in connection with this offering. Accordingly, there can be no assurance that the Bayside Funds will acquire any shares of our common stock through their exercise of oversubscription privileges. As of September 30, 2015, H.I.G. Bayside Debt & LBO Fund II, L.P. and H.I.G. Bayside Loan Opportunity Fund II, L.P. indirectly owned 4,467,855 and 3,640,743 shares of our common stock, respectively. The voting rights associated with all of such securities, as well as any additional securities to be acquired by the Bayside Funds in this offering, are and will be passed through to the respective limited partners in the Bayside Funds. Each of the Bayside Funds disclaims beneficial ownership of such shares of our common stock, except to the extent of their respective pecuniary interests in such shares.

Subscription Price

The subscription price for the shares to be issued pursuant to the offer is $13.55 per share. See Payment for Shares below. We do not have the right to withdraw the rights or cancel this offer after the rights have been distributed.

Expiration of the Offer

The offer will expire on the expiration date. The rights will expire on the expiration date of the rights offering and may not be exercised thereafter.

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Our board of directors may determine to extend the subscription period, and thereby postpone the expiration date, to the extent our board of directors determines that doing so is in the best interest of our stockholders. For example, our board of directors may elect to extend the subscription period in the event there is substantial instability or volatility in the trading price of our common stock or the rights on The NASDAQ Global Select Market at or near the expiration date, or if any event occurs which causes trading to cease or be suspended on The NASDAQ Global Select Market or the financial markets generally. The foregoing are not the only circumstances under which this offer may be extended, and our board of directors is free to extend the subscription period at its discretion, provided it determines that doing so is in the best interests of our stockholders.

Any extension of the offer will be followed as promptly as practicable by announcement thereof, and in no event later than 9:00 a.m., New York City time, on the next business day following the previously scheduled expiration date. Without limiting the manner in which we may choose to make such announcement, we will not, unless otherwise required by law, have any obligation to publish, advertise or otherwise communicate any such announcement other than by issuing a press release or such other means of announcement as we deem appropriate.

Dilutive Effects

Any stockholder who chooses not to participate in the offering should expect to own a smaller interest in us upon completion of the offering. The offering will dilute the ownership interest and voting power of stockholders who do not fully exercise their basic subscription rights. Further, because the net proceeds per share from the offering may be lower than our then-current net asset value per share, the offering may reduce our net asset value per share. The amount of dilution, if any, that a stockholder may experience could be substantial. See Dilution.

Amendments and Waivers; Termination

We reserve the right to amend the terms and conditions of this offering, whether the amended terms are more or less favorable to you. We will comply with all applicable laws, including the federal securities laws, in connection with any such amendment.

We will decide all questions as to the validity, form and eligibility (including times of receipt, beneficial ownership and compliance with other procedural matters) in our sole discretion, and our determination shall be final and binding. The acceptance of subscription certificates and the subscription price also will be determined by us. Alternative, conditional or contingent subscriptions will not be accepted. We reserve the right to reject any exercise if such exercise is not in accordance with the terms of the offering or not in proper form or if the acceptance thereof or the issuance of shares of our common stock thereto could be deemed unlawful. We, in our sole discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as we may determine, or reject the purported exercise of any right. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as we determine in our sole discretion. We will not be under any duty to give notification of any defect or irregularity in connection with the submission of subscription certificates or incur any liability for failure to give such notification.

We may, in our sole discretion, terminate the rights offering at any time prior to delivery of the rights or the shares of our common stock offered hereby by giving oral or written notice thereof to the subscription agent and making a public announcement thereof. If the offering is terminated, all rights will expire without value, and we will promptly arrange for the refund, without interest, of all funds received from holders of rights. All monies received by the subscription agent in connection with the offering will be held by the subscription agent, on our behalf, in a segregated interest-bearing account at a negotiated rate. All such interest shall be payable to us even if we determine to terminate the offering and return your subscription payment.

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Information Agent

D.F. King & Co., Inc. will act as the information agent in connection with the offering. The information agent will receive for its services a fee estimated to be approximately $7,500 plus reimbursement of all out-of-pocket expenses related to the offering. D.F. King & Co., Inc. can be contacted at the below address:

48 Wall Street
New York, New York 10005

Toll-free: (800) 591-8268
Broker-dealers and nominees may call (212) 493-3910

Subscription Agent

American Stock Transfer & Trust Company, LLC will act as the subscription agent in connection with this offer. The subscription agent will receive for its administrative, processing, invoicing and other services a fee estimated to be approximately $20,000, plus reimbursement for all out-of-pocket expenses related to the offer and an execution fee for each exercise.

Completed subscription certificates must be sent together with full payment of the subscription price for all shares subscribed for in the primary subscription and pursuant to the over-subscription privilege to the subscription agent by one of the methods described below. Alternatively, an Eligible Guarantor Institution may send notices of guaranteed delivery by facsimile to (718) 234-5001 which must be received by the subscription agent on or prior to the expiration date. Facsimiles should be confirmed by telephone toll-free at (877) 248-6417 or (718) 921-8317. We will accept only properly completed and duly executed subscription certificates actually received at any of the addresses listed below, on or prior to the expiration date or by the close of business on the third business day after the expiration date of the rights offering following timely receipt of a notice of guaranteed delivery. See Payment for Shares below. In this prospectus supplement, close of business means 5:00 p.m., New York City time, on the relevant date.

Subscription Certificate Delivery Method	Address/Number
By Notice of Guaranteed Delivery:	Contact an Eligible Guarantor Institution, which may include a commercial bank or trust company, a member firm of a domestic stock exchange or a savings bank or credit union, to notify us of your intent to exercise the rights.
By Hand or Overnight Courier:	American Stock Transfer & Trust Company, LLC Operations Center Attn: Reorganization Department 6201 15th Avenue Brooklyn, New York 11219
By Mail:	American Stock Transfer & Trust Company, LLC Operations Center Attn: Reorganization Department P.O. Box 2042 Brooklyn, New York 10272-2042

Delivery to an address other than the addresses listed above will not constitute valid delivery.

Any questions or requests for assistance concerning the method of subscribing for shares or for additional copies of this prospectus supplement or subscription certificates or notices of guaranteed delivery may be directed to the information agent at its telephone number and address listed below:

48 Wall Street
New York, New York 10005

Toll-free: (800) 591-8268
Broker-dealers and nominees may call (212) 493-3910

Stockholders may also contact their broker-dealers or nominees for information with respect to the offer.

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Non-Transferability of Rights

The rights are non-transferable and are not listed for trading on the NASDAQ Global Select Market or any other stock exchange. The rights may not be purchased or sold and there is no market for trading the rights. The shares of common stock to be issued pursuant to this offering will be listed for trading on the NASDAQ Global Select Market under the symbol WHF.

Methods for Exercising Rights

Rights are evidenced by subscription certificates that, except as described below under Foreign Stockholders, were mailed to record date stockholders or, if a record date stockholder s shares are held by Cede or any other depository or nominee on their behalf, to Cede or such depository or nominee. Rights may be exercised by completing and signing the subscription certificate that accompanied the prospectus dated October 22, 2015 relating to this offering, and mailing it in the envelope provided, or otherwise delivering the completed and duly executed subscription certificate to the subscription agent, together with payment in full for the shares at the subscription price by the expiration date. Rights may also be exercised by contacting your broker, trustee or other nominee, who can arrange, on your behalf, to guarantee delivery of payment and delivery of a properly completed and duly executed subscription certificate pursuant to a notice of guaranteed delivery by the close of business on the third business day after the expiration date. A fee may be charged for this service. Completed subscription certificates and related payments must be received by the subscription agent on or prior to the expiration date (unless payment is effected by means of a notice of guaranteed delivery as described below under Payment for Shares) at the offices of the subscription agent at the address set forth above. Fractional shares will not be issued upon the exercise of rights.

Exercise of the Over-Subscription Privilege

Record date stockholders who fully exercise all rights issued to them may participate in the over-subscription privilege by indicating on their subscription certificate the number of shares they are willing to acquire. If sufficient remaining shares are available after the primary subscription, all over-subscriptions will be honored in full; otherwise remaining shares will be allocated to record date stockholders, and the number of remaining shares issued to some or all rights holders participating in the over-subscription privilege may be reduced as described under Over-Subscription Privilege above.

Withdrawal of Subscriptions

A rights holder exercising its rights may withdraw its subscription at any time prior to the expiration date. To be effective, any notice of withdrawal must be timely received by the subscription agent at the address listed above under Subscription Agent. Any notice of withdrawal must specify the name of the rights holder withdrawing its subscription, the number of shares being withdrawn (pursuant to the basic subscription and/or the over-subscription privilege), and the total amount paid for the shares being withdrawn. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by us in our sole discretion. All rights holders that validly withdraw their subscriptions will be entitled to reimbursement of the total amount paid for the withdrawn shares without any interest. Such reimbursement will be mailed by the subscription agent to the rights holder s address as listed on the cover page of the subscription certificate, or as otherwise indicated therein. A rights holder may re-exercise its rights at any time prior to the expiration date.

Record Date Stockholders Whose Shares Are Held By a Nominee

Record date stockholders whose shares are held by a nominee, such as a bank, broker-dealer or trustee, must contact that nominee to exercise their rights. In that case, the nominee will complete the subscription certificate on behalf of the record date stockholder and arrange for proper payment by one of the methods set forth under Payment for Shares below.

Nominees

Nominees, such as brokers, trustees or depositories for securities, who hold shares for the account of others, should notify the respective beneficial owners of the shares as soon as possible to ascertain the beneficial owners intentions and to obtain instructions with respect to the rights. If the beneficial owner so instructs, the nominee should complete the subscription certificate and submit it to the subscription agent with the proper payment as described under Payment for Shares below.

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All questions as to the validity, form, eligibility (including times of receipt and matters pertaining to beneficial ownership) and the acceptance of subscription forms and the subscription price will be determined by us, which determinations will be final and binding. No alternative, conditional or contingent subscriptions will be accepted. We reserve the right to reject any or all subscriptions not properly submitted or the acceptance of which would, in the opinion of our counsel, be unlawful.

We reserve the right to reject any exercise if such exercise is not in accordance with the terms of this rights offering or not in proper form or if the acceptance thereof or the issuance of shares of our common stock thereto could be deemed unlawful. We reserve the right to waive any deficiency or irregularity with respect to any subscription certificate. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as we determine in our sole discretion. We will not be under any duty to give notification of any defect or irregularity in connection with the submission of subscription certificates or incur any liability for failure to give such notification.

Foreign Stockholders

Subscription certificates were not mailed to foreign stockholders. Foreign stockholders received written notice of this offer. The subscription agent will hold the rights to which those subscription certificates relate for these stockholders accounts until instructions are received to exercise the rights, subject to applicable law. If no instructions have been received by the expiration date, such rights will expire.

Payment for Shares

Participating rights holders may choose between the following methods of payment:

(1) A participating rights holder may send the subscription certificate together with payment for the shares acquired in the primary subscription and any additional shares subscribed for pursuant to the over-subscription privilege to the subscription agent based on the subscription price of $13.55 per share. To be accepted, the payment, together with a properly completed and executed subscription certificate, must be received by the subscription agent at one of the subscription agent s offices set forth above, on or prior to the expiration date.

(2) A participating rights holder may request a Eligible Guarantor Institution as that term is defined in Rule 17Ad-15 under the Exchange Act to send a notice of guaranteed delivery by facsimile or otherwise guaranteeing delivery of (i) payment of the full subscription price for the shares subscribed for in the primary subscription and any additional shares subscribed for pursuant to the over-subscription privilege and (ii) a properly completed and duly executed subscription certificate. The subscription agent will not honor a notice of guaranteed delivery unless a properly completed and duly executed subscription certificate and full payment for the shares is received by the subscription agent on or prior to close of business on the third business day after the expiration date.

All payments by a participating rights holder must be in U.S. dollars by check or bank draft drawn on a bank or branch located in the United States and payable to American Stock Transfer & Trust, LLC, as subscription agent. A participating rights holder may also wire the transfer of immediately available funds directly to the account maintained by American Stock Transfer & Trust, LLC, as subscription agent, for purposes of accepting subscriptions in this rights offering at JPMorgan Chase Bank, 55 Water Street, New York, New York 10005, ABA # 021000021, Account # 530-354616 American Stock Transfer FBO WhiteHorse Finance, Inc., with reference to the rights holder s name. The subscription agent will deposit all funds received by it prior to the final payment date into a segregated account pending pro-ration and distribution of the shares.

The method of delivery of subscription certificates and payment of the subscription price to us will be at the election and risk of the participating rights holders, but if sent by mail it is recommended that such certificates and payments be sent by registered mail, properly insured, with return receipt requested, and that a sufficient number of days be allowed to ensure delivery to the subscription agent and clearance of payment on prior to the expiration date or the date guaranteed payments are due under a notice of guaranteed delivery (as applicable). Because uncertified personal checks may take at least five business days to clear, you are strongly urged to pay, or arrange for payment, by means of certified or cashier s check.

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As soon as practicable following the expiration date, the subscription agent will send to each participating rights holder (or, if rights are held by Cede or any other depository or nominee, to Cede or such other depository or nominee) a statement or certificate showing the number of shares purchased pursuant to the offering.

Whichever of the two methods described above is used, issuance of the shares purchased is subject to collection of checks and actual payment. If a participating rights holder who subscribes for shares pursuant to the primary subscription or over-subscription privilege does not make payment of any amounts due by the expiration date, the date guaranteed payments are due under a notice of guaranteed delivery or within ten business days of the confirmation date, as applicable, the subscription agent reserves the right to take any or all of the following actions: (1) reallocate the shares to other participating rights holders in accordance with the over-subscription privilege; (2) apply any payment actually received by it from the participating rights holder toward the purchase of the greatest whole number of shares which could be acquired by such participating rights holder upon exercise of the primary subscription and/or the over-subscription privilege; and/or (3) exercise any and all other rights or remedies to which it may be entitled, including the right to set off against payments actually received by it with respect to such subscribed for shares.

All questions concerning the timeliness, validity, form and eligibility of any exercise of rights will be determined by us, whose determinations will be final and binding. We in our sole discretion may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as we may determine, or reject the purported exercise of any right. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as we determine in our sole discretion. The subscription agent will not be under any duty to give notification of any defect or irregularity in connection with the submission of subscription certificates or incur any liability for failure to give such notification.

Notice of Net Asset Value Decline

We will suspend the offer until we amend this prospectus supplement if, subsequent to the effective date of our prospectus supplement dated October 22, 2015, our net asset value declines more than 10% from our net asset value as of that date. Accordingly, the expiration date would be extended and we would notify record date stockholders of the decline and permit participating rights holders to cancel their exercise of rights.

Delivery of Stock Certificates and Book-Entry

Participants in our dividend reinvestment plan will have any shares that they acquire pursuant to the offer credited to their stockholder dividend reinvestment accounts in the plan. Stockholders whose shares are held of record by Cede or by any other depository or nominee on their behalf or their broker-dealers behalf will have any shares that they acquire credited to the account of Cede or the other depository or nominee. With respect to stockholders who hold shares in certificated form, stock certificates for all shares acquired will be mailed after payment for all the shares subscribed for has cleared, which may take up to 15 days from the date of receipt of the payment. With respect to all other stockholders, the ownership of shares purchased will be uncertificated and noted in book-entry form. The number of shares purchased will be shown on such stockholders statement of account.

Federal Income Tax Consequences of the Offer

For federal income tax purposes, neither the receipt nor the exercise of the rights by record date stockholders will result in taxable income to such stockholders, and no loss will be realized if the rights expire without exercise.

A record date stockholder s basis in a right will be zero unless either (1) the fair market value of the right on the date of distribution is 15% or more of the fair market value of the shares with respect to which the right was distributed or (2) the record date stockholder elects, in his or her federal income tax return for the taxable year in which the right is received, to allocate part of the basis of the shares to the right. If either of clauses (1) or (2) is applicable, then if the right is exercised, the record date stockholder will allocate his or her basis in the shares with respect to which the right was distributed between the shares and the right in proportion to the fair market values of each on the date of distribution.

The holding period of a right received by a record date stockholder includes the holding period of the shares with regard to which the right is issued. If the right is exercised, the holding period of the shares acquired begins on the date the right is exercised.

A record date stockholder s basis for determining gain or loss upon the sale of a share acquired upon the exercise of a right will be equal to the sum of the record date stockholder s basis in the right, if any, and the subscription price per share. A record date stockholder s gain or loss recognized upon a sale of a share acquired upon the exercise of a right will be capital gain or loss (assuming the share was held as a capital asset at the time of sale) and will be long-term capital gain or loss if the share is held for more than one year.

The foregoing is a general summary of the material U.S. federal income tax consequences of the offer under the provisions of the Code and Treasury regulations in effect as of the date of the prospectus that are generally applicable to record date stockholders who are United States persons within the meaning of the Code, and does not address any foreign, state or local tax consequences. The Code and Treasury regulations are subject to change or differing interpretations by legislative or administrative action, which may be retroactive. Participating rights holders should consult their tax advisors regarding specific questions as to foreign, federal, state or local taxes.

ERISA Considerations

Stockholders who are employee benefit plans subject to the Employee Retirement Income Security Act of 1974, or ERISA, (including corporate savings and 401(k) plans), Keogh or H.R. 10 plans of self-employed individuals and individual retirement accounts should be aware that additional contributions of cash to a retirement plan (other than rollover contributions or trustee-to-trustee transfers from other retirement plans) in order to exercise rights would be treated as contributions to the retirement plan and, when taken together with contributions previously made, may result in, among other things, excise taxes for excess or nondeductible contributions. In the case of retirement plans qualified under Section 401(a) of the Code and certain other retirement plans, additional cash contributions could cause the maximum contribution limitations of Section 415 of the Code or other qualification rules to be violated. It may also be a reportable distribution and there may be other adverse tax and ERISA consequences if rights are sold or transferred by a retirement plan.

Retirement plans and other tax exempt entities, including governmental plans, should also be aware that if they borrow in order to finance their exercise of rights, they may become subject to the tax on unrelated business taxable income under Section 511 of the Code. If any portion of an individual retirement account is used as security for a loan, the portion so used is also treated as distributed to the IRA depositor. ERISA contains fiduciary responsibility requirements, and ERISA and the Code contain prohibited transaction rules that may impact the exercise of rights. Due to the complexity of these rules and the penalties for noncompliance, retirement plans should consult with their counsel and other advisers regarding the consequences of their exercise of rights under ERISA and the Code.

Distribution Arrangements

Deutsche Bank Securities Inc., a broker-dealer and member of the Financial Industry Regulatory Authority, will act as dealer manager for this offer. Under the terms and subject to the conditions contained in the dealer management agreement, the dealer manager will provide financial advisory and marketing services in connection with this offer and will solicit the exercise of rights and participation in the over-subscription privilege. This offer is not contingent upon any number of rights being exercised. We have agreed to pay the dealer manager a fee for its financial advisory, marketing and soliciting services equal to the sum of: (i) 4% of the subscription price per share for each share issued to non-affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege and (ii) $1% of the subscription price per share for each share issued to affiliates of H.I.G. Capital pursuant to exercise of the primary subscription and/or the over-subscription privilege. In addition, we have agreed to pay certain fees and expenses of the dealer manager, including legal fees, in connection with the offering, subject to a cap of $200,000.

The dealer manager will reallow to other broker-dealers that have executed and delivered a soliciting dealer agreement and have solicited the exercise of rights, solicitation fees up to 1% of the subscription price per share for each share issued pursuant to the exercise of rights as a result of their soliciting efforts, subject to a maximum fee based on the number of shares held by each broker-dealer through the Depository Trust

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Company on the record date. Fees will be paid by us to the broker-dealer designated on the applicable portion of the subscription certificates or, in the absence of such designation, to the dealer manager.

We have agreed to indemnify the dealer manager for, or contribute to losses arising out of, certain liabilities, including liabilities under the Securities Act. The dealer manager agreement also provides that the dealer manager will not be subject to any liability to us in rendering the services contemplated by the dealer manager agreement except for any act of bad faith, willful misfeasance, or gross negligence of the dealer manager or reckless disregard by the dealer manager of its obligations and duties under the dealer manager agreement. We have also agreed not to directly or indirectly sell, offer to sell, enter into any agreement to sell, or otherwise dispose of, any of our equity or equity related securities or securities convertible into such securities, other than the rights, the shares and the common stock issued in connection with the reinvestment of dividends or distributions, for a period of 60 days from the date hereof without the prior consent of the dealer manager.

The principal business address of Deutsche Bank Securities Inc. is 60 Wall Street, 41st Floor, New York, New York 10005.

Prior to the expiration of this offer, the dealer manager may independently offer for sale shares of our common stock at prices it sets. Such offers for sale by the dealer manager neither relate to, nor will be made as part of, this rights offering. The dealer manager may realize profits or losses independent of any fees described in this prospectus supplement.

This offering is being conducted in compliance with Rule 5110 of the Conduct Rules of the Financial Industry Regulatory Authority.

Additional Dealer Manager Compensation

The dealer manager and/or its affiliates have from time to time performed and may in the future perform various commercial banking, financial advisory and investment banking services for us and our affiliates for which they have received or will receive customary compensation.

Certain Effects of this Offer

WhiteHorse Advisers will benefit from this offer because a portion of the investment advisory fee we pay to WhiteHorse Advisers is based on our gross assets. See Management Investment Advisory Agreement in the accompanying prospectus. It is not possible to state precisely the amount of additional compensation WhiteHorse Advisers will receive as a result of this offer because it is not known how many shares will be subscribed for and because a substantial portion of the proceeds of the offer are expected to be used to repay outstanding indebtedness. However, assuming (1) all rights are exercised, (2) the average value of our gross assets, excluding proceeds from this offer, remains at approximately $415.7 million, (3) a subscription price of $13.55 per share, and (4) all of the net proceeds from the offer are invested in additional portfolio companies, and after giving effect to dealer manager fees and other expenses related to this offer, WhiteHorse Advisers would receive additional annualized base advisory fees of approximately $0.9 million, and the amount of the administrative fee received by WhiteHorse Administration would not change. Two of our directors who voted to authorize this offer are interested persons of WhiteHorse Advisers. The other three directors who approved this offer are not affiliated with WhiteHorse Advisers.

As a result of the terms of this offer, stockholders who do not fully exercise their rights will own, upon completion of this offer, a smaller proportional interest in us than they owned prior to the offer, including with respect to voting rights. To the extent that the Bayside Funds exercise their oversubscription privileges and receive an allocation of shares, their respective ownership interests will increase.

In addition, because the subscription price per share will likely be less than the net asset value per share, based on our current market price, the offer will likely result in an immediate dilution of net asset value per share for all of our stockholders. If the subscription price per share is substantially less than the then-current net asset value per share, such dilution could be substantial. Any such dilution will disproportionately affect non-exercising stockholders. If the subscription price is less than our then-current net asset value per share, then all stockholders will experience a decrease in the net asset value per share held by them, irrespective of whether they exercise all or any portion of their rights. This offering will also cause dilution in the dividends per share we are able to distribute subsequent to completion of the offering. See Dilution.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial and other information below should be read in conjunction with our Management s Discussion and Analysis of Financial Condition and Results of Operation and the consolidated financial statements and notes thereto. Financial information as of September 30, 2015 and 2014 and for the nine months then ended was derived from our unaudited financial statements. Financial information as of December 31, 2014, 2013 and 2012 and for the years then ended was derived from our consolidated financial statements that were audited by Crowe Horwath LLP, an independent registered public accounting firm.

	As of and for the nine months ended September 30,		As of and for the years ended December 31,		
	2015	2014	2014	2013	2012[1]
	(In thousands, except per share data)				
Statement of Operations Data:					
Total investment income	$35,140	$26,533	$37,546	$37,617	$44,793
Base management fees, net of fees waived	6,377	4,992	7,110	4,811	306
Performance-based incentive fees	4,220	2,143	3,387	4,800	
All other expenses	7,662	7,372	10,048	8,696	2,286
Net investment income	16,881	12,026	17,001	19,310	42,201
Net realized losses on investments	(379)		(64)		(2,754)
Net change in unrealized (depreciation) appreciation on investments	(4,551)	3,924	2,607	(280)	111
Net increase in net assets resulting from operations	11,951	15,950	19,544	19,030	39,558
Per share data:					
Net asset value	14.77	15.16	15.04	15.16	15.30
Net investment income	1.13	0.80	1.13	1.29	N/A [2]
Net realized losses on investments	(0.03)				N/A [2]
Net change in unrealized (depreciation) appreciation on investments	(0.30)	0.26	0.17	(0.02)	N/A [2]
Net increase in net assets resulting from operations	0.80	1.06	1.30	1.27	N/A [2]
Per share distributions declared	1.07	1.07	1.42	1.42	0.108
Dollar amount of distributions declared	15,957	15,957	21,276	21,257	1,616
Balance Sheet data at period end:					
Investments, at fair value	$376,088	$369,185	$403,500	$272,439	$180,488
Cash and cash equivalents	16,731	12,411	11,647	92,905	156,123
Restricted cash and cash equivalents	9,169	14,074	4,495	3,078	31,646
Other assets	7,112	6,348	7,200	5,731	5,025
Total assets	409,100	402,018	426,842	374,153	373,282
Total liabilities	187,748	174,935	201,484	147,151	144,233
Total net assets	221,352	227,083	225,358	227,002	229,049
Other data:					
Weighted average effective yield on income producing investments[3]	11.6 %	10.7 %	11.3 %	11.8 %	15.9 %

Number of portfolio investments at period end	32	36	37	21	8

(1) Includes the financial information of WhiteHorse Finance, LLC for the period prior to the BDC Conversion.

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(2) Prior to December 4, 2012, we did not have common stock outstanding, and, therefore, per share information for the period presented is not meaningful.

(3) Weighted average effective yield on income producing investments is computed by dividing (a) annualized interest income (including interest income resulting from the amortization of fees and discounts) on accruing loans by (b) the weighted average cost of income producing investments.

The following table sets forth, for the periods indicated, certain consolidated quarterly financial information. This information is derived from the Company s unaudited financial statements which include, in the opinion of management, all normal recurring adjustments which management considers necessary for a fair presentation of the results for such periods. The results for any quarter are not necessarily indicative of results for future periods.

	2015		
	Q3	Q2	Q1
Total investment income	$ 11,707	$ 12,162	$ 11,271
Net investment income	5,662	5,886	5,334
Net realized and unrealized losses on investments	(4,234)	(136)	(561)
Net increase in net assets resulting from operations	1,428	5,750	4,773
Earnings per share	0.10	0.38	0.32
Net asset value per share	14.77	15.03	15.00

	2014			
	Q4	Q3	Q2	Q1
Total investment income	$ 11,013	$ 9,265	$ 9,018	$ 8,250
Net investment income	4,976	4,043	3,992	3,990
Net realized and unrealized (losses) gains on investments	(1,380)	519	1,024	2,380
Net increase in net assets resulting from operations	3,594	4,563	5,017	6,370
Earnings per share	0.24	0.31	0.34	0.43
Net asset value per share	$ 15.04	$ 15.16	$ 15.21	$ 15.23

	2013			
	Q4	Q3	Q2	Q1
Total investment income	$ 8,615	$ 11,122	$ 9,498	$ 8,382
Net investment income	4,169	6,282	4,850	4,009
Net realized and unrealized gains (losses) on investments	2,166	(262)	(1,683)	(501)
Net increase in net assets resulting from operations	6,335	6,020	3,167	3,508
Earnings per share	0.42	0.40	0.21	0.23
Net asset value per share	$ 15.16	$ 15.09	$ 15.04	$ 15.18

	2012			
	Q4	Q3	Q2	Q1
Total investment income	$ 15,932	$ 10,212	$ 9,500	$ 9,149
Net investment income	13,727	10,147	9,356	8,971
Net realized and unrealized (losses) gains on investments	(5,753)	1,019	1,891	200
Net increase in net assets resulting from operations	7,975	11,166	11,246	9,171
Earnings per share	0.14	N/A	N/A	N/A

Net asset value per share	$ 15.30	N/A	N/A	N/A

Prior to December 4, 2012, the Company did not have common shares outstanding and therefore per share data for the periods that include financial results prior to December 4, 2012 are not provided.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

As of September 30, 2015, our investment portfolio consisted primarily of senior secured loans across 32 positions in 26 companies, with an aggregate fair value of $376.1 million. As of December 31, 2014, our investment portfolio consisted primarily of senior secured loans across 37 positions in 31 companies, with an aggregate fair value of approximately $403.5 million. At both dates, the majority of our portfolio comprised senior secured loans to small-cap borrowers.

Revenues

We generate revenue in the form of interest payable on the debt securities that we hold and capital gains and distributions, if any, on the portfolio company investments that we originate or acquire. Our debt investments, whether in the form of senior secured loans or mezzanine loans, typically have terms ranging from three to six years and bear interest at a fixed or floating rate based on a premium over LIBOR. Interest on debt securities is generally payable monthly or quarterly, with the amortization of principal generally being deferred for several years from the date of the initial investment. In some cases, we may also defer payments of interest for the first few years after our investment. The principal amount of the debt securities and any accrued but unpaid interest generally become due at the maturity date. In addition, we generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance and possibly consulting fees. We capitalize loan origination fees, original issue discount and market discount, and we then amortize such amounts as interest income. Upon the prepayment of a loan or debt security, we record any unamortized loan origination fees as interest income. We record prepayment premiums on loans and debt securities as interest income when earned. Dividend income is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

Expenses

Our primary operating expenses include (1) investment advisory fees to WhiteHorse Advisers; (2) our allocable portion of overhead expenses under the Administration Agreement; (3) the interest expense on our outstanding debt; and (4) other operating costs as detailed below. Our investment advisory fees compensate our investment adviser for its work in identifying, evaluating, negotiating, consummating and monitoring our investments.

We bear all other costs and expenses of our operations and transactions, including:

our organization;
calculating our net asset value and net asset value per share (including the costs and expenses of independent valuation firms);
fees and expenses, including travel expenses, incurred by WhiteHorse Advisers or payable to third parties in performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;
the costs of all future offerings of common shares and other securities, and other incurrences of debt;
the base management fee and any incentive fee;

- distributions on our shares;
- transfer agent and custody fees and expenses;
- amounts payable to third parties relating to, or associated with, evaluating, making and disposing of investments;
- brokerage fees and commissions;
- registration fees;
- listing fees;

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taxes;

independent directors fees and expenses;

costs associated with our reporting and compliance obligations under the 1940 Act and applicable U.S. federal and state securities laws;

the costs of any reports, proxy statements or other notices to our stockholders, including printing costs;

costs of holding stockholder meetings;

our fidelity bond;

directors and officers/errors and omissions liability insurance and any other insurance premiums;

litigation, indemnification and other non-recurring or extraordinary expenses;

direct costs and expenses of administration and operation, including audit and legal costs;

fees and expenses associated with marketing efforts, including deal sourcing and marketing to financial sponsors;

dues, fees and charges of any trade association of which we are a member; and

all other expenses reasonably incurred by us or WhiteHorse Administration in connection with administering our business, including rent and our allocable portion of the costs and expenses of our chief compliance officer, chief financial officer and chief operating officer along with their respective staffs.

Consolidated Results of Operations

The results of operations described below may not be indicative of the results we report in future periods. Net investment income and net increase in net assets can vary substantially from period to period due to various reasons, including the level of new investments and the recognition of realized gains and losses and unrealized appreciation and depreciation. As a result, quarterly comparisons of net increases in net assets resulting from operations may not be meaningful.

Investment Income

Investment income for the three and nine months ended September 30, 2015 totaled $11.7 million and $35.1 million, respectively, and was primarily attributable to interest, dividends and fees earned from investments in portfolio companies. This compares to investment income for the three and nine months ended September 30, 2014 of $9.3 million and $26.5 million, respectively. Investment income increased primarily as a result of an increase in the average balance of earning investments. We expect to generate some level of non-recurring fee income each quarter from prepayments, amendments and other sources. Non-recurring fee income for the three and nine months ended September 30, 2015 totaled $0.6 million and $1.3 million, respectively. Non-recurring fee income for the three and nine months ended September 30, 2014 totaled $0.3 million and $1.2 million, respectively.

Operating Expenses

Expenses, net of fees waived, were $6.0 million and $18.3 million for the three and nine months ended September 30, 2015, respectively. This compares to expenses, net of fees waived, of $5.2 million and $14.5 million for the three and nine months ended September 30, 2014, respectively.

Interest expense on our Credit Facility, Senior Notes (each as defined below under Financial Condition, Liquidity and Capital Resources) and unsecured term loan totaled $1.7 million and $5.0 million for the three and nine months ended September 30, 2015, respectively. We incurred interest expense of $1.4 million and $4.1 million on our Credit Facility, Senior Notes and unsecured term loan for the three and nine months ended September 30, 2014, respectively. The increase was due primarily to a higher outstanding balance on our Credit Facility.

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Base management fees, net of fees waived, totaled $2.1 million and $6.4 million for the three and nine months ended September 30, 2015, respectively, and $1.9 million and $5.0 million for the three and nine months ended September 30, 2014, respectively. Base management fees increased due to the increase in total assets. WhiteHorse Advisers agreed to waive that portion of the base management fees payable with respect to cash and cash equivalents to which it otherwise would have been entitled to under the Investment Advisory Agreement in determining the carrying value of consolidated gross assets as of December 31, 2013 and March 31, 2014. No fees were waived during the three or nine months ended September 30, 2015. No fees were waived during the three months ended September 30, 2014. The agreement resulted in the waiver of $0.4 million of base management fees during the nine months ended September 30, 2014. The waived fees are not subject to recoupment by WhiteHorse Advisers.

Performance-based incentive fees totaled $1.4 million and $4.2 million for the three and nine months ended September 30, 2015, respectively, and $1.0 million and $2.1 million for the three and nine months ended September 30, 2014, respectively. Performance-based incentive fees increased due to the application of the hurdle rate provisions in the Investment Advisory Agreement.

Administrative fees for the three and nine months ended September 30, 2015 totaled $0.3 million and $0.9 million, respectively. This compares to administrative fees of $0.4 million and $1.1 million for the three and nine months ended September 30, 2014, respectively.

General and administrative expenses were $0.6 million and $1.7 million for the three and nine months ended September 30, 2015, respectively, and $0.5 million and $2.1 million during the three and nine months ended September 30, 2014, respectively. General and administrative expenses for the nine months ended September 30, 2014 included capital markets-related professional fees of $0.4 million. No capital markets related professional fees were incurred during the nine months ended September 30, 2015.

Net Realized and Unrealized (Losses) Gains on Investments

We incurred no realized gains or losses during the three months ended September 30, 2015, and net realized losses of $0.4 million on the sales of investments during the nine months ended September 30, 2015. We incurred no realized gains or losses during the three or nine months ended September 30, 2014.

For the three and nine months ended September 30, 2015, we incurred net unrealized depreciation of $4.2 million and $4.6 million, respectively. For the three and nine months ended September 30, 2014, we incurred net unrealized appreciation of $0.5 million and $3.9 million, respectively. Unrealized appreciation and depreciation arose from credit-related adjustments and the reversal of unrealized depreciation or appreciation due to repayments or disposals.

Financial Condition, Liquidity and Capital Resources

As a business development company, we distribute substantially all of our net income to our stockholders. We generate cash primarily from offerings of securities, the Credit Facility and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. We expect to fund a portion of our investments through future borrowings under the Credit Facility. In the future, we may obtain borrowings under other credit facilities and from issuances of senior securities. We may also borrow funds to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if the market for debt financing presents attractively priced debt financing opportunities or if our board of directors determines that leveraging our portfolio would be in our best interest and the best interests of our stockholders.

Our board of directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. Any decision to sell shares below the then-current net asset value per share of our common stock is subject to stockholder approval and a determination by our board of directors that such issuance and sale is in our and our stockholders best interests. On August 3, 2015, our stockholders approved a proposal authorizing us, with the approval of our board of directors, to sell shares of our common stock during the next 12 months at a price below the then-current net asset value per share, subject to certain limitations as described in the proxy statement for our annual meeting of stockholders. Any sale or other issuance of shares of our common stock at a price below net asset value per share results in immediate dilution to our stockholders interests in our common stock and a reduction in our net asset value per share.

Restricted cash and cash equivalents include amounts that are collected and held by the trustee appointed as custodian of the assets securing the Credit Facility. Restricted cash is held by the trustee for the payment of interest expense and principal on the outstanding borrowings or reinvestment into new assets. Restricted cash that represents interest or fee income is transferred to unrestricted cash accounts by the trustee once a quarter after the payment of operating expenses and amounts due under the Credit Facility.

Our operating activities generated cash and cash equivalents of $38.9 million during the nine months ended September 30, 2015, primarily from the net divestiture of investments. Our financing activities used cash and cash equivalents of $33.8 million during the nine months ended September 30, 2015, primarily for the repayment of borrowings under the Credit Facility and the payment of distributions to stockholders.

Our operating activities used cash and cash equivalents of $71.8 million during the nine months ended September 30, 2014, primarily for the net acquisition of investments. Our financing activities used cash and cash equivalents of $8.7 million during the nine months ended September 30, 2014, primarily for the payment of distributions to stockholders, partially offset by net borrowings under the Credit Facility.

As of September 30, 2015, we had cash and cash equivalents resources of $25.9 million, including $9.2 million of restricted cash. As of the same date, we had approximately $61.5 million undrawn and available to be drawn under the Credit Facility based on the collateral and portfolio quality requirements stipulated in the related credit and security agreement.

As of December 31, 2014, we had cash and cash equivalents resources of $16.1 million, including $4.5 million of restricted cash. As of the same date, we had approximately $44.5 million undrawn and available to be drawn under the Credit Facility based on the collateral and portfolio quality requirements stipulated in the related credit and security agreement.

Credit Facility

On September 27, 2012, our wholly owned subsidiary, WhiteHorse Finance Warehouse LLC, or WhiteHorse Warehouse, entered into a $150 million secured revolving credit facility, or the Credit Facility, with an asset-backed commercial paper conduit, for which Natixis, New York Branch, provides liquidity support, to finance the business of WhiteHorse Warehouse in acquiring, managing and financing loans consistent with our investment strategy.

On August 13, 2014, we amended the terms of the Credit Facility to (a) extend the reinvestment period from September 27, 2014 to March 27, 2015, with the option to extend the reinvestment period by an additional six months to September 27, 2015, (b) extend the final maturity date from September 27, 2020 to September 27, 2021, (c) increase the borrowing capacity under certain conditions by reducing certain concentration limitations, (d) reduce the commitment fee from 1.00% to 0.75% and (e) include an accordion feature which allows for the expansion of the borrowing limit up to $200 million subject to consent from the lenders and other customary conditions. On March 12, 2015, we exercised our option to extend the reinvestment period from March 27, 2015 to September 27, 2015. On September 23, 2015, the Company amended the terms of its Credit Facility to extend the reinvestment period from September 27, 2015 to December 27, 2015.

As of September 30, 2015 and December 31, 2014, respectively, we had $88.5 million and $105.5 million in outstanding borrowings under the Credit Facility and, based on the collateral and portfolio requirements stipulated in the Credit Facility agreement, approximately $61.5 million and approximately $44.5 million, respectively, was available to be drawn on such dates. The Credit Facility is secured by all of the assets of WhiteHorse Warehouse, which included loans with a fair value of $308.4 million and $357.7 million as of September 30, 2015 and December 31, 2014, respectively.

The Credit Facility includes customary events of default for credit facilities of this nature, including breaches of representations, warranties or covenants by WhiteHorse Warehouse or by us, insolvency events affecting WhiteHorse Warehouse or us, the occurrence of a change in control, failure to maintain certain overcollateralization ratios required under the Credit Facility, if we or an approved affiliate or successor

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collateral manager cease to act as collateral manager, if we or one of our executive officers commits fraud or is indicted for a felony with respect to the Credit Facility or if we, one of our investment advisory affiliates or any of their respective executive officers commits fraud or is indicted for a felony in the performance of similar investment advisory services for others.

Other than as described below in this paragraph, each loan made under the Credit Facility bears interest at an applicable commercial paper rate plus 2.25% (if the lender is a commercial conduit which has funded the loan through the issuance of commercial paper) or at LIBOR plus 2.75% (if the lender is not a commercial paper conduit or has not otherwise funded the loan through the issuance of commercial paper). We also incur a commitment fee of 0.75% per annum on any undrawn balance. Our ability to draw under the Credit Facility is scheduled to terminate at the end of the reinvestment period on December 27, 2015. At the expiration of the reinvestment period, the interest rate on borrowings under the Credit Facility will increase by 0.50%. Following an event of default, the interest rate applicable on obligations under the Credit Facility that are not paid when due will increase by 2.00% per annum. If the commercial paper rate or LIBOR cannot be determined or it is illegal for a lender to charge such rate, then the interest rate applicable under the Credit Facility will be a base rate equal to the highest of the prime rate as announced in The Wall Street Journal, the federal funds rate plus 0.50% or a specified LIBOR, in each case as defined in the Credit Facility.

If we fail to perform our obligations under the Credit Facility or the related loan sale agreement and collateral management agreement, an event of default may occur under the Credit Facility, which could cause the lender to accelerate all of the outstanding debt and other obligations under the Credit Facility or to exercise other remedies under the Credit Facility. Any such developments could have a material adverse effect on our financial conditions and results of operations.

If any of our contractual obligations discussed above are terminated, our costs under new agreements that we enter into may increase. In addition, we will likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our Investment Advisory Agreement and our Administration Agreement. Any new investment management agreement would also be subject to approval by our stockholders. In anticipation of the expiration of the reinvestment period under the Credit Facility on December 27, 2015, we are evaluating refinancing options. The refinancing of the Credit Facility could trigger the accelerated amortization of deferred financing costs on our balance sheet.

Senior Notes

On July 23, 2013, we completed a public offering of $30 million of aggregate principal amount of 6.50% senior notes due 2020, or the Senior Notes, the net proceeds of which were used to reduce outstanding obligations under our unsecured term loan. Interest on the Senior Notes is paid quarterly on March 31, June 30, September 30 and December 31, at an annual rate of 6.50%. The Senior Notes mature on July 31, 2020. The Senior Notes are our direct senior unsecured obligations, rank senior to our unsecured term loan and are structurally subordinate to borrowings under the Credit Facility. The Senior Notes are listed on the NASDAQ Global Select Market under the symbol WHFBL .

Unsecured Term Loan

On November 8, 2012, we entered into a $90 million unsecured term loan agreement with Citibank, N.A., as the sole lead arranger, and H.I.G. Bayside Loan Opportunity Fund II, L.P., or Loan Fund II, as guarantor. On July 9, 2013, we amended the terms of the unsecured term loan to subordinate the unsecured term loan to the Senior Notes. On July 19, 2013, we further amended the terms of the unsecured term loan to lower the annual interest rate from LIBOR plus

2.75% to LIBOR plus 2.20%. The amendment also extended the maturity date by one year to July 3, 2015. On December 22, 2014, we further amended the unsecured term loan agreement to (i) reduce the annual interest rate by 55 basis points, from LIBOR plus 2.2% to LIBOR plus 1.65% and (ii) extend the maturity date by one year to July 3, 2016. The amendment was effective as of January 6, 2015.

As of September 30, 2015 and December 31, 2014, respectively, we had $55.0 million and $55.0 million in outstanding borrowings under our unsecured term loan.

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Under the terms of the amended unsecured term loan, with respect to which the Company pledged no collateral to the lenders, we are required to pay interest monthly at the annual rate, except at our option and under certain other circumstances at one of several other interest rates. The unsecured term loan is subject to customary covenants and events of default, such as failure to pay the principal of, or interest on, the unsecured term loan, certain events of bankruptcy, insolvency or reorganization occur or a payment default under certain of our other debt obligations. The unsecured term loan includes customary restrictions that limit the Company s ability to pay dividends under certain circumstances, to merge with another entity unless it is the surviving entity following the merger and to amend its organizational documents. Loan Fund II has guaranteed the Company s obligation to make payments under the unsecured term loan. Loan Fund II, as the guarantor of the unsecured term loan, has the right to require the lenders to assign the loan to it under certain circumstances. We are permitted to prepay amounts outstanding under the unsecured term loan in whole or in part without penalty.

Portfolio Investments and Yield

As of September 30, 2015, our investment portfolio consisted primarily of senior secured loans across 32 positions in 26 companies with an aggregate fair value of $376.1 million. As of that date, the majority of our portfolio was comprised of senior secured loans to small-cap borrowers and approximately 96.7% of those loans were variable-rate investments (primarily indexed to LIBOR). As of September 30, 2015, our portfolio had an average investment size of $11.8 million, with investment sizes ranging from less than $0.1 million to $41.6 million and a weighted average effective yield of 11.6%.

As of December 31, 2014, our investment portfolio consisted primarily of senior secured loans across 37 positions in 31 companies with an aggregate fair value of $403.5 million. As of that date, the majority of our portfolio was comprised of senior secured loans to small-cap borrowers and approximately 96.1% of those loans were variable-rate investments (primarily indexed to LIBOR). As of December 31, 2014, our portfolio had an average investment size of $10.9 million, with investment sizes ranging from less than $0.1 million to $43.0 million and a weighted average effective yield of 11.3%.

For the nine months ended September 30, 2015, WhiteHorse Finance invested $74.7 million in new and existing portfolio companies, offset by repayments and sales of $101.4 million. Repayments included $12.3 million of scheduled repayments and $50.8 million of unscheduled repayments.

For the nine months ended September 30, 2014, WhiteHorse Finance invested $170.2 million in new and existing portfolio companies, offset by net repayments of $79.2 million. Gross repayments were comprised of refinancings of $50.3 million and scheduled repayments of $28.9 million.

We actively monitor and manage our portfolio with regard to individual company performance as well as general market conditions. Investment decisions on new originations generally include an analysis of the impact of the new loan on our broader portfolio, including a top-down assessment of portfolio diversification and risk exposure. This assessment includes a review of portfolio concentration by issuer, industry, geography and type of credit as well as an evaluation of our portfolio s exposure to macroeconomic factors and cyclical trends.

We believe that consistent, active monitoring of individual companies and the broader market is integral to portfolio management and a critical component of our investment process. Our investment adviser uses several methods to evaluate and monitor the performance and fair value of our investments, which may include the following:

frequent discussions with management and sponsors, including board observation rights where possible;

comparing/analyzing financial performance to the portfolio company s business plan, as well as our internal projections developed at underwriting;

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tracking portfolio company compliance with covenants as well as other metrics identified at initial investment stage, such as acquisitions, divestitures, product development and specified management hires; and
periodic review by the investment committee of each asset in the portfolio and more rigorous monitoring of watch list positions.

As part of the monitoring process, our investment adviser regularly assesses the risk profile of each of our investments and, on a quarterly basis, grades each investment on a risk scale of 1 to 5. This risk rating system is intended to identify and assess risks relative to when we initially made the investment and could be impacted by such factors as company-specific performance, changes in collateral, changes in potential exit opportunities or macroeconomic conditions.

All investments are initially assigned a rating of 2, as this grade represents a company that is meeting initial expectations with regard to performance and outlook. A rating may be improved to a 1 if, in the opinion of our investment adviser, a portfolio company s risk of loss has been reduced relative to initial expectations. An investment will be assigned a rating of 3 if the risk of loss has increased relative to initial expectations and will be assigned a rating of 4 if our investment principal is at a material risk of not being fully repaid. A rating of 5 indicates an investment is in payment default and has significant risk of not receiving full repayment.

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value:

Investment Performance Rating	September 30, 2015 Investments at Fair Value (Dollars in Millions)	September 30, 2015 Percentage of Total Portfolio	December 31, 2014 Investments at Fair Value (Dollars in Millions)	December 31, 2014 Percentage of Total Portfolio
1	$	%	$	%
2	337.8	89.8	403.5	100.0
3	38.3	10.2		
4				
5				
Total Portfolio	$ 376.1	100.0 %	$ 403.5	100.0 %

Inflation

Inflation has not had a significant effect on our results of operations in any of the reporting periods presented in our consolidated financial statements. However, from time to time, inflation may impact the operating results of our portfolio companies.

Off-Balance Sheet Arrangements

We may become a party to financial instruments with off-balance sheet risk in the normal course of our business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve elements of liquidity and credit risk in excess of the amount recognized on the statements of assets and liabilities. As of September 30, 2015 and December 31, 2014, respectively, we had commitments to fund approximately $16.5 million and $20.5 million of revolving lines of credit or delayed draw facilities. During the three and nine months ended September 30, 2015, we funded $2.0 million and $16.0 million, respectively, of the commitments outstanding as of December 31, 2014.

Distributions

In order to maintain our status as a RIC and to avoid corporate-level tax on income, we must distribute to our stockholders at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In order to avoid certain excise taxes imposed on RICs, we must distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income (taking into account certain deferrals and elections) for the calendar year, (2) 98.2% of our capital gains in excess of capital losses for the one-year period ending on

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October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years on which we paid no U.S. federal income tax.

During the three and nine months ended September 30, 2015, we declared to stockholders distributions of $0.355 and $1.065 per share, for total distributions of $5.3 million and $16.0 million, respectively. During the three and nine months ended September 30, 2014, we declared to stockholders distributions of $0.355 and $1.065 per share, for total distributions of $5.3 million and $16.0 million, respectively.

The timing and amount of our quarterly distributions, if any, are determined by our board of directors. While we intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution, we may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of our distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a business development company under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including the possible loss of our status as a RIC. We cannot assure stockholders that they will receive any distributions.

To the extent our taxable earnings fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to our stockholders for U.S. federal income tax purposes. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. During the three and nine months ended September 30, 2015, we estimate that distributions to stockholders did not include any return of capital for tax purposes, based on current earnings for the fiscal year ending December 31, 2015. The specific tax characteristics of the distribution will be reported to stockholders on Form 1099-DIV after the end of the calendar year 2015 and in our periodic reports with the SEC. Stockholders should read any written disclosure accompanying a distribution payment carefully and should not assume that the source of any distribution is our ordinary income or gains.

We have adopted an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders cash distributions will be automatically reinvested in additional shares of our common stock unless a stockholder specifically opts out of our dividend reinvestment plan. If a stockholder opts out, that stockholder receives cash distributions. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal, state and local taxes in the same manner as cash distributions, stockholders participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes.

Contractual Obligations

A summary of our significant contractual payment obligations as of September 30, 2015 is as follows:

	Payments Due by Period (Dollars in Millions)				
	Total	Less Than 1 Year	1 3 Years	3 5 Years	More Than 5 Years
Credit Facility	$ 88.5	$	$	$	$ 88.5
Senior Notes	30.0				30.0
Unsecured Term Loan	55.0	55.0			
Total contractual obligations	$ 173.5	$ 55.0	$	$	$ 118.5

As of September 30, 2015, we had approximately $61.5 million of unused borrowing capacity under the Credit Facility, all of which was available to be drawn.

We entered into the Investment Advisory Agreement with WhiteHorse Advisers in accordance with the 1940 Act. The Investment Advisory Agreement became effective upon the pricing of our initial public offering, or the IPO. Under the Investment Advisory Agreement, WhiteHorse Advisers manages our day-to-day investment operations and provides us with access to personnel and an investment committee and certain other resources so that we may fulfill our obligation to act as collateral manager of WhiteHorse Warehouse under the Credit Facility. Payments under the Investment Advisory Agreement in future periods will equal the sum

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of (1) a management fee equal to 2% of the value of our consolidated gross assets and (2) an incentive fee based on our performance. See Investment Advisory Agreement in Note 6 to the consolidated financial statements.

We also entered into the Administration Agreement with WhiteHorse Administration on December 4, 2012. Pursuant to the Administration Agreement, WhiteHorse Administration furnishes us with office facilities and administrative services necessary to conduct our day-to-day operations. WhiteHorse Administration also furnishes us with the resources necessary for us to act as collateral manager to WhiteHorse Warehouse under the Credit Facility. If requested to provide managerial assistance to our portfolio companies, WhiteHorse Administration will be paid an additional amount based on the services provided, which amount will not, in any case, exceed the amount we receive from the portfolio companies for such services. Payments under the Administration Agreement are based upon our allocable portion of WhiteHorse Administration s overhead expenses in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our chief compliance officer, chief financial officer and chief operating officer along with their respective staffs.

Related Party Transactions

We have entered into a number of business relationships with affiliated or related parties, including the following:

WhiteHorse Advisers manages our day-to-day operations and provides investment management services to us pursuant to the Investment Advisory Agreement.
WhiteHorse Administration and certain of its affiliates provide us with the office facilities and administrative services, including access to the resources necessary for us to perform our obligations as collateral manager of WhiteHorse Warehouse under the Credit Facility and for certain portfolio companies, pursuant to the Administration Agreement.
We have entered into a license agreement with an affiliate of H.I.G. Capital pursuant to which we have been granted a non-exclusive, royalty-free license to use the WhiteHorse name.

WhiteHorse Advisers, WhiteHorse Administration or their respective affiliates may have other clients with similar, different or competing investment objectives. In serving in these multiple capacities, WhiteHorse Advisers, WhiteHorse Administration or their respective affiliates may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders. Such persons may face conflicts in the allocation of investment opportunities among us and other investment funds or accounts advised by or affiliated with WhiteHorse Advisers or WhiteHorse Administration. WhiteHorse Advisers or its affiliates will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. However, we can offer no assurance that such opportunities will be allocated to us fairly or equitably in the short-term or over time.

Critical Accounting Policies

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. We have identified the following as critical accounting policies.

Basis for Consolidation

Under the investment company rules and regulations pursuant to the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, codified in Topic 946, *Financial*

Services Investment Companies, or ASC Topic 946, we are precluded from consolidating any entity other than another investment company. As provided under ASC Topic 946, we generally consolidate any investment company when we own 100% of its partners or members capital or equity units. We own a 100% equity interest in WhiteHorse Warehouse, which is an investment company for accounting purposes. As such,

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we have consolidated the accounts of WhiteHorse Warehouse and its subsidiary, Bayside Financial Financing S.A.R.L., into our financial statements. As a result of this consolidation, the amount outstanding under Credit Facility is treated as our indebtedness.

Valuation of Portfolio Investments

We value our investments in accordance with Accounting Standards Codification, or ASC, Topic 820 *Fair Value Measurements and Disclosures*. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC Topic 820 s definition of fair value focuses on exit price in the principal, or most advantageous, market and prioritizes the use of market-based inputs over entity-specific inputs within a measurement of fair value.

Our portfolio consists primarily of debt investments. These investments are valued at their bid quotations obtained from unaffiliated market makers or other financial institutions that trade in similar investments or based on prices provided by independent third party pricing services. For investments where there are no available bid quotations, fair value is derived using proprietary models that consider the analyses of independent valuation agents as well as credit risk, liquidity, market credit spreads and other applicable factors for similar transactions.

Due to the nature of our strategy, our portfolio includes relatively illiquid investments that are privately held. Valuations of privately held investments are inherently uncertain, may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed. Our net asset value could be materially affected if the determinations regarding the fair value of our investments were materially higher or lower than the values that we ultimately realize upon the disposal of such investments.

Our board of directors is ultimately and solely responsible for determining the fair value of the portfolio investments that are not publicly traded, whose market prices are not readily available on a quarterly basis in good faith or any other situation where portfolio investments require a fair value determination.

The valuation process is conducted at the end of each fiscal quarter, with a portion of our valuations of portfolio companies without market quotations subject to review by one or more independent valuation firms each quarter. When an external event occurs with respect to one of our portfolio companies, such as a purchase transaction, public offering or subsequent equity sale occurs, we expect to use the pricing indicated by such external event to corroborate our valuation.

With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below:

Our quarterly valuation process begins with each portfolio company or investment being initially valued by investment professionals of our investment adviser responsible for credit monitoring.

Preliminary valuation conclusions are then documented and discussed with our investment committee and our investment adviser.

The audit committee of the board of directors reviews these preliminary valuations.

At least once annually, the valuation for each portfolio investment is reviewed by an independent valuation firm.

The board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith.

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Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters, or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation models involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments complexity. Our fair value analysis includes an analysis of the value of any unfunded loan commitments. Financial investments recorded at fair value in the consolidated financial statements are categorized for disclosure purposes based upon the level of judgment associated with the inputs used to measure their value. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. The three levels are defined as follows:

Level 1:	Quoted prices (unadjusted) for identical assets or liabilities in active public markets that the entity has the ability to access as of the measurement date.
Level 2:	Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
Level 3:	Significant unobservable inputs that reflect a reporting entity s own assumptions about what market participants would use in pricing an asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument s categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the financial instrument.

Fair value for each investment is derived using a combination of valuation methodologies that, in the judgment of the investment committee of the investment adviser are most relevant to such investment, including being based on one or more of the following: (i) market prices obtained from market makers for which the investment committee has deemed there to be enough breadth (number of quotes) and depth (firm bids) to be indicative of fair value, (ii) the price paid or realized in a completed transaction or binding offer received in an arms -length transaction, (iii) a discounted cash flow analysis, (iv) the guideline public company method, (v) the similar transaction method or (vi) the option pricing method.

Investment Transactions and Related Investment Income and Expense

We record our investment transactions on a trade date basis, which is the date when we have determined that all material terms have been defined for the transactions. These transactions could possibly settle on a subsequent date depending on the transaction type. All related revenue and expenses attributable to these transactions are reflected on our consolidated statement of operations commencing on the trade date unless otherwise specified by the transaction documents. Realized gains and losses on investment transactions are recorded on the specific identification method.

We accrue interest income if we expect that ultimately we will be able to collect it. Generally, when an interest payment default occurs on a loan in our portfolio, or if our management otherwise believes that the issuer of the loan will not be able to service the loan and other obligations, we place the loan on non-accrual status and will cease recognizing interest income on that loan until all principal and interest is current through payment or until a restructuring occurs, such that the interest income is deemed to be collectible. However, we remain contractually entitled to this interest. We may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection. Accrued interest is written off when it becomes probable that such interest will not be collected and the amount of uncollectible interest can be reasonably estimated. Any original issue discounts, as well as any other purchase discounts or premiums on debt investments, are accreted or amortized to interest income or expense, respectively, over the maturity periods of the investments. Dividend income is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

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Interest expense is recorded on an accrual basis. Certain expenses related to legal and tax consultation, due diligence, rating fees, valuation expenses and independent collateral appraisals may arise when we make certain investments. These expenses are recognized in the consolidated statements of operations as they are incurred.

Loan Origination, Facility, Commitment and Amendment Fees

We may receive fees in addition to interest income from the loans during the life of the investment. We may receive origination fees upon the origination of an investment. We defer these origination fees and deduct them from the cost basis of the investment and subsequently accrete them into income over the term of the loan. We may receive facility, commitment and amendment fees, which are paid to us on an ongoing basis. We accrue facility fees, sometimes referred to as asset management fees, as a percentage periodic fee on the base amount (either the funded facility amount or the committed principal amount). Commitment fees are based upon the undrawn portion committed by us and we record them on an accrual basis. Amendment fees are paid in connection with loan amendments and waivers and we account for them upon completion of the amendments or waivers, generally when such fees are receivable. We include any such fees in interest and fee income on the consolidated statements of operations.

Recent Accounting Pronouncements

During May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 will remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This guidance is effective retrospectively for annual and interim periods beginning on or after December 15, 2016, and for interim periods within those fiscal years, with early adoption permitted. We do not expect ASU 2015-07 to have a material impact on our consolidated financial statements or related disclosures.

During April 2015, FASB issued ASU, 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, containing new guidance that will require debt issuance costs related to a recognized debt liability of a reporting entity to be presented in the statement of assets and liabilities as a direct reduction from the carrying amount of such debt liability. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. This guidance is effective for annual and interim periods beginning on or after December 15, 2015. We do not expect ASU 2015-03 to have a material impact on our consolidated financial statements or related disclosures.

During February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which amends the consolidation requirements set forth under ASC Topic 810. Under this revised standard, greater emphasis is placed on risk of loss when determining a controlling financial interest. This standard also amends how variable interests held by a reporting entity s related parties affect the reporting entity s consolidation conclusion. The amendments made by ASU 2015-02 are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. We do not expect ASU 2015-02 to have a material impact on our consolidated financial statements or related disclosures.

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SENIOR SECURITIES
(In Thousands)

Information about our senior securities is shown in the following tables as of the end of the three fiscal years since our IPO, and as of September 30, 2015. The report of our independent registered public accounting firm, Crowe Horwath LLP, on the senior securities table as of December 31, 2014, is attached as an exhibit to the registration statement of which this prospectus supplement is a part. The indicates information that the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding(1)	Asset Coverage per Unit(2)	Involuntary Liquidating Preference per Unit(3)	Average Market Value per Unit(4)
Credit Facility				
Fiscal 2015 (as of September 30, 2015, unaudited)	$ 88,500	$ 2,276	$	N/A
Fiscal 2014	105,500	2,183		N/A
Fiscal 2013	25,000	3,064		N/A
Fiscal 2012	51,250	2,622		N/A
Senior Notes				
Fiscal 2015 (as of September 30, 2015, unaudited)	$ 30,000	$ 2,276	$	$ 1,013
Fiscal 2014	30,000	2,183		1,006
Fiscal 2013	30,000	3,064		982
Unsecured Term Loan				
Fiscal 2015 (as of September 30, 2015, unaudited)	$ 55,000	$ 2,276	$	N/A
Fiscal 2014	55,000	2,183		N/A
Fiscal 2013	55,000	3,064		N/A
Fiscal 2012	90,000	2,622		N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented (in thousands)

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage Per Unit (including for the Senior Notes, which were issued in $25 increments).

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Not applicable, except with respect to the Senior Notes, as other senior securities are not registered for public trading on a stock exchange. The average market value per unit for the Senior Notes is based on the average daily prices of such notes and is expressed per $1,000 of indebtedness.

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PORTFOLIO COMPANIES

Please see our Consolidated Schedule of Investments as of September 30, 2015 (Unaudited) beginning on page F-S-6 of this prospectus supplement for certain information as of September 30, 2015 for each portfolio company in which we had an investment.

Please see Portfolio Companies in the accompanying prospectus for a description of the businesses of the portfolio companies which constituted 5% or more of our assets as of September 30, 2015. As of September 30, 2015, the portfolio companies in which we have invested which constituted 5% or more of our assets has not changed since June 30, 2015, other than our investment in the following portfolio company:

RCS Capital Corporation

RCS provides investment management and advisory services through a network of broker-dealers and financial advisors.

Other than the investments in our portfolio companies, our only formal relationships with our portfolio companies are the managerial assistance that we may provide upon request and the board observer or participation rights we may receive in connection with our investment. See Regulation Managerial Assistance in the accompanying prospectus. We do not control and are not an affiliate of any of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would control a portfolio company if we owned more than 25% of its voting securities and would be an affiliate of a portfolio company if we owned five percent or more of its voting securities.

All debt investments were income producing as of September 30, 2015. Common equity investments are non-income producing unless otherwise noted in the consolidated schedule of investments which are a part of the financial statements included in this prospectus supplement.

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LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus supplement will be passed upon for WhiteHorse Finance by Dechert LLP, Washington, D.C. Dechert LLP also represents WhiteHorse Advisers. Dechert LLP has from time to time represented WhiteHorse Advisers and the dealer manager on unrelated matters. Certain legal matters in connection with the securities offered hereby will be passed upon for the dealer manager by Sidley Austin LLP, New York, New York.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Crowe Horwath LLP, an independent registered public accounting firm, has audited our consolidated financial statements as of December 31, 2014 and 2013, and for the three years in the period ended December 31, 2014, as set forth in its report elsewhere in the accompanying prospectus. We have included our consolidated financial statements in reliance on Crowe Horwath LLP s report, given on their authority as experts in accounting and auditing. Crowe Horwath LLP is located at 488 Madison Avenue, Floor 3, New York, New York 10022.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to the rights offered by this prospectus supplement and the accompanying prospectus. The registration statement contains additional information about us and the rights being offered by this prospectus supplement and the accompanying prospectus.

We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We maintain a website at *www.whitehorsefinance.com* and make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. Information contained on our website is not incorporated into this prospectus supplement, and you should not consider information on our website to be part of this prospectus supplement. You may also obtain such information by contacting us, in writing at: 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131, Attention: Investor Relations, or by telephone at (305) 381-6999. The SEC maintains a website that contains reports, proxy and information statements and other information we file with the SEC at *http://www.sec.gov*. Copies of these reports, proxy and information statements and other information may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.

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WHITEHORSE FINANCE, INC.

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WhiteHorse Finance, Inc.

Consolidated Statements of Assets and Liabilities
(in thousands, except share and per share data)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Investments, at fair value		
Non-controlled/non-affiliate company investments	$355,888	$383,500
Non-controlled affiliate company investments	20,200	20,000
Total investments, at fair value (amortized cost $378,201 and $401,062, respectively)	376,088	403,500
Cash and cash equivalents	16,731	11,647
Restricted cash and cash equivalents	9,169	4,495
Interest receivable	2,676	2,702
Deferred financing costs	4,220	4,004
Prepaid expenses and other receivables	216	494
Total assets	$409,100	$426,842
Liabilities		
Credit facility	$88,500	$105,500
Senior notes	30,000	30,000
Unsecured term loan	55,000	55,000
Distributions payable	5,319	5,319
Management fees payable	5,487	5,006
Payable for investments purchased	2,865	
Accounts payable and accrued expenses	577	659
Total liabilities	187,748	201,484
Commitments and contingencies (See Note 7)		
Net assets		
Common stock, 14,982,857 shares issued and outstanding, par value $0.001 per share and 100,000,000 authorized	15	15
Paid-in capital in excess of par	228,731	228,731
Accumulated overdistributed net investment income	(4,994)	(5,918)
Accumulated realized gains on investments	349	728
Accumulated unrealized (depreciation) appreciation on investments	(2,749)	1,802
Total net assets	221,352	225,358
Total liabilities and total net assets	$409,100	$426,842
Number of shares outstanding	14,982,857	14,982,857
Net asset value per share	$14.77	$15.04

See notes to the consolidated financial statements

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WhiteHorse Finance, Inc.

Consolidated Statements of Operations (Unaudited)
(in thousands, except share and per share data)

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Investment income				
From non-controlled/non-affiliate company investments				
Interest income	$10,338	$8,712	$31,545	$24,919
Fee income	681	346	1,505	1,407
From non-controlled affiliate company investments Dividend income	688	207	2,090	207
Total investment income	11,707	9,265	35,140	26,533
Expenses				
Interest expense	1,654	1,405	5,028	4,146
Base management fees	2,125	1,871	6,377	5,439
Performance-based incentive fees	1,415	1,011	4,220	2,143
Administrative service fees	255	427	898	1,111
General and administrative expenses	596	508	1,736	2,115
Total expenses, before fees waived	6,045	5,222	18,259	14,954
Base management fees waived				(447)
Total expenses, net of fees waived	6,045	5,222	18,259	14,507
Net investment income	5,662	4,043	16,881	12,026
Realized and unrealized (losses) gains on investments				
Net realized losses				
Non-controlled/non-affiliate company investments			(379)	
Net realized losses			(379)	
Net change in unrealized (depreciation) appreciation				
Non-controlled/non-affiliate company investments	(4,234)	640	(4,751)	4,044
Non-controlled affiliate company investments		(120)	200	(120)
Net change in unrealized (depreciation) appreciation	(4,234)	520	(4,551)	3,924
Net realized and unrealized (losses) gains on investments	(4,234)	520	(4,930)	3,924
Net increase in net assets resulting from operations	$1,428	$4,563	$11,951	$15,950

Per common share data				
Basic and diluted earnings per common share	$0.10	$0.31	$0.80	$1.06
Dividends and distributions declared per common share	$0.36	$0.36	$1.07	$1.07
Basic and diluted weighted average common shares outstanding	14,982,857	14,982,857	14,982,857	14,982,815

See notes to the consolidated financial statements

WhiteHorse Finance, Inc. Consolidated Statements of Operations (Unaudited) (in thousands, except share and per 94

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WhiteHorse Finance, Inc.

Consolidated Statements of Changes in Net Assets (Unaudited)

(in thousands, except share and per share data)

	Common Stock						
	Shares	Par amount	Paid-in Capital in Excess of Par	Accumulated Over distributed Net Investment Income	Accumulated Realized Gains (Losses) on Investments	Accumulated Unrealized (Depreciation) Appreciation on Investments	Total Net Assets
Balance at December 31, 2013	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				12,026		3,924	15,950
Distributions declared				(15,957)			(15,957)
Balance at September 30, 2014	14,982,857	$15	$228,734	$(4,785)	$	$3,119	$227,083
Balance at December 31, 2014	14,982,857	$15	$228,731	$(5,918)	$728	$1,802	$225,358
Net increase in net assets resulting from operations				16,881	(379)	(4,551)	11,951
Distributions declared				(15,957)			(15,957)
Balance at September 30, 2015	14,982,857	$15	$228,731	$(4,994)	$349	$(2,749)	$221,352

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WhiteHorse Finance, Inc.

Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Nine months ended September 30, 2015	2014
Cash flows from operating activities		
Net increase in net assets resulting from operations	$11,951	$15,950
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Paid in kind income	(935)	(1,072)
Net realized losses on investments	379	
Net unrealized depreciation (appreciation) on investments	4,551	(3,924)
Accretion of discount	(1,211)	(808)
Amortization of deferred financing costs	613	456
Acquisition of investments	(103,990)	(170,183)
Proceeds from principal payments and sales of portfolio investments	128,618	79,241
Net changes in operating assets and liabilities:		
Restricted cash and cash equivalents	(4,674)	(10,996)
Interest receivable	26	(250)
Prepaid expenses and other receivables	278	(13)
Payable for investments purchased	2,865	18,503
Management fees payable	481	1,312
Accounts payable and accrued expenses	(82)	(33)
Net cash provided by (used in) operating activities	38,870	(71,817)
Cash flows from financing activities		
Proceeds from borrowings under credit facility	74,500	67,000
Repayment of borrowings under credit facility	(91,500)	(59,000)
Deferred financing costs	(829)	(810)
Distributions paid to common stockholders, net of distributions reinvested	(15,957)	(15,867)
Net cash (used in) provided by financing activities	(33,786)	(8,677)
Net change in cash and cash equivalents	5,084	(80,494)
Cash and cash equivalents at beginning of period	11,647	92,905
Cash and cash equivalents at end of period	$16,731	$12,411
Supplemental disclosure of cash flow information:		
Interest paid	$4,403	$3,734
Supplemental noncash disclosures:		
Dividends reinvested	$	$88

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (Unaudited)
September 30, 2015
(in thousands)

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (Unaudited) (continued) September 30, 2015 *(in thousands)*

Investment Type[1]	Spread Above Index[2]	Interest Rate[3]	Maturity Date	Principal Amount	Amortized Cost	Fair Value	Fair Value As A Percentage Of Net Assets
Electronic Equipment & Instruments							
AP Gaming I, LLC							
First Lien Secured Term Loan	L+8.25% (1.00% Floor)	9.25%	12/20/20	$9,825	$9,581	$9,746	4.40 %
Food Retail							
Crews of California, Inc.							
First Lien Secured Term Loan[6]	L+11.00% (1.00% Floor)	12.00% (1.00% PIK)	11/20/19	15,131	14,837	14,889	6.73
First Lien Secured Revolving Loan	L+11.00% (1.00% Floor)	12.00% (1.00% PIK)	11/20/19	3,507	3,413	3,450	1.56
First Lien Secured Delayed Draw Term Loan	L+11.00% (1.00% Floor)	12.00% (1.00% PIK)	11/20/19	5,021	4,928	4,941	2.23
				23,659	23,178	23,280	10.52
Health Care Distributors							
P2 Newco Acquisition, Inc.[6]							
Second Lien Secured Term Loan	L+8.50% (1.00% Floor)	9.50%	10/22/21	6,000	5,950	5,994	2.71
Health Care Facilities							
Coastal Sober Living, LLC[6]							
First Lien Secured Term Loan	L+9.25% (1.00% Floor)	10.25%	6/30/19	41,580	40,948	41,248	18.63
Grupo HIMA San Pablo, Inc.							
First Lien Secured Term Loan		8.50%	1/31/18	14,625	14,464	14,625	6.61

Second Lien Secured Term Loan	L+7.00% (1.50% Floor) N/A(5)	13.75%	7/31/18	1,000	968	998	0.45
				57,205	56,380	56,871	25.69
<u>Health Care Technology</u>							
Client Network Services, Inc.							
First Lien Secured Term Loan(6)	L+13.00% (0.50% Floor)	13.50%	4/24/19	13,588	13,312	13,616	6.15
First Lien Secured Revolving Loan	P+12.00% (3.25% Floor)	15.25%	4/24/19				
				13,588	13,312	13,616	6.15
<u>Integrated Telecommunication Services</u>							
Securus Technologies Holdings, Inc.							
Second Lien Secured Term Loan	L+7.75% (1.25% Floor)	9.00%	4/30/21	9,090	9,058	7,799	3.53
<u>Oil & Gas Drilling</u>							
ProPetro Services, Inc.							
First Lien Secured Term Loan	L+6.25% (1.00% Floor)	7.25%	9/30/19	9,000	8,930	7,407	3.35
<u>Oil & Gas Exploration & Production</u>							
Caelus Energy Alaska O3, LLC							
Second Lien Secured Term Loan	L+7.50% (1.25% Floor)	8.75%	4/15/20	13,000	12,849	11,388	5.14
Larchmont Resources, LLC							
First Lien Secured Term Loan	L+8.75% (1.00% Floor)	9.75%	8/7/19	1,756	1,789	1,478	0.67
				14,756	14,638	12,866	5.81

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (Unaudited) (continued) September 30, 2015 *(in thousands)*

(1) Except as otherwise noted, all investments are non-controlled/non-affiliate investments as defined by the Investment Company Act of 1940, as amended (the 1940 Act), and provide collateral for the Company s credit facility.

(2) The investments bear interest at a rate that may be determined by reference to the London Interbank Offered Rate (LIBOR or L) or the Prime Rate (P), which resets monthly, quarterly or semiannually.

(3) The interest rate is the all-in-rate including the current index and spread, the fixed rate, and the payment-in-kind (PIK) interest rate, as the case may be.

(4) WhiteHorse Finance, Inc. s investments in GMT Holdings 1, Ltd. and GMT Holdings 12, Ltd. are held through its subsidiary Bayside Financing S.A.R.L.

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (Unaudited) (continued) September 30, 2015 *(in thousands)*

(5) Interest rate is fixed and accordingly the spread above the index is not applicable.

(6) The investment or a portion of the investment does not provide collateral for the Company s credit facility.

(7) Not a qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of total assets. Qualifying assets represent 81% of total assets.

(8) Investment is a non-controlled/affiliate investment as defined by the 1940 Act.

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments
December 31, 2014
(in thousands)

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (continued) December 31, 2014 *(in thousands)*

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (continued)
December 31, 2014
(in thousands)

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (continued) December 31, 2014 *(in thousands)*

(1) Except as otherwise noted, all investments are non-controlled/non-affiliate investments as defined by the 1940 Act, and provide collateral for the Company s credit facility.

(2) The investments bear interest at a rate that may be determined by reference to LIBOR or the Prime Rate, which resets monthly, quarterly or semiannually.

(3) The interest rate is the all-in-rate including the current index and spread, the fixed rate, and the PIK interest rate, as the case may be.

(4) WhiteHorse Finance, Inc. s investments in GMT Holdings 1, Ltd. and GMT Holdings 12, Ltd. are held through its subsidiary Bayside Financing S.A.R.L.

(5) Interest rate is fixed and accordingly the spread above the index is not applicable.

(6) Investment does not provide collateral for the Company s credit facility.

(7) Not a qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, the Company may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of total assets. Qualifying assets represent 86% of total assets.

(8) Investment is a non-controlled/affiliate investment as defined by the 1940 Act.

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 1 ORGANIZATION

WhiteHorse Finance, Inc. (WhiteHorse Finance and, together with its subsidiaries, the Company) is 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 (the 1940 Act). In addition, for tax purposes, WhiteHorse Finance elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code).

On December 4, 2012, WhiteHorse Finance priced its initial public offering (the IPO), selling 6,666,667 shares. Concurrent with the IPO, certain of the Company s directors, officers, the managers of its investment adviser and their immediate family members or entities owned by, or family trusts for the benefit of, such persons, purchased an additional 472,673 shares through a private placement transaction exempt from registration under the Securities Act of 1933, as amended (the Securities Act). WhiteHorse Finance s common stock trades on the NASDAQ Global Select Market under the symbol WHF .

The Company s 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 small-cap companies across a broad range of industries that typically carry a floating interest rate based on the London Interbank Offered Rate (LIBOR) and have a term of three to six years. While the Company focuses principally on originating senior secured loans to small-cap companies, it may also opportunistically make investments at other levels of a company s capital structure, including mezzanine loans or equity interests and may receive warrants to purchase common stock in connection with its debt investments.

WhiteHorse Finance s investment activities are managed by H.I.G. WhiteHorse Advisers, LLC (WhiteHorse Advisers). H.I.G. WhiteHorse Administration, LLC (WhiteHorse Administration) provides administrative services necessary for the Company to operate.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and include WhiteHorse Finance, Inc., its wholly owned subsidiary, WhiteHorse Finance Warehouse, LLC (WhiteHorse Warehouse), and its subsidiary, Bayside Financing S.A.R.L. All significant intercompany balances and transactions and have been eliminated. Additionally, the accompanying consolidated financial statements and related financial information have been prepared pursuant to the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X.

Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. This Form 10-Q should be read in conjunction with the Company s annual report on Form 10-K for the year ended December 31, 2014. The current period s results of operations will not necessarily be indicative of results that ultimately may be achieved for the year ending December 31, 2015.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements. Actual results could differ from those estimates.

Fair Value of Financial Instruments: The Company determines the fair value of its financial instruments in accordance with Accounting Standards Codification (ASC) Topic 820 *Fair Value Measurements and Disclosures.* ASC Topic 820 defines fair value, establishes a framework used to measure fair value and requires disclosures for fair value measurements. In accordance with ASC Topic 820, the Company has categorized its financial instruments carried at fair value, based on the priority of the valuation technique, into

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a three-level fair value hierarchy. Fair value is a market-based measure considered from the perspective of the market participant who holds the financial instrument. Therefore, when market assumptions are not readily available, the Company s own assumptions are set to reflect those that management believes market participants would use in pricing the financial instrument at the measurement date.

Investments are measured at fair value as determined in good faith by the Company s investment committee, generally on a quarterly basis, and such valuations are reviewed by the audit committee of the board of directors and ultimately approved by the board of directors, based on, among other factors, consistently applied valuation procedures on each measurement date. Any changes to the valuation methodology are reviewed by management and the Company s board of directors to confirm that the changes are justified. The Company continues to review and refine its valuation procedures in response to market changes.

The Company engages independent external valuation firms to periodically review material investments. These external reviews are used by the board of directors to review the Company s internal valuation of each investment over the year.

Investment Transactions: The Company records investment transactions on a trade date basis. These transactions may settle subsequent to the trade date depending on the transaction type. Certain expenses related to legal and tax consultation, due diligence, rating fees, valuation expenses and independent collateral appraisals may arise when the Company makes certain investments. These expenses are recognized in the consolidated statements of operations as they are incurred.

Revenue Recognition: The Company s revenue recognition policies are as follows:

Sales: Realized gains or losses on the sales of investments are calculated by using the specific identification method.

Investment Income: Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. The Company may also receive closing, commitment, prepayment, amendment and other fees from portfolio companies in the ordinary course of business.

Dividend income is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

Closing fees associated with investments in portfolio companies are deferred and recognized as interest income over the respective terms of the applicable loans using the effective interest method. Upon the prepayment of a loan or debt security, any unamortized loan closing fees are recorded as part of interest income. Commitment fees are based upon the undrawn portion committed by the Company and are recorded as interest income on an accrual basis. Prepayment, amendment and other fees are recognized when earned, generally when such fees are receivable, and are included in fee income on the consolidated statements of operations.

The Company may invest in loans that contain a payment-in-kind (PIK) interest rate provision. PIK interest is accrued at the contractual rates and added to loan principal on the reset dates.

Non-accrual: Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. The Company may conclude that non-accrual status is not required if the loan has sufficient collateral value and is in the process of collection. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

principal and interest is paid and, in management s judgment, are likely to remain current. As of September 30, 2015 and December 31, 2014, the Company had no non-accrual loans.

Cash and Cash Equivalents: Cash and cash equivalents include cash, deposits with financial institutions, and short-term liquid investments in money market funds with original maturities of three months or less.

Restricted Cash and Cash Equivalents: Restricted cash and cash equivalents include amounts that are collected and held by the trustee appointed as custodian of the assets securing the Company s credit facility. Restricted cash is held by the trustee for the payment of interest expense and principal on the outstanding borrowings or reinvestment into new assets. Restricted cash that represents interest or fee income is transferred to unrestricted cash accounts by the trustee once a quarter after the payment of operating expenses and amounts due under the Credit Facility (as defined below).

Deferred Financing Costs: Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company s borrowings. These amounts are amortized using the effective interest method and are included in interest expense in the consolidated statements of operations over the estimated life of the borrowings.

Income Taxes: The Company elected to be treated as a RIC under Subchapter M of the Code. In order to maintain its status as a RIC, among other requirements, the Company is required to distribute at least 90% of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In addition, the Company is generally required to pay a nondeductible excise tax equal to 4% of the amount by which (1) 98% of ordinary income for the calendar year (taking into account certain deferrals and elections), (2) 98.2% of capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which the Company paid no U.S. federal income tax exceed distributions for the year. The Company accrues estimated excise tax on the amount, if any, that estimated taxable income is expected to exceed the level of stockholder distributions described above.

The Company s tax returns are subject to examination by federal, state and local taxing authorities. Because many types of transactions are susceptible to varying interpretations under U.S. federal and state income tax laws and regulations, the amounts reported in the accompanying consolidated financial statements may be subject to change at a later date by the respective taxing authorities.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statement is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Penalties or interest that may be assessed related to any income taxes would be classified as general administrative expenses on the consolidated statements of operations. The Company had no amounts accrued for interest or penalties on September 30, 2015 or December 31, 2014. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months. Tax returns for each of the federal tax years since 2012 remain subject to examination by the Internal Revenue Service.

Dividends and Distributions: Dividends and distributions to common stockholders are recorded on the ex-dividend date. Quarterly distribution payments are determined by the board of directors and are paid from taxable earnings estimated by management and may include a return of capital and/or capital gains. Net realized capital gains, if any, are distributed at least annually, although the Company may decide to retain such capital gains for investment.

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company maintains an opt out dividend reinvestment plan for common stockholders. As a result, if the Company declares a dividend or other distribution, stockholders cash distributions will be automatically reinvested in additional shares of common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash distributions.

Earnings per Share: The Company calculates earnings per share as earnings available to stockholders divided by the weighted average number of shares outstanding during the period.

Risks and Uncertainties: In the normal course of business, the Company encounters primarily two significant types of economic risks: credit and market. Credit risk is the risk of default on the Company s investments that result from an issuer s, borrower s or derivative counterparty s inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of investments due to changes in interest rates, spreads or other market factors, including the value of the collateral underlying investments held by the Company. Management believes that the carrying value of its investments are fairly stated, taking into consideration these risks along with estimated collateral values, payment histories and other market information.

Newly Adopted Accounting Standards: As permitted by Section 7(a)(2)(B) of the Securities Act, the Company has elected to defer the adoption of new and revised accounting standards applicable to public companies until they are also applicable to private companies. There are currently no such standards being deferred that will, in management s opinion, have a material impact on the consolidated financial statements.

Recent Accounting Pronouncements: During May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 will remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This guidance is effective retrospectively for annual and interim periods beginning on or after December 15, 2016, and for interim periods within those fiscal years, with early adoption permitted. The Company does not expect ASU 2015-07 to have a material impact on its consolidated financial statements and related disclosures.

During April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, containing new guidance that will require debt issuance costs related to a recognized debt liability of a reporting entity to be presented in the statement of assets and liabilities as a direct reduction from the carrying amount of such debt liability. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. This guidance is effective for annual and interim periods beginning on or after December 15, 2015. The Company does not expect ASU 2015-03 to have a material impact on its consolidated financial statements and related disclosures.

During February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which amends the consolidation requirements set forth under ASC Topic 810. Under this revised standard, greater emphasis is placed on risk of loss when determining a controlling financial interest. This standard also amends how variable interests held by a reporting entity s related parties affect the reporting entity s consolidation conclusion. The amendments made by ASU 2015-02 are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The Company does not expect ASU 2015-02 to have a material impact on its consolidated financial statements and related disclosures.

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 3 INVESTMENTS

Investments consisted of the following:

	September 30, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
First lien secured loans	$ 173,935	$ 172,110	$ 218,882	$ 220,038
Second lien secured loans	184,146	182,666	162,060	162,252
Equity	20,120	21,312	20,120	21,210
Total	$ 378,201	$ 376,088	$ 401,062	$ 403,500

The following table shows the portfolio composition by industry grouping at fair value:

	September 30, 2015			December 31, 2014		
Auto Parts & Equipment	$		%	$ 1,975	0.49	%
Advertising	16,400	4.36				
Broadcasting	14,806	3.94		14,865	3.68	
Cable & Satellite				7,007	1.74	
Consumer Finance	58,223	15.48		44,164	10.95	
Data Processing & Outsourced Services	36,262	9.64		35,716	8.85	
Diversified Support Services	34,645	9.21		22,018	5.46	
Electronic Equipment & Instruments	9,746	2.59		9,623	2.38	
Food Retail	23,491	6.25		15,067	3.73	
Health Care Distributors	5,994	1.59		22,173	5.50	
Health Care Facilities	56,871	15.12		58,690	14.54	
Health Care Technology	13,616	3.62		30,157	7.47	
Homebuilding				16,175	4.01	
Home Furnishing Retail				4,975	1.23	
Human Resource & Employment Services				3,862	0.96	
Integrated Telecommunication Services	7,799	2.07		11,945	2.96	
Internet Software & Services				9,870	2.45	
Metal & Glass Containers				3,018	0.75	
Oil & Gas Drilling	7,407	1.97		9,291	2.30	

Oil & Gas Exploration & Production	12,866	3.42	13,635	3.38
Oil & Gas Storage & Transportation			1,994	0.49
Other Diversified Financial Services	30,407	8.09	17,253	4.28
Specialized Consumer Services	18,108	4.81	17,964	4.45
Specialized Finance	22,060	5.87	24,615	6.10
Trucking	7,387	1.97	7,448	1.85
Total	$ 376,088	100.00 %	$ 403,500	100.00 %

The portfolio companies underlying the investments are located in the United States. As of September 30, 2015 and December 31, 2014, the weighted average remaining term of the Company s debt investments was approximately 4.0 years and 4.5 years, respectively.

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 4 FAIR VALUE MEASUREMENTS

Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active public markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity s own assumptions about what market participants would use in pricing an asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument s categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the financial instrument.

A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. During the nine months ended September 30, 2015, there were no changes in the observability of valuation inputs that would have resulted in a reclassification of assets between any levels. During the nine months ended September 30, 2014, changes in the observability of valuation inputs resulted in the reclassification of three assets from Level 3 to Level 2, with no other reclassification between levels.

Fair value for each investment is derived using a combination of valuation methodologies that, in the judgment of the investment committee of WhiteHorse Advisers are most relevant to such investment, including, without limitation, being based on one or more of the following: (i) market prices obtained from market makers for which the investment committee has deemed there to be enough breadth (number of quotes) and depth (firm bids) to be indicative of fair value, (ii) the price paid or realized in a completed transaction or binding offer received in an arms -length transaction, (iii) a discounted cash flow analysis, (iv) the guideline public company method, (v) the similar transaction method or

(vi) the option pricing method.

The following table presents investments (as shown on the consolidated schedule of investments) that were measured at fair value as of September 30, 2015:

	Level 1	Level 2	Level 3	Total
First lien secured loans	$	$	$ 172,110	$ 172,110
Second lien secured loans			182,666	182,666
Equity			21,312	21,312
Total investments	$	$	$ 376,088	$ 376,088

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

The following table presents investments (as shown on the consolidated schedule of investments) that were measured at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
First lien secured loans	$	$	$ 220,038	$ 220,038
Second lien secured loans			162,252	162,252
Equity			21,210	21,210
Total investments	$	$	$ 403,500	$ 403,500

The following table presents the changes in investments measured at fair value using Level 3 inputs for the nine months ended September 30, 2015:

	First Lien Secured Loans	Second Lien Secured Loans	Equity	Total Investments
Balance at December 31, 2014	$ 220,038	$ 162,252	$ 21,210	$ 403,500
Funding of investments	58,053	45,937		103,990
Non-cash interest income	390	545		935
Accretion of discount	782	429		1,211
Proceeds from pay downs and sales	(103,969)	(24,649)		(128,618)
Net realized losses	(202)	(177)		(379)
Net unrealized (depreciation) appreciation	(2,982)	(1,671)	102	(4,551)
Balance at September 30, 2015	$ 172,110	$ 182,666	$ 21,312	$ 376,088

The following table presents the changes in investments measured at fair value using Level 3 inputs for the nine months ended September 30, 2014:

	First Lien Secured Loans	Second Lien Secured Loans	Equity	Total Investments
Balance at December 31, 2013	$ 141,059	$ 131,380	$	$ 272,439
Funding of investments	107,908	46,907	13,345	168,160

Non-cash interest income	538	534		1,072
Accretion of discount	311	501		812
Proceeds from pay downs and sales	(33,293)	(5,500)		(38,793)
Net unrealized appreciation	1,836	1,533	751	4,120
Transfers out of Level 3	(17,483)	(21,142)		(38,625)
Balance at September 30, 2014	$ 200,876	$ 154,213	$ 14,096	$ 369,185

The significant unobservable inputs used in the fair value measurement of the Company s investments are the discount rate, market quotes and exit multiples. A significant increase in the discount rate for an investment would result in a significantly lower fair value measurement. A significant increase in the market quoted price would result in a significantly higher fair value measurement.

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

Quantitative information about Level 3 fair value measurements is as follows:

Investment Type	Fair Value at September 30, 2015	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
First lien secured loans	$ 134,266	Discounted cash flows	Discount rate Exit multiple	9.9% 15.8% (12.6%) 5.0x 6.5x (5.3x)
	37,844	Weighting of discounted cash flows and consensus pricing	Discount rate Market quotes Exit multiple	10.4% 16.8% (12.1%) 70.0 99.7 (90.1) 3.5x 9.0x (7.1x)
	$ 172,110			
Second lien secured loans	$ 102,870	Discounted cash flows	Discount rate Exit multiple	11.0% 14.6% (13.2%) 4.5x 6.5x (5.7x)
	79,796	Weighting of discounted cash flows and consensus pricing	Discount rate Market quotes Exit multiple	10.5% 14.6% (12.6%) 71.8 100.3 (93.2) 5.0x 9.0x (7.3x)
	$ 182,666			
Equity	$ 20,200	Discounted cash flows	Discount rate	10.0%
	1,112	Black-Scholes model	Volatility	25.0%
	$ 21,312			
Total Level 3 investments	$ 376,088			

Investment Type	Fair Value at	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)

	December 31, 2014			
First lien secured loans	$ 138,606	Discounted cash flows	Discount rate Exit multiple	9.1% 22.5% (12.9%) 2.5x 9.5x (6.1x)
	81,432	Weighting of discounted cash flows and consensus pricing	Discount rate Market quotes Exit multiple	7.6% 13.6% (10.1%) 95.5 99.5 (98.1) 5.1x 11.9x (6.0x)
	$ 220,038			
Second lien secured loans	$ 70,997	Discounted cash flows	Discount rate Exit multiple	11.2% 14.6% (13.0%) 5.0x 6.5x (5.6x)
	91,255	Weighting of discounted cash flows and consensus pricing	Discount rate Market quotes Exit multiple	9.6% 14.7% (11.7%) 89.8 101.0 (97.0) 1.0x 8.5x (5.6x)
	$ 162,252			
Equity	$ 20,000	Discounted cash flows	Discount rate	11.2%
	1,210	Black-Scholes model	Volatility	25.0%
	$ 21,210			
Total Level 3 investments	$ 403,500			

Valuation of investments may be determined by weighting various valuation techniques. Significant judgment is required in selecting the assumptions used to determine the fair values of these investments. The valuation methods selected for a particular investment are based on the circumstances and on the sufficiency of data available to measure fair value. If more than one valuation method is used to measure fair value, the results are evaluated and weighted, as appropriate, considering the reasonableness of the range indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

The availability of observable inputs can vary depending on the financial instrument and is affected by a wide variety of factors, including, for example, the nature of the instrument, whether the instrument is traded on an active exchange or in the secondary market and the current market conditions. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

determination of fair value requires a greater degree of judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for financial instruments classified as Level 3.

The determination of fair value using the selected methodologies takes into consideration a range of factors including the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public and private exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment, compliance with agreed upon terms and covenants, and assessment of credit ratings of an underlying borrower. These valuation methodologies involve a significant degree of judgment to be exercised.

As it relates to investments which do not have an active public market, there is no single standard for determining the estimated fair value. Valuations of privately held investments are inherently uncertain, and they may fluctuate over short periods of time and may be based on estimates. The determination of fair value may differ materially from the values that would have been used if a ready market for these investments existed.

In some cases, fair value for such investments is best expressed as a range of values derived utilizing different methodologies from which a single estimate may then be determined. Consequently, fair value for each investment may be derived using a combination of valuation methodologies that, in the judgment of the investment professionals, are most relevant to such investment. The selected valuation methodologies for a particular investment are consistently applied on each measurement date. However, a change in a valuation methodology or its application from one measurement date to another is possible if the change results in a measurement that is equally or more representative of fair value in the circumstances.

The following table presents the carrying values and fair values of the Company s borrowings as of September 30, 2015 and December 31, 2014. The fair values of the credit facility and unsecured term loan were estimated by discounting remaining payments using applicable market rates or market quotes for similar instruments at the measurement date, if available. The fair value of the senior notes was estimated using the unadjusted quoted price as of the valuation date.

	Fair Value Level	September 30, 2015		December 31, 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value

Credit facility	3	$ 88,500	$ 88,118	$ 105,500	$ 109,231
Senior notes	2	30,000	30,408	30,000	30,017
Unsecured term loan	3	55,000	54,650	55,000	54,442
		$ 173,500	$ 173,176	$ 190,500	$ 193,690

NOTE 5 BORROWINGS

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 200% after giving effect to such borrowing. As of September 30, 2015, the Company s asset coverage for borrowed amounts was 227.6%.

Credit Facility: On September 27, 2012, the Company entered into a $150,000 revolving credit and security agreement with Natixis, New York Branch, acting as facility agent (the Credit Facility). On August 13, 2014, the Company amended the terms of its Credit Facility to (a) extend the reinvestment period from September 27, 2014 to March 27, 2015, with the option to extend the reinvestment period by an additional six months to September 27, 2015, (b) extend the final maturity date from September 27, 2020 to September 27, 2021, (c) increase the borrowing capacity under certain conditions by reducing certain concentration limitations, (d) reduce the commitment fee from 1.00% to 0.75% and (e) include an accordion

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Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 5 BORROWINGS (continued)

feature which allows for the expansion of the borrowing limit up to $200,000 subject to consent from the lenders and other customary conditions. On March 12, 2015, the Company exercised its option to extend the reinvestment period from March 27, 2015 to September 27, 2015. On September 23, 2015, the Company amended the terms of its Credit Facility to extend the reinvestment period from September 27, 2015 to December 27, 2015.

The Credit Facility bears interest at the daily commercial paper rate plus 2.25% on outstanding borrowings. The Company also incurs a commitment fee of 0.75% per annum on any undrawn balance. The Credit Facility is secured by all of the assets held by WhiteHorse Warehouse. WhiteHorse Warehouse pledged securities with a fair value of $308,413 and $357,678, respectively, as of September 30, 2015 and December 31, 2014, as collateral for the Credit Facility. The Credit Facility has a final maturity date of September 27, 2021. Under the Credit Facility, the Company has made certain customary representations and warranties and is required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities.

The Credit Facility includes usual and customary events of default for credit facilities of this nature. At September 30, 2015, the Company had $88,500 outstanding borrowings and $61,500 undrawn under the Credit Facility. At December 31, 2014, the Company had $105,500 outstanding borrowings and $44,500 undrawn under the Credit Facility. Weighted average outstanding borrowings were $84,408 and $95,672 at weighted average interest rates of 2.59% and 2.57% for the three and nine months ended September 30, 2015, respectively. Weighted average outstanding borrowings were $22,196 and $12,011 at weighted average interest rates of 2.52% and 2.52% for the three and nine months ended September 30, 2014, respectively. The Company s ability to draw down undrawn funds under the Credit Facility is determined by collateral and portfolio quality requirements stipulated in the credit and security agreement. At September 30, 2015 and December 31, 2014, $61,500 and $44,500, respectively, were available to be drawn by the Company based on these requirements.

Senior Notes: On July 23, 2013, the Company completed a public offering of $30,000 of aggregate principal amount of 6.50% senior notes due 2020 (the Senior Notes), the net proceeds of which were used to reduce outstanding obligations under the Company s unsecured term loan. Interest on the Senior Notes is paid quarterly on March 31, June 30, September 30 and December 31, at an annual rate of 6.50%. The Senior Notes mature on July 31, 2020. The Senior Notes are the Company s direct senior unsecured obligations, rank senior to the Company s unsecured term loan and are structurally subordinate to borrowings under the Credit Facility. The Senior Notes are listed on the NASDAQ Global Select Market under the symbol WHFBL .

Unsecured Term Loan: On November 8, 2012, the Company entered into a $90,000 unsecured term loan agreement with Citibank, N.A., as the sole lead arranger, and H.I.G. Bayside Loan Opportunity Fund II, L.P. (Loan Fund II), an affiliate of the Company, as guarantor. On July 9, 2013, the Company amended the terms of its unsecured term loan to subordinate the unsecured term loan to the Senior Notes (as defined above). On July 19, 2013, the Company further amended the terms of its unsecured term loan to lower the annual interest rate from LIBOR plus 2.75% to LIBOR plus 2.20%. The amendment also extended the maturity date by one year to July 3, 2015. On July 24, 2013, the Company repaid $35,000 of its original borrowings. On December 22, 2014, the Company further amended the unsecured term loan agreement to (i) reduce the annual interest rate by 55 basis points, from LIBOR plus 2.2% to LIBOR plus 1.65% and (ii) extend the maturity date by one year to July 3, 2016. The amendment was effective as of January 6, 2015.

Under the terms of the amended unsecured term loan, with respect to which the Company pledged no collateral to the lenders, the Company is required to pay interest monthly at the annual rate, except at its option and under certain other circumstances at one of several other interest rates. The unsecured term loan is subject to customary covenants and events of default, such as failure to pay the principal of, or interest on, the

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 5 BORROWINGS (continued)

unsecured term loan, the occurrence of certain events of bankruptcy, insolvency or reorganization or a payment default under certain of our other debt obligations. The unsecured term loan includes customary restrictions that limit the Company s ability to pay dividends under certain circumstances, to merge with another entity unless it is the surviving entity following the merger and to amend its organizational documents. Loan Fund II has guaranteed the Company s obligation to make payments under the unsecured term loan. Loan Fund II, as the guarantor of the unsecured term loan, has the right to require the lenders to assign the loan to it under certain circumstances. The Company is permitted to prepay amounts outstanding under the unsecured term loan in whole or in part without penalty.

NOTE 6 RELATED PARTY TRANSACTIONS

Investment Advisory Agreement: WhiteHorse Advisers serves as the Company s investment adviser in accordance with the terms of an investment advisory agreement (the Investment Advisory Agreement). Subject to the overall supervision of the Company s board of directors, WhiteHorse Advisers manages the day-to-day operations of, and provides investment management services to, the Company. Under the terms of the Investment Advisory Agreement, WhiteHorse Advisers:

determines the composition of the investment portfolio, the nature and timing of the changes to the portfolio and the manner of implementing such changes;
identifies, evaluates and negotiates the structure of the investments the Company makes (including performing due diligence on the Company s prospective portfolio companies); and
closes, monitors and administers the investments the Company makes, including the exercise of any voting or consent rights.

In addition, WhiteHorse Advisers provides the Company with access to personnel and an investment committee.

Under the Investment Advisory Agreement, the Company pays WhiteHorse Advisers a fee for investment management services consisting of a base management fee and an incentive fee. The Investment Advisory Agreement may be terminated by either party without penalty upon 60 days written notice to the other party.

Base Management Fee

The base management fee is calculated at an annual rate of 2.0% of consolidated gross assets, including cash and cash equivalents and assets purchased with borrowed funds, and is payable quarterly in arrears. The base management fee is calculated based on the average carrying value of the Company s consolidated gross assets, including cash and cash equivalents and assets purchased with borrowed funds, at the end of the two most recently completed calendar quarters, appropriately adjusted for any share issuances or repurchases during the quarter. Base management fees for any partial month or quarter is appropriately pro-rated.

WhiteHorse Advisers 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 for the fiscal quarters ended December 31, 2013 and March 31, 2014; and for the fiscal quarter ended June 30, 2014 only to the extent that the determination of base management fees would otherwise include March 31, 2014 cash and cash equivalents and restricted cash and cash equivalents for the purpose of calculating the average carrying value of consolidated gross assets. The waived fees are not subject to recoupment by WhiteHorse Advisers.

During the three and nine months ended September 30, 2015, the Company incurred base management fees of $2,125 and $6,377, respectively, net of fees waived. During the three and nine months ended September 30, 2014, the Company incurred base management fees of $1,871 and $4,992, respectively, net of fees waived.

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NOTE 6 RELATED PARTY TRANSACTIONS (continued)

The Company did not waive any base management fees during the three and nine months ended September 30, 2015 or the three months ended September 30, 2014. During the nine months ended September 30, 2014, the Company waived base management fees of $447.

Performance-based Incentive Fee

The performance-based incentive fee consists of two components that are independent of each other, except as provided by the incentive fee cap and deferral mechanism discussed below.

The calculations of these two components have been structured to include a fee limitation such that no incentive fee will be paid to the investment adviser for any quarter if, after such payment, the cumulative incentive fees paid to the investment adviser for the period that includes the current fiscal quarter and the 11 full preceding fiscal quarters, referred to as the Incentive Fee Look-back Period, would exceed 20.0% of the Cumulative Pre-Incentive Fee Net Return (as defined below) during the Incentive Fee Look-back Period. Each quarterly incentive fee is subject to the Incentive Fee Cap (as defined below) and a deferral mechanism through which the investment adviser may recap a portion of such deferred incentive fees, which is referred to together as the Incentive Fee Cap and Deferral Mechanism.

This limitation is accomplished by subjecting each incentive fee payable to a cap, which is referred to as the Incentive Fee Cap. The Incentive Fee Cap in any quarter is equal to (a) 20.0% of Cumulative Pre-Incentive Fee Net Return (as defined below) during the Incentive Fee Look-back Period less (b) cumulative incentive fees of any kind paid to the investment adviser during the Incentive Fee Look-back Period. To the extent the Incentive Fee Cap is zero or a negative value in any quarter, the Company will pay no incentive fee to its investment adviser in that quarter. The Company will only pay incentive fees to the extent allowed by the Incentive Fee Cap and Deferral Mechanism. To the extent that the payment of incentive fees is limited by the Incentive Fee Cap and Deferral Mechanism, the payment of such fees may be deferred and paid in subsequent quarters up to three years after their date of deferment, subject to applicable limitations included in the Investment Advisory Agreement. The deferral component of the Incentive Fee Cap and Deferral Mechanism may cause incentive fees that accrued during one fiscal quarter to be paid to the investment adviser at any time during the 11 full fiscal quarters following such initial full fiscal quarter.

The Incentive Fee Look-back Period commenced on January 1, 2013. Prior to January 1, 2016, the Incentive Fee Look-back Period will consist of fewer than 12 full fiscal quarters.

The Cumulative Pre-Incentive Fee Net Return refers to the sum of (a) Pre-Incentive Fee Net Investment Income for each period during the Incentive Fee Look-back Period and (b) the sum of cumulative realized capital gains, cumulative realized capital losses, cumulative unrealized capital depreciation and cumulative unrealized capital appreciation during the applicable Incentive Fee Look-back Period.

The first component, which is income-based, is calculated and payable quarterly in arrears, commenced with the quarter beginning January 1, 2013, based on Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter, subject to the Incentive Fee Cap and Deferral Mechanism. For this purpose, Pre-Incentive Fee Net Investment Income means, in each case on a consolidated basis, interest income, distribution income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees received from portfolio companies) accrued during the calendar quarter, minus the Company s operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement (the Administration Agreement), any interest expense and any dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The operation of the first component of the incentive fee for each quarter is as follows:

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NOTE 6 RELATED PARTY TRANSACTIONS (continued)

no incentive fee is payable to the Company s investment adviser in any calendar quarter in which Pre-Incentive Fee Net Investment Income does not exceed the Hurdle Rate of 1.75% (7.00% annualized);
100% of Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the Hurdle Rate but is less than 2.1875% in any calendar quarter (8.75% annualized) is payable to the investment adviser. This portion of our Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle Rate but is less than 2.1875%) is referred to as the catch-up. The effect of the catch-up is that, if such Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter, the investment adviser will receive 20% of such Pre-Incentive Fee Net Investment Income as if the Hurdle Rate did not apply; and
20% of the amount of such Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to our investment adviser (once the Hurdle Rate is reached and the catch-up is achieved, 20% of all Pre-Incentive Fee Net Investment Income).

The portion of such incentive fee that is attributable to deferred interest (such as PIK interest or original issue discount) will be paid to the investment adviser, together with interest from the date of deferral to the date of payment, only if and to the extent that the Company actually receives such interest in cash, and any accrual will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. Any reversal of such amounts would reduce net income for the quarter by the net amount of the reversal (after taking into account the reversal of incentive fees payable) and would result in a reduction and possibly elimination of the incentive fees for such quarter.

There is no accumulation of amounts on the Hurdle Rate from quarter to quarter and, accordingly, there is no clawback of amounts previously paid if subsequent quarters are below the quarterly Hurdle Rate and there is no delay of payment if prior quarters are below the quarterly Hurdle Rate. Since the Hurdle Rate is fixed, as interest rates rise, it will be easier for the investment adviser to surpass the Hurdle Rate and receive an incentive fee based on Pre-Incentive Fee Net Investment Income.

Net investment income used to calculate this component of the incentive fee is also included in the amount of consolidated gross assets used to calculate the 2.0% base management fee. These calculations will be appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second component, the capital gains component of the incentive fee, which is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), commenced on January 1, 2013, and equals 20% of cumulative aggregate realized capital gains from January 1, 2013 through the end of the calendar year, computed net of aggregate cumulative realized capital losses and aggregate cumulative unrealized capital depreciation through the end of each year, less the aggregate amount of any previously paid capital gains incentive fees and subject to the Incentive Fee Cap and Deferral Mechanism. If such amount is negative, then no capital gains incentive fee will be payable for the year. Additionally, if the Investment Advisory Agreement is terminated as of a date that is not a calendar year end, the termination date will be treated as though it were a calendar year end for purposes of calculating and paying the capital gains incentive fee. The capital gains component of the incentive fee is not subject to any minimum return to stockholders.

Because of the structure of the incentive fee, it is possible that the Company may pay an incentive fee in a quarter where it incurs a loss subject to the Incentive Fee Cap and Deferral Mechanism. For example, if the

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NOTE 6 RELATED PARTY TRANSACTIONS (continued)

Company receives Pre-Incentive Fee Net Investment Income in excess of the Hurdle Rate, it will pay the applicable incentive fee even after incurring a loss in that quarter due to realized and unrealized capital losses.

During the three and nine months ended September 30, 2015, the Company incurred performance-based incentive fees of $1,415 and $4,220, respectively. During the three and nine months ended September 30, 2014, the Company incurred performance-based incentive fees of $1,011 and $2,143, respectively.

Administration Agreement: Pursuant to the Administration Agreement, WhiteHorse Administration furnishes the Company with office facilities, equipment and clerical, bookkeeping and record keeping services to enable the Company to operate. WhiteHorse Administration also provides the Company with access to the resources necessary for it to perform its obligations as collateral manager of WhiteHorse Warehouse under the Credit Facility. Under the Administration Agreement, WhiteHorse Administration performs, or oversees the performance of, the Company s required administrative services, which include being responsible for the financial records which the Company is required to maintain and preparing reports to its stockholders and reports filed with the Securities and Exchange Commission (the SEC). In addition, WhiteHorse Administration assists the Company in determining and publishing its net asset value, oversees the preparation and filing of its tax returns and the printing and dissemination of reports to its stockholders and generally oversees the payment of the Company s expenses and the performance of administrative and professional services rendered to the Company by others. Payments under the Administration Agreement equal an amount based upon the Company s allocable portion of WhiteHorse Administration s overhead in performing its obligations under the Administration Agreement, including rent and the Company s allocable portion of the cost of its chief compliance officer, chief operating officer and chief financial officer along with their respective staffs. Under the Administration Agreement, WhiteHorse Administration also provides on the Company s behalf managerial assistance to those portfolio companies to which the Company is required to provide such assistance. The Administration Agreement may be terminated by either party without penalty upon 60 days written notice to the other party. To the extent that WhiteHorse Administration outsources any of its functions, the Company will pay the fees associated with such functions on a direct basis without any profit to WhiteHorse Administration.

Substantially all the Company s payments of operating expenses to third parties were made by a related party, for which it received reimbursement from the Company.

During the three and nine months ended September 30, 2015, the Company incurred allocated administrative service fees of $255 and $898, respectively. During the three and nine months ended September 30, 2014, the Company incurred allocated administrative service fees of $427 and $1,111, respectively.

Co-investments with Related Parties: At September 30, 2015 and December 31, 2014, certain officers or employees affiliated with or employed by WhiteHorse Advisers and its related entities maintained co-investments in the Company s investments of $56 and $139, respectively.

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Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 7 COMMITMENTS AND CONTINGENCIES

Commitments: In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its borrowers. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated statement of assets and liabilities. The Company attempts to limit its credit risk by conducting extensive due diligence and obtaining collateral where appropriate.

The balance of unfunded commitments to extend credit was $16,500 and $20,500 as of September 30, 2015 and December 31, 2014, respectively. Commitments to extend credit consist principally of the unused portions of commitments that obligate the Company to extend credit, such as revolving credit arrangements or similar transactions. These commitments are often subject to financial or non-financial milestones and other conditions to borrow that must be achieved before the commitment can be drawn. In addition, the commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Indemnification: In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide general indemnifications. The Company s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not occurred. The Company expects the risk of any future obligation under these indemnifications to be remote.

Legal proceedings: In the normal course of business, the Company, WhiteHorse Advisers and WhiteHorse Administration may be subject to legal and regulatory proceedings that are generally incidental to its ongoing operations. While there can be no assurance of the ultimate disposition of any such proceedings, the Company does not believe any such disposition will have a material adverse effect on the Company s consolidated financial statements.

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Notes to Consolidated Financial Statements (Unaudited)
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NOTE 8 FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights:

	Nine months ended September 30, 2015	2014
Per share data:[1]		
Net asset value, beginning of period	$15.04	$15.16
Net investment income	1.13	0.80
Net realized and unrealized (losses) gains on investments	(0.33)	0.26
Net increase in net assets resulting from operations	0.80	1.06
Distributions declared	(1.07)	(1.07)
Net asset value, end of period	$14.77	$15.15
Total annualized return based on market value[2]	1.04%	(16.46)%
Total annualized return based on net asset value	7.05%	9.28%
Net assets, end of period	$221,352	$227,083
Per share market value at end of period	$11.64	$13.25
Shares outstanding end of period	14,982,857	14,982,857
Ratios/Supplemental Data:[3]		
Ratio of expenses before incentive fees to average net assets	8.29%	7.20%
Ratio of incentive fees to average net assets	2.49%	1.24%
Ratio of total expenses to average net assets	10.78%	8.44%
Ratio of net investment income to average net assets	9.97%	7.00%
Portfolio turnover ratio	26.68%	24.70%

(1) Calculated using the average shares outstanding method.

(2) Total return is based on the change in market price per share during the period and takes into account distributions, if any, reinvested in accordance with the dividend reinvestment plan.

(3) With the exception of the portfolio turnover rate, ratios are reported on an annualized basis.

Financial highlights are calculated for each securities class taken as a whole. An individual stockholder s return and ratios may vary based on the timing of capital transactions.

The Company did not waive any base management fees during the nine months ended September 30, 2015. During the nine months ended September 30, 2014, WhiteHorse Advisers irrevocably waived $447 of base management fees. Had WhiteHorse Advisers not waived these fees, the annualized ratios of expenses before incentive fees, incentive fees and total expenses to average net assets would have been 7.46%, 1.10% and 8.56%, respectively, for the nine months ended September 30, 2014.

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) September 30, 2015 *(in thousands, except share and per share data)*

NOTE 9 CHANGE IN NET ASSETS RESULTING FROM OPERATIONS PER COMMON SHARE

The following information sets forth the computation of the basic and diluted per share net increase in net assets resulting from operations:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net increase in net assets resulting from operations	$1,428	$4,563	$11,951	$15,950
Weighted average shares outstanding	14,982,857	14,982,857	14,982,857	14,982,815
Basic and diluted per share net increase in net assets resulting from operations	$0.10	$0.31	$0.80	$1.06

NOTE 10 SUBSEQUENT EVENT

On October 23, 2015, the Company issued non-transferable subscription rights to purchase shares of common stock to its existing stockholders. Stockholders of record as of October 23, 2015 are entitled to subscribe for up to an aggregate of 3,321,033 shares of the Company s common stock at a price equal to $13.55 per share. In addition, an over-subscription feature has been included, allowing stockholders to subscribe for additional shares not subscribed for by other stockholders on a pro rata basis. The rights offering will expire November 20, 2015, unless the subscription period is extended. The rights are non-transferable and not listed for trading on the NASDAQ Global Select Market or any other stock exchange.

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$500,000,000

WHITEHORSE FINANCE, INC.

Common Stock
Preferred Stock
Warrants
Subscription Rights
Debt Securities

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. 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 small-capitalization, or small-cap, market. H.I.G. Capital, L.L.C. had approximately $15 billion of capital under management as of June 30, 2015 (based on the regulatory assets under management as reported on Form ADV).

Our investment objective is to generate risk-adjusted returns primarily by originating secured loans to small-cap companies across a broad range of industries, providing our stockholders with current income and capital appreciation. 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 may offer, from time to time, in one or more offerings or series, together or separately, up to $500,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities, which we refer to, collectively, as the securities. We may sell our common stock through underwriters or dealers, at-the-market to or through a market maker into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus. In the event we offer common stock, the offering price per share of our common stock exclusive of any underwriting commissions or discounts will not be less than the net asset value per share of our common stock at the time we make the offering except (1) in connection with a rights offering to our existing stockholders, (2) with the consent of the majority of our common stockholders and approval of our board of directors or (3) under such circumstances as the Securities and Exchange Commission, or the SEC, may permit. See Risk Factors for more information. A majority of our stockholders approved us to issue and sell our common stock at a price below then-current net asset value for a 12-month period ending on August 2, 2016.

In addition, this prospectus relates to 7,858,914 shares of our common stock that may be sold by the selling stockholders identified under Selling Stockholders. Sales of our common stock by the selling stockholders, which may occur at prices below the net asset value per share of our common stock, may adversely affect the market price of our common stock and may make it more difficult for us to raise capital. Each offering by the selling stockholders of their shares of our common stock through agents, underwriters or dealers will be accompanied by a prospectus supplement that will identify the selling stockholder that is participating in such offering. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

We are an emerging growth company within the meaning of the recently enacted Jumpstart Our Business Startups Act.

Our common stock is traded on the NASDAQ Global Select Market under the symbol WHF . The last reported closing price for our common stock on August 19, 2015 was $12.78 per share. Based on this last reported sales price of our common stock, the aggregate market value of the shares of our common stock held by the selling stockholders identified under Selling Stockholders is approximately $100.4 million. The net asset value of our common stock on June 30, 2015 (the last date prior to the date of this prospectus on which we determined net asset value) was $15.03 per share.

This prospectus contains important information you should know before investing in our securities. 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 SEC. We maintain a website at *http://www.whitehorsefinance.com* and make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available on or through our website. You may also obtain such information, free of charge, and make shareholder inquiries by contacting us at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131, Attention: Investor Relations, or by calling us collect at (305) 381-6999. The SEC also maintains a website at *http://www.sec.gov* that contains such information.

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it may increase the risk of loss for purchasers in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Investing in our securities involves a high degree of risk. Before buying any securities, you should read the discussion of the material risks of investing in our securities, including the risk of leverage, in Risk Factors beginning on page 13 of this prospectus.

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

You should rely only on the information contained in this prospectus. We have not, and the selling stockholders 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 selling stockholders identified under Selling Stockholders 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 appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations, cash flows and prospects may have changed since that date. We will update these documents to reflect material changes only as required by law.

The date of this prospectus is August 25, 2015.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or the SEC, using the shelf registration process. Under the shelf registration process, we may offer from time to time up to $500,000,000 of our common stock, preferred stock, warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, subscription rights or debt securities on the terms to be determined at the time of the offering. We may sell our common stock through underwriters or dealers, at-the-market to or through a market maker, into an existing trading market or otherwise directly to one or more purchasers or through agents or through a combination of methods of sale. The identities of such underwriters, dealers, market makers or agents, as the case may be, will be described in one or more supplements to this prospectus. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. In addition, this prospectus relates to 7,858,914 shares of our common stock that may be sold by the selling stockholders identified under Selling Stockholders. This prospectus provides you with a general description of the securities that we and the selling stockholders may offer. Each time we or the selling stockholders use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus, and the prospectus and prospectus supplement will together serve as the prospectus. Please carefully read this prospectus and any prospectus supplement, together with any exhibits, before you make an investment decision. Any exhibits will nonetheless be summarized in the prospectus or applicable prospectus supplement.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read the more detailed information set forth under Risk Factors and the other information included in this prospectus carefully.

Except as otherwise indicated, 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 Warehouse (as defined below) and Bayside Financing S.A.R.L.;

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

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;

Unsecured Term Loan refers to the $90 million unsecured term loan, as amended, between us, H.I.G. Bayside Loan Opportunity Fund II, L.P., as guarantor, and Citibank, N.A., as sole lead arranger;

Senior Notes refer to the $30 million senior notes issued on July 23, 2013; and

Credit Facility refers to the $150 million secured revolving credit facility, as amended, between WhiteHorse Warehouse, as borrower, and the Lender (as defined below), for which Natixis, New York Branch, provides liquidity support, and for which the Lender refers, collectively, to the asset-backed commercial paper conduit, together with any additional lenders that may join the Credit Facility in the future.

On December 3, 2012, we converted from a Delaware limited liability company into a Delaware corporation. In this conversion, WhiteHorse Finance, Inc. succeeded to the business of WhiteHorse Finance, LLC, and the members of WhiteHorse Finance, LLC became stockholders of WhiteHorse Finance, Inc. In this prospectus, we refer to those transactions as the BDC Conversion and, where applicable, shares refer to our units prior to the BDC Conversion and to shares of common stock in our corporation afterward.

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, small-cap companies located in the United States. We define the small-cap 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 small-cap companies across a broad range of industries that 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 small-cap 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

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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.

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 June 30, 2015, our investment portfolio consisted primarily of senior secured loans across 32 positions in 26 companies, with an aggregate fair value of $387.5 million. As of December 31, 2014, our investment portfolio consisted primarily of senior secured loans across 37 positions in 31 companies with an aggregate fair value of $403.5 million. As of December 31, 2013, our investment portfolio consisted of senior secured loans across 21 positions in 19 companies with an aggregate fair value of $272.4 million.

Our Investment Adviser

Our investment activities are managed by our investment adviser, WhiteHorse Advisers. WhiteHorse Advisers is an affiliate of H.I.G. Capital and is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments in portfolio companies on an ongoing basis. WhiteHorse Advisers has also agreed to provide us with access to personnel and its investment committee, or the investment committee. WhiteHorse Advisers is a registered investment adviser under the Investment Advisers Act of 1940, as amended, or the Advisers Act. See The Adviser and the Administrator Investment Advisory Agreement Management Fee for a discussion of the fees that are payable by us to our Investment Adviser.

WhiteHorse Advisers entered into 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 WhiteHorse Advisers and to provide access to its senior investment personnel to enable WhiteHorse Advisers to perform all of the Investment Adviser s obligations under the Investment Advisory Agreement. See Related Party Transactions and Certain Relationships Staffing Agreement for a discussion of the Staffing Agreement. We believe that the Staffing Agreement provides our Investment Adviser with access to investment opportunities, which we refer to in the aggregate as deal flow, generated by H.I.G. Capital in the ordinary course of business and commits certain members of H.I.G. Capital s investment committee to serve as members of WhiteHorse Advisers investment committee. In addition, under the Staffing Agreement, H.I.G. Capital is obligated to allocate investment opportunities among its managed affiliates fairly and equitably over time in accordance with its allocation policy. The Staffing Agreement provides WhiteHorse Advisers with the deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of H.I.G. Capital s senior investment professionals.

An affiliate of our investment adviser, WhiteHorse Administration, under an administrative agreement, or the Administration Agreement, provides the administrative services necessary for us to operate. See The Adviser and the Administrator Administration Agreement for a discussion of the fees and expenses for which we are required to reimburse WhiteHorse Administration.

H.I.G. Capital

H.I.G. Capital is one of the leading global alternative asset managers focused on the small-cap market. H.I.G. Capital was founded in 1993 and, for more than 20 years, has grown by continually enhancing its strategic investment capabilities into additional asset classes within the small-cap market. As of June 30, 2015, H.I.G. Capital managed approximately $15 billion of capital (based on the regulatory assets under management, or AUM, as reported on Form ADV) through a number of buyout, credit-oriented and growth capital funds, each of which is focused on the small-cap market. As of such date, H.I.G. Capital operated through domestic offices in Atlanta, Boston, Chicago, Dallas, Miami, New York and San Francisco and international offices in Hamburg, London, Madrid, Milan, Paris and Rio de Janeiro and had a team of approximately 280 investment professionals. H.I.G. Capital s investment professionals share a common investment philosophy built around a highly analytical, private equity-like framework of rigorous business

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assessment, extensive due diligence and a disciplined risk valuation methodology that guides investment decisions. H.I.G. Capital has built an extensive and proprietary network of informal and unconventional deal sources in the small-cap business community consisting of accountants, attorneys, and other advisors who have access to small-cap companies. We believe that H.I.G. Capital, as an experienced small-cap investor, has a demonstrated ability to identify, source, analyze, invest and monitor investments in the small-cap market. H.I.G. Capital is headquartered in Miami, Florida.

Market Opportunity

We pursue an investment strategy focused on originating senior secured loans to small-cap companies, including first lien and second lien facilities. 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 small-cap credit market creates an attractive investment opportunity through the origination of primary loans for the following reasons:

Specialized Lending Requirements. In our experience, lending to small-cap companies requires more rigorous due diligence and underwriting processes than lending to larger companies. Small-cap companies typically have fewer management resources to dedicate to the borrowing process, and often receive no assistance from financial advisors in this regard. Because of these and other specialized lending requirements, only a limited segment of the lending community has historically served small-cap borrowers.

Reduced Lending by Commercial Banks. Recent regulatory changes and continued ownership of legacy assets have significantly curtailed banks lending capacities. In response, we believe that many commercial banks have deemphasized their service and product offerings to small-cap companies in favor of lending to larger customers. We believe that the relative decline in competition from commercial banks drives a higher volume of deal flow to us.

Reduced Credit Supply from Non-Bank Lenders. We believe lending to small-cap companies by hedge funds and other non-bank lenders is constrained, as many such lenders have gone out of business, exited this market or are winding down. Along with reduced lending by commercial banks, we believe that reduced credit supply from non-bank lenders provides a promising environment for originating loans to small-cap companies.

Significant Demand for Credit. We believe that demand for debt financing from small-cap 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 combination of strong demand by small-cap companies and the reduced supply of credit described above should increase lending opportunities for us.

Inefficient Market. We believe there are a number of inefficiencies in the small-cap credit market that will allow us to achieve superior risk-adjusted returns relative to other types of loans. Unlike larger companies, small-cap 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 small-cap companies often enhance protections and reduce or eliminate intercreditor issues. In addition, small-cap lenders face less competition than lenders to larger companies. As a result, small-cap lenders frequently have greater flexibility in structuring favorable transactions.

We believe these factors, taken together, should increase lending opportunities for us.

Competitive Strengths

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

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Large and Experienced Management Team with Substantial Resources. Our Investment Adviser has access through the Staffing Agreement to the resources and expertise of H.I.G. Capital s more than 470 employees in thirteen offices across the United States, Europe and South America as of June 30, 2015. As of such date, H.I.G. Capital had approximately 280 experienced investment professionals, including approximately 90 professionals dedicated to debt investing. We believe that the quality of these resources provides a significant advantage and will contribute to the strength of our business.

Extensive Deal Sourcing Infrastructure. Given the inefficiencies of the small-cap 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 small-cap market consisting of accountants, attorneys and other advisors who have access to these companies. Each of H.I.G. Capital s approximately 280 investment professionals is involved in deal sourcing, and our in-house business development group of 30 dedicated deal sourcing professionals further enhances 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 June 30, 2015, H.I.G. Capital s credit platform managed approximately $8 billion of capital across multiple investment funds supported by approximately 90 dedicated credit investment professionals. These investment professionals bring a depth of experience across a broad range of transaction types, including primary loan originations and distressed debt investments, and focus on capital preservation by extending loans to portfolio companies with assets that it believes will retain sufficient value to repay us even in depressed markets or under liquidation scenarios. We believe this experience and expertise in credit documentation, loan structuring 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 small-cap 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 June 30, 2015.

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 $10 million to $50 million primarily in debt securities and loans of U.S. based small-cap 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 small-cap 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;

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- 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.

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, to the extent permissible under the 1940 Act. See Risk Factors Risks Relating to our Business and Structure The lack of experience of our Investment Adviser in operating under the constraints imposed on us as a business development company and RIC may hinder the achievement of our investment objectives. and Regulation Qualifying Assets.

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:

Operating and Regulatory Structure

Our investment activities are managed by WhiteHorse Advisers and supervised by our board of directors, a majority of whom are independent of H.I.G. Capital, WhiteHorse Advisers and their respective affiliates.

We elected to be treated as a business development company under the 1940 Act and as a RIC under Subchapter M of the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors of a business development company be persons other than interested persons, as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

As a business development company, we are required to comply with certain regulatory requirements. For example, we note that any affiliated investment vehicle formed in the future and managed by our Investment Adviser may, notwithstanding different stated investment objectives, have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. If our Investment Adviser undertakes to manage a new fund in the future, we will not invest in any portfolio company in which that fund has a pre-existing investment, although we may co-invest with such affiliate on a concurrent basis, subject to compliance with existing regulatory guidance, applicable regulations, our allocation procedures and/or exemptive relief issued by the SEC. See Regulation.

Also, as a business development company, we are generally prohibited from acquiring assets other than qualifying assets unless, after giving effect to any acquisition, at least 70% of our total assets are qualifying assets. Qualifying assets generally include securities of eligible portfolio companies, cash, cash equivalents, U.S. government securities and high-quality debt instruments maturing in one year or less from the time of investment. Under the rules of the 1940 Act, eligible portfolio companies include (1) private U.S. operating companies, (2) public U.S. operating companies whose securities are not listed on a national securities exchange (e.g., the New York Stock Exchange) or registered under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and (3) public U.S. operating companies having a market capitalization of less than $250 million. Public U.S. operating companies whose securities are quoted on the over-the-counter bulletin board and through Pink Sheets LLC are not listed on a national securities exchange and therefore are eligible portfolio companies. See Regulation.

Use of Leverage

As a business development company, we are permitted under the 1940 Act to borrow funds to finance a portion of our investments. As of June 30, 2015, we had $100.5 million of debt outstanding under the Credit Facility, $30 million of debt outstanding under the Senior Notes and $55 million of debt outstanding under the Unsecured Term Loan. In addition to the Credit Facility, the Senior Notes and the Unsecured Term Loan described above, we expect to use leverage to finance a portion of our investments in the future, consistent with the rules and regulations under the 1940 Act. We consolidate our financial results with those of WhiteHorse Warehouse for financial reporting purposes.

As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we cannot incur additional debt and could be required to sell a portion of our investments to repay debt when it is disadvantageous to do so. We measure our compliance with the leverage test applicable to business development companies under the 1940 Act on a consolidated basis. We expect to continue to use leverage to finance a portion of our investments in the future, consistent with the rules and regulations under the 1940 Act. We expect that we would incur such leverage through either a traditional credit facility or a securitization vehicle, rather than through an issuance of preferred stock.

The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. In the future, we may borrow from, and issue senior securities, to banks, insurance companies and other lenders. If the value of our assets decreases, leveraging would cause net asset value, or NAV, to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. See Risk Factors Risks Relating to our Business and Structure We intend to continue to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Conflicts of Interest

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. On July 8, 2014, we received an exemptive relief order from the SEC, which permits us to participate in negotiated investments with our affiliates, subject to certain conditions. The exemptive relief order to co-invest with affiliated funds provides stockholders with access to a broader range of investment opportunities. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from buying or selling any security from or to, or entering into certain joint transactions (which could include investments in the same portfolio company) with such

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affiliates, absent the prior approval of our independent directors. Our Investment Adviser and its affiliates, including persons that control, or are under common control with, us or our Investment Adviser, are also considered to be our affiliates under the 1940 Act.

We may invest alongside other clients of our Investment Adviser and its affiliates in certain circumstances where doing so is consistent with applicable law, the terms of our exemptive relief order, SEC staff interpretations and/or exemptive relief issued provided by the SEC. For example, we may invest alongside such accounts consistent with guidance promulgated by the staff of the SEC permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that our Investment Adviser, acting on our behalf and on behalf of other clients, negotiates no term other than price. We may also invest alongside our Investment Adviser s other clients as otherwise permissible under regulatory guidance, applicable regulations and the allocation policy of H.I.G. Capital and our Investment Adviser. Under this allocation policy, a fixed calculation, based on the type of investment, will be applied to determine the amount of each opportunity to be allocated to us. This allocation policy will be periodically approved by our Investment Adviser and reviewed by our independent directors. We expect that these determinations will be made similarly for other accounts sponsored or managed by our Investment Adviser and its affiliates. If sufficient securities or loan amounts are available to satisfy our and each such account s proposed demand, we expect that the opportunity will be allocated in accordance with our Investment Adviser s pre-transaction determination. Where there is an insufficient amount of an investment opportunity to satisfy us and other accounts sponsored or managed by our Investment Adviser or its affiliates, the allocation policy further provides that allocations among us and such other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available. However, we can offer no assurance that investment opportunities will be allocated to us fairly or equitably in the short-term or over time.

The exemptive relief we received permits greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other accounts sponsored or managed by our Investment Adviser or its affiliates in a manner consistent with our investment objective, positions, policies, strategies and restrictions, as well as regulatory requirements and other relevant factors. See Related Party Transactions and Certain Relationships. We cannot assure you, however, that we will obtain such approvals or exemptive relief or develop opportunities that comply with such limitations.

In situations where co-investment with other accounts managed by our Investment Adviser or its affiliates is not permitted or appropriate, H.I.G. Capital and our Investment Adviser will need to decide which client will proceed with the investment. Our Investment Adviser s allocation policy provides, in such circumstances, for investments to be allocated on a rotational basis to assure that all clients of our Investment Adviser and its affiliates have fair and equitable access to such investment opportunities. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which a fund managed by our Investment Adviser or its affiliates has previously invested. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us.

See Risk Factors Risks Relating to our Business and Structure There are significant potential conflicts of interest that could affect our investment returns and Related Party Transactions and Certain Relationships.

Company Information

Our principal executive offices are located at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131, telephone number (305) 381-6999. Our corporate website is located at *www.whitehorsefinance.com.* Information on our website is not incorporated into or a part of this prospectus.

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Summary Risk Factors

Investing in our Company involves a high degree of risk and you could lose all or part of your investment. Certain of these risks are referenced below.

- We have a limited operating history as a business development company.
- The lack of experience of our Investment Adviser in operating under the constraints imposed on us as a business development company and RIC may hinder the achievement of our investment objectives.
- Regulations governing our operation as a business development company, including those related to the issuance of senior securities, will affect our ability to, and the way in which we, raise additional debt or equity capital.
- We intend to continue to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.
- We are subject to risks associated with the use of leverage.
- There are significant potential conflicts of interest that could affect our investment returns.
- Due to the incentive fee cap and deferral mechanism, we may pay incentive fees in a fiscal quarter subsequent to the quarter in which the income giving rise to such incentive fees was recognized.
- We are subject to risks associated with small-cap companies.
- We may expose ourselves to risks if we engage in hedging transactions.
- Investing in our common stock may involve an above average degree of risk.

See Risk Factors beginning on page 13 for more information on these and other risks you should carefully consider before deciding to invest in shares of our common stock.

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FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. The following table should not be considered a representation of our future expenses. Actual expenses may be greater or less than shown. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by us or WhiteHorse Finance, or that we will pay fees or expenses, common stockholders will indirectly bear such fees or expenses as investors in WhiteHorse Finance.

Stockholder transaction expenses:		
Sales load (as a percentage of offering price)		%(1)
Offering expenses (as a percentage of offering price)		%(2)
Dividend reinvestment plan fees	None	(3)
Total stockholder transaction expenses (as a percentage of offering price)		%
Annual expenses (as a percentage of net assets attributable to common stock):		
Base management fees	3.35	%(4)
Incentive fees payable under Investment Advisory Agreement (20% of Pre-Incentive Fee Net Investment Income and 20% of realized capital gains)	1.50	%(5)
Interest payments on borrowed funds	2.58	%(6)
Other expenses	1.58	%(7)
Total annual expenses	**9.01**	**%**

(1) In the event that the securities to which this prospectus relates are sold to or through underwriters or agents, a corresponding prospectus supplement will disclose the applicable sales load.

(2) The related prospectus supplement, including each underwritten offering by any of the selling stockholders identified under Selling Stockholders, will disclose the estimated amount of total offering expenses (which may include offering expenses borne by third parties on our behalf), the offering price and the offering expenses borne by us as a percentage of the offering price.

(3) The expenses of the dividend reinvestment plan, which consist primarily of the expenses of American Stock Transfer & Trust Company, LLC, are included in other expenses. See Dividend Reinvestment Plan.

(4) Our base management fee under the Investment Advisory Agreement is based on our gross assets, including assets purchased with borrowed funds and is payable quarterly in arrears. The management fee referenced in the table above is based on actual amounts incurred during the year ended December 31, 2014, before taking into account the impact of any base management fee waivers, which would reduce annual expenses payable to our Investment Adviser. The SEC requires that the Management fees percentage be calculated as a percentage of net assets attributable to common stockholders, rather than total assets, including assets that have been funded with borrowed monies because common stockholders bear all of this cost. The estimate of our base management fees assumes net assets of $225.4 million and leverage of $190.5 million, which reflects our net assets and leverage as of December 31, 2014.

(5) The incentive fee referenced in the table above is based on actual amounts incurred during the year ended December 31, 2014. The incentive fee consists of two components that are independent of each other (except as provided in the Incentive Fee Cap and Deferral Mechanism described below), with the result that one component may be payable even if the other is not.

We have structured the calculation of these incentive fees, which we refer to as the Income and Capital Gain Incentive Fee Calculations, to include a fee limitation such that no incentive fee will be paid to our Investment Adviser for any fiscal quarter if, after such payment, the cumulative incentive fees paid to our Investment Adviser for the period that includes such fiscal quarter and the 11 full preceding fiscal quarters, which we refer to in this prospectus as the Incentive Fee Look-back Period, would exceed 20.0% of our Cumulative Pre-Incentive Fee Net Return during the applicable Incentive Fee Look-back Period. The Incentive Fee Look-back Period commenced on January 1, 2013. Prior to January 1, 2016, the Incentive Fee Look-back Period will consist of fewer than 12 full fiscal quarters. For example, at the end of our first full fiscal quarter after our initial public offering, the Incentive Fee Look-back Period

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consisted of one full fiscal quarter and our Cumulative Pre-Incentive Fee Net Return will equal the sum of (a) the Pre-Incentive Fee Net Investment Income during that fiscal quarter and (b) our realized capital gains, realized capital losses, unrealized capital depreciation and unrealized capital appreciation, if any, during such fiscal quarter. Similarly, at the end of our second full fiscal quarter after our initial public offering, the Incentive Fee Look-back Period consisted of two full fiscal quarters and our Cumulative Pre-Incentive Fee Net Return equaled the sum of (a) the Pre-Incentive Fee Net Investment Income during those two fiscal quarters and (b) our cumulative realized capital gains, cumulative realized capital losses, cumulative unrealized capital depreciation and cumulative unrealized capital appreciation, with cumulative meaning occurring during the two full fiscal quarters elapsed since January 1, 2013. The deferral component of the Incentive Fee Cap and Deferral Mechanism may cause incentive fees that accrued during one fiscal quarter to be paid to our Investment Adviser at any time during the 11 full fiscal quarters following such initial full fiscal quarter.

We accomplish this limitation by subjecting each incentive fee payable to a cap, which we refer to in this prospectus to as the Incentive Fee Cap. The Incentive Fee Cap in any quarter is equal to (a) 20.0% of Cumulative Pre-Incentive Fee Net Return during the Incentive Fee Look-back Period less (b) cumulative incentive fees of any kind paid to our Investment Adviser by us during the Incentive Fee Look-back Period. To the extent the Incentive Fee Cap is zero or a negative value in any quarter, we will pay no incentive fee to our Investment Adviser in that quarter. We will only pay incentive fees to the extent allowed by the Incentive Fee Cap and Deferral Mechanism. To the extent that the payment of incentive fees is limited by the Incentive Fee Cap and Deferral Mechanism, the payment of such fees may be deferred and paid up to three years after their date of deferment subject to applicable limitations included in the Investment Advisory Agreement.

The first component of the incentive fee, which is income-based and payable quarterly in arrears, equals 20% of the amount, if any, that our Pre-Incentive Fee Net Investment Income exceeds a 1.75% quarterly (7.00% annualized) hurdle rate (the Hurdle Rate), subject to a catch-up provision measured at the end of each calendar quarter and the Incentive Fee Cap and Deferral Mechanism described below. The operation of the first component of the incentive fee for each quarter is as follows:

no incentive fee is payable to our Investment Adviser in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the Hurdle Rate of 1.75% (7.00% annualized);

100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the Hurdle Rate but is less than 2.1875% in any calendar quarter (8.75% annualized) is payable to our Investment Adviser. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle Rate but is less than 2.50%) as the catch-up. The effect of the catch-up provision is that, if such Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter, our Investment Adviser will receive 20% of such Pre-Incentive Fee Net Investment Income as if the Hurdle Rate did not apply; and

20% of the amount of such Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to our Investment Adviser (once the Hurdle Rate is reached and the catch-up is achieved).

The portion of such incentive fee that is attributable to deferred interest (such as payment-in-kind interest or original issue discount) will be paid to the Investment Adviser, together with any other interest accrued on the loan from the date of deferral to the date of payment, only if and to the extent we actually receive such interest in cash, and any accrual thereof will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. Any reversal of such amounts would reduce net income for the quarter by the net amount of the reversal (after taking into account the reversal of incentive fees payable) and would result in a reduction and possibly elimination of the incentive fees for such quarter. For the avoidance of doubt, no incentive will be paid to the Investment Adviser on amounts accrued and not paid in respect of deferred interest.

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There is no accumulation of amounts on the Hurdle Rate from quarter to quarter and, accordingly, there is no clawback of amounts previously paid if subsequent quarters are below the quarterly Hurdle Rate and there is no delay of payment if prior quarters are below the quarterly Hurdle Rate. Since the Hurdle Rate is fixed, as interest rates rise, it will be easier for our Investment Adviser to surpass the Hurdle Rate and receive an incentive fee based on Pre-Incentive Fee Net Investment Income.

The second component, which is capital gains-based, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and equals 20% of our cumulative aggregate realized capital gains through the end of such year, computed net of our aggregate cumulative realized capital losses and aggregate cumulative unrealized capital depreciation through the end of such year, less the aggregate amount of any previously paid capital gains incentive fees and subject to the Incentive Fee Cap and Deferral Mechanism described below. The capital-gains component of the incentive fee excludes any portion of realized gains (losses) that are associated with the reversal of any portion of unrealized appreciation/depreciation attributable to periods prior to January 1, 2013. The capital gains component of the incentive fee is not subject to any minimum return to stockholders.

As described above, we will not pay any incentive fee at any time when, after such payment, the cumulative incentive fees paid to date would exceed 20% of the Cumulative Pre-Incentive Fee Net Return during the Incentive Fee Look-back Period.

(6) Our stockholders bear directly or indirectly the costs of borrowings under the Credit Facility and other debt instruments. The borrowing costs included in the table above are based on our outstanding indebtedness as of December 31, 2014, which consisted of $105.5 million of indebtedness outstanding under the Credit Facility, $30 million of indebtedness outstanding in Senior Notes and $55 million of indebtedness outstanding under the Unsecured Term Loan. At December 31, 2014, the weighted average effective interest rate for total outstanding debt was 3.61%. We expect to continue to use leverage to finance a portion of our investments in the future, consistent with the rules and regulations under the 1940 Act.

(7) Includes our overhead expenses, including payments under the Administration Agreement, based on our allocable portion of overhead and other expenses incurred by WhiteHorse Administration in performing its obligations under the Administration Agreement. See The Adviser and the Administrator Administration Agreement. Other expenses are based on actual amounts incurred during the six months ended June 30, 2015.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed that our annual operating expenses remain at the levels set forth in the table above. This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 74	$ 217	$ 353	$ 664

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors would be higher. If the 5% annual return were derived entirely from capital gains, you would pay expenses on a $1,000 investment of $84, $246, $400 and $753 over periods of one year, three years, five years and ten years, respectively. The example assumes reinvestment of all dividends and other distributions at net asset value. Under certain circumstances, reinvestment of dividends and distributions under our dividend reinvestment plan may occur at a price per share that differs from net asset value. Participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

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RISK FACTORS

Before you invest in our securities, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, the net asset value of our common stock and the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Relating to Economic Conditions

Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.

The current worldwide financial market situation, as well as various social and political tensions in the United States and around the world, may continue to contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. Since 2010, several European Union, or EU, countries, including Greece, Ireland, Italy, Spain, and Portugal, have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal policy of foreign nations, such as China, may have a severe impact on the worldwide and United States financial markets. We do not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the United States economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Risks Relating to Our Business and Structure

We have a limited operating history as a business development company.

Prior to December 2012, we did not operate as a business development company or as a RIC. As a result, we are subject to business risks and uncertainties, including the risk that we will not maintain our status as a business development company or achieve our investment objective and that the value of your investment could decline substantially.

The lack of experience of our Investment Adviser in operating under the constraints imposed on us as a business development company and RIC may hinder the achievement of our investment objective.

The 1940 Act and the Code impose numerous constraints on the operations of business development companies and RICs that do not apply to other investment vehicles managed by H.I.G. Capital and its affiliates. Business development companies are required, for example, to invest at least 70% of their total assets in qualifying assets, including U.S. private or thinly-traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment. Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as a qualifying asset only if such issuer has a common equity market capitalization that is less than $250 million at the time of such investment. Moreover, qualification for taxation as a RIC requires satisfaction of source-of-income, asset diversification and distribution requirements. Neither we nor our Investment Adviser has long-term experience operating under these constraints, which may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objective. As a result, we cannot assure you that our Investment Adviser will be able to operate our business under these constraints. Any failure to do so could subject us to enforcement action by the SEC, cause us to fail to satisfy the requirements associated with RIC status, cause us to fail the 70% test described above or otherwise have a material adverse effect on our business, financial condition or results of operations.

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We may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could be found to be in violation of the 1940 Act provisions applicable to business development companies and possibly lose our status as a business development company, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inopportune times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it may be difficult to dispose of such investments on favorable terms, or at all. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss or otherwise for less than we could have received if we were able to sell them at a later time.

We depend upon key personnel of H.I.G. Capital and its affiliates.

We are an externally managed business development company, and therefore we do not have any internal management capacity or employees. We depend on the diligence, skill and network of business contacts of our Investment Adviser to achieve our investment objective. We expect that our Investment Adviser will evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the Investment Advisory Agreement.

Our Investment Adviser is an affiliate of H.I.G. Capital and depends upon access to the investment professionals and other resources of H.I.G. Capital and its affiliates to fulfill its obligations to us under the Investment Advisory Agreement. WhiteHorse Advisers also depends upon H.I.G. Capital to obtain access to deal flow generated by the professionals of H.I.G. Capital. Under the Staffing Agreement, an affiliate of H.I.G. Capital has agreed to provide our Investment Adviser with the resources necessary to fulfill these obligations. The Staffing Agreement provides that the affiliate will make available to WhiteHorse Advisers experienced investment professionals and access to the senior investment personnel of H.I.G. Capital for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. We are not a party to the Staffing Agreement and cannot assure you that the affiliate will fulfill its obligations under the agreement. If the affiliate fails to perform, we cannot assure you that WhiteHorse Advisers will enforce the Staffing Agreement, that such agreement will not be terminated by either party or that we will continue to have access to the investment professionals of H.I.G. Capital and its affiliates or their market knowledge and deal flow.

We depend upon the senior professionals of H.I.G. Capital to maintain relationships with potential sources of lending opportunities, and we intend to rely to a significant extent upon these relationships to provide us with potential investment opportunities. We cannot assure you that these individuals will continue to indirectly provide investment advice to us. If these individuals, including the members of our investment committee, do not maintain their existing relationships with H.I.G. Capital, maintain existing relationships or develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio. In addition, individuals with whom the senior professionals of H.I.G. Capital have relationships are not obligated to provide us with investment opportunities. Therefore, we cannot assure you that such relationships will generate investment opportunities for us.

Our business model depends to a significant extent upon H.I.G. Capital s proprietary deal-flow network of informal and unconventional potential deal sources in the small-cap business community. Any inability of H.I.G. Capital to maintain or develop this network, or the failure of this network to generate investment opportunities, could adversely affect our business.

We depend upon H.I.G. Capital to maintain its extensive, proprietary small-cap deal sourcing network, and we expect to rely to a significant extent upon this network to provide us with investment opportunities. This network of informal and unconventional deal sources in the small-cap business community includes accountants, attorneys, brokers, insurance agents, consultants and financial advisors who have access to small-cap companies. If H.I.G. Capital fails to maintain such sourcing network, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom H.I.G. Capital has relationships are not obligated to provide us with investment opportunities, and we can offer no assurance that these relationships will generate investment opportunities for us in the future.

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If our Investment Adviser is unable to manage our investments effectively, we may be unable to achieve our investment objective.

Our ability to achieve our investment objective depends on our ability to manage our business and to grow our business. This depends, in turn, on our Investment Adviser s ability to identify, invest in and monitor companies that meet our investment criteria. This, in turn, depends on the ability of H.I.G. Capital s investment professionals to identify, invest in and monitor companies that meet our investment criteria. The achievement of our investment objective on a cost-effective basis will depend upon our Investment Adviser s execution of our investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. Our Investment Adviser has substantial responsibilities under the Investment Advisory Agreement. The personnel of H.I.G. Capital who are made available to our Investment Adviser under the Staffing Agreement are engaged in other business activities and may be called upon to provide managerial assistance to our portfolio companies, either of which could distract them, divert their time and attention or otherwise cause them not to dedicate a significant portion of their time to our businesses which could slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may not replicate the historical results achieved by other entities managed or sponsored by members of our investment committee or by H.I.G. Capital or its affiliates.

Our primary focus in making investments generally differs from that of many of the investment funds, accounts or other investment vehicles that are or have been managed by members of our investment committee or sponsored by H.I.G. Capital or its affiliates. In addition, investors in our common stock do not acquire an interest in any such investment funds, accounts or other investment vehicles that are or have been managed by members of our investment committee or sponsored by H.I.G. Capital or its affiliates. We cannot assure you that we will replicate the historical results achieved by members of the investment committee, and we caution you that our investment returns could be substantially lower than the returns achieved by them in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated. Moreover, current or future market volatility and regulatory uncertainty may have an adverse impact on our future performance.

The highly competitive market for investment opportunities in which we operate may limit our investment opportunities.

A number of entities continue to compete with us to make investments in small-cap companies. We compete with public and private funds, including other business development companies, commercial and investment banks, commercial financing companies, specialty finance companies, hedge funds and, to the extent they provide an alternative form of financing, private equity funds. Additionally, as competition for investment opportunities has increased, alternative investment vehicles, such as hedge funds and collateralized loan obligations, have invested in small-cap companies. As a result of these new entrants, competition for investment opportunities in small-cap companies could intensify. Many of our potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we cannot assure you that we will be able to identify and make investments that are consistent with our investment objective.

Participants in our industry compete on several factors, including price, flexibility in transaction structuring, customer service, reputation, market knowledge and speed in decision-making. We do not intend to compete primarily based on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that are lower than the rates we offer. We may lose investment opportunities if

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we do not match our competitors pricing, terms and structure. However, if we match our competitors pricing, terms and structure, we may reduce our net investment income and increase our risk of credit loss.

We have elected to be treated as a RIC and intend to qualify annually for such treatment. If we are unable to qualify as a RIC, we will be subject to corporate-level income tax.

We have elected to be treated as a RIC under the Code and intend to qualify annually for such treatment. To qualify as a RIC under the Code and obtain RIC tax benefits, we must meet certain income source, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our ordinary income and realized net short term capital gains in excess of realized net short term capital losses, if any, to our stockholders on an annual basis. To the extent we use preferred stock or debt financing in the future, we may be subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under preferred stock or loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify for RIC tax benefits. If we fail to make sufficient distributions, as a result of contractual restrictions in the Credit Facility, Unsecured Term Loan or otherwise, we may fail to qualify for such benefits and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because we anticipate that most of our investments will be in the debt of relatively illiquid small-cap private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify for RIC tax benefits for any reason and remain or become subject to corporate-level income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders.

Our returns will be reduced by any U.S. corporate income tax that our subsidiaries pay.

We may be required to recognize certain income and fees indirectly through one or more entities treated as corporations for U.S. federal income tax purposes. Such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce our return on such income and fees. In addition, we may invest in partnerships, including qualified publicly traded partnerships and limited liability companies treated as partnerships for tax purposes, which may result in our being subject to state, local or foreign income, franchise or withholding liabilities.

Non-U.S. stockholders may be adversely affected by a scheduled change in U.S. federal income tax law.

Under a provision applicable for taxable years of RICs beginning before January 1, 2015, properly designated dividends received by a Non-U.S. stockholder are generally exempt from U.S. federal withholding tax when they (a) are paid in respect of qualified net interest income (generally, U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% stockholder, reduced by expenses that are allocable to such income), or (b) are paid in connection with qualified short-term capital gains (generally, the excess of net short-term capital gain over long-term capital loss for such taxable year). If such provision is not extended, non-U.S. stockholders will be subject to 30% U.S. federal withholding tax on distributions other than actual or deemed distributions of our net capital gains unless reduced under the Code or an applicable tax treaty. There can be no assurance that the provision will be extended, and we may also choose not to designate some or all of the distributions potentially eligible for the exemption.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or payment-in-kind, or PIK, interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment assets, and increases in loan balances as a result of PIK interest will be included in income before we receive any corresponding cash payments.

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We also may be required to include in income certain other amounts that we do not receive in cash. In addition, after the expiration of the reinvestment period under the Credit Facility on September 27, 2015, we must use asset sales and repayment proceeds, if any (including any realized gains), to pay down any outstanding debt and certain other amounts prior to distributing cash from WhiteHorse Warehouse to us. Also, if we do not meet certain coverage tests under the Credit Facility or if an event of default and acceleration occurs under the Credit Facility, then income and capital gains which would otherwise be distributable by us to our stockholders could be diverted to pay down debt or other amounts due under the Credit Facility.

As a result, we may have difficulty meeting the tax requirement to distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to obtain RIC tax benefits. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax benefits and thus be subject to corporate level income tax.

PIK interest payments we receive will increase our AUM and, as a result, will increase the amount of base management fees payable by us to our Investment Adviser.

Certain of our debt investments contain provisions providing for the payment of PIK interest, which increases the loan balance of the underlying loan in lieu of receiving cash interest, causing interest to compound on such higher loan balance. PIK interest increases our assets under management and, because the base management fee that we pay to our Investment Adviser is based on the value of our consolidated gross assets, PIK interest increases the base management fee we pay. This increase in interest income from the higher loan balance increases our pre-incentive fee net investment income and the incentive fees that we pay to our Investment Adviser.

Regulations governing our operation as a business development company, including those related to the issuance of senior securities, will affect our ability to, and the way in which we, raise additional debt or equity capital.

We expect that we will require a substantial amount of capital. We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted as a business development company to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this ratio. If that happens, we may be required to sell a portion of our investments at a time when such sales may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness. If we issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred stock, such securities would rank senior to common stock in our capital structure, and preferred stockholders would have separate voting rights, dividend and liquidation rights and possibly other rights, preferences or privileges more favorable than those granted to holders of our common stock. Furthermore, the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might otherwise result in your receiving a premium price for your common stock or otherwise be in your best interest.

Our board of directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a business development company, we are not generally able to issue and sell our common stock at a price below current net asset value per share. We may, however, issue or sell our common stock, at a price below the current net asset value of the common stock, or sell warrants, options or rights to acquire such common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). On August 3, 2015, our stockholders approved a proposal authorizing us, with the approval of our board of directors, to sell shares of our common stock during the next 12 months at a price below the then-current net asset value per share, subject to certain limitations as described in the proxy statement for our annual meeting of stockholders. We also may conduct rights offerings at prices per share less than the net asset value per share, subject to the requirements of the 1940 Act. If we raise additional funds by issuing additional common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and our stockholders may experience dilution.

In addition to issuing securities to raise capital as described above, we have securitized, and may in the future seek to securitize, our loans to generate cash for funding new investments. To securitize loans, we may create one or more wholly owned subsidiaries and sell and contribute a pool of loans to such subsidiaries. This could include the sale or other issuance of debt by such subsidiaries on a non-recourse basis to purchasers who we would expect to be willing to accept a lower interest rate to invest in investment grade-rated debt secured by such loan pools, and we would retain all or a portion of the equity in any such subsidiary. An inability to securitize part of our loan portfolio could limit our ability to grow our business, fully execute our business strategy and increase our earnings. Moreover, the successful securitization of part of our loan portfolio might expose us to losses as the loans we are not able to securitize will tend to be those that are riskier and more apt to generate losses.

Any failure on our part to maintain our status as a business development company would reduce our operating flexibility.

If we do not remain a business development company, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and, correspondingly, decrease our operating flexibility.

We intend to continue to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

The use of leverage, including through the issuance of senior securities, magnifies the potential for gain or loss on amounts invested. We have incurred leverage in the past and currently incur leverage through the Credit Facility, the Unsecured Term Loan and the Senior Notes and, from time to time, intend to incur additional leverage to the extent permitted under the 1940 Act. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. In the future, we may borrow from, and issue senior securities, to banks, insurance companies and other lenders. Holders of these senior securities will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such holders to seek recovery against our assets in the event of a default.

WhiteHorse Warehouse has pledged, and expects to continue to pledge, all or substantially all of its assets. WhiteHorse Warehouse has granted, and may in the future grant, a security interest in all or a portion of its assets under the Credit Facility. In addition, under the terms of the Credit Facility, we must use the net proceeds of any investments that we sell to repay amounts then due with respect to our debt and certain other amounts owing under the Credit Facility before applying such net proceeds to other uses, such as distributing them to our stockholders.

We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments into which we may enter. In addition, under the terms of any credit facility or other debt instrument we enter into, we are likely to be required by its terms to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses.

If the value of our assets decreases, leverage would cause net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make distributions on our common stock or preferred stock. Our ability to service our debt will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive

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pressures. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the management fee payable to our Investment Adviser.

As a business development company, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we cannot incur additional debt and could be required to sell a portion of our investments to repay some debt when it is disadvantageous to do so. This could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on our Investment Adviser s and our board of directors assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to maintain our borrowings under the Credit Facility, the Unsecured Term Loan and the Senior Notes or obtain other credit at all or on terms acceptable to us.