Risk Factors Comparison 2024-03-05 to 2023-03-03 Form: 10-K

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You should carefully consider these risk factors, together with all of the other information included in this annual report on Form 10- K, including our consolidated financial statements and the related notes thereto, 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 NAV 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 Our Business and Structure 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. For example, the 1940 Act requires, among other things, that a business development company invest at least 70 % of its total assets in qualifying assets. Qualifying assets include 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. 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, the restrictions of the 1940 Act applicable to business development companies 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. If we need to dispose of investments quickly, it may be difficult to dispose of such investments on favorable terms, or at all. For example, we may have difficulty 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. Qualification for taxation as a RIC requires certain satisfaction of source- of- income, asset diversification and distribution requirements. The distribution requirement for a RIC generally is satisfied if we distribute at least 90 % of our net ordinary income and net realized short- term capital gains in excess of net realized long- term capital losses, if any, to our stockholders on an annual basis. If we fail to qualify as a RIC for any reason and become subject to corporate income tax, the resulting corporate income taxes could substantially reduce our net assets, the amount of funds available for distributions to our stockholders and the amount of funds available for new investments. The constraints imposed on us by the 1940 Act and the Code may hinder our and our Investment Adviser' s ability to take advantage of attractive investment opportunities and to achieve our investment objective. Further, failure to operate under these constraints could have a material adverse impact on our business, our relationship with our portfolio companies and our reputation and could subject us to regulatory inquiries, enforcement actions and fines, civil litigation and possible financial liability, or otherwise have a material adverse effect on our business, financial condition or results of operations. 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 expertise, 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 the 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 lower middle market 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 lower middle market 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 lower middle market business community includes accountants, attorneys, brokers, insurance agents, consultants and financial advisors who have access to lower middle market 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~~ **31portfolio** . 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. If our Investment Adviser is unable to manage our investments effectively, we may be unable to achieve our investment objective. ~~31Our~~ -- **Our** ability to achieve our investment objective depends on our ability to manage our business and to grow our business. This depends, 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. These and other demands on their time 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 reduce our rate of investment. Any failure to manage our business 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 the 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 the 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 lower middle market 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. In recent years, these entities have attracted substantial amounts of new investment capital. Additionally, as competition for investment opportunities has increased, alternative investment vehicles, such as hedge funds and collateralized loan obligations, have invested in lower middle market companies. As a result of this additional capital and these new entrants, competition for investment opportunities in lower middle market companies has intensified. 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, tolerate looser covenants and other investment protections, 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~~ **32results** 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 ~~32primarily~~ -- **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 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 losses. 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, we must meet certain source- of- income, 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 long term capital losses, if any, each taxable year as dividends for U. S. federal income tax purposes to our stockholders. 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 that could, under certain circumstances, restrict us from making distributions necessary to be subject to tax as a RIC. If we fail to make sufficient distributions, as a result of contractual restrictions in the Credit Facility or otherwise, we may fail to qualify to be subject to tax as a RIC 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. If we fail to meet these requirements, we may need to dispose of certain investments quickly in order to prevent the loss of our RIC status. Because we anticipate that most of our investments will be in the debt of relatively illiquid lower middle market private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC 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 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 incur 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 subject us to additional state, local or foreign income, franchise, withholding or other tax liabilities. 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 **OID** ~~original issue discount~~, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, 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. In addition, generally we are required to recognize income for tax purposes no later than when recognized for financial reporting purposes. ~~We~~ **33We** also may be required to include in income certain other amounts that we do not receive in cash. In addition, 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 Credit to us. Also, if we do not meet certain coverage tests under the Credit Facility, the Private Notes, or the ~~2026~~ Public Notes or if an event of default and acceleration occurs under the Credit Facility, then income and capital gains which would otherwise ~~33be~~ **be** distributable by us to our stockholders could be diverted to pay down debt or other amounts due under the Credit Facility, the Private Notes or the ~~2026~~ Public Notes. As a result, we may have difficulty meeting the annual distribution 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, in order to be subject to tax as a RIC. 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 to be subject to tax as a RIC and thus be subject to corporate level income tax. **We may be exposed to higher risks with respect to our investments that include OID or PIK interest. Our investments may include OID and contractual PIK interest, which typically represents contractual interest added to a loan balance and due at the end of such loan' s term. To the extent OID or PIK interest constitute a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following: • OID and PIK instruments may have higher yields, which reflect the payment deferral and credit risk associated with these instruments; • OID and PIK accruals may create uncertainty about the source of our distributions to stockholders; • OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of the collateral; and • OID and PIK instruments may represent a higher credit risk than coupon loans.** PIK interest payments we receive will increase our assets under management 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. As a business development company, we are required to meet an asset coverage ratio, as defined under the 1940 Act, by the Small Business Credit Availability Act, or the SBCAA, as the ratio of our gross assets (less all liabilities and indebtedness not represented by senior securities) to our outstanding senior securities of at least 150 % (equivalent to $ 2 of debt outstanding for each $ 1 of equity) after each issuance of senior securities. See " — 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. " If the value of our assets declines, we may be unable to satisfy the 1940 Act' s asset coverage requirement. If that happens, we may be required to sell a portion of our investments at a time when such sale may be disadvantageous and, depending on the nature of our leverage, repay a portion of our indebtedness. The ~~issuance~~ **34issuance** of senior securities exposes us to typical risks associated with leverage, including an increased risk of loss, and if we incur additional leverage as permitted by the SBCAA, these risks will be magnified. See " — The SBCAA allows us to incur additional leverage, which may increase the risk of investing with us. " 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 the then- current NAV per share. We may, however, issue or sell our common stock at a price below the then- current NAV of the common stock, or sell warrants, options or rights to acquire such common stock, at a price below the then- current NAV of the common stock if our board of directors determines that such sale is in the best interest 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 ~~34securities~~ -- **securities** (less any distributing commission or discount). We may also conduct rights offerings at prices per share less than the NAV 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 would 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. The SBCAA allows us to incur additional leverage, which may increase the risk of investing with us. As a business development company, we are permitted under the 1940 Act to issue " senior securities, " including borrowing money from banks or other financial institutions, only in amounts such that its asset coverage, as defined in the 1940 Act, equals at least 200 % after such incurrence or issuance. In March 2018, the SBCAA, amended the 1940 Act to reduce the asset coverage requirements applicable to business development companies from 200 % to 150 % so long as the business development company meets certain disclosure requirements and obtains certain approvals. On May 3, 2018 and August 1, 2018, our board of directors, including a " required majority " (as such term is defined in Section 57 (o) of the 1940 Act), and our stockholders, respectively, approved a reduced asset coverage ratio from 200 % to 150 % in accordance with the SBCAA, effective on August 2, 2018. These actions increased our maximum debt to equity ratio from a prior maximum of 1. 0x (equivalent of $ 1 of debt outstanding for each $ 1 equity) to a maximum of 2. 0x (equivalent to $ 2 of debt outstanding for each $ 1 of equity). ~~As~~ **35As** of December 31, ~~2022~~ **2023** , our asset coverage for borrowed amounts was ~~174~~ **181** . ~~7~~ **0** %. As a result of the effectiveness of the decrease in the asset coverage ratio applicable to us, we are able to incur additional leverage, and the risks associated with an investment in us may increase. For example, see " — Since we are using debt to finance our investments, and we may use additional debt or preferred stock financing going forward, changes in interest rates may affect our cost of capital, net investment income, value of our common stock and our rate of return on invested capital. " **Our business and the businesses of our portfolio companies are dependent on bank relationships and recent concerns associated with the banking system may adversely impact us. Earlier this year, the financial markets experienced volatility in connection with concerns that some banks, especially small and regional banks, may have significant investment- related losses that might make it difficult to fund demands to withdraw deposits and other liquidity needs. Although the federal government has announced measures to assist certain banks and protect depositors, some banks have already been impacted and others may be adversely impacted in the future, by such volatility. Our business and the businesses of our portfolio companies are dependent on bank relationships, and we are proactively monitoring the financial health of these relationships. Continued strain on the banking system may adversely impact the business, financial condition and results of operations of us and our portfolio companies. We hold our cash and cash equivalents that we use to meet our working capital needs in deposit accounts at multiple financial institutions. The balance held in these accounts may exceed the Federal Deposit Insurance Corporation standard deposit insurance limit or similar government guarantee schemes. If a financial institution in which we hold such funds fails or is subject to significant adverse conditions in the financial or credit markets, we could be subject to a risk of loss of all or a portion of such uninsured funds or be subject to a delay in accessing all or a portion of such uninsured funds. Any such loss or lack of access to these funds could adversely impact our short- term liquidity and ability to meet our obligations. We also maintain investment accounts with other financial institutions in which we hold our investments and, if access to the funds we use for working capital is impaired, we may not be able to sell investments or transfer funds from our investment accounts to new accounts on a timely basis sufficient to meet our working capital needs.** 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 credit facilities and issuance of public and private notes. From time to time, we 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. ~~35WhiteHorse~~ -- **WhiteHorse** Credit has pledged, and expects to continue to pledge, all or substantially all of its assets. WhiteHorse Credit 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~~ **36If** the value of our assets decreases, leverage would cause our 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. 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 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 WhiteHorse Advisers. 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 150 %, subject to certain disclosure requirements, as is specified in the 1940 Act. If this ratio declines below 150 %, 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 to our stockholders. As of December 31, ~~2022~~ **2023** , our total outstanding indebtedness was $ ~~445~~ **391** . ~~1~~ **0** million and our asset coverage was ~~174~~ **181** . ~~7~~ **0** %. 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 our existing indebtedness or to obtain other credit at all or on terms acceptable to us. For information regarding a reduction in the asset coverage ratio applicable to us, see Item 1A. Risk Factors- " The SBCAA allows us to incur additional leverage, which may increase the risk of investing with us ". In addition, the terms governing our existing indebtedness and any indebtedness that we incur in the future could impose financial and operating covenants that restrict our business activities, including limitations that may hinder our ability to finance additional loans and investments or make the distributions required to maintain our ability to be subject to tax as a RIC. The instruments governing our existing indebtedness contain terms and conditions for senior unsecured notes issued in a private placement, including minimum stockholders' equity, minimum asset coverage ratio, maximum debt to equity ratio and prohibitions on certain fundamental changes of the Company or any subsidiary guarantor. These instruments also contain customary events of default with customary cure and notice periods, including, without limitation, nonpayment, incorrect representation in any material respect, breach of covenant, cross- default under other indebtedness of the Company or certain significant subsidiaries, certain judgements and orders, and certain events of bankruptcy. The breach of any of the covenants or restrictions, unless cured within the applicable grace period, would result in a default under the applicable indebtedness arrangement that would permit the lenders thereunder to declare all amounts outstanding to be due and payable. In such an event, we may not have sufficient assets to repay such indebtedness. As a result, any default could have serious consequences to our financial condition. An event of default or an acceleration under these arrangements could also cause a cross- default or cross- acceleration of another debt instrument or contractual obligation, which would adversely impact our liquidity. We may not be granted waivers or amendments to these arrangements if for any reason we are unable to comply with them, and we may not be able to refinance such arrangements on terms acceptable to us, or at all. ~~36The~~ -- **The** reduction of our asset coverage requirement from 200 % to 150 % increases the amount of debt that we are permitted to incur, such that the Company' s maximum debt to equity ratio increased from a prior maximum of 1. 0x (equivalent of $ 1 of debt outstanding for each $ 1 equity) to a maximum of 2. 0x (equivalent to $ 2 of debt outstanding for each $ 1 of equity). Increased leverage could amplify the risks associated with investing in the Company. For example, if the value of the Company' s assets decreases, although the asset base and expected revenues would be larger because increased leverage would permit the Company to acquire additional assets, leverage will cause the Company' s NAV to decline more sharply than it otherwise would have without leverage or with lower leverage. Any decrease in the Company' s revenue would cause its net income to decline more sharply, on a relative basis, than it would have if the Company had not borrowed or had borrowed less. ~~The~~ **37The** following table illustrates the effect of leverage on returns from an investment in our common stock as of December 31, ~~2022~~ **2023** , assuming that we employ leverage such that our asset coverage equals (1) our actual asset coverage as of December 31, ~~2022~~ **2023** and (2) 150 %, each at various annual returns, net of expenses and as of December 31, ~~2022~~ **2023** . The purpose of this table is to assist investors in understanding the effects of leverage. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below. Assumed Return on Our Portfolio (Net of Expenses)- 10 %- 5 % 0 % 5 % 10 % Corresponding return to common stockholder assuming actual asset coverage (1) (~~29~~ **30** . ~~0~~ **9**) % (~~17~~ **19** . ~~6~~ **9**) % (~~6~~ **8** . ~~1~~ **9**) % ~~5~~ **2** . ~~3~~ **0** % ~~16~~ **13** . ~~7~~ **0** % Corresponding return to common stockholder assuming 150 % asset coverage (2) (~~42~~ **43** . ~~4~~ **7**) % (~~27~~ **28** . ~~6~~ **9**) % (~~12~~ **14** . ~~9~~ **1**) % ~~1~~ **0** . ~~8~~ **7** % ~~16~~ **15** . 6 % (1) Assumes $ ~~796~~ **730** . ~~5~~ **8** million in total assets, $ ~~445~~ **391** . ~~1~~ **0** million in debt outstanding and $ ~~332~~ **316** . ~~4~~ **8** million in net assets as of December 31, ~~2022~~ **2023** , and an average cost of funds of 6. ~~1~~ **52** %, which is our weighted average borrowing cost as of December 31, ~~2022~~ **2023** . (2) Assumes $ **973** ~~1, 016~~ . ~~1~~ **3** million in total assets, $ ~~664~~ **633** . ~~8~~ **5** million in debt outstanding and $ ~~332~~ **316** . ~~4~~ **8** million in net assets as of December 31, ~~2022~~ **2023** , and an average cost of funds of ~~6~~ **7** . ~~5~~ **04** %, which would be our weighted average borrowing cost assuming 150 % asset coverage as of

December 31, ~~2022~~ **2023** . Based on our outstanding indebtedness of $ ~~445~~ **391** . ~~1~~ **0** million as of December 31, ~~2022~~ **2023** and an average cost of funds of 7. **87** ~~1 %, 6. 000~~ %, 5. 375 %, 5. 375 %, 4. 00 %, 5. 625 % ~~and~~ **,** 4. 250 **% and 7. 875** %, which were the effective annualized interest rates of the Credit Facility, ~~6. 000 % 2023 Notes,~~ 5. 375 % 2025 Notes, 5. 375 % 2026 Notes, 4. 000 % 2026 Notes, 5. 625 % 2027 Notes ~~and~~ **,** 4. 250 **% 2028 Notes and 7. 875** % 2028 Notes, respectively, as of that date, our investment portfolio must experience an annual return of at least 3. ~~6~~ **66** % to cover annual interest payments on our outstanding indebtedness. Based on our outstanding indebtedness of $ ~~664~~ **633** . ~~8~~ **5** million (equal to an assumed 150 % asset coverage ratio) and an average cost of funds of 7. **87** ~~1 %, 6. 000~~ %, 5. 375 %, 5. 375 %, 4. 00 %, 5. 625 % ~~and~~ **,** 4. 250 **% and 7. 875** %, which were the effective annualized interest rates of the Credit Facility, ~~6. 000 % 2023 Notes,~~ 5. 375 % 2025 Notes, 5. 375 % 2026 Notes, 4. 000 % 2026 Notes, 5. 625 % 2027 Notes ~~and~~ **,** 4. 250 % 2028 Notes **and 7. 875 % 2028 Notes** , respectively, as of December 31, ~~2022~~ **2023** , our investment portfolio must experience an annual return of at least 4. ~~4~~ **75** % to cover annual interest payments on our outstanding indebtedness. Because we expect to distribute substantially all of our ordinary income and net realized capital gains to our stockholders, we will need additional capital to finance our growth and such capital may not be available on favorable terms, or at all. We will need additional capital to fund growth in our investment portfolio. We may issue debt or equity securities or borrow from financial institutions in order to obtain this additional capital. A reduction in the availability of new capital could limit our ability to grow. We are required 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, each taxable year to our stockholders to maintain our ability to be subject to tax as a RIC. As a result, these earnings will not be available to fund new investments. If we are unable to obtain additional capital to fund new investments, this could limit our ability to grow, which may have an adverse effect on the value of our securities. ~~37Since~~ -- **Since** we are using debt to finance our investments, and we may use additional debt or preferred stock financing going forward, changes in interest rates may affect our cost of capital, net investment income, value of our common stock and our rate of return on invested capital. Since we are using debt to finance investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, a significant change in market interest rates may have a material adverse effect on our net investment income. In periods of rising interest rates when we have debt outstanding, our cost of funds will increase, which could reduce our net investment income. ~~Conversely~~ **38Conversely** , in periods of falling interest rates, the probability that our loans and other investments in portfolio companies will be pre- paid increases. In such event, we can offer no assurance that we will be able to make new loans on the same terms, or at all. If we cannot make new loans on terms that are the same or better than the investments that are repaid, then our results of operations and financial condition will be adversely affected. We expect that our investments will be financed primarily with equity and medium to long- term debt or preferred stock. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. These activities may limit our ability to benefit from lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Additionally, our ability to engage in hedging transactions also is limited by rules adopted by the CFTC. Our Investment Adviser has claimed Exclusion from the definition of the term “ commodity pool operator ” under the CEA and, therefore, is not subject to registration or regulation as a commodity pool operator under such Act. The Investment Adviser intends to affirm the Exclusion on an annual basis, and as of the date of this annual report on Form 10- K, has affirmed the Exclusion through the fiscal year ~~ending~~ **ended** December 31, 2023. You should also be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee Hurdle Rate and may result in a substantial increase in the amount of incentive fees payable to our Investment Adviser with respect to Pre- Incentive Fee Net Investment Income. An increase in interest rates may decrease the value of any investments we hold which earn fixed interest rates and also may increase our interest expense, thereby decreasing our net income, and also may make investments in our common stock less attractive if we are not able to increase our distribution rate, which may reduce the market value of our common stock. **Following their publication on June 30, 2023, no settings of the London Interbank Offered Rate, or LIBOR, continue to be published on a representative basis and publication of many non- U. S. dollar LIBOR settings has been entirely discontinued. On July 29, 2021, the U. S. Federal Reserve System, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U. S. financial institutions, formally recommended replacing U. S.- dollar LIBOR with SOFR, a new index calculated by short- term repurchase agreements, backed by Treasury securities.** In ~~July~~ **April** ~~2017~~ **2018** , the ~~head~~ **Bank** of **England began publishing its proposed alternative rate, the Sterling Overnight Index Average, or SONIA. Each of SOFR and SONIA significantly differ from LIBOR, both in the actual rate and how it is calculated. Further, on March 15, 2022, the Consolidation Appropriations Act of 2022, which includes the Adjustable Interest Rate (LIBOR) Act (“ LIBOR Act ”), was signed into law in** the United ~~Kingdom~~ **States. This legislation establishes a uniform benchmark replacement process for certain financial contracts that mature after June 30, 2023 that do not contain clearly defined or practicable LIBOR fallback provisions. The legislation also creates a safe harbor that shields lenders from litigation if they choose to utilize a replacement rate recommended by the Board of Governors of the Federal Reserve. In addition, the U. K.** Financial Conduct Authority **(“** ~~, or the~~ FCA **”)** , **which regulates the publisher of LIBOR (ICE Benchmark Administration) has** announced that it will **require** ~~phase out~~ the ~~use~~ **continued publication** of ~~LIBOR by 2021. On November 30, 2020,~~ the **one** ~~ICE Benchmark Administration Limited, or the IBA, the administrator of LIBOR, announced that it will consult in early December 2020 to consider extending the LIBOR transition deadline to the end of June 2023. In March 2021, the FCA and the IBA announced that (i) 1 - week~~ **, three-** and ~~2~~ **six** - month **tenors of** U. S. **-** dollar LIBOR ~~and~~ **on a non- representative synthetic basis until the end of September 2024, which may result in certain** non- U. S. **law- governed contracts** ~~LIBOR will cease at the end of 2021~~ and ~~(ii)~~ **U. S. law- governed**

contracts not covered by the **federal legislation** remaining **on synthetic** U. S. **-** dollar LIBOR **until** ~~tenors will cease after June 30, 2023, effectively extending~~ the **end of this period. Although the transition process away from** LIBOR ~~transition period to June 30, 2023. In light of feedback received, the FCA~~ has **become increasingly well** ~~proposed that the 1~~ - ~~, 3~~ **defined (e. g. the LIBOR Act now provides a uniform benchmark replacement for certain LIBOR** - ~~and 6- month U. S. dollar LIBOR tenors continue to be published on a synthetic basis through September 2024. There is currently no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. To identify a successor rate for U. S. dollar LIBOR, the Federal Reserve System, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U. S. financial institutions, has identified the Secured Overnight Financing Rate, or SOFR, as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U. S. Treasury securities, and is~~ based **instruments** ~~on directly observable U. S. Treasury- backed repurchase transactions. For contracts that are governed by New York state law, recent New York state legislation effectively codified the use of SOFR as the alternative in the absence of another chosen replacement rate. Despite the adoption of the New York legislation, successful legal challenges against the legislation may render it partially or wholly unconstitutional or unenforceable. Other jurisdictions have also 38proposed their own alternative to LIBOR, including the Sterling Overnight Index Average for Sterling markets, the Euro Short Term Rate for Euros and Tokyo Overnight Average Rate for Japanese Yens. Although SOFR appears to be the preferred replacement rate for U. S. dollar LIBOR, at this time, it is not possible to predict whether any of these alternative reference rates will attain market traction as a LIBOR replacement tool or the effect of any such changes as the establishment of alternative reference rates or other reforms to LIBOR may be enacted~~ in the United States **)** , ~~United Kingdom~~ **the transition process is complex and it could cause a disruption in the credit markets generally and could have adverse impacts on** ~~or~~ **our** ~~elsewhere. As such~~ **business financial condition and results of operations** , **including, among** ~~the~~ **other** ~~potential effect of~~ **things, increased volatility or illiquidity in markets for instruments that continue to rely on LIBOR or which have been transitioned away from LIBOR to a different rate like** SOFR and ~~LIBOR on our net~~ **, in any case, could result in a reduction in the value of certain** ~~investment~~ **investments held by us** ~~income cannot yet be determined, and the future of LIBOR at this time is uncertain~~ . ~~Upon~~ **39Upon** the cessation of LIBOR, we will need to utilize a new standard that is established in credit agreements with portfolio companies as well as other instruments to replace LIBOR. Our Credit Facility and certain of the loan agreements with our portfolio companies have been amended to include fallback language providing a mechanism for the parties to negotiate a new reference interest rate in the event that LIBOR ceases to exist. Any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market value for or value of any LIBOR- linked securities, loans and other financial obligations or extensions of credit held by or due to us and could have a material adverse effect on our business, financial condition, tax position and results of operations. Rising interest rates could make it more difficult for portfolio companies to make periodic payments on their loans. Interest rate risk refers to the risk of market changes in interest rates. Interest rate changes affect the value of debt. In general, rising interest rates will negatively impact the price of fixed rate debt, and falling interest rates will have a positive effect on price. Adjustable rate debt also reacts to interest rate changes in a similar manner, although generally to a lesser degree. Interest rate sensitivity is generally larger and less predictable in debt with uncertain payment or prepayment schedules. Further, rising interest rates make it more difficult for borrowers to repay debt, which could increase the risk of payment defaults. Any failure of one or more portfolio companies to repay or refinance its debt at or prior to maturity or the inability of one or more portfolio companies to make ongoing payments following an increase in contractual interest rates could have a material adverse effect on our business, financial condition, results of operations and cash flows. Because we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income. Because we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use our existing debt to finance our investments. In periods of rising interest rates, our cost of funds will increase to the extent we access any credit facility with a floating interest rate, which could reduce our net investment income to the extent any debt investments have fixed interest rates. We expect that our long- term fixed- rate investments will be financed primarily with issuances of equity and long- term debt securities. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. You should also be aware that a rise in the general level of interest rates typically leads to higher interest rates applicable to our debt investments. We are exposed to risks associated with changes in interest rates, including the current rising interest rate environment. General interest rate fluctuations may have a substantial negative impact on our investments and our investment returns and, accordingly, may have a material adverse effect on our investment objective and our net investment income. ~~39Because~~ - - **Because** we borrow money and may issue debt securities or preferred stock to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds or pay interest or dividends on such debt securities or preferred stock and the rate at which we invest these funds. In this period of rising interest rates, our interest income will increase as the majority of our portfolio bears interest at variable rates while our cost of funds will also increase, to a lesser extent, given a portion of our indebtedness bears interest at fixed rates, with the net impact being an increase to our net investment income, see " Item 7A. Quantitative and Qualitative Disclosures About Market Risk. " Conversely, if interest rates decrease we may earn less interest income from investments and our cost of funds will also decrease, to a lesser extent, resulting in lower net ~~investment~~ **40investment** income. From time to time, we may also enter into certain hedging transactions to mitigate our exposure to changes in interest rates. However, we cannot assure you that such transactions will be successful in mitigating our exposure to interest rate risk. There can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. Our portfolio primarily consists of fixed and floating rate investments. Market prices tend to fluctuate more for fixed- rate securities that have longer maturities. Although we have no policy governing the maturities of our investments, under current market conditions we expect that we will invest in a portfolio of debt generally having maturities of up to 10 years. Market prices for debt that pays a fixed rate of return tend to decline as interest rates rise. This means that we are subject to greater risk (other things being equal) than a fund invested solely in shorter-term, fixed- rate securities. Market prices for floating rate investments may also fluctuate in rising rate environments with prices tending to decline when credit spreads widen. A decline in the prices of the debt we own could adversely affect our net assets resulting from operations and the market price of our common stock. If general interest rates rise, there is a risk that the portfolio companies in which we hold floating rate securities will be unable to pay escalating interest amounts, which could result in a default under their loan documents with us. Rising interest rates could also cause portfolio companies to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. In addition, rising interest rates may increase pressure on us to provide fixed rate loans to our portfolio companies, which could adversely affect our net investment income, as increases in our cost of borrowed funds would not be accompanied by increased interest income from such fixed- rate investments. Inflation has adversely affected and may continue to adversely affect the business, results of operations and financial condition of our portfolio companies. Certain of our portfolio companies are in industries that have been impacted by inflation. Recent inflationary pressures have increased the costs of labor, energy and raw materials and have adversely affected consumer spending, economic growth and our portfolio companies' operations. If such portfolio companies are unable to pass any increases in their costs of operations along to their customers, it could adversely affect their operating results and impact their ability to pay interest and principal on our loans, particularly if interest rates rise in response to inflation. In addition, any projected future decreases in our portfolio companies' operating results due to inflation could adversely impact the fair value of those investments. Any decreases in the fair value of our investments could result in future realized or unrealized losses and therefore reduce our net assets resulting from operations. Additionally, the Federal Reserve has raised, and has indicated its intent to continue raising, certain benchmark interest rates in an effort to combat inflation. See " Risk Factors — We are exposed to risks associated with changes in interest rates, including the current rising interest rate environment. " We may expose ourselves to risks by engaging in hedging transactions. We currently engage in currency or interest rate hedging transactions as such transactions are permitted under the 1940 Act and applicable commodities law. By engaging in hedging transactions, we may expose ourselves to risks associated with such transactions, including the risk of counterparty default. In this regard, we utilize ~~40instruments~~ -- **instruments** such as futures and forward contracts, and may in the future utilize currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for us to realize a gain on a net basis if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate ~~or~~ **41or** interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. While we have entered into transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates or counterparty default may result in poorer overall investment performance than if we had not engaged in any hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek or be able to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge position and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non- U. S. currencies because the value of those securities may also fluctuate as a result of factors not related to currency fluctuations. In addition, derivatives may expose us to leverage risk, market risk, counterparty risk, liquidity risk, operational risk and legal risk. Our ability to enter into transactions involving derivatives and financial commitment transactions may be limited. Under SEC Rule 18f- 4, related to the use of derivatives, short sales, reverse repurchase agreements and certain other transactions by business development companies and registered investment companies, we are permitted to enter into derivatives and other transactions that create future payment or delivery obligations, notwithstanding the senior security provisions of the 1940 Act if we comply with certain value- at- risk leverage limits and derivatives risk management program and board oversight and reporting requirements or comply with a " limited derivatives users " exception. We expect to operate under the limited derivatives users exception. We may change this election and comply with the other provisions of Rule 18f- 4 related to derivatives transactions at any time and without notice. To satisfy the limited derivatives users exception, we have adopted and implemented written policies and procedures to manage our derivatives risk and limit our derivatives exposure in accordance with Rule 18f- 4. We also are permitted to enter into reverse repurchase agreements or similar financing transactions notwithstanding the senior security provisions of the 1940 Act if we aggregate the amount of indebtedness associated with our reverse repurchase agreements or similar financing transactions with the aggregate amount of any other senior securities representing indebtedness when calculating our asset coverage ratios. In addition, we are permitted to invest in a security on a when- issued or forward- settling basis, or with a non- standard settlement cycle, and the transaction will be deemed not to involve a senior security under the 1940 Act, provided that (i) we intend to physically settle the transaction and (ii) the transaction will settle within 35 days of its trade date (the " Delayed- Settlement Securities Provision "). We may otherwise engage in such transactions that do not meet the conditions of the Delayed- Settlement Securities Provision so long as we treat any such transaction as a " derivatives transaction " for purposes of compliance with the rule. Furthermore, we are permitted to enter into an unfunded commitment agreement, and such unfunded commitment agreement will not be subject to the asset coverage requirements under the 1940 Act, if we reasonably believe, at the time we enter into such agreement, that we will have sufficient cash and cash equivalents to meet our obligations with respect to all such agreements as they come due. There are significant potential conflicts of interest that could affect our investment returns. ~~41As~~ **As** a result of our arrangements with H. I. G. Capital and the Investment Committee, there may be times when H. I. G. Capital or the Investment Committee have interests that differ from those of our stockholders, giving rise to a conflict of interest. There are conflicts related to obligations the Investment Committee, our Investment Adviser or its affiliates have to other clients. The members of the Investment Committee serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds managed by our Investment Adviser or its affiliates. Similarly, our Investment Adviser or its affiliates may have other clients with similar, ~~different~~ **42different** or competing investment objectives. In serving in these multiple capacities, the members of the Investment Committee and personnel of our Investment Adviser or its affiliates may have obligations to other clients or investors in those entities, the fulfillment of which could conflict with our best interests or the best interests of our stockholders. For example, the members of the Investment Committee have, and will continue to have, management responsibilities for other investment funds, accounts or other investment vehicles managed or sponsored by our Investment Adviser and its affiliates, including entities that may raise additional capital from time to time. The allocation of time and focus by members of the Investment Committee and personnel of our Investment Adviser and its affiliates to these other investment funds, accounts and investment vehicles could reduce the time that such individuals have to spend on our investing activities. These other investment funds, accounts or investment vehicles may have different fee and expense arrangements, including requirements to share or offset certain fees from portfolio companies, than those paid by us to the Investment Adviser, which can create an incentive for our Investment Adviser to favor such other investment funds, accounts or investment vehicles. Our investment objective overlaps or may overlap with the investment objectives of such affiliated investment funds, accounts or other investment vehicles. We can compete with these investment funds, accounts and investment vehicles for capital and investment opportunities. As a result, members of our Investment Committee and personnel of our Investment Adviser or its affiliates could face conflicts in the allocation of investment opportunities among us and other investment funds, accounts or other investment vehicles. Our Investment Adviser 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 cannot assure you that such opportunities will be allocated to us fairly or equitably in the short- term or over time or that there may not be inadvertent errors in our application of our Investment Advisor' s allocation policy, and there can be no assurance that we will be able to participate in all investment opportunities that are suitable to us. Where we are able to co- invest consistent with the requirements of the 1940 Act, including the Exemptive Relief Order, 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. If there is an insufficient amount of an investment opportunity to satisfy our demand and that of 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 each account' s available capital in the asset class being allocated, up to the amount proposed to be invested by each account. However, there can be no assurance that we will be able to participate in all suitable investment opportunities. Where we are unable to co- invest consistent with the requirements of the 1940 Act, our Investment Adviser' s allocation policy provides for investments to be allocated on a rotational basis to assure that all clients have fair and equitable access to such investment opportunities. The Investment Committee, our Investment Adviser or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion. Principals of our Investment Adviser and its affiliates and members of the Investment Committee may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. If we obtain material nonpublic information with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us. ~~42Our~~ -- **Our** incentive fee structure may create incentives for our Investment Adviser that are not fully aligned with the interests of our stockholders and may induce our Investment Adviser to make speculative investments. In the course of our investing activities, we pay management and incentive fees to our Investment Adviser. The incentive fee payable by us to our Investment Adviser may create an incentive for our Investment Adviser to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The management fee is based on our consolidated gross assets. As a result, investors in our common stock will invest on a " gross " basis and receive distributions on a " net " basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because the management fee is based ~~on~~ **43on** our consolidated gross assets, our Investment Adviser benefits when we incur debt or use leverage. The use of leverage increases the likelihood of default, which disfavors the holders of our common stock. Additionally, under the incentive fee structure, our Investment Adviser may benefit when capital gains are recognized and, because our Investment Adviser determines when a holding is sold, our Investment Adviser controls the timing of the recognition of such capital gains. Our board of directors is charged with protecting our interests by monitoring how our Investment Adviser addresses these and other conflicts of interest associated with its management services and compensation. While they are not expected to review or approve each investment or realization, our independent directors periodically review our Investment Adviser' s services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether such fees and our expenses (including those related to leverage) remain appropriate. As a result of this arrangement, our Investment Adviser or its affiliates may from time to time have interests that differ from those of our stockholders, giving rise to a conflict. Unlike that portion of the incentive fee based on income, there is no Hurdle Rate applicable to the incentive fee based on net capital gains. As a result, our Investment Adviser may seek to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. This practice could cause us to invest in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns. In addition, under the terms of the Incentive Fee Cap and Deferral Mechanism, the amount of incentive fees earned by our Investment Adviser will depend, in part, upon the timing of capital gains or losses in our investment portfolio, as well as the timing of our recognition of income. Depending on the circumstances, there may be a lag of as long as 12 fiscal quarters between the occurrence of an event giving rise to an obligation to pay incentive fees to the Investment Adviser and the payment of such incentive fees. Therefore, investors who acquire shares of our common stock may pay indirectly to our Investment Adviser incentive fees in respect of income or capital gains that were received by or paid to us before such investor becomes a stockholder. As a result, such investors may not participate in the income or capital gains giving rise to such indirect expense. ~~43The~~ **44The** valuation process for certain of our portfolio holdings creates a conflict of interest. We expect to make many portfolio investments in the form of securities that are not publicly traded. As a result, the Investment Adviser, as the Company' s " valuation designee ", subject to the oversight of our board of directors, determines the fair value of these securities in good faith under our valuation policies and procedures. In connection with that determination, our Investment Adviser' s investment professionals provide our board of directors with portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, certain members of our board of directors have an indirect pecuniary interest in our Investment Adviser. The participation of our Investment Adviser' s investment professionals in our valuation process, and the indirect pecuniary interest in our Investment Adviser by certain members of our board of directors, could result in a conflict of interest as the management fee paid to our Investment Adviser is based, in part, on our consolidated gross assets. In addition, on December 3, 2020, the SEC announced that it adopted Rule 2a- 5 under the 1940 Act, which established an updated regulatory framework for determining fair value in good faith for purposes of the 1940 Act. Effective September 8, 2022, the Board designated the Investment Adviser as the Company' s valuation designee to perform the fair value determinations relating to all of our investments, subject to the oversight of the Board. The Investment Adviser as the valuation designee ~~will~~ : ~~——~~**●** periodically ~~assess~~ **assesses** and manage valuation risks; ~~——~~**●** ~~establish~~ **establishes** and ~~apply~~ **applies** fair value methodologies; ~~——~~**●** ~~test~~ **tests** fair value methodologies; ~~——~~**●** ~~oversee~~ **oversees** and ~~evaluate~~ **evaluates** third- party pricing services; ~~——~~**●** ~~provide~~ **provides** the Board with reporting required under Rule 2a- 5 under the 1940 Act; and ~~——~~**●** ~~maintain~~ **maintains** recordkeeping requirements under Rule 2a- 5. It is expected that the Company will have a limited ability to obtain accurate market quotations for purposes of valuing most of its investments, which may require the Investment Adviser to estimate in accordance with valuation policies established by the Board. We have conflicts related to other arrangements with our Investment Adviser or its affiliates. We have entered into a license agreement with an affiliate of H. I. G. Capital pursuant to which H. I. G. Capital has granted us a non- exclusive, royalty- free license to use the name " WhiteHorse ". In addition, we pay to WhiteHorse Administration our allocable portion of overhead and other expenses incurred by WhiteHorse Administration in performing its obligations under the Administration Agreement, such as rent and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. These arrangements create conflicts of interest that our board of directors must monitor. Our Investment Adviser may be paid incentive compensation even if we incur a net loss, and we cannot recover any portion of the incentive fee previously paid. Our Investment Adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of our Pre- Incentive Fee Net Investment Income, subject to the Hurdle Rate, a catch- up provision and the Incentive Fee Cap and Deferral Mechanism. Our Pre- Incentive Fee Net Investment Income excludes realized and unrealized capital losses that we may incur in the fiscal quarter, even if such capital losses result in a net loss for that quarter. Thus, we may be required to pay our Investment Adviser incentive compensation for a fiscal ~~44quarter~~ -- **quarter** even if we incur a net loss. In addition, if we pay the capital gains portion of the incentive fee and ~~thereafter~~ **45thereafter** experience additional realized capital losses or unrealized capital depreciation, we will not be able to recover any portion of the incentive fee previously paid. Our ability to enter into transactions with our affiliates is restricted, which may limit the scope of investments available to us. 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. The Exemptive Relief Order permits us to participate in negotiated investments with our affiliates that would otherwise be prohibited by the 1940 Act, subject to certain conditions. 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 issued 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, except as may otherwise be provided by the Exemptive Relief Order, 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 Order permits greater flexibility to negotiate the terms of co- investments and requires our board of directors to determine 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 continue to 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 ~~45directors~~ **46directors** or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us. Our portfolio investments will be recorded at fair value as determined in good faith by the Investment Adviser as the Company' s valuation designee, subject to the oversight of our board of directors. As a result, there will be uncertainty as to the value of our portfolio investments. Many of our portfolio investments will take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable, and we value these securities at fair value as determined in good faith by the Investment Adviser as the Company' s valuation designee, subject to the oversight of our board of directors, including to reflect significant events affecting the value of our securities. As discussed in more detail under " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates, " all of our investments (other than cash and cash equivalents) are classified as Level 3 under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 820, Fair Value Measurements and Disclosures, or ASC Topic 820. This means that our portfolio valuations are based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. Inputs into the determination of fair value of our portfolio investments require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. Consensus pricing is a methodology for the determination of fair value based on quotations from market makers. These quotations include a disclaimer that the market maker would not be held to such a price in an actual transaction. The non- binding nature of consensus pricing and / or quotes accompanied by disclaimers materially reduces the reliability of such information. In addition, on December 3, 2020, the SEC announced that it adopted Rule 2a- 5 under the 1940 Act, which established an updated regulatory framework for determining fair value in good faith for purposes of the 1940 Act. We have retained the services of several independent service providers to periodically review the valuation of securities for which there is no market guided price or that are thinly traded. The types of factors that the Investment Adviser may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities, including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company' s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. In addition, the determination of fair value and thus the amount of unrealized losses we may incur in any year, is, to a degree, subjective, in that it is based on unobservable inputs and certain assumptions. Our NAV could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities. We adjust the valuation of our portfolio quarterly to reflect the Investment Adviser' s determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our consolidated statements of operations as net change in unrealized appreciation or depreciation. The lack of liquidity in our investments may adversely affect our business. We generally make investments in private companies. Substantially all of these investments are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to ~~46liquidate~~ **47liquidate** an investment in a portfolio company if we have material non- public information regarding such portfolio company. Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our NAV through increased net unrealized depreciation. As a business development company, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by the valuation designee, subject to board oversight and certain other conditions, under our valuation policy and process. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments: ~~•~~ ● a comparison of the portfolio company' s securities to publicly traded securities; ~~•~~ ● the enterprise value of the portfolio company; ~~•~~ ● the nature and realizable value of any collateral; ~~•~~ ● the portfolio company' s ability to make payments and its earnings; ~~•~~ • changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. We record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our NAV by increasing net unrealized depreciation in our portfolio, and therefore creating a challenging environment in which to raise debt and equity capital. As a business development company, we are generally not able to issue additional shares of common stock at a price less than NAV without first obtaining approval for such issuance from our stockholders and our independent directors. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We may experience fluctuations in our quarterly results. We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt securities and loans we acquire, the default rate on such securities, the level of our expenses, variations in, and the timing of the recognition of, realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods. Changes in laws or regulations governing our operations may adversely affect our business or cause us to alter our business strategy. We and our portfolio companies are subject to regulation at the local, state and federal level. We are also subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions, as well as interpretations or directives from the U. S. presidential administration and others in the executive branch, that affect our operations, including maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure proceedings and other trade practices. The Biden administration has enacted significant changes to the existing U. S. tax rules that include, among others, a minimum tax on book income and profits of certain multinational corporations, and there are a number of ~~47proposals~~ **48proposals** in the U. S. Congress that would similarly modify the existing U. S. tax rules. If additional regulations are adopted, if existing laws, regulations or decisions change, or if we expand our business into additional jurisdictions, we may have to incur significant expenses in order to comply or we might have to restrict our operations. New legislation may be enacted or new interpretations, rulings or regulations could be adopted, including those governing the types of investments we or our portfolio companies are permitted to make, any of which could harm us and our stockholders, potentially with retroactive effect. Additionally, changes to or repeal of the laws and regulations governing our operations related to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this annual report on Form 10- K and may shift our investment focus from the areas of expertise of our Investment Adviser to other types of investments in which our Investment Adviser may have little or no expertise or experience. Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment. Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval. Our board of directors has the authority to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval (except as required by the 1940 Act). However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company. We cannot predict the effect that any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, the effects of any such changes may adversely affect our business and impact our ability to make distributions. Additionally, changes to the laws and regulations governing our operations, including those associated with RICs, may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities or result in the imposition of corporate- level taxes on us. Such changes could result in material differences to our strategies and plans and may shift our investment focus from the areas of expertise of WhiteHorse Advisers to other types of investments in which WhiteHorse Advisers may have little or no expertise or experience. Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment. If we invest in commodity interests in the future, WhiteHorse Advisers may determine not to use investment strategies that trigger additional regulation by the CFTC or may determine to operate subject to CFTC regulation, if applicable. If we or WhiteHorse Advisers were to operate subject to CFTC regulation, we may incur additional expenses and would be subject to additional regulation. In addition, certain regulations applicable to debt securitizations implementing credit risk retention requirements in both the United States and in the European Union can adversely affect certain amendments to or new issuances by the Credit Facility and may prevent us from entering into certain securitization transactions. These risk retention rules may increase our cost of funds or may prevent us from completing future securitization transactions or certain amendments to our existing debt securitizations. Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non- bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of no- bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations. ~~48Provisions~~ **49Provisions** of the DGCL, our certificate of incorporation and bylaws, and our various debt instruments could deter takeover attempts and have an adverse effect on the price of our common stock and the rights of our common stockholders. The DGCL contains provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. Our certificate of incorporation and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers. These provisions and others also may have the effect of deterring hostile takeovers or delaying changes in control or management. We are subject to Section 203 of the DGCL, the application of which is subject to any applicable requirements of the 1940 Act. This section generally prohibits us from engaging in mergers and other business combinations with stockholders that beneficially own 15 % or more of our voting stock, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. Our board of directors may adopt a resolution exempting from Section 203 of the DGCL any business combination between us and any other person, subject to prior approval of such business combination by our board of directors, including approval by a majority of our directors who are not " interested persons. " If the resolution exempting business combinations is repealed or our board of directors does not approve a business combination, Section 203 of the DGCL may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our certificate of incorporation classifying our board of directors in three classes serving staggered three- year terms, and provisions of our certificate of incorporation authorizing our board of directors to classify or reclassify shares of our preferred stock in one or more classes or series and to cause the issuance of additional shares of our stock. These provisions, as well as other provisions of our certificate of incorporation and bylaws, may delay, deter or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders. In addition, if we issue preferred stock, such securities would rank " senior " to common stock in our capital structure, resulting in preferred stockholders having 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. If we or one of our affiliates approved by the Lender is no longer the portfolio manager under the Credit Facility or if certain change of control events occur, then an event of default will occur under the Credit Facility which could have a material adverse effect on our business, financial condition and results of operations. A change of control under the Credit Facility occurs if (1) we or our affiliates, collectively, (i) cease to possess, directly or indirectly, the right to elect or appoint managers that at all times have a majority of the votes of the board of managers (or similar governing body) of WhiteHorse Credit or to direct the management policies and decisions of WhiteHorse Credit or (ii) cease, directly or indirectly, to own and control legally and beneficially all of the equity interests of WhiteHorse Credit or (2) WhiteHorse Advisers or its affiliates, collectively, cease to be our investment adviser. The occurrence of an event of default could result in us being unable to make distributions to our stockholders sufficient to maintain our ability to be subject to tax as a RIC, or at all, terminates the reinvestment period if then in effect, permits the facility agent on behalf of the Lender to take over management of WhiteHorse Credit' s portfolio and to direct the liquidation of its assets, all of which could have a material adverse effect on our business, financial condition and results of operations. For a description of the effects of a change in control event under our Note Purchase Agreements, see " Risks Relating to our Other Indebtedness — We may not be able to prepay Private Notes upon a change in control. " Our Investment Adviser can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations. Our Investment Adviser has the right, under the Investment Advisory Agreement, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If our Investment Adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are ~~49unable~~ **50unable** to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our Investment Adviser and its affiliates for such person or persons to serve as our investment adviser. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows. Our Administrator can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations. Our Administrator has the right, under the Administration Agreement, to resign at any time upon 60 days' notice, whether we have found a replacement or not. If our Administrator resigns, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and administrative activities is likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by our Administrator to serve as our replacement administrator. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their integration into our business and lack of familiarity with our operations may result in additional costs and time delays that may adversely affect our business, financial condition, results of operations and cash flows. Efforts to comply with Section 404 of the Sarbanes- Oxley Act involve significant expenditures, and non- compliance with Section 404 of the Sarbanes- Oxley Act may adversely affect us and the market price of our common stock. Under current SEC rules, we are required to report on our internal control over financial reporting pursuant to Section 404 (a) of the Sarbanes- Oxley Act of 2002, as amended, or the Sarbanes- Oxley Act, and related rules and regulations of the SEC. We are required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting. As a result, we incur additional expenses that may negatively impact our financial performance and our ability to make distributions. This process also results in a diversion of management' s time and attention. We may not be able to ensure that the process is effective or that our internal control over financial reporting is or will be effective in a timely manner. In the event that we are unable to maintain or achieve compliance with Section 404 of the Sarbanes- Oxley Act and related rules, we and the market price of our common stock may be adversely affected. Our Investment Adviser' s liability is limited under the Investment Advisory Agreement, and we have agreed to indemnify our Investment Adviser against certain liabilities, which may lead our Investment Adviser to act in a riskier manner on our behalf than it would when acting for its own account. Under the Investment Advisory Agreement, our Investment Adviser does not assume any responsibility to us, other than the obligation to render the services called for under those agreements, and it is not responsible for any action of our board of directors in following or declining to follow our Investment Adviser' s advice or recommendations. Our Investment Adviser maintains a contractual and fiduciary relationship with us. Under the terms of the Investment Advisory Agreement, our Investment Adviser, its officers, members, personnel, agents, any person controlling or controlled by our Investment Adviser are not liable to us, any subsidiary of ours, our ~~50directors~~ **51directors** , our stockholders or any subsidiary' s stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of our Investment Adviser' s duties under the Investment Advisory Agreement. In addition, we have agreed to indemnify our Investment Adviser and each of its officers, directors, members, managers and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person' s duties under the Investment Advisory Agreement and the sub- collateral management agreement. These protections may lead our Investment Adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account. Risks Relating to our InvestmentsOur investments may be risky, and you could lose all or part of your investment. We invest primarily in (1) first lien senior secured loans, (2) second lien senior secured loans, (3) " one- stop " or " unitranche " senior secured loans, (4) mezzanine loans and (5) to a lesser extent, selected equity co- investments in lower middle market companies. 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. Secured Loans. When we extend first lien senior secured, second lien senior secured and unitranche loans, we generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries. We expect this security interest to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. Also, in the case of first lien senior secured loans, our lien may be subordinated to claims of other creditors and, in the case of second lien senior secured loans, our liens will be subordinated to claims of certain other creditors. In addition, deterioration in a portfolio company' s financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan' s terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies. " Unitranche " Loans. We also invest in " unitranche " senior secured loans, which are a combination of senior secured and subordinated financing in the same facility, generally in a first- lien position. Unitranche secured loans provide all of the debt needed to finance a leveraged buyout or other corporate transaction, both senior and subordinated, but generally in a first lien position, while the borrower generally pays a blended, uniform interest rate rather than different rates for different tranches. Unitranche secured debt generally requires payments of both principal and interest throughout the life of the loan. Generally, we expect these securities to carry a blended yield that is between senior secured and subordinated debt interest rates. Unitranche secured loans provide a number of advantages for borrowers, including the following: simplified documentation, greater certainty of execution and reduced decision- making complexity throughout the life of the loan. In addition, we may receive additional returns from any warrants we may receive in connection with these investments. In some cases, a portion of the total interest may accrue or be paid in kind. Because unitranche secured loans combine characteristics of senior and subordinated financing, unitranche secured loans have risks similar to the risks associated with senior secured, including first lien loans and second lien loans, and subordinated debt in varying degrees according to the combination of loan characteristics of the unitranche loan. ~~51Mezzanine~~ **52Mezzanine** Loans. Our mezzanine investments generally are subordinated to senior loans and will generally be unsecured. This may result in an above average amount of risk and volatility or a loss of principal. These investments may involve additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject us and our stockholders to non- cash income as described above under " Risks Relating to Our Business and Structure — We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income. " Since, generally, we will not receive any substantial repayments of principal prior to the maturity of our mezzanine debt investments, such investments are riskier than amortizing loans. Equity Investments. We may make selected equity investments. Our goal is ultimately to dispose of direct equity investments (and equity received upon exercising warrants) and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. Warrants. When we invest in first lien, second lien, unitranche or mezzanine loans, we may acquire warrants to purchase equity securities. We may not be able to sell warrants we receive from borrowers, or the equity securities (including those received upon exercise of warrants) for a significant period of time due to legal or contractual restrictions on resale or the absence of a liquid secondary market. The value of the warrants that we receive is dependent on the value of the equity securities for which the warrants can be exercised. If the value of the equity securities underlying a warrant does not increase above the exercise price during the life of the warrant, the warrant may be permitted to expire unexercised and the warrant would then have no value. We are subject to risks associated with lower middle market companies. Investing in lower middle market companies involves a number of significant risks, including: • these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment; • they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns; • they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us; • generally little public information exists about these companies, and we are required to rely on our Investment Adviser to obtain adequate information to evaluate the potential returns from investing in these companies; • they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our Investment Adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies; ~~and~~ **and53** • they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity. ~~52We~~ **We** are a non- diversified investment company within the meaning of the 1940 Act, and therefore we are not limited by the 1940 Act with respect to the proportion of our assets that may be invested in securities of a single issuer. We are classified as a non- diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market' s assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code and the requirements under the documents governing the Credit Facility or other agreements, we do not have fixed guidelines for diversification, and our investments are and could be concentrated in relatively few portfolio companies. Although we are classified as a non- diversified investment company within the meaning of the 1940 Act, we maintain the flexibility to operate as a diversified investment company and may do so for an extended period of time. Our portfolio may be concentrated in a limited number of portfolio companies and industries, which would subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry. Our portfolio may be concentrated in a limited number of portfolio companies and industries. As a result, the aggregate returns we realize may be significantly and adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize. Our investments in the health care sector face considerable uncertainties including substantial regulatory challenges. As of December 31, ~~2022~~ **2023** , our investments in portfolio companies that operate in the health care sector represented ~~8~~ **7** . ~~5~~ **7** % of our total portfolio, at fair value. Our investments in the health care sector are subject to substantial risks, including the risk that the laws and regulations governing the business of health care companies, and interpretations thereof, may change frequently. Substantial latitude is given to the agencies administering those laws and regulations. Current or future laws and regulations could force our portfolio companies engaged in health care to change their policies related to how they operate, restrict revenue, change costs, change reserve levels and change business practices. Companies engaged in health care often must obtain and maintain regulatory approvals to market certain products, change prices for certain regulated products and consummate some acquisitions and divestitures. Delays in obtaining or failing to obtain or maintain such approvals could reduce revenue or increase costs. Local, state and federal policy changes, such as the government' s expanding role in health care and federal health care reform initiatives involving alternative assessments and tax increases specific to the health care industry or products, could fundamentally change the dynamics of the health care industry. In addition, insurance company and other reimbursement rates may be subject to change, often with little notice, and decreases in such rates could materially adversely affect the value of the health care companies in our portfolio. We may hold the debt securities and loans of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings. Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by a portfolio company ~~may~~ **54may** adversely and permanently affect such portfolio company. If the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of our investment. The ~~53duration~~ -- **duration** of a bankruptcy proceeding is also difficult to predict, and a creditor' s return on investment can be adversely affected by delays until a plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor' s estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial, eroding the value of any recovery by holders of other securities of the bankrupt entity. Depending on the facts and circumstances of our investments and the extent of our involvement in the management of a portfolio company, upon the bankruptcy of a portfolio company, a bankruptcy court may recharacterize our debt investments as equity interests and subordinate all or a portion of our claim to that of other creditors. This could occur even though we may have structured our investment as senior debt. Our portfolio companies may experience financial distress, and our investments in such portfolio companies if they are restructured. Our portfolio companies may experience financial distress from time to time. The debt investments of these companies may not produce income, may require us to bear certain expenses to protect our investment and may subject us to uncertainty as to when, in what manner and for what value such distressed debt will eventually be satisfied, including through liquidation, reorganization or bankruptcy. If an exchange offer is made or plan of reorganization is adopted with respect to the debt securities we currently hold, there can be no assurance that the securities or other assets received by us in connection with such exchange offer or plan of reorganization will have a value or income potential similar to what we anticipated when our original investment was made or even at the time of restructuring. In addition, we may receive equity securities in exchange for the debt investment that we currently hold, which may require significantly more of our management' s time and attention or carry restrictions on their disposition. Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity, and rising interest rates may make it more difficult for portfolio companies to make periodic payments on their loans. Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity. This risk and the risk of default is increased to the extent that the loan documents do not require the portfolio companies to pay down the outstanding principal of such debt prior to maturity. In addition, if general interest rates rise, there is a risk that our portfolio companies will be unable to pay escalating interest amounts, which could result in a default under their loan documents with us. Rising interest rates could also cause portfolio companies to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. Any failure of one or more portfolio companies to repay or refinance its debt at or prior to maturity or the inability of one or more portfolio companies to make ongoing payments following an increase in contractual interest rates could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, rising interest rates could also cause portfolio companies to refinance into fixed interest rate loans, which may adversely impact our selections to invest in stronger portfolio companies. Economic recessions or downturns could impair our portfolio companies and harm our operating results. Our portfolio companies are susceptible to economic slowdowns or recessions and may be unable to repay our loans during such periods. Therefore, our non- performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of ~~collateral~~ **55collateral** securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable ~~54economic~~ -- **economic** conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our investments and harm our operating results, which could have an adverse effect on our financial condition. A portfolio company' s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross- defaults under other agreements and jeopardize our portfolio company' s ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower' s business or exercise control over a borrower. It is possible that we could become subject to a lender' s liability claim, including as a result of actions taken if we render significant managerial assistance to the borrower. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, even though we may have structured our investment as senior secured debt, depending on the facts and circumstances, including the extent to which we provided managerial assistance to that portfolio company, a bankruptcy court might re- characterize our debt holding and subordinate all or a portion of our claim to claims of other creditors. We may be subject to risks associated with syndicated loans. From time to time, we may acquire interests in syndicated loans. Under the documentation for syndicated loans, a financial institution or other entity typically is designated as the administrative agent and / or collateral agent. This agent is granted a lien on any collateral on behalf of the other lenders and distributes payments on the indebtedness as they are received. The agent is the party responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions of a majority or two- thirds in commitments and / or principal amount of the associated indebtedness. In most cases, we do not expect to hold a sufficient amount of the indebtedness to be able to compel any actions by the agent. Consequently, we would only be able to direct such actions if instructions from us were made in conjunction with other holders of associated indebtedness that together with us compose the requisite percentage of the related indebtedness then entitled to take action. Conversely, if holders of the required amount of the associated indebtedness other than us desire to take certain actions, such actions may be taken even if we did not support such actions. Furthermore, if an investment is subordinated to one or more senior loans made to the applicable obligor, our ability to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. Accordingly, we may be precluded from directing such actions unless we act together with other holders of the indebtedness. If we are unable to direct such actions, we cannot assure you that the actions taken will be in our best interests. If an investment is a syndicated revolving loan or delayed drawdown loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract, result in a lawsuit by the obligor against the lenders and adversely affect the fair market value, or FMV, of our investment. There is a risk that a loan agent in respect of one of our loans may become bankrupt or insolvent. Such an event would delay, and possibly impair, any enforcement actions undertaken by holders of the associated indebtedness, including attempts to realize upon the collateral securing the associated indebtedness and / or direct the agent to take actions against the related obligor or the collateral securing the associated indebtedness and actions to realize on proceeds of payments made by obligors that are in the possession or control of any other financial institution. In addition, we may be unable to remove the agent in circumstances in which removal would be in our best interests. Moreover, agented loans typically allow for the agent to resign with certain advance notice. ~~We~~ **56We** may not realize gains from our equity investments. When we invest in loans, we may also invest in the equity securities of the borrower or acquire warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. ~~55Our~~ -- **Our** goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not realize gains from our equity interests, and any gains that we do realize on the disposition of such equity interests may not be sufficient to offset any other losses we experience. Our failure to make follow- on investments in our portfolio companies could impair the value of our portfolio, and our ability to make follow- on investments in certain portfolio companies may be restricted. Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as " follow- on " investments, in order to: • increase or maintain in whole or in part our equity ownership percentage; • exercise warrants, options or convertible securities that we acquired in the original or a subsequent financing; or • attempt to preserve or enhance the value of our investment. We have the discretion to make any follow- on investments, subject to the availability of capital resources, the limitations of the 1940 Act, the requirements associated with our status as a RIC and contractual requirements imposed on us under our debt instruments. We may elect not to make follow- on investments or otherwise lack sufficient funds to make those investments. The failure to make follow- on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful portfolio company. Even if we have sufficient capital to make a desired follow- on investment, we may elect not to make a follow- on investment because we do not want to increase our exposure to the portfolio company, because we prefer other opportunities or because we are inhibited by compliance with business development company requirements, our contractual requirements or the desire to maintain our tax status. Because we generally do not hold controlling equity interests in our portfolio companies, we will not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments. We do not currently anticipate taking controlling equity positions in our portfolio companies. In addition, we may not be in a position to control any portfolio company by investing in its debt securities or loans. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and we may therefore suffer a decrease in the value of our investments. Defaults by our portfolio companies will harm our operating results. A portfolio company' s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross- defaults under other agreements and jeopardize such portfolio company' s ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. Any such diversion of cash flow or any event of default could prevent us from making distributions to ~~our~~ **57our** stockholders in amounts sufficient to maintain our ability to be subject to tax as a RIC, or at all, and could have a material adverse effect on our business, financial condition and results of operations. ~~56Our~~ -- **Our** portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies. We generally intend to invest a portion of our capital in first lien and second lien, unitranche loans and, to a lesser extent, in mezzanine loans and equity securities of U. S. lower middle market companies. The portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, the portfolio company may not have sufficient assets to use for repaying its obligation to us in full, or at all. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. Additionally, certain loans that we make to portfolio companies may be secured on a second- priority basis by the same collateral securing senior secured debt of such companies. The first- priority liens on the collateral secure the portfolio company' s obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by first- priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation depends on market and economic conditions, the availability of buyers and other factors. There can be no assurances that the proceeds, if any, from sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second- priority liens after payment in full of all obligations secured by the first- priority liens on the collateral. If such proceeds were not sufficient to repay amounts outstanding under the loan obligations secured by the second- priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, only have an unsecured claim against the portfolio company' s remaining assets, if any. The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more inter- creditor agreements that we enter into with the holders of such senior debt. Under a typical inter- creditor agreement, at any time that obligations that have the benefit of the first- priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first- priority liens: • the ability to cause the commencement of enforcement proceedings against the collateral; • the ability to control the conduct of such proceedings; • the approval of amendments to collateral documents; • releases of liens on the collateral; and • waivers of past defaults under collateral documents. ~~We~~ **58We** may not have the ability to control or direct such actions, even if our rights are adversely affected. We may also make unsecured loans to portfolio companies, meaning that such loans will not benefit from any security interest over the assets of such companies. Liens on such portfolio companies' assets, if any, will secure the portfolio company' s obligations under its outstanding secured debt and may secure certain future debt that is ~~57permitted~~ -- **permitted** to be incurred by the portfolio company under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before us. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy our unsecured obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company' s remaining assets, if any. Our portfolio companies may prepay loans, which prepayment may reduce our yields if capital returned cannot be invested in transactions with equal or greater expected yields. The loans in our investment portfolio can generally be prepaid at any time, some of which have no premium to par. It is not clear at this time when each loan may be prepaid. Whether a loan is prepaid will depend both on the continued positive performance of the portfolio company and the existence of favorable financing market conditions that allow such company the ability to replace existing financing with less expensive capital. As market conditions change frequently, it is unknown when, and if, this may be possible for each portfolio company. In the case of some of these loans, having the loan prepaid may reduce the achievable yield for us if the capital returned cannot be invested in transactions with equal or greater expected yields, which could have a material adverse effect on our business, financial condition and results of operations. The disposition of our investments may result in contingent liabilities. We currently expect that a significant portion of our investments will involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to certain potential liabilities. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through our return of certain distributions previously made to us. Investments in securities of foreign companies, if any, may involve significant risks in addition to the risks inherent in U. S. investments. We may make investments in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U. S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. In addition, any investments that we make that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short- term interest rates, differences in relative values of similar assets in different currencies, long- term opportunities for investment and capital appreciation, and political developments. We have employed certain hedging techniques to minimize these risks, but we cannot assure you that such strategies will be effective. ~~58We~~ **59We** may invest through joint ventures, partnerships or other special purpose vehicles and our investments through these vehicles may entail greater risks, and investments in which we have a non- controlling interest may involve risks specific to third- party management of those investments. We may co- invest with third parties through partnerships, joint ventures or other entities, thereby acquiring jointly- controlled or non- controlling interests in certain investments in conjunction with participation by one or more third parties in such investment. Such joint venture partners or third party managers may include former H. I. G. Capital personnel or associated persons. For example, on January 14, 2019, we entered into an agreement with the State Teachers Retirement System of Ohio, a public pension fund established under Ohio law, to create WHF STRS Ohio Senior Loan Fund, LLC, a joint venture, which invests primarily in senior secured first and second lien term loans. As co- investors, we may have interests or objectives that are inconsistent with those of the third- party partners or co- venturers. Although we may not have full control over these investments and therefore, may have a limited ability to protect its position therein, we expect that we will negotiate appropriate rights to protect our interests. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third- party partner or co- venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with ours, or may be in a position to take (or block) action in a manner contrary to the our investment objectives or the increased possibility of default by, diminished liquidity or insolvency of, the third party, due to a sustained or general economic downturn. Third- party partners or co- venturers may opt to liquidate an investment at a time during which such liquidation is not optimal for us. In addition, we may in certain circumstances be liable for the actions of its third- party partners or co- venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements. Risks Relating to the Credit FacilityOur interests in WhiteHorse Credit are subordinated. We own 100 % of the equity interests in WhiteHorse Credit and consolidate the financial statements of WhiteHorse Credit in our consolidated financial statements. We treat the indebtedness of WhiteHorse Credit as our leverage for purposes of compliance with the 1940 Act. Our equity interests in

WhiteHorse Credit are subordinated in priority of payment to its obligations to its debt holders and its service providers. All of these persons have claims superior to our claims as equity interest holder in any liquidation of WhiteHorse Credit. Credit or market value deterioration in our portfolio companies will harm our operating results. A payment default on a loan to a portfolio company or a default leading to the acceleration of debt of a portfolio company could cause the loan to such portfolio company held by us to become, or to be deemed to be, a defaulted obligation under the Credit Facility. This, in turn, could result in a coverage test under the Credit Facility not being met and the diversion of distributions of assets held by WhiteHorse Credit to pay down debt under the Credit Facility rather than to make distributions. Such a portfolio company default could also lead to an event of default and acceleration under the Credit Facility and liquidation by the related lender of the assets securing the Credit Facility. Any such diversion of cash flow or any event of default could result in our being unable to make distributions to our stockholders in amounts sufficient to maintain our ability to be subject to tax as a RIC, or at all, and could have a material adverse effect on our business, financial condition and results of operations. We may not receive cash from WhiteHorse Credit. We expect to receive cash from WhiteHorse Credit as distributions on our equity interests in WhiteHorse Credit. We will receive distributions on our equity interests in WhiteHorse Credit only to the extent cash is available and permitted to be distributed under the Credit Facility. WhiteHorse Credit may not receive sufficient cash to make distributions, in which case we would not be entitled to receive distributions from WhiteHorse Credit and, as a result, we would be unable to make distributions to our stockholders in amounts sufficient to maintain our ~~59status~~ **60status** as a RIC, or at all. Limitations under the Credit Facility will impair our ability to sell investments owned by WhiteHorse Credit, and we may not be able to sell such investments. These limitations include prior satisfaction of certain coverage tests and collateral quality tests, the minimum price at which we may sell such investments and the amount of investments we may sell within a certain timeframe. Under the Credit Facility, there are two coverage tests that WhiteHorse Credit must meet on specified compliance dates in order to permit WhiteHorse Credit to make new borrowings under the Credit Facility and to make distributions to us in the ordinary course — a borrowing base test and a market value test. The borrowing base test compares, at any given time, the aggregate outstanding amount of all Lender advances under the Credit Facility less the amount of principal proceeds in respect of the collateral on deposit in the accounts to the NAV of the collateral, as set forth in the credit agreement and related documentation. To meet the borrowing base test, this ratio must be less than or equal to ~~50~~ **60** %, as set forth in the credit agreement and related documentation. To meet the market value test, the value of WhiteHorse Credit' s portfolio investments must exceed a minimum of ~~165~~ **167. 5** % of the aggregate outstanding amount of all Lender advances as set forth in the credit agreement and related documentation. If either of these coverage tests is not met on a compliance date, then WhiteHorse Credit may sell portfolio investments or apply cash until such coverage tests are satisfied. If we fail to receive cash from WhiteHorse Credit, we may be unable to make distributions to our stockholders in amounts sufficient to maintain our ability to be subject to tax as a RIC, or at all. We may experience an event of default and acceleration under the Credit Facility, which would have a material adverse effect on us. There are several circumstances under which an event of default may occur under the Credit Facility, some of which relate to the performance of the assets of WhiteHorse Credit or the performance by WhiteHorse Credit of its obligations under the Credit Facility. The Credit Facility also includes customary events of default for credit facilities of this nature, including breaches of representations, warranties or covenants by WhiteHorse Finance or WhiteHorse Credit, the occurrence of a change in control, or failure to maintain certain ratios required under the Credit Facility. The occurrence of an event of default could, among other consequences, (a) prevent us from making distributions to our stockholders sufficient to maintain our ability to be subject to tax as a RIC, or at all, (b) terminate the reinvestment period under the Credit Facility, if it is then in effect, and (c) permit the facility agent to assume the management of WhiteHorse Credit' s portfolio and to direct the liquidation of its assets. Any of these developments could or would have a material adverse effect on our business, financial condition and results of operations. Upon the occurrence of an event of default, the Lender may exercise customary remedies, including declaring all amounts due and payable under the Credit Facility, blocking distributions in respect of the equity of WhiteHorse Credit or selling assets, including selling assets at a lower price than what might otherwise be achieved in an orderly liquidation. The ability of WhiteHorse Credit to purchase and sell investments is limited. The Credit Facility restricts the portfolio manager' s ability to purchase and sell investments for WhiteHorse Credit. As a result, the portfolio manager may be unable to purchase or sell investments or take other actions that might be in our best interests, which could impair our performance and result in losses. During the reinvestment period, WhiteHorse Credit will have the ability to borrow funds for the acquisition of investments that meet the eligibility criteria set forth in the Credit Facility. Such funds may be repaid and re- borrowed during the reinvestment period, subject to compliance with the terms of the Credit Facility. We may lose the ability to manage WhiteHorse Credit even if we continue to own its equity. If an event of default occurs under the Credit Facility or if we resign or are terminated for cause as portfolio manager under the loan agreement, we may no longer manage the WhiteHorse Credit portfolio investments even though we are required to continue to own the equity interests in WhiteHorse Credit. If an agent for the Lender or the successor portfolio manager does not manage WhiteHorse Credit' s portfolio in the same manner that we would have, our performance may not meet expectations and may result in losses. ~~60Risks~~ **61Risks** Relating to our Other IndebtednessThe Private Notes and the **Public** ~~4. 000 % 2026~~ Notes are unsecured and therefore effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future ~~. The 6. 000 % 2023 Notes mature on August 7, 2023 and bear interest at an annual rate of 6. 00 %~~ . The 5. 375 % 2025 Notes mature on October 20, 2025 and bear interest at an annual rate of 5. 375 %. The 5. 375 % 2026 Notes mature on December 4, 2026 and bear interest at an annual rate of 5. 375 %. The 5. 625 % 2027 Notes mature on December 4, 2027 and bear interest at an annual rate of 5. 625 %. The 4. 250 % 2028 Notes mature on December 6, 2028 and bear interest at an annual rate of 4. 25 %. The **7. 785 % 2028 Notes mature on September 15, 2028 and bear interest at an annual rate of 7. 875 %. The** 4. 000 % 2026 Notes mature on December 15, 2026 and bear interest at an annual rate of 4. 00 %. The Private Notes and the **Public** ~~4. 000 % 2026~~ Notes are not secured by any of our assets or any of the assets of our subsidiaries and rank equally in right of payment with all of our existing and future unsubordinated, unsecured senior indebtedness. As a result, the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes are effectively subordinated to any secured indebtedness we or our subsidiaries have currently incurred and may incur in the future (or any indebtedness that is initially unsecured to which we subsequently grant security) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our existing or future secured indebtedness and the secured indebtedness of our subsidiaries may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holders of the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes. The Private Notes and the **Public** ~~4. 000 % 2026~~ Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries. The Private Notes and the **Public** ~~4. 000 % 2026~~ Notes are obligations exclusively of WhiteHorse Finance, Inc. and not of any of our subsidiaries. None of our subsidiaries currently is or acts as a guarantor of the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes, although any subsidiary that guarantees or otherwise becomes liable at any time for any indebtedness under a material credit facility in the future (other than the Credit Facility or any replacement of the Credit Facility) will be required to guarantee the Private Notes and **Public** ~~4. 000 % 2026~~ Notes. Such guaranty must rank equally in right of payment with all other unsecured and unsubordinated indebtedness of us and our subsidiaries. Except to the extent we are a creditor with recognized claims against our subsidiaries, all claims of creditors (including holders of preferred stock, if any, of our subsidiaries) will have priority over our equity interests in such subsidiaries (and therefore the claims of our creditors, including holders of the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes) with respect to the assets of such subsidiaries. Even if we are recognized as a creditor of one or more of our subsidiaries, our claims would still be effectively subordinated to any security interests in the assets of any such subsidiary and to any indebtedness or other liabilities of any such subsidiary senior to our claims. Consequently, the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries and any subsidiaries that we may in the future acquire or establish. In addition, our subsidiaries may incur substantial additional indebtedness in the future, all of which would be structurally senior to the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes. We are subject to the risk of an event of default and acceleration under our unsecured debt agreements, which would have a material adverse effect on us. The ~~6. 000 % 2023 Notes, the~~ 5. 375 % 2025 Notes, the 5. 375 % 2026 Notes, the 5. 625 % 2027 Notes ~~and~~ **,** the 4. 250 **% 2028 Notes, 4. 000 % 2026 Notes and the 7. 875** % 2028 Notes will mature on ~~August 7, 2023~~ October 20, 2025, December 4, 2026, December 4, 2027, ~~and~~ December 6, 2028, **December 15, 2026 and September 15, 2028,** respectively, unless redeemed, purchased or prepaid ~~prior to such date by us or our affiliates in accordance with their terms. The 4. 000 % 2026 Notes will mature on December 15, 2026, unless redeemed~~ prior to such date by us or our affiliates in accordance with their terms. There are several circumstances under which an event of default may occur under the Note Purchase Agreements for the Private Notes or the ~~indenture~~ **indentures** for the **Public** ~~614. 000 % 2026~~ Notes, such as failure to make scheduled principal or interest payments and certain events of bankruptcy, insolvency or reorganization. ~~Upon~~ **62Upon** the occurrence of an event of default, our lenders may exercise customary remedies, including declaring all amounts immediately due and payable. Any of these developments would have a material adverse effect on our business, financial condition and results of operations. The indenture for the 4. 000 % 2026 Notes contains limited protection for holders of the 4. 000 % 2026 Notes. The indenture for the 4. 000 % 2026 Notes offers limited protection to holders of the 4. 000 % 2026 Notes. The terms of the applicable indenture for the 4. 000 % 2026 Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the 4. 000 % 2026 Notes. In particular, the terms of the applicable indenture pursuant to which the 4. 000 % 2026 Notes were issued do not place any restrictions on our or our subsidiaries' ability to: • issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 4. 000 % 2026 Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 4. 000 % 2026 Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the 4. 000 % 2026 Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the 4. 000 % 2026 Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of the asset coverage requirement under Section 18 (a) (1) (A), as modified by Section 61 (a) (1) of the 1940 Act or any successor provisions; • pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the 4. 000 % 2026 Notes; • sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets); • create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions; • make investments; or • create restrictions on the payment of dividends or other amounts to us from our subsidiaries. In addition, the indenture does not require us to offer to purchase the 4. 000 % 2026 Notes in connection with a change of control or any other event, except in limited circumstances. Furthermore, the terms of the indenture for the 4. 000 % 2026 Notes do not protect holders of the 4. 000 % 2026 Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity, except in limited circumstances as set forth in the indenture and as required under the 1940 Act. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the 4. 000 % 2026 Notes may have important consequences for you as a holder of the 4. 000 % 2026 Notes, including making it more difficult for us to satisfy our obligations with respect to the 4. 000 % 2026 Notes or negatively affecting the trading value of the 4. 000 % 2026 Notes. ~~62Certain~~ **63Certain** of our current debt instruments include more protections for their holders than the indenture and the 4. 000 % 2026 Notes. In addition, other debt we issue or incur in the future could contain more protections for its holders than the applicable indenture for the 4. 000 % 2026 Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the 4. 000 % 2026 **Notes. The indenture for the 7. 875 % 2028 Notes contains limited protection for holders of the 4. 000 % 2026 Notes. The indenture for the 7. 875 % 2028 Notes offers limited protection to holders of the 7. 875 % 2028 Notes. The terms of the applicable indenture and the 7. 875 % 2028 Notes do not restrict our or any of our subsidiaries' ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the 7. 875 % 2028 Notes. In particular, the terms of the applicable indenture and the 7. 875 % 2028 Notes do not place any restrictions on our or our subsidiaries' ability to: • issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the 7. 875 % 2028 Notes, (2) any indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the 7. 875 % 2028 Notes to the extent of the values of the assets securing such debt, (3) indebtedness or other obligations of ours that are guaranteed by one or more of our subsidiaries and which therefore would rank structurally senior to the 7. 875 % 2028 Notes and (4) securities, indebtedness or other obligations issued or incurred by our subsidiaries that would be senior in right of payment to our equity interests in our subsidiaries and therefore would rank structurally senior in right of payment to the 7. 875 % 2028 Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18 (a) (1) (A) of the 1940 Act, as modified by Section 61 (a) (1) and (2) of the 1940 Act or any successor provisions, as such obligations may be amended or superseded, giving effect to any exemptive relief granted to us by the SEC; • pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the 7. 875 % 2028 Notes; • sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets); • enter into transactions with affiliates; • create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions; • make investments; or • create restrictions on the payment of dividends or other amounts to us from our subsidiaries. In addition, the indenture does not require us to offer to purchase the 7. 875 % 2028 Notes in connection with a change of control. Furthermore, the terms of the indenture and the 7. 875 % 2028 Notes do not protect holders of the 7. 875 % 2028 Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow or liquidity, except as required under the 1940 Act. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the 7. 875 % 2028 Notes may have important consequences for you as a holder of the 7. 875 % 2028 Notes, including negatively affecting the trading value of the 7. 875 % 2028 Notes or making it more difficult for us to satisfy our obligations with respect to the 7. 875 % 2028 Notes. 64Certain of our current debt instruments include more protections for their holders than the indenture and the 7. 875 % 2028 Notes. In addition, we routinely finance our investments with borrowed money, and intend to continue to do so in the future by issuing both unsecured and secured debt in the ordinary course as a means of raising additional capital. Any additional debt we issue or incur in the future could contain more protections for its holders than the indenture and the 7. 875 % 2028 Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the 7. 875 % 2028** Notes. We may not be able to prepay the Private Notes upon a change in control. The Note Purchase Agreement governing the respective Private Notes requires us to offer to prepay all of the issued and outstanding Private Notes upon a change in control and election by the holders, which could have a material adverse effect on our business, financial condition and results of operations. A change in control under each Note Purchase Agreement occurs upon (i) the direct or indirect transfer or other disposition of all of the property or assets held by us and our subsidiaries, subject to certain exceptions (ii) the consummation of a transaction which results in a " person " or " group " (as those terms are used in Section 13 (d) (3) of the Securities Exchange Act of 1984, as amended, or the Exchange Act) becoming the beneficial owner of more than 50 % of our outstanding voting stock or (iii) the approval by our stockholders of any plan or proposal relating to the liquidation of the Company. Upon a change in control event, holders of each of the Private Notes may require us to prepay for cash some or all of the respective Private Notes at a prepayment price equal to 100 % of the aggregate principal amount of the ~~6. 000 % 2023 Notes,~~ 5. 375 % 2025 Notes, 5. 375 % 2026 Notes, 5. 625 % 2027 Notes and 4. 250 % 2028 Notes being prepaid, plus accrued and unpaid interest to, but not including, the date of prepayment. If a change in control were to occur, we may not have sufficient funds to prepay any such accelerated indebtedness. We may choose to prepay the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes when prevailing interest rates are relatively low. At any time on or after ~~February 7, 2023,~~ April 20, 2025, June 4, 2026, June 4, 2027 and March 6, 2028 (each a Prepayment Date), the ~~6. 000 % 2023 Notes,~~ 5. 375 % 2025 Notes, 5. 375 % 2026 Notes, 5. 625 % 2027 Notes and 4. 250 % 2028 Notes may be prepaid, respectively, at our option, at 100 % of the principal amount, together with accrued and unpaid interest to the Prepayment Date. Prior to each respective Prepayment Date, we may prepay all or any principal amount of the respective Private Notes, together with accrued and unpaid interest, subject to a make- whole premium. The 4. 000 % 2026 Notes may be redeemed, at our option, in whole or in part, at a redemption of the greater of 100 % of the principal amount of the 4. 000 % 2026 Notes to be redeemed, or the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of accrued and unpaid interest to the redemption date) on the 4. 000 % 2026 Notes to be redeemed, discounted to the redemption date on a semi- annual basis (assuming a 360- day year consisting of twelve 30- day months) using the applicable treasury rate plus 50 basis points, plus, in each case, accrued and unpaid interest payments otherwise payable for the then- current quarterly interest period accrued to the date fixed for redemption. **The 7. 875 % 2028 Notes may be redeemed, at our option, in whole or in part, at any time or from time to time at our option on or after September 15, 2025, upon not less than 30 days' nor more than 60 days' written notice by mail prior to the date fixed for**

redemption thereof, at a redemption price of $ 25 per note plus accrued and unpaid interest payments otherwise payable for the then- current quarterly interest period accrued to the date fixed for redemption. We may choose to prepay the Private Notes and redeem the **Public** ~~4. 000 % 2026~~ Notes from time to time, especially when prevailing interest rates are lower than the rate borne by the respective Private Notes and the **Public** ~~4. 000 % 2026~~ Notes. If prevailing rates are lower at the time of prepayment, holders would not be able to reinvest the proceeds in a ~~comparable~~ **65comparable** security at an effective interest rate as high as the interest rate on the Private Notes being repaid and the **Public** ~~4. 000 % 2026~~ Notes being redeemed. Our prepayment and redemption right may adversely impact holders' ability to sell the Private Notes and **the Public** ~~4. 000 % 2026~~ Notes as the applicable prepayment date and redemption date approaches. If we choose to prepay the Private Notes prior to their respective dates of maturity and / or redeem the **Public** ~~4. 000 % 2026~~ Notes prior to the date of maturity on December 15, 2026 **or September 15, 2028** , we will need to obtain sufficient liquidity, through available cash, refinancings of our existing indebtedness or otherwise, to repay the principal or redemption ~~63price~~ -- **price** , together with any accrued and unpaid interest and applicable make- whole premiums, on the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes. If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes. Any default under the agreements governing our indebtedness, including a default under the Credit Facility, any indenture or under other indebtedness to which we may be a party that is not waived by the required lenders or holders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, the lenders under the Credit Facility or other debt we may incur in the future could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under the agreements relating to the Credit Facility, or other debt that we may incur in the future to avoid being in default. If we breach our covenants under the Credit Facility or other debt and seek a waiver, we may not be able to obtain a waiver from the required lenders or holders. If this occurs, we would be in default and our lenders or debt holders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. If we are unable to repay debt, lenders having secured obligations, including the lenders under the Credit Facility, could proceed against the collateral securing the debt. Because the Credit Facility has, and any future debt will likely have, customary cross- default provisions, if the indebtedness thereunder or under any future credit facility is accelerated, we may be unable to repay or finance the amounts due. FATCA withholding may apply to payments to certain foreign entities. Payments made under the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes to a foreign financial institution or non- financial foreign entity (including such an institution or entity acting as an intermediary) may be subject to a U. S. withholding tax of 30 % under the Foreign Account Tax Compliance Act provisions of the Code, or FATCA. This tax may apply to certain payments of interest unless the foreign financial institution or non- financial foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA. Holders should consult their tax advisors regarding FATCA and how it may affect an investment in the Private Notes and the **Public** ~~4. 000 % 2026~~ Notes. The trading market or market value of any publicly issued debt securities may fluctuate. Our publicly issued debt securities, if any, may or may not have an established trading market. We cannot assure you that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include the following: • the time remaining to the maturity of these debt securities; **66** • the outstanding principal amount of debt securities with terms identical to these debt securities; • the ratings assigned by national statistical ratings agencies, if any; • the general economic environment; ~~64~~ • the supply of debt securities trading in the secondary market, if any; • the redemption or repayment features, if any, of these debt securities; • the level, direction and volatility of market interest rates generally; • market rates of interest higher or lower than rates borne by the debt securities; and • the length and duration of the COVID- 19 pandemic in the United States and worldwide and the magnitude of the economic impact of such pandemic. You should also be aware that there may be a limited number of buyers when you decide to sell your debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities. Terms relating to redemption may materially adversely affect your return on any debt securities that we may issue. If your debt securities are redeemable at our option, we may choose to redeem your debt securities at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In addition, if your debt securities are subject to mandatory redemption, we may be required to redeem your debt securities also at times when prevailing interest rates are lower than the interest rate paid on your debt securities. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as your debt securities being redeemed. Our credit ratings may not reflect all risks of an investment in our debt securities. Our credit ratings are an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the publicly issued debt securities. Risks Relating to an Investment in our Common StockWe may obtain the approval of our stockholders to issue shares of our common stock at prices below the then- current NAV per share of our common stock. If we receive such approval from stockholders in the future, we may issue shares of our common stock at a price below the then current NAV per share of common stock. Any such issuance could materially dilute your interest in our common stock and reduce our NAV per share. We may seek to obtain the approval of our stockholders, and they may approve a proposal that authorizes us, to issue shares of our common stock at prices below the then- current NAV per share of our common stock in one or more offerings for a twelve- month period. Such approval would allow us to access the capital markets in a way that we are typically unable to do as a result of restrictions that, absent stockholder approval, apply to business development companies under the 1940 Act. Any sale or other issuance of shares of our common stock at a price below NAV per share will result in an immediate dilution to your interest in our common stock and a reduction of our NAV per share. This dilution ~~would~~ **67would** occur as a result of a proportionately greater decrease in a stockholder' s interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our NAV per share and the price and timing of such issuances are not currently known, we cannot predict the actual dilutive effect of any such issuance. We also cannot determine the resulting reduction in our NAV per share of any such issuance at this time. We caution you that such effects may be material, and we undertake to describe all the material risks and dilutive effects of any offering that ~~65we~~ **we** make at a price below our then- current NAV in the future in a prospectus supplement issued in connection with any such offering. Investing in our common stock may involve an above average degree of risk. The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies involve higher levels of risk, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance. In addition, our common stock is intended for long- term investors and should not be treated as a trading vehicle. Our shares may trade at a price that is less than the offering price. This risk may be greater for investors who sell their shares in a relatively short period of time after completion of an offering. Shares of closed- end investment companies, including business development companies, often trade at a discount to their NAV. Shares of closed- end investment companies, including business development companies, may trade at a discount from NAV. This characteristic of closed- end investment companies and business development companies is separate and distinct from the risk that our NAV per share may decline. We cannot predict whether our common stock will trade at, above or below NAV. There is a risk that investors in our equity securities may not receive distributions or that our distributions may not grow over time and a portion of our distributions may be a return of capital. We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year- to- year increases in cash distributions. If the amount of any distribution exceeds the sum of our investment company taxable income, determined without regard to any deduction for distributions paid, and net capital gains, if any, then all or a portion of such distribution could constitute a return of capital to stockholders rather than dividend income for tax purposes. A return of capital is a return to investors of a portion of their original investment in the company rather than income or capital gains. A return of capital will have the effect of reducing a stockholder' s basis in its shares of common stock, which may, if such stockholder sells or otherwise disposes such stock at a price greater than its then- current basis, result in a higher taxable gain to such stockholder at the time of sale. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this annual report on Form 10- K. Due to the asset coverage test applicable to us under the 1940 Act as a business development company, we may be limited in our ability to make distributions. If we declare a dividend and if more stockholders opt to receive cash distributions rather than participate in our distribution reinvestment plan, we may be forced to sell some of our investments in order to make cash dividend payments. In addition, after the reinvestment period under the Credit Facility, asset sales proceeds, if any (including any realized gains), must be used to pay down any outstanding debt and certain other amounts prior to distributing cash from WhiteHorse Credit to us. Also, if certain coverage tests are not met under the Credit Facility, the Private Notes or the **Public** ~~4. 000 % 2026~~ Notes or if an event of default and acceleration occurs under the Credit Facility, the Private Notes or the **Public** ~~4. 000 % 2026~~ Notes, then income and capital gains which would otherwise be distributable by us to our stockholders will be diverted to pay down debt or other amounts due under the Credit Facility, the Private Notes or the **Public** ~~4. 000 % 2026~~ Notes, as applicable. All distributions will be paid at the discretion of our board of directors and will depend on our earnings, ~~our~~ **68our** financial condition, maintenance of our ability to be subject to tax as a RIC, compliance with applicable business development company regulations and such other factors as our board of directors may deem relevant from time to time. We cannot assure investors that we will pay distributions to our stockholders in the future. ~~66FATCA~~ -- **FATCA** withholding may apply to payments to certain foreign entities. Withholding of U. S. tax at a 30 % rate is currently required on payments of dividends paid to certain non- U. S. entities that fail to comply with certain information reporting, identification, certification, and related requirements imposed by FATCA. Stockholders and persons intended to hold common stock should consult their tax advisors regarding FATCA and how it may affect an investment in our stock. Our stockholders could experience dilution in their ownership percentage if they do not participate in our distribution reinvestment plan. All distributions declared in cash payable to stockholders that are participants in our distribution reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that do not participate in our distribution reinvestment plan could experience dilution in their ownership percentage of our common stock over time if we issue additional shares of our common stock. Our stockholders may receive shares of our common stock as dividends, which could result in adverse tax consequences to them. In order to satisfy the Annual Distribution Requirement, we may declare a large portion of a dividend in shares of our common stock instead of in cash. Historically, we have not declared any portion of our dividends in shares of our common stock. As long as at least 20 % of such dividend is paid in cash and certain requirements are met, the entire distribution will be treated as a dividend for U. S. federal income tax purposes. As a result, a stockholder generally would be subject to tax on 100 % of the fair market value of the dividend on the date the dividend is received by the stockholder in the same manner as a cash dividend, even though most of the dividend was paid in shares of our common stock. Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock. Sales of substantial amounts of our common stock, including by any selling stockholders, adoption of an at the market issuance program, or the availability of such common stock for sale, whether or not actually sold, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so. If we issue preferred stock, debt securities or convertible debt securities, the NAV and market value of our common stock may become more volatile. We cannot assure you that the issuance of preferred stock and / or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities or convertible debt would likely cause the NAV and market value of our common stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the NAV of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in NAV to the holders of our common stock than if we were not leveraged through the issuance of preferred stock. This decline in NAV would also tend to cause a greater decline in the market price for our common stock. ~~There~~ **69There** is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock, debt securities, convertible debt or of a downgrade in the ratings of the preferred stock, debt securities, convertible debt or our ~~67current~~ -- **current** investment income might not be sufficient to meet the dividend requirements on the preferred stock or the interest payments on the debt securities. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities or convertible debt may have different interests than holders of common stock and may at times have disproportionate influence over our affairs. Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our NAV per share, then you will experience an immediate dilution of the aggregate NAV of your shares. In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering, own a smaller proportional interest in us 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 such rights offering. In addition, if the subscription price is less than the NAV per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate NAV of their shares as a result of the offering. The amount of any decrease in NAV is not predictable because it is not known at this time what the subscription price and NAV per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial. These dilutive effects may be exacerbated if we were to conduct multiple subscription rights offerings, particularly if such offerings were to occur over a short period of time. In addition, subscription rights offerings and the prospect of future subscription rights offerings may create downward pressure on the secondary market price of our common stock due to the potential for the issuance of shares at a price below our NAV, without a corresponding change to our NAV. **Our inability to regain and maintain compliance with Nasdaq continued listing requirements could result in the delisting of our common stock. Our common stock is currently listed on The Nasdaq Global Select Market. In order to maintain this listing, we must satisfy minimum financial, governance, and other requirements. On January 24, 2024, we received a notice (the " Notice ") from the Listing Qualifications Department of Nasdaq stating that the death of Mr. Kevin F. Burke resulted in noncompliance with Nasdaq' s independent director requirement as set forth in Nasdaq Listing Rule 5605, which requires Nasdaq- listed companies to have a board of directors comprised of a majority of independent directors. Mr. Burke passed away on January 13, 2024 at the age of 69. Mr. Burke had been an independent director on the Board since 2017 and served on the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee of the Board. Since Mr. Burke' s death, the Board has six members, of whom three are independent directors within the meaning of Nasdaq Listing Rule 5605 (a) (2). The Notice states that, consistent with Nasdaq Listing Rules 5605 (b) (1) (A), Nasdaq will provide us with a cure period in order to regain compliance (i) until the earlier of our next annual shareholders' meeting or January 16, 2025, or (ii) if the next annual shareholders' meeting is held before July 15, 2024, then we must evidence compliance no later than July 15, 2024. 70However, there can be no assurance that we will be able to regain compliance with Nasdaq' s listing standards. If our common stock is delisted from Nasdaq and we are unable to list our common stock on another national securities exchange, we expect our common stock would be quoted on an over- the-counter market. If this were to occur, we and our stockholders could face significant material adverse consequences, including limited availability of market quotations for our common stock; substantially decreased trading in our common stock; decreased market liquidity of our common stock as a result of the loss of market efficiencies associated with Nasdaq and the loss of federal preemption of state securities laws; an adverse effect on our ability to issue additional securities or obtain additional financing in the future on acceptable terms, if at all; potential loss of confidence by investors, suppliers, partners, and employees and fewer business development opportunities; and limited news and analyst coverage. Additionally, the market price of our common stock may decline further, and stockholders may lose some or all of their investment. Even if we are not delisted, the perception among investors that we are at a heightened risk of delisting could negatively affect the market price and trading volume of our common stock, or our ability to raise capital.** Risks Relating to Our OfferingsThe market price of our securities may fluctuate significantly. The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include: • significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of the companies; • changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs and business development companies; • loss of our qualification or ability to be subject to tax as a RIC or qualification as a business development company; • changes in earnings or variations in operating results; • changes in the value of our portfolio investments; • changes in accounting guidelines governing valuation of our investments; ~~68~~ • any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts; • departure of WhiteHorse Advisers' or any of its affiliates' key personnel; • operating performance of companies comparable to us; • general economic trends and other external factors; and • loss of a major funding source or an event of default under a material financing contract. See " Risks Relating to an Investment in our Common Stock " above for additional risks you should carefully consider before deciding to invest in shares of our common stock. ~~We~~ **71We** are a holding company and depend on payments from our subsidiaries in order to make payments on any debt securities that we may issue as well as to pay dividends on our common stock. Any debt securities that we issue will be structurally subordinated to the obligations of our subsidiaries. We are a holding company and fund a majority of our investments through wholly- owned subsidiaries, and a majority of the assets that we hold directly are the equity interests in such subsidiaries. We depend upon the cash flow from our subsidiaries and the receipt of funds from them, any of which may be subject to restriction or limitations based on the organizational documents of the subsidiaries and the agreements governing the debt of any such subsidiary. In addition, because we are a holding company, any debt securities that we issue will be structurally subordinated to the obligations of our subsidiaries. In the event that one of our subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, its assets will be used first to satisfy the claims of its creditors. Consequently, any claim by us or our creditors, including holders of any debt securities that we may issue, against any subsidiary will be structurally subordinated to all of the claims of the creditors of such subsidiary. We cannot assure security holders that they will receive any payments required to be made under the terms of any debt securities that we may issue, dividends or other distributions. Holders of preferred stock that we issue, if any, would have the right to elect members of the board of directors and have class voting rights on certain matters. The 1940 Act requires that holders of shares of preferred stock must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more, until such arrearage is eliminated. In addition, certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock, including changes in fundamental investment restrictions and conversion to open- end status and, accordingly, preferred stockholders could veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair our ability to maintain our ability to be subject to tax as a RIC. General Risk FactorsGlobal 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 growing social and political tensions in the United States and around the world, may contribute to increased market volatility, may have long- term effects on the United States and worldwide financial markets, and may cause economic uncertainties or deterioration in the United States and worldwide through economic sanctions and otherwise. The fiscal, trade and foreign policies of foreign nations, such as China, North Korea and Iran, may have a severe impact on the worldwide and U. S. financial markets. In addition, the policies of the U. S. administration may impact, among other things, the U. S. and ~~69global~~ -- **global** economy and international trade and relation, among other areas, and the impact of such policies on us, are unclear at present. We do not know how long the financial markets will be affected by these events and cannot predict the effects of these or similar events in the future on the U. S. 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. Changes to U. S. tariff and import / export regulations may affect our portfolio companies, and may negatively impact our business, results of operations or financial condition. There has been ongoing discussion and commentary regarding potential significant changes to U. S. trade policies, treaties and tariffs, creating uncertainty about the future relationship between the United States and other countries. These developments, or the perception that any of them could occur, may have material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade. Any of these factors could dampen economic activity and limit our portfolio companies' access to suppliers ~~or~~ **72or** customers, resulting in a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us. We are currently operating in a period of severe capital markets disruptions and economic uncertainty which could impair our portfolio companies' financial positions and operating results and affect the industries in which we invest and, in turn, harm our operating results. The U. S. and global markets have, from time to time, experienced periods of disruption due to events such as terrorist attacks; acts of war; natural disasters, such as earthquakes, tsunamis, fires, floods or hurricanes; and outbreaks of epidemic, pandemic or contagious diseases. Such events have created, and continue to create, economic and political uncertainties and have contributed to recent global economic instability. In particular, the U. S. capital markets have recently experienced, and continue to experience, extreme volatility and disruption as a result of the COVID- 19 pandemic, inflation, higher interest rates, the Russia- Ukraine **war, the Israel- Hamas** war and the possibility of an economic recession. These events are having an adverse impact on the ability of lenders to originate loans, the volume and type of loans originated, the ability of borrowers to make payments on their loans and the volume and type waivers given to borrowers and remedies in the event of a default, each of which could have an adverse impact on the quantity and quality of loans available to us. Unfavorable economic conditions could also increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us, which could have a material adverse effect on our business, financial condition and results of operations. See " — Continued uncertainty surrounding geopolitical and economic conditions could have a material adverse effect on our business, results of operations and financial condition. " Equity capital may be particularly difficult to raise during periods of extreme volatile market conditions because, as a business development company, we are generally not able to issue additional shares of our common stock at a price below NAV without obtaining approval for such issuance from our stockholders and our board of directors. Volatility and dislocation in the capital markets can also create a challenging environment in which to raise or access debt capital. If sustained for a prolonged period of time, the current market conditions could result in difficulties refinancing or extending the maturity of our existing indebtedness or obtaining additional indebtedness with comparable terms. The debt capital that will be available to us in the future, if at all, may be at increased costs and on less favorable terms and conditions than what we currently experience. In addition, significant changes or volatility in the capital markets may also have an adverse effect on the valuations of our investments. We also face an increased risk of investor, creditor or portfolio company disputes, litigation and governmental and regulatory scrutiny as a result of the effects of these events on economic and market conditions. Although governmental authorities worldwide have implemented measures to stabilize the markets and foster economic growth, the ultimate success of these measures remain unknown at this time and they may not adequately address the market dislocation. ~~70Events~~ -- **Events** beyond our control, including public health crises, could adversely impact our portfolio companies and our results of our operations. Periods of market volatility have occurred and may in the future occur in response to pandemics or other events that are beyond our control. These types of events have adversely affected and could continue to adversely affect our operating results and the operating results of our portfolio companies. The COVID- 19 pandemic and the resulting economic dislocations have had and continue to have adverse consequences for the business operations and financial performance of some of our portfolio companies, which directly impacts the valuation of our investments. We continue to closely monitor the developments of COVID- 19 and assess the potential impact on our business and the business of our portfolio companies **. Some force majeure events (such as natural disasters, outbreaks of an infectious disease, pandemics or any other serious public health concern, war, terrorism, labor strikes, government shutdowns, major plant breakdowns, ransomware attacks, government macroeconomic policies and social instability) could adversely affect the ability 73of a party (including the Company, the Adviser, a portfolio company or a counterparty to the Company, the Adviser or a portfolio company) to perform its obligations. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, damage property, or instigate disruptions of service. In addition, the cost to a portfolio company or the Company of repairing or replacing damaged assets resulting from such force majeure event could be considerable. It is not possible to insure against all such events, and insurance proceeds received, if any, could be inadequate to completely or even partially cover any loss of revenues or investments, any increases in operating and maintenance expenses, or any replacements or rehabilitation of property. In addition, certain force majeure events could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which we invest or our portfolio companies operate specifically. Such force majeure events could result in or coincide with: increased volatility in the global securities, derivatives and currency markets; a decrease in the reliability of market prices and difficulty in valuing assets; greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; less governmental regulation and supervision of the securities markets and market participants and decreased monitoring of the markets by governments or self- regulatory organizations and reduced enforcement of regulations; limited, or limitations on, the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; inability to purchase and sell investments or otherwise settle security or derivative transactions (i. e., a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and / or enforcing legal judgments. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to us, including if the investment in such portfolio companies is canceled, unwound or acquired (which could result in inadequate compensation). Any of the foregoing could therefore adversely affect the performance of us and our investments** . Although it is impossible to predict the consequences of these governmental actions, it is clear that these types of events are negatively impacting and will continue to negatively impact us and our portfolio companies in the future. The effects of public health crises, such as the COVID- 19 pandemic, may materially and adversely affect (i) the value of our investments and the performance of us and our portfolio companies, (ii) the ability of our portfolio companies to continue to satisfy loan covenants or make timely payments under loans provided by us, which may require us to restructure our investments or write down the value of our investments, (iii) our ability to repay debt obligations to our lenders on time or at all, or (iv) our ability to source, manage and achieve our investment objectives, all of which could adversely impact our portfolio companies and our results of operations. Cybersecurity risks and cyber incidents may adversely affect our business or those of our portfolio companies by causing a disruption to our operations, a compromise or corruption of confidential information and / or damage to business relationships, or those of our portfolio companies, all of which could negatively impact our business, results of operations or financial condition. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to, use, alteration or destruction of our information systems for purposes of misappropriating assets, obtaining ransom payments, stealing confidential information, corrupting data or causing operational disruption, or may involve phishing. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen information, misappropriation of assets, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise ~~adversely~~ **74adversely** affect our business, financial condition or results of operations. In addition, we may be required to expend significant additional resources to modify our protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. The costs related to cybersecurity incidents may not be fully insured or indemnified. As our and our portfolio companies' reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by our Investment Adviser and third- party service providers, and the information systems of our portfolio companies. We, our Investment Adviser and its affiliates have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, may be ineffective and do not guarantee that a cyber incident will not occur or that our financial results, operations or confidential information will not be negatively impacted by such an incident. Third parties with which we do business (including, but not limited to, service providers, such as accountants, custodians, transfer agents and administrators, and the issuers of securities in which we invest) may also be sources or targets of cybersecurity or other technological risks. We outsource certain functions and these relationships allow for the storage and processing of our information and assets, as well as certain investor, counterparty, employee and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, we cannot control the cybersecurity plans and systems put in place by these third parties and ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, ~~71with~~ -- **with** increased costs and other consequences, including those described above. Privacy and information security laws and regulation changes, and compliance with those changes, may also result in cost increases due to system changes and the development of new administrative processes. We are highly dependent on information systems and systems failures or interruption could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends and other distributions. We depend on the communications and information systems of our Investment Adviser and its affiliates as well as certain third- party service providers. As our reliance on these systems has increased, so have the risks posed to these communications and information systems. Any failure or interruption in these systems, including due to (i) electrical or telecommunication outages, (ii) natural disasters such as earthquakes, tornadoes and hurricanes, (iii) disease pandemics, (iv) events arising from local or larger state political or social matters, including terrorist activities, and (v) cyberattacks could cause disruptions in our activities. We and our Investment Adviser could be the target of litigation. We and WhiteHorse Advisers could become the target of securities class action litigation or other similar claims if our common stock price fluctuates significantly or for other reasons. The proceedings could continue without resolution for long periods of time and the outcome of any such proceedings could materially adversely affect our business, financial condition, and / or operating results. Any litigation or other similar claims could consume substantial amounts of our management' s time and attention, and that time and attention and the devotion of associated resources could, at times, be disproportionate to the amounts at stake. Litigation and other claims are subject to inherent uncertainties, and a material adverse impact on our financial statements could occur for the period in which the effect of an unfavorable final outcome in litigation or other similar claims becomes probable and reasonably estimable. In addition, we could incur expenses associated with defending ourselves against litigation and other similar claims, and these expenses could be material to our earnings in future periods. We are subject to risks related to corporate social responsibility. There is increased public scrutiny related to environmental, social and governance (" ESG ") activities of public companies. We risk damage to our brand and reputation if we do not act responsibly in a number of key areas, including diversity and inclusion, environmental stewardship, support for local communities, corporate governance **75** ~~and transparency and considering ESG factors in our investment processes. Adverse incidents with respect to ESG activities could impact the value of our brand, the cost of our operations and relationships with investors, all of which could negatively affect our business and results of operations. Additionally, new regulatory initiatives related to ESG could adversely affect our business. Continued uncertainty surrounding geopolitical and economic conditions could have a material adverse effect on our business, results of operations and financial condition. International security issues and adverse developments in respect thereof such as the current political tension between Russia, Ukraine and potentially western security alliances could materially adversely affect global trade and economic activity. In February 2022, Russia invaded Ukraine. In response, countries worldwide, including the United States, have imposed sanctions against Russia and on Russian businesses and individuals, including those in the banking, import and export sectors. Because Russia is a major exporter of oil and natural gas, the invasion and related sanctions have reduced the supply, and increased the price, of energy, which is accelerating inflation, has exacerbated and may continue to exacerbate ongoing supply chain issues. There is also the risk of retaliatory actions by Russia against countries which have enacted sanctions, including cyberattacks against financial and governmental institutions, which could result in business disruptions and further economic turbulence. Although the Company has no direct exposure to Russia or Ukraine, the broader consequences of the invasion may have a material adverse impact on the Company' s portfolio and the value of your investment in the Company. Because this is an uncertain and evolving situation, its full impact is unknown at this time. 72~~