Ascena Retail Group, Inc.
Form S-4/A
November 10, 2010

As filed with the Securities and Exchange Commission on November 10, 2010

Registration No. 333-168953

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

AMENDMENT NO. 2 TO

FORM S-4 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Ascena Retail Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**5600**	**30-0641353**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

30 Dunnigan Drive
Suffern, New York 10901
(845) 369-4500
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

David R. Jaffe
President and Chief Executive Officer
Ascena Retail Group, Inc.
30 Dunnigan Drive
Suffern, New York 10901
(845) 369-4500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Julie M. Allen, Esq.
Steven L. Kirshenbaum, Esq.
Proskauer Rose LLP
1585 Broadway
New York, New York 10036
(212) 969-3000

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. £

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer S	Accelerated filer £	Non-accelerated filer £ (Do not check if a smaller reporting company)	Smaller reporting company £

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit[1]	Proposed maximum aggregate offering price[1]	Amount of registration fee[2]
Common Stock, par value $0.01 per share	78,969,486	$ 22.05	$ 1,741,277,166.30	$ 124,153.07

[1] Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(f)(1) and 457(c) of the Securities Act of 1933, as amended, based on the average high and low prices of The Dress Barn, Inc. common stock on the NASDAQ Global Select Market on August 16, 2010.

[2] $123,482.45 of the registration fee was previously

paid in connection with the initial filing of the Registration Statement on August 20, 2010.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

The proxy statement/prospectus that forms a part of this Registration Statement consists of (i) a proxy statement relating to the annual meeting of shareholders of The Dress Barn, Inc. (the Company) and (ii) a prospectus relating to the common stock of Ascena Retail Group, Inc. (Ascena).

Reference is made to the No-Action Letter issued to the Company by the Staff of the Office of Chief Counsel of the Division of Corporation Finance (the Staff) of the Securities and Exchange Commission (available August 13, 2010) and the Staff s concurrence with the Company s conclusion, among other things, that (i) the Reorganization (as defined herein) constitutes a succession for purposes of Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the Exchange Act), and that Ascena is deemed a large accelerated filer for purposes of Rule 12b-2 of the Exchange Act, (ii) actions taken by Ascena with respect to its assumption of obligations of the Company under certain stock-based benefit plans do not constitute actions that require disclosure of information under Item 10 of Schedule 14A of Regulation A promulgated under the Exchange Act and (iii) certain financial information required by Form S-4 may be omitted from this proxy statement/prospectus to the extent such information may be omitted pursuant to Instruction 4 of Item 14 of Schedule 14A under the Exchange Act.

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED November 10, 2010

PROXY STATEMENT/PROSPECTUS
A REORGANIZATION IS PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Fellow Shareholder:

On behalf of the board of directors, we are pleased to invite you to the 2010 annual meeting of shareholders of The Dress Barn, Inc. The meeting will be held on Friday, December 17, 2010, at 2:00 p.m. local time at our corporate offices, 30 Dunnigan Drive, Suffern, New York.

At the annual meeting, in addition to electing two directors, you will be asked to consider and vote on a proposal to reorganize our company into a holding company pursuant to which our present company will become a subsidiary of a new Delaware corporation named Ascena Retail Group, Inc., which we refer to in this proxy statement/prospectus as Ascena, and you will become a stockholder of this new Delaware holding company. We refer to this proposal in the proxy statement/prospectus as the reorganization proposal. You will also be asked to approve two additional proposals. The first is to approve the amendment and restatement of the Company s 2001 Stock Incentive Plan, as amended, which, if approved, will be renamed the 2010 Stock Incentive Plan. The second is to ratify the selection by the Audit Committee of the board of directors of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for the fiscal year ending July 30, 2011.

Upon completion of the reorganization, Ascena Retail Group, Inc. will, in effect, replace our present company as the publicly held corporation. Ascena Retail Group, Inc. and its subsidiaries will conduct all of the operations we currently conduct. Implementing the holding company structure will provide us with strategic, operational and financing flexibility, and incorporating the new holding company in Delaware will allow us to take advantage of the flexibility, predictability and responsiveness that Delaware corporate law provides.

Today, The Dress Barn, Inc., a Connecticut corporation, which we refer to in this proxy statement/prospectus as dressbarn, operates our dressbarn brand, while our acquired subsidiaries, Maurices Incorporated, a Delaware corporation, which we refer to herein as maurices, and Tween Brands, Inc., a Delaware corporation, which we refer to herein as Tween Brands, operate our maurices and Justice brands, respectively. Following the reorganization, Ascena will own dressbarn, maurices and Tween Brands as sister subsidiaries.

In the reorganization, your existing shares of dressbarn common stock will be converted automatically into shares of Ascena common stock. You will own the same number of shares of Ascena common stock as you now own of dressbarn common stock, and your shares will represent the same ownership percentage of Ascena as you have of dressbarn. In addition, the reorganization generally will be tax-free for dressbarn shareholders. Your rights as a stockholder of Ascena will be substantially the same as your rights as a shareholder of dressbarn, including rights as to voting and dividends.

We expect the shares of Ascena common stock to trade under the ticker symbol ASNA on the NASDAQ Global Select Market. Shares of dressbarn common stock are currently traded under the DBRN symbol on this exchange. On August 19, 2010, the last trading day before the announcement of the reorganization proposal, the closing price per dressbarn share was $22.21. On , 2010, the most recent trading day for which prices were available, the closing price per dressbarn share was $.

In order to implement the reorganization proposal, we need shareholders to adopt and approve the related reorganization agreement. Our board of directors has carefully considered the reorganization agreement, which provides for the merger of dressbarn and MergerCo and the related transactions described in this proxy statement/prospectus, and believes that it is advisable, fair to and in the best interest of our shareholders, and recommends that you vote **FOR** the reorganization proposal and **FOR** the other proposals described in this proxy statement/prospectus. Because adoption of the reorganization proposal requires the affirmative vote of holders of at least two-thirds of the outstanding shares entitled to vote at the annual meeting, your vote is important, no matter how many or how few shares you may own. Whether or not you plan to attend the annual meeting, please take the time to vote by completing, signing and mailing the enclosed proxy card in the postage-paid envelope provided or by voting by telephone or over the internet.

Your board of directors and management look forward to greeting those of you who are able to attend the annual meeting. For additional information about dressbarn, please see the enclosed Annual Report for the fiscal year ended July 31, 2010. The accompanying notice of meeting and this proxy statement/prospectus provide specific information about the annual meeting and explain the various proposals. Please read these materials carefully. **In particular, you should consider the discussion of risk factors beginning on page 13 before voting on the reorganization proposal.**

Thank you for your continued support of and interest in dressbarn.

David R. Jaffe
President and Chief Executive Officer

Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated November , 2010 and is being first mailed to dressbarn shareholders on or about November , 2010.

THE DRESS BARN, INC.
30 Dunnigan Drive
Suffern, New York 10901

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held On December 17, 2010

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders of The Dress Barn, Inc., a Connecticut corporation, will be held on Friday, December 17, 2010, at 2:00 p.m. local time at our corporate offices, 30 Dunnigan Drive, Suffern, New York 10901, to consider and take action upon the following matters, as more fully described in the proxy statement/prospectus accompanying this notice:

1. To consider and vote upon a proposal, which we refer to as the reorganization proposal, approving the Agreement and Plan of Reorganization, dated as of August 20, 2010, by and among The Dress Barn, Inc., Ascena Retail Group, Inc. and DB Merger Corp., which agreement is included in the accompanying proxy statement/prospectus as Annex I;

2. To elect as directors the two nominees named in the accompanying proxy statement/prospectus to serve on our board of directors for three-year terms and until their successors are duly elected and qualified;

3. To approve the amendment and restatement of the Company s 2001 Stock Incentive Plan,

as amended, which, if approved, will be renamed the 2010 Stock Incentive Plan;

4. To ratify the selection by the Audit Committee of the board of directors of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for the fiscal year ending July 30, 2011; and

5. To transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.

The board of directors has fixed the close of business on October 8, 2010 as the record date for the determination of the shareholders entitled to vote at the meeting or any adjournments or postponements thereof. Only shareholders of record at the close of business on that date will be entitled to notice of, and to vote at, the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS
By:
Elliot S. Jaffe
Chairman of the Board

Dated: November , 2010

YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING. HOWEVER, WHETHER OR NOT YOU PLAN TO BE PERSONALLY PRESENT AT THE MEETING, PLEASE MARK, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, OR VOTE BY TELEPHONE OR BY THE INTERNET. YOU MAY REVOKE YOUR PROXY CARD AT ANY TIME PRIOR TO THE ANNUAL MEETING. IF YOU ATTEND THE ANNUAL MEETING AND VOTE BY BALLOT, YOUR PROXY WILL BE REVOKED AUTOMATICALLY AND ONLY YOUR VOTE AT THE ANNUAL MEETING WILL BE COUNTED.

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about dressbarn from our Annual Report on Form 10-K for the year ended July 31, 2010 and from other documents that are not included in or being delivered with this proxy statement/prospectus. The incorporated information that is not included in or being delivered with this proxy statement/ prospectus is available to you without charge upon your written or oral request. You can obtain any document that is incorporated by reference in this proxy statement/prospectus, excluding all exhibits that have not been specifically incorporated by reference, on the investor relations page of our website at www.dressbarn.com or by requesting it in writing or by telephone from us at the following address or telephone number:

The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901
Telephone: (845) 369-4600
Attn: Investor Relations

If you would like to request any documents, please do so by November 30, 2010 in order to receive them before the annual meeting. See Where You Can Find More Information.

In addition, if you have any questions about the proposals, you may contact:

Innisfree M&A Incorporated
501 Madison Avenue
New York, New York 10022
Shareholders call toll-free: (877) 750-5836
Banks and brokers call collect: (212) 750-5833

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus and the registration statement of which this proxy statement/prospectus is a part to vote on the proposals being presented at the annual meeting. No one has been authorized to provide you with information that is different from what is contained in this document or in the incorporated documents.

This proxy statement/prospectus is dated November , 2010. You should not assume the information contained in this proxy statement/prospectus is accurate as of any date other than this date, and neither the mailing of this proxy statement/prospectus to shareholders nor the issuance of the Ascena common stock in the reorganization implies that information is accurate as of any other date.

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SUMMARY OF THIS PROXY STATEMENT/PROSPECTUS

In this proxy statement/prospectus, the terms we, us and our refer to The Dress Barn, Inc., the current Connecticut corporation, and its consolidated subsidiaries, prior to the completion of the proposed reorganization, and to Ascena Retail Group, Inc., the new Delaware corporation, and its consolidated subsidiaries, upon completion of the proposed reorganization, when the distinction between the two companies is not important to the discussion. When the distinction between the two companies is important to the discussion, we use the term Ascena to refer to Ascena Retail Group, Inc. and dressbarn to refer to The Dress Barn, Inc.

General

The enclosed proxy is solicited by the board of directors (the Board) of dressbarn for use at our annual meeting of shareholders to be held on Friday, December 17, 2010, at 2:00 p.m. local time at our corporate offices, 30 Dunnigan Drive, Suffern, New York 10901 (the Annual Meeting), and any and all adjournments or postponements thereof. This proxy statement/prospectus and form of proxy, along with our Annual Report for the fiscal year ended July 31, 2010, are being mailed to our shareholders on or about November , 2010. You are receiving a proxy statement and proxy card from us because our records indicate that you owned shares of our common stock on October 8, 2010, the record date for the meeting.

Our Board is soliciting your proxy to be used at the Annual Meeting. When you sign the proxy card, you appoint two of our directors, David R. Jaffe and Klaus Eppler, as your representatives at the Annual Meeting. One or both of these individuals, or a substitute if necessary, will vote your shares at the Annual Meeting as you have instructed them on the proxy card. If you sign and deliver your proxy card, but you do not provide voting instructions, your proxy representative will vote in favor of the two nominees for director and, subject to applicable rules and regulations, in favor of Proposals One, Three and Four, and with respect to any other matter that may be presented at the Annual Meeting, in the discretion of the proxy representative. This way, your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the Annual Meeting, we recommend that you complete, sign and return your proxy card in advance of the Annual Meeting as your plans may change.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2010 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 17, 2010

Copies of this proxy statement/prospectus and our Annual Report for the fiscal year ended July 31, 2010 are also available online at https://materials.proxyvote.com/261570.

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

When and where will the Annual Meeting take place?

The Annual Meeting will be held on Friday, December 17, 2010, at 2:00 p.m., at our corporate offices, 30 Dunnigan Drive, Suffern, New York.

What is the purpose of the Annual Meeting?

At our Annual Meeting, holders of our common stock will be asked to:

1. Consider and vote upon a proposal, which we refer to as the reorganization proposal, approving the Agreement and Plan of Reorganization, dated as of August 20, 2010, by and among The Dress Barn, Inc., Ascena Retail Group, Inc. and DB Merger Corp., which agreement is included in this proxy statement/prospectus as Annex I;

2. Elect as directors the two nominees named in this proxy statement/prospectus to serve on our Board of Directors for three-year terms and until their successors are duly elected and qualified;

3. Approve the amendment and restatement of the Company s 2001 Stock Incentive Plan, as amended, which, if approved, will be

renamed the 2010 Stock Incentive Plan;

4. Ratify the selection by the Audit Committee of the Board of Directors of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for the fiscal year ending July 30, 2011; and

5. Transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Could other matters be decided at the Annual Meeting?

Our bylaws require prior notification of a shareholder s intent to request a vote on other matters at the Annual Meeting. The deadline for notification has passed, and we are not aware of any other matters that could be brought before the Annual Meeting. However, if any other business is properly presented at the Annual Meeting, your vote by proxy gives authority to David R. Jaffe and Klaus Eppler, the persons referred to as proxy holders on the proxy card (or a substitute if necessary), to vote your shares on such matters at their discretion.

Who is entitled to attend the Annual Meeting?

All shareholders who owned our common stock at the close of business on October 8, 2010 (the Record Date), or their duly appointed proxies, may attend the Annual Meeting. Registration begins at 1:30 p.m.

Who is entitled to vote at the Annual Meeting?

All shareholders who owned our common stock at the close of business on the Record Date are entitled to attend and vote at the Annual Meeting and at any adjournment or postponement of the Annual Meeting.

How many votes do I have?

You have one vote for each share of our common stock that you owned on the Record Date.

How many votes must be present to hold the Annual Meeting?

The presence in person or by proxy of the holders of a majority of the outstanding shares of our common stock entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business at the Annual Meeting. Once a share of the Company s common stock is represented for any purpose at the Annual Meeting, it is deemed present for quorum purposes for

the Annual Meeting and for any adjournment of the Annual Meeting. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether there is a quorum. A broker non-vote occurs when a broker or nominee holding shares for a beneficial owner does not vote on a proposal because the broker or nominee does not have the necessary voting power for that proposal and has not received instructions from the beneficial owner. In order for us to determine that enough votes will be present to hold the Annual Meeting, we urge you to vote in advance by proxy even if you plan to attend the Annual Meeting.

Assuming a quorum is present, how many votes will be required to approve the proposals?

The reorganization proposal will be approved by the affirmative vote of the holders of at least two-thirds of the outstanding shares entitled to vote at the Annual Meeting;

A plurality of the votes cast at the Annual Meeting will elect the two nominees to serve as directors;

The proposal to approve the amendment and restatement of the Company s 2001 Stock Incentive Plan, as amended, which, if approved, will be renamed the 2010 Stock Incentive Plan, will be approved if the votes cast in favor of the proposal exceed the votes cast in opposition to the proposal; and

The proposal to ratify the appointment of the Independent Registered Public Accounting Firm will be approved if the votes cast in favor of the proposal exceed the votes cast in opposition to the proposal.

Abstentions and broker non-votes will have the same effect as a vote against the reorganization proposal. Abstentions and broker non-votes have no impact on the vote on any of the other proposals.

How many votes may be cast by all shareholders?

A total of 78,688,660 votes may be cast at the Annual Meeting, consisting of one vote for each share of our common stock outstanding on the Record Date.

How do I vote?

You may vote in person at the Annual Meeting or vote by proxy as described below.

If you vote by proxy, your shares will be voted at the Annual Meeting in the manner you indicate. If you sign and return your proxy card, but don t specify how you want your shares to be voted, they will be voted for the two nominees named under the caption PROPOSAL TWO ELECTION OF DIRECTORS, in favor of Proposals One, Three and Four, and, with respect to any other matter that may be presented at the Annual Meeting, in the discretion of the proxy holders named in your proxy card.

May I change or revoke my vote after I submit my proxy?

Yes. To change your vote previously submitted by proxy, you may:

cast a new vote by mailing a new proxy card with a later date; or

if you hold shares in your name, attend the Annual Meeting and vote in person.

If you wish to revoke rather than change your vote, written revocation must be received by our Corporate Secretary prior to the Annual Meeting.

What are the Board s voting recommendations?

Our Board recommends a vote:

FOR the reorganization proposal described under the caption PROPOSAL ONE THE REORGANIZATION PROPOSAL;

FOR the election of the two nominees named under the caption PROPOSAL TWO ELECTION OF DIRECTORS to serve as directors;

FOR the approval of the amendment and restatement of the Company s 2001 Stock Incentive Plan, as amended, which, if approved, will be renamed the 2010 Stock Incentive Plan, under the caption PROPOSAL THREE APPROVE THE AMENDMENT AND RESTATEMENT OF THE COMPANY S 2001 STOCK INCENTIVE PLAN, AS AMENDED; and

FOR the ratification of the Independent Registered Public Accounting Firm named under the caption PROPOSAL FOUR RATIFICATION OF THE ENGAGEMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

Unless you give other instructions on your proxy card, the persons referred to as proxy holders on the proxy card will vote in accordance with the recommendations of our Board.

What if I participate in the Company s 401(k) Savings Plan?

If you are a participant in the Company s 401(k) Savings Plan (the 401(k)) and own shares of the Company s common stock in your 401(k) account as of the Record Date, you will receive, with respect to the number of shares held for your account under the 401(k) as of the Record Date, a proxy card that will serve as a voting instruction to the trustee of the 401(k) with respect to shares held for your account. Unless the proxy card is signed and returned, shares held in your account under the 401(k) will not be voted.

What is the effect of a broker non-vote on the proposals to be voted on at the Annual Meeting?

A broker non-vote occurs if your shares are not registered in your name and you do not provide the record holder of your shares (usually a bank, broker, or other nominee) with voting instructions on a matter as to which, under NYSE rules, a broker may not vote without instructions from you, but the broker nevertheless provides a proxy. A broker non-vote is considered present for purposes of determining whether a quorum exists, but is not considered a vote cast or entitled to vote with respect to such matter.

Under NYSE rules, the election of directors and Proposals One (the reorganization proposal) and Three (amendment and restatement of the Company s 2001 Stock Incentive Plan, as amended) are not matters on which a broker may vote without your instructions. Therefore, if you do not provide instructions to the record holder of your shares with respect to the election of our directors and Proposals One and Three, a broker non-vote as to your shares will result. The ratification of the appointment of independent accountants is a routine item under NYSE rules. As a result, brokers who do not receive instructions as to how to vote on that matter generally may vote on that matter in their discretion.

Broker non-votes will have the same effect as a vote against the reorganization proposal. Broker non-votes have no impact on the vote on any of the other proposals.

If your shares are held of record by a bank, broker or other nominee, we urge you to give instructions to your bank, broker or other nominee as to how you wish your shares to be voted so you may participate in the shareholder voting on these important matters.

How can I attend the Annual Meeting?

Shareholders as of the close of business on the Record Date may attend the Annual Meeting. You may obtain directions to the location of the Annual Meeting by contacting Innisfree M&A Incorporated at (877) 750-5836.

What happens if the Annual Meeting is postponed or adjourned?

If the Annual Meeting is postponed or adjourned, your proxy will remain valid and may be voted when the Annual Meeting is convened or reconvened. You may change or revoke your proxy until it is voted.

Will your independent registered public accounting firm participate in the Annual Meeting?

Yes. Our independent registered public accounting firm is Deloitte & Touche LLP. A representative of Deloitte & Touche LLP will be present at the Annual Meeting, will be available to answer any questions you may have and will have the opportunity to make a statement.

Are members of the Board required to attend the Annual Meeting?

Directors are encouraged, but not required, to attend the Annual Meeting. All of our directors attended the 2009 Annual Meeting of Shareholders.

Who will pay the expenses incurred in connection with the solicitation of my vote?

We pay all costs and expenses related to preparation of these proxy materials and solicitation of your vote and all Annual Meeting expenses. We have retained Innisfree M&A Incorporated, a proxy solicitation firm, to assist in the solicitation of proxies from shareholders for an estimated fee of approximately $20,000, plus reimbursement for certain out-of-pocket expenses. In addition to soliciting proxies by mail, we may solicit proxies by telephone and personal contact. None of our directors, officers or employees will be specially compensated for these activities. We reimburse brokers, fiduciaries and custodians for their costs in forwarding proxy materials to beneficial owners of our common stock, but we will not pay any compensation for their services.

Why did I receive more than one set of proxy materials?

You may receive multiple sets of proxy materials if you hold your shares of our common stock in multiple accounts (such as through a brokerage account and an employee benefit plan, such as the 401(k) plan). **To ensure all your shares are represented at the Annual Meeting, please vote your shares as instructed in each proxy or instruction card you receive.**

If your household is receiving multiple copies of our annual reports or proxy statements and you wish to request delivery of a single copy, you may send a written request to: **The Dress Barn, Inc., 30 Dunnigan Drive, Suffern, New York 10901, Attention: Investor Relations.**

How do I obtain a separate set of proxy materials if I share an address with other shareholders?

In order to reduce printing and postage costs, only one annual report and proxy statement is being delivered to multiple shareholders sharing an address unless we received contrary instructions from one or more of the shareholders sharing that address. If your household has received only one annual report and one proxy statement, we will deliver promptly a separate copy of the annual report and the proxy statement to any shareholder who sends a written request to: **The Dress Barn, Inc., 30 Dunnigan Drive, Suffern, New York 10901, Attention: Investor Relations.** If you wish to receive a separate annual report and proxy statement in the future, you can notify us by mailing a written request to the address above or by calling our Investor Relations Department at (845) 369-4600.

Can I view these proxy materials electronically?

Yes. You may access the proxy statement and our annual report on our website at https://materials.proxyvote.com/261570. You can view all of our other filings with the Securities and Exchange

Commission (the SEC) on our website at www.dressbarn.com.

How can I receive copies of the Company s year-end SEC filings?

We will furnish without charge to any shareholder who requests, in writing, a copy of this proxy statement/prospectus and/or our Annual Report on Form 10-K, including financial statements and related schedules, for the fiscal year ended July 31, 2010, as filed with the SEC. Any such request should be directed to **The Dress Barn, Inc., 30 Dunnigan Drive, Suffern, New York 10901, Attention: Investor Relations.**

How do shareholders submit proposals for the Company s 2011 Annual Meeting of Shareholders?

You may present matters for consideration at our next annual meeting either by: (i) having the matter included in our proxy statement and listed on our proxy card, or (ii) giving us timely advance notice of your intention to properly bring other business before the meeting.

To have your proposal included in our proxy statement and listed on our proxy card for the 2011 Annual Meeting of Shareholders, you must comply with Rule 14a-8, as promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act).

To submit any other matter to a vote at the 2011 Annual Meeting of Shareholders (other than a shareholder proposal to be included in the Company s proxy materials, as described in the paragraph above), we must receive written notification of your proposal by July 5, 2011 and such proposal must otherwise comply with the advance notice provision and other requirements of (i) prior to the completion of the reorganization, dressbarn s amended and restated bylaws, which are on file with the SEC (as Exhibit 3.4 to the Company s Annual Report on Form 10-K filed with the SEC on September 24, 2008), and (ii) following the completion of the reorganization, the bylaws of Ascena, a copy of which is included in this proxy statement/prospectus as Annex III, and each of which may be obtained from us upon written request. The bylaws of Ascena contain the same advance notice provision as dressbarn s amended and restated bylaws.

Whether you desire to have your proposal included in the Company s proxy statement for the 2011 Annual Meeting of Shareholders or otherwise brought before such meeting, you may submit your proposal in writing to: **The Dress Barn, Inc., 30 Dunnigan Drive, Suffern, New York 10901, Attention: Investor Relations.**

Can I see a list of shareholders entitled to vote at the Annual Meeting?

A complete list of the shareholders entitled to vote at the Annual Meeting is available for inspection at the principal office of the Company upon written request to the Company by a shareholder, and at all times during the Annual Meeting at the place of the Annual Meeting.

QUESTIONS AND ANSWERS ABOUT THE HOLDING COMPANY REORGANIZATION

What is the reorganization proposal?

We are asking you to approve an agreement and plan of reorganization (the Reorganization Agreement) that would result in our reorganization into a Delaware holding company. Under the Reorganization Agreement, The Dress Barn, Inc., a Connecticut corporation, will merge with DB Merger Corp., a Connecticut corporation, with dressbarn surviving the merger as a wholly owned subsidiary of Ascena Retail Group, Inc., a Delaware corporation. Immediately following the merger, as part of the reorganization, dressbarn will distribute the stock of maurices and Tween Brands to Ascena. Ascena will then own dressbarn, maurices and Tween Brands as sister subsidiaries.

Upon completion of the reorganization, Ascena will, in effect, replace our present company as the publicly held corporation. Ascena and its subsidiaries will conduct all of the operations we currently conduct. As a result of the reorganization, the current shareholders of dressbarn will become stockholders of Ascena with the same number and percentage of shares of Ascena as they hold of dressbarn prior to the reorganization. The Reorganization Agreement, which sets forth the plan of reorganization and is the primary legal document that governs the reorganization, is attached as Annex I to this proxy statement/prospectus. You are encouraged to read the Reorganization Agreement carefully.

Why are you forming a holding company?

We are forming a holding company in Delaware to:

- better align our corporate structure with our business operations;

- provide us with greater strategic, business and administrative flexibility, which may allow us to acquire or form other businesses, if and when appropriate and feasible, that may be owned and operated by us, but which could be separate from our current businesses; and

take advantage of the benefits of Delaware corporate law.

To review the reasons for our reorganization in greater detail, see Reasons for the Reorganization; Recommendation of our Board, on page 15.

What will happen to my stock?

In the reorganization, your shares of common stock will automatically be converted into the same number of shares of common stock of Ascena. As a result, you will become a stockholder of Ascena and will own the same number and percentage of shares of Ascena common stock that you now own of dressbarn common stock. We expect that Ascena common stock will be listed on the NASDAQ Global Select Market under the symbol ASNA.

How will being an Ascena stockholder be different from being a dressbarn shareholder?

After the reorganization, you will own the same number and percentage of shares of Ascena common stock that you owned of dressbarn common stock immediately prior to the reorganization. You will own shares of a Delaware holding company that owns our operating businesses. In addition, as a stockholder of Ascena, your rights will be governed by Delaware corporate law and the charter documents of the Delaware corporation. Your rights as a stockholder of Ascena will be substantially the same as your rights as a shareholder of dressbarn, including rights as to voting and dividends. For more information, see Description of Ascena Capital Stock, Description of dressbarn Capital Stock and Comparative Rights of Holders of Ascena Capital Stock and dressbarn Capital Stock.

Will the management or the business of the company change as a result of the reorganization?

No. The management and business of our company will remain the same after the reorganization.

What will the name of the public company be following the reorganization?

The name of the public company following the reorganization will be Ascena Retail Group, Inc.

Will the company s CUSIP number change as a result of the reorganization?

Yes. Following the reorganization the company s CUSIP number will be 04351G101.

Will I have to turn in my stock certificates?

No. Do not turn in your stock certificates. We will not require you to exchange your stock certificates as a result of the reorganization. After the reorganization, your dressbarn common stock certificates will represent the same number of shares of Ascena common stock.

Will the reorganization affect my U.S. federal income taxes?

The proposed reorganization is intended to be a tax-free transaction under U.S. federal income tax laws. We expect that you will not recognize any gain or loss for U.S. federal income tax purposes upon your receipt of Ascena common stock in exchange for your shares of dressbarn common stock in the reorganization; however, the tax consequences to you will depend on your own situation. You should consult your own tax advisors concerning the specific tax consequences of the reorganization to you, including any state, local or foreign tax consequences of the reorganization. For further information, see Material U.S. Federal Income Tax Consequences.

How will the reorganization be treated for accounting purposes?

For accounting purposes, our reorganization into a holding company structure will be treated as a merger of entities under common control. The accounting treatment for such events is similar to the former pooling of interests method. Accordingly, the consolidated financial position and results of operations of dressbarn will be included in the consolidated financial statements of Ascena on the same basis as currently presented.

What vote is required to approve the reorganization proposal?

The required vote is the affirmative vote of holders of at least two-thirds of the outstanding shares entitled to vote at the Annual Meeting.

What percentage of the outstanding shares do directors and executive officers hold?

On November , 2010, directors, executive officers and their affiliates beneficially owned approximately % of our outstanding shares of common stock.

If the shareholders approve the reorganization, when will it occur?

We plan to complete the reorganization on or about January 1, 2011, provided that our shareholders approve the reorganization and all other conditions to completion of the reorganization are satisfied.

Do I have dissenters (or appraisal) rights?

No. Holders of dressbarn common stock do not have dissenters rights under Connecticut law as a result of the reorganization even if the reorganization is approved by our shareholders.

Why is the authorized capital of Ascena greater than the authorized capital of dressbarn?

dressbarn s amended and restated certificate of incorporation currently authorizes the issuance of 165,000,000 shares of common stock and 100,000 shares of preferred stock. Ascena s second amended and restated certificate of incorporation, which would govern the rights of the Company s stockholders as a result of the reorganization, currently authorizes the issuance of 375,000,000 shares of common stock and 100,000 shares of preferred stock. Upon completion of the reorganization, the number of shares of Ascena common stock that will be outstanding will be equal to the number of shares of dressbarn common stock outstanding immediately prior to the reorganization.

The Board believes that the increase to 375,000,000 authorized shares of common stock is desirable so that, as the need may arise, the Company will have the flexibility to issue shares without additional expense or delay in connection with possible future stock dividends or stock splits, equity financings, future opportunities for expanding the Company s business through investments or acquisitions, management incentive and employee benefit plans and for other general corporate purposes. If the increase in the number of authorized shares of common stock is not effected, the Company would not have the benefit of this flexibility in the future. As of the date of this proxy statement/prospectus, the Board has not taken any action to issue any of the additional authorized shares for any such purposes. The number of shares authorized for issuance under the Company s equity compensation plans as of July 31, 2010 is set forth on page 90 of this proxy statement/prospectus. No other shares are presently reserved for any other purpose.

Whom do I contact if I have questions about the reorganization proposal?

You may contact our proxy solicitor:

Innisfree M&A Incorporated
501 Madison Avenue
New York, New York 10022
Shareholders call toll-free: (877) 750-5836
Banks and brokers call collect: (212) 750-5833

or us:

The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901
Telephone: (845) 369-4600
Attn: Investor Relations

SUMMARY OF THE REORGANIZATION PROPOSAL

This section highlights key aspects of the reorganization proposal, including the Reorganization Agreement, that are described in greater detail elsewhere in this proxy statement/prospectus. It does not contain all of the information that may be important to you. To better understand the reorganization proposal, and for a more complete description of the legal terms of the Reorganization Agreement, you should read this entire document carefully, including the Annexes, and the additional documents to which we refer you. You can find information with respect to these additional documents in   Where You Can Find More Information.

The Principal Parties

The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901
Telephone: (845) 369-4500

The Dress Barn, Inc., or   *dressbarn,*   is a leading national specialty apparel retailer offering quality casual and career women s apparel at value prices through its **dressbarn** and **maurices** brands and tween girls   fashion apparel and accessories through its **Justice** brand. Since our retail business began in 1962, we have established, marketed and expanded our brands as a source of fashion and value. In January 2005, we acquired maurices and on November 25, 2009, we completed our acquisition of Tween Brands, the operator of **Justice.**

As of July 31, 2010, we operated 833 **dressbarn** stores in 47 states, 757 **maurices** stores in 44 states and 890 **Justice** stores in 46 states and Puerto Rico. **Justice** also has 34 international franchise stores located in the following countries: Saudi Arabia; the United Arab Emirates; Kuwait; Qatar; Bahrain; Jordan; and Russia.

In connection with the reorganization, dressbarn will merge with MergerCo, with dressbarn surviving the merger as a wholly owned subsidiary of Ascena. After the reorganization, dressbarn will continue to engage in the business currently conducted by dressbarn, and all of dressbarn s contractual, employment and other business relationships will generally continue unaffected by the reorganization, except that immediately following the merger, dressbarn will distribute the stock of its subsidiaries, maurices and Tween Brands, to Ascena and its executive management team and certain corporate-level employees will become employees of Ascena.

We are a Connecticut corporation. Our headquarters are located at 30 Dunnigan Drive, Suffern, New York 10901, and the telephone number at this location is (845) 369-4500. Information about us is available on our website at www.dressbarn.com. The contents of our website is not incorporated by reference herein and is not deemed to be part of this proxy statement/prospectus.

Ascena Retail Group, Inc.
30 Dunnigan Drive
Suffern, New York 10901
Telephone: (845) 369-4500

Ascena Retail Group, Inc., or   *Ascena,*   was formed as a wholly owned subsidiary of dressbarn in order to effect the reorganization. Prior to the reorganization, Ascena will have no assets or operations other than those incident to its formation.

DB Merger Corp.
30 Dunnigan Drive
Suffern, New York 10901
Telephone: (845) 369-4500

DB Merger Corp., or *MergerCo*, was formed as a wholly owned subsidiary of Ascena in order to effect the reorganization. Prior to the reorganization, MergerCo will have no assets or operations other than those incident to its formation.

What You Will Receive in the Reorganization (Page 17)

In the reorganization, each outstanding share of common stock of dressbarn will be converted automatically into one share of common stock of Ascena. In addition, each outstanding option to purchase shares of dressbarn common stock, if not exercised before the completion of the reorganization, will become an option to acquire, at the same exercise price, an identical number of shares of Ascena common stock. Each outstanding restricted stock award (or any performance award payable in restricted stock) will become an award of restricted stock (or a performance award payable in restricted stock) in an identical number of shares of Ascena common stock. Finally, participants in the Company s Employee Stock Purchase Plan will be entitled to receive shares of Ascena common stock in accordance with the terms of the plan, and shares of common stock of dressbarn currently held in the plan will be converted into shares of common stock of Ascena.

On the Record Date, there were outstanding 78,688,660 shares of dressbarn common stock and 281,100 unvested shares of dressbarn restricted stock, as well as options representing an aggregate of 8,100,571 shares of dressbarn common stock.

Conditions to Completion of the Reorganization (Page 18)

The completion of the reorganization depends on the satisfaction or waiver of a number of conditions, including, but not limited to, the following:

absence of any stop order suspending the effectiveness of the registration statement, of which this proxy statement/prospectus forms a part, relating to the shares of Ascena common stock to be issued in the reorganization;

approval and adoption of the Reorganization Agreement by dressbarn s shareholders;

receipt of approval for listing on the NASDAQ Global Select Market of shares of Ascena common stock to be issued in the reorganization;

absence of any order or proceeding that would prohibit or make illegal completion of the reorganization; and

receipt by dressbarn and Ascena of a legal opinion of Proskauer Rose LLP with respect to the material U.S. federal income tax consequences of the reorganization.

Termination of the Reorganization Agreement (Page 18)

We may terminate the Reorganization Agreement, even after adoption by our shareholders, if our Board determines to do so for any reason.

Board of Directors and Executive Officers of Ascena Following the Reorganization (Page 20)

The board of directors of Ascena presently consists of the same persons comprising the dressbarn Board and it is expected that the Ascena board of directors will remain the same following the reorganization. Ascena expects that its executive officers following the reorganization will be the same as those of dressbarn immediately prior to the reorganization.

Markets and Market Prices

Ascena common stock is not currently traded on any stock exchange. dressbarn common stock is traded under the symbol DBRN on the NASDAQ Global Select Market, and we expect Ascena common stock to trade on the NASDAQ Global Select Market under the symbol ASNA following the reorganization. On August 19, 2010, the last trading day before the announcement of the reorganization proposal, the closing price per dressbarn share was $22.21. On , 2010, the most recent trading day for which prices were available, the closing price per dressbarn share was $.

Certain Financial Information

We have not included pro forma financial comparative per share information concerning dressbarn that gives effect to the reorganization because, immediately after the completion of the reorganization, the consolidated financial statements of Ascena will be the same as dressbarn s consolidated financial statements immediately prior to the reorganization, and the reorganization will result in the conversion of each share of dressbarn common stock into one share of Ascena common stock. In addition, we have not provided financial statements of Ascena because, prior to the reorganization, it will have no assets, liabilities or operations other than incident to its formation.

RISK FACTORS

In considering whether to vote in favor of the reorganization proposal, you should consider all of the information we have included in this proxy statement/prospectus, including its Annexes, and all of the information included in the documents we have incorporated by reference, including our Annual Report on Form 10-K for the year ended July 31, 2010 and the risk factors described in the other documents incorporated by reference. In addition, you should pay particular attention to the risks described below.

Our Board may choose to defer or abandon the reorganization.

Completion of the reorganization may be deferred or abandoned, at any time, by action of our Board, whether before or after the Annual Meeting. While we currently expect the reorganization to take place on or about January 1, 2011, assuming that the proposal to approve and adopt the Reorganization Agreement is approved at the Annual Meeting, the Board may defer completion or may abandon the reorganization because of any determination by our Board that the reorganization would not be in the best interests of dressbarn or its shareholders or that the reorganization would have material adverse consequences to dressbarn or its shareholders.

We may not obtain the expected benefits of our reorganization into a holding company.

We believe our reorganization into a holding company will provide us with benefits in the future. These expected benefits may not be obtained if market conditions or other circumstances prevent us from taking advantage of the strategic, business and financing flexibility that it affords us. As a result, we may incur the costs of creating the holding company without realizing the possible benefits.

As a holding company, Ascena will depend in large part on dividends from its operating subsidiaries to satisfy its obligations.

After the completion of the reorganization, Ascena will be a holding company with no business operations of its own. Its only significant assets will be the outstanding capital stock of its subsidiaries, which will initially be dressbarn, maurices and Tween Brands. As a result, it will rely on funds from its current subsidiaries and any subsidiaries that it may form in the future to meet its obligations.

The market for Ascena shares may differ from the market for dressbarn shares.

Although it is anticipated that the Ascena common shares will be authorized for listing on the NASDAQ Global Select Market, the market prices, trading volume and volatility of the Ascena shares could be different from those of the dressbarn shares.

The proposed reorganization into a holding company may result in substantial direct and indirect costs whether or not completed.

The reorganization may result in substantial direct costs. These costs and expenses are expected to consist primarily of attorneys fees, accountants fees, filing fees and financial printing expenses and will be substantially incurred prior to the vote of our shareholders. The reorganization may also result in certain indirect costs by diverting the attention of our management and employees from our business and by increasing our administrative costs and expenses. These administrative costs and expenses will include keeping separate records and in some cases making separate regulatory filings for each of Ascena and each of its subsidiaries. The reorganization may also result in certain state sales taxes and other transfer taxes.

Although we expect to receive an opinion of counsel with respect to the material U.S. federal income tax consequences of the distribution of maurices and Tween Brands stock to Ascena from

dressbarn, the Internal Revenue Service or state or local tax authorities may disagree with the conclusions in that opinion, which could result in material tax liability to dressbarn or Ascena.

We expect that the distribution of maurices and Tween Brands stock to Ascena by dressbarn will not result in any tax liability to dressbarn or Ascena and to receive an opinion of Proskauer Rose LLP to that effect. However, this opinion will not be binding on the Internal Revenue Service or state or local tax authorities, which could take the position that the distribution does not constitute a tax-free transaction. In such case, dressbarn may be treated as having instead made a taxable distribution, which could result in material tax liability to dressbarn or Ascena.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this proxy statement/prospectus and in documents incorporated by reference in this proxy statement/prospectus contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act, which represent our management s beliefs and assumptions concerning future events. When used in this proxy statement/prospectus and in documents incorporated herein by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations, beliefs, intentions or future strategies that are signified by the words expects, anticipates, intends, plans, believes, estimates, predicts, potential, ma the negative of these terms or other comparable terminology. These forward- looking statements are subject to risks, uncertainties and assumptions that could cause our actual results and the timing of certain events to differ materially from those expressed in the forward-looking statements.

You should understand that many important factors, in addition to those discussed or incorporated by reference in this proxy statement/prospectus, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include those described in this proxy statement/prospectus under Risk Factors, and those identified in our Annual Report on Form 10-K for the year ended July 31, 2010 and in the other documents incorporated by reference. In light of these risks and uncertainties, the forward-looking results discussed or incorporated by reference in this proxy statement/prospectus might not occur.

PROPOSAL ONE

THE REORGANIZATION PROPOSAL

This section of the proxy statement/prospectus describes the reorganization proposal. Although we believe that the description in this section covers the material terms of the reorganization proposal, this summary may not contain all of the information that is important to you. The summary of the material provisions of the Reorganization Agreement provided below is qualified in its entirety by reference to the Reorganization Agreement, which we have attached as Annex I to this proxy statement/prospectus and which we incorporate by reference into this proxy statement/prospectus. You should carefully read the entire proxy statement/prospectus and the Reorganization Agreement for a more complete understanding of the reorganization proposal. Your approval of the reorganization proposal will constitute your approval and adoption of the Reorganization Agreement, the reorganization, the second amended and restated certificate of incorporation of Ascena and the bylaws of Ascena.

Reasons for the Reorganization; Recommendation of our Board

At a meeting of the Board held on August 20, 2010, the Board concluded that the reorganization is advisable, determined that the terms of the Reorganization Agreement are fair to and in the best interest of dressbarn and its shareholders and adopted and approved the Reorganization Agreement.

During the course of its deliberations, our Board consulted with management and outside legal counsel and considered a number of positive factors, including the following:

Possible Future Strategic and Business Flexibility of the Holding Company Structure. We believe the holding company structure could facilitate future expansion of our business by providing a more flexible structure for acquiring other businesses or entering into joint ventures while continuing to keep the operations and risks of our other businesses separate. Although we have no present plans or any arrangements, understandings or agreements to make any acquisitions or enter into any joint ventures, we may do so in the future. In addition, if the cash generated over time by our businesses was determined by our Board to be greater than the amount necessary for the operation or capital needs of those businesses, this cash could be transferred to a separate corporate entity owned by the holding company and invested as our Board believes to be appropriate. Furthermore, implementing the holding company structure may reduce the risk that liabilities of our core businesses and other businesses, if any, that may be operated in the future by separate subsidiaries would be attributed to each other.

Possible Future Financing Flexibility of the Holding Company Structure. We believe that a holding company structure may be beneficial to stockholders in the future because it would permit the use of financing techniques that are more readily available to companies that hold a variety of diversified businesses under one corporate umbrella, without any impact on our capital structure. For example, Ascena, in addition to receiving dividends, as and when permitted, from its current and future subsidiaries, if any, would be able to obtain funds through its own debt or equity financings, and

Ascena s subsidiaries would be able to obtain funds through their own financings, which may include the issuance of debt or equity securities, and other entities within the holding company organization may obtain funds from Ascena, other affiliates or their own outside financings. However, we have no current plans to seek additional financing at this time.

Predictability, Flexibility and Responsiveness of Delaware Law to Corporate Needs. For many years, Delaware has followed a policy of encouraging incorporation in that state and has adopted comprehensive, modern and flexible corporate laws, which are updated regularly to meet changing business needs. As a result of this deliberate policy to provide a hospitable climate for corporate development, many major public corporations have chosen Delaware for their domicile. In addition, the Delaware courts have developed considerable expertise in dealing with corporate issues relating to public companies. Thus, a substantial body of case law has developed construing Delaware corporate law and establishing legal principles and policies regarding publicly held Delaware corporations. We believe that, for these reasons, Delaware law will provide greater legal predictability with respect to our corporate legal matters than we have under Connecticut law. We further believe that Delaware law will provide greater efficiency, predictability and flexibility in our public Company s legal affairs than is presently available under Connecticut law.

Attractiveness of Delaware Law to Directors and

Officers. We believe that organizing under Delaware law will enhance our ability to attract and retain qualified directors and officers. The corporate law of Delaware, including its extensive body of case law, offers directors and officers of public companies more certainty and stability. Under Delaware law, the parameters of director and officer liability are more clearly defined and better understood than under Connecticut law. To date, we have not experienced difficulty in retaining directors or officers, but directors of public companies are exposed to significant potential liability. We therefore believe that providing the benefits afforded directors by Delaware law will enable us to compete more effectively with other public companies in the recruitment of talented and experienced directors and officers. At the same time, we believe that Delaware law regarding corporate fiduciary duties provides appropriate protection for our stockholders from possible abuses by directors and officers. In addition, under Delaware law, directors personal liability cannot be eliminated for:

any breach of the director s duty of

loyalty to the corporation or its stockholders,

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,

unlawful payment of dividends or unlawful repurchases or redemptions of stock, or

any transactions from which the director derived an improper personal benefit.

In addition to the positive factors described above, our Board also considered the following potential negative factor associated with the reorganization proposal:

Increased Costs and Expenses Associated with Implementing the Reorganization Proposal and Administering a Holding Company Structure. The reorganization may result in substantial direct costs. These costs and expenses are expected to consist primarily of attorneys fees, accountants fees, filing fees and financial printing expenses and will be substantially incurred prior to the vote of our shareholders. The reorganization may also result in certain indirect costs by diverting the attention of our management and employees from our business and increasing our administrative costs and expenses. These administrative costs and expenses will include keeping separate records and in some cases making separate regulatory filings for each of Ascena and its current and future subsidiaries. The reorganization may also result in certain state sales taxes and other transfer taxes.

After careful consideration, our Board has determined that creation of a holding company offers a net benefit to our shareholders. The Board has approved the reorganization proposal, determined that the terms of the Reorganization Agreement and the reorganization are advisable and in the best interest of our shareholders, and has adopted and approved the Reorganization Agreement. Our Board recommends that our shareholders vote FOR adoption and approval of the Reorganization Agreement at the Annual Meeting.

Reorganization Procedure

dressbarn currently owns all of the issued and outstanding common stock of Ascena, Ascena currently owns all of the issued and outstanding common stock of MergerCo, the subsidiary formed for purposes of completing the proposed reorganization, and dressbarn owns all of the issued and outstanding common stock of maurices and Tween Brands. Following the approval of the Reorganization Agreement by the dressbarn shareholders and the satisfaction or waiver of the other conditions specified in the Reorganization Agreement (which are described below), dressbarn will merge with MergerCo, the subsidiary of Ascena. As a result of this merger:

dressbarn will be the surviving corporation, and the separate corporate existence of MergerCo will cease.

Each outstanding share of dressbarn common stock will automatically convert into one share of Ascena common stock, as described below, and the current shareholders of dressbarn will become the stockholders of Ascena.

Ascena will own all of dressbarn s common stock and each share of Ascena common stock now held by dressbarn will be cancelled.

The result of the reorganization will be that your current company, dressbarn, will be merged with MergerCo and dressbarn will become a subsidiary of Ascena. Ascena s second amended and restated certificate of incorporation is included as Annex II to this proxy statement/prospectus, and a copy of Ascena s bylaws is included as Annex III to this proxy statement/prospectus. For more information regarding your rights as a shareholder before and after the reorganization see Description of Ascena Capital Stock, Description of dressbarn Capital Stock and Comparative

Rights of Ascena Capital Stock and dressbarn Capital Stock.

Immediately following the merger, as part of the reorganization, dressbarn will distribute the stock of its subsidiaries, maurices and Tween Brands, to Ascena. As a result, dressbarn, maurices and Tween Brands will all be first-tier subsidiaries of Ascena.

In all other respects, your company will remain the same. The current directors and executive officers of dressbarn will continue as directors and executive officers of Ascena. In addition, our current business and operations will remain the same.

What dressbarn Shareholders Will Receive in the Reorganization

Each share of dressbarn common stock will convert into one share of Ascena common stock. After the completion of the reorganization, you will own the same number and percentage of shares of Ascena common stock as you currently own of dressbarn common stock.

dressbarn Stock Options and Other Rights to Receive dressbarn Stock

Each of the outstanding options to acquire shares of dressbarn common stock in the aggregate will become options to acquire, on the same terms and conditions as before the reorganization, an identical number of shares of Ascena common stock. Each outstanding restricted stock award (or any performance award payable in restricted stock) will become an award of restricted stock (or a performance award payable in restricted stock) in an identical number of shares of Ascena common stock. On the Record Date, there were outstanding options representing an aggregate of 8,100,571 shares of dressbarn common stock and 281,100 unvested shares of dress barn restricted stock (including the number of shares of restricted stock payable under performance awards). dressbarn s existing stock-based compensation plans, which include the Company s 2001 Stock Incentive Plan, 2005 Employee Stock Purchase Plan, 401(k) Profit Sharing Retirement Savings Plan, 1995 Stock Option Plan and 1993 Incentive Stock Option Plan (collectively the dressbarn Plans), provide that plan participants will be entitled to receive shares of Ascena common stock rather than shares of dressbarn common stock, on the same terms otherwise provided for in the respective plans.

Corporate Name Following the Reorganization

The name of the public company following the reorganization will be Ascena Retail Group, Inc.

No Exchange of Stock Certificates

In the reorganization, your shares of dressbarn common stock will be converted automatically into shares of Ascena common stock. Your certificates of dressbarn common stock, if any, will represent, from and after the reorganization, an equal number of shares of Ascena common stock, and no action with regard to stock certificates will be required on your part. We expect to send you a notice after the reorganization is completed specifying this and other relevant information.

Conditions to Reorganization

We will complete the reorganization only if each of the following conditions is satisfied or waived:

- absence of any stop order suspending the effectiveness of the registration statement, of which this proxy statement/prospectus forms a part, relating to the shares of Ascena common stock to be issued in the reorganization;
- approval and adoption of the Reorganization Agreement by dressbarn s shareholders;
- receipt of approval for listing on the NASDAQ Global Select Market of shares of Ascena common stock to be issued in the reorganization;
- absence of any order or proceeding that would prohibit or make illegal completion of the reorganization; and
- receipt by dressbarn and Ascena of a legal opinion of Proskauer Rose LLP with respect to the material U.S. federal income tax consequences of the reorganization.

Effectiveness of Reorganization

The reorganization will become effective on the date we file a certificate of merger with the Secretary of State of the State of Connecticut or a later date that we specify therein. We will file the certificate when the conditions to the reorganization described above have been satisfied or waived. We expect that we will specify in the certificate that the reorganization will be effective on or about January 1, 2011.

Termination of Reorganization Agreement

The Reorganization Agreement may be terminated at any time prior to the completion of the reorganization (even after adoption by our shareholders) by action of the Board if it determines that for any reason the completion of the transactions provided for therein would be inadvisable or not in the best interest of our company or our shareholders.

Amendment of Reorganization Agreement

The Reorganization Agreement may, to the extent permitted by the Connecticut Business Corporation Act (the CBCA), be supplemented, amended or modified at any time prior to the completion of the reorganization (even after adoption by our shareholders), by the mutual consent of the parties thereto.

Material U.S. Federal Income Tax Consequences

The following discussion summarizes the material U.S. federal income tax consequences of the reorganization to U.S. holders of dressbarn common stock. This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended (the Code), current and proposed Treasury regulations and judicial and administrative decisions and rulings as of the date of this proxy statement/prospectus, all of which are subject to change (possibly with retroactive effect) and all of which are subject to differing interpretation. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to you in light of your particular circumstances or to persons subject to special treatment under U.S. federal income tax laws. In particular, this discussion deals only with shareholders that hold dressbarn common stock as capital assets within the meaning of the Code. In addition, this discussion does not address the tax treatment of special classes of shareholders, such as banks, insurance companies, tax-exempt organizations, financial institutions, broker-dealers, persons holding dressbarn stock as part of a hedge, straddle or other risk reduction, constructive sale or conversion transaction, U.S. expatriates, persons subject to the alternative minimum tax and persons who acquired dressbarn stock in compensatory transactions. If you are not a U.S. holder (as defined below), this discussion does not apply to you.

As used in this summary, a U.S. holder is:

an individual U.S. citizen or resident alien;

a corporation, partnership or other entity created or organized under U.S. law (federal or state);

an estate whose worldwide income is subject to U.S. federal income tax; or

a trust if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or certain trusts formed prior to August 20, 1996, if such trust has a valid election in effect to be treated as a domestic trust for U.S. federal income tax purposes.

If a partnership (including, for this purpose, any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of dressbarn common stock, the U.S. federal income tax consequences to a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of dressbarn common stock that is a partnership, and the partners in such partnership, should consult their own tax advisors regarding the U.S. federal income tax consequences of the reorganization.

ALL HOLDERS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE REORGANIZATION TO THEIR PARTICULAR SITUATION, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE AND LOCAL, FOREIGN AND OTHER TAX LAWS.

The obligation of dressbarn to complete the reorganization is conditioned upon, among other things, dressbarn and Ascena having received a legal opinion from Proskauer Rose LLP, dated as of the completion of the reorganization, that the merger will constitute an exchange of dressbarn common stock for Ascena common stock governed by Section 351 of the Code, as well as a reorganization within the meaning of Section 368(a) of the Code, and, therefore, no gain or loss will be recognized by the shareholders of dressbarn upon the receipt of Ascena common stock pursuant to the merger. Additionally, dressbarn and Ascena will receive a legal opinion from Proskauer Rose LLP that the distribution of maurices and Tween Brands stock from dressbarn to Ascena is a transaction described in Section 355 of the Code. The opinions of counsel will be based on then-existing law and based in part upon representations, made as of the effective time of the reorganization transactions, by Ascena, dressbarn and MergerCo, which counsel will assume to be true, correct and complete. If the representations are inaccurate, the opinions of counsel could be adversely affected. Neither Ascena nor dressbarn has requested nor will request a private letter ruling from the Internal Revenue Service as to the tax consequences of the reorganization transactions. The opinions of counsel will not be binding upon the Internal Revenue Service or any other taxing authority. Assuming the transactions are treated as described in this paragraph, the material U.S. federal income tax consequences of the transactions will be as follows:

No gain or loss will be recognized by Ascena or dressbarn as a result of the merger;

No gain or loss will be recognized by you upon your receipt of Ascena common stock solely in exchange for your dressbarn common stock;

The aggregate tax basis of the shares of Ascena common stock that you receive in exchange for your dressbarn common stock in the merger will be the same as the aggregate tax basis of your dressbarn common stock exchanged;

The holding period for shares of Ascena common stock that you receive in the merger will include the holding period of your dressbarn common stock exchanged;

No gain or loss will be recognized by dressbarn or Ascena as a result of the distribution of maurices and Tween Brands stock to Ascena by dressbarn; and

The distribution of maurices and Tween Brands stock to Ascena by dressbarn will have no material U.S. federal income tax consequences to you as an Ascena stockholder.

The foregoing discussion is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences or any other consequences of the reorganization. In addition, the discussion does not address tax consequences which may vary with, or are contingent on, your

individual circumstances. Moreover, the discussion does not address state, local, foreign or non-income tax consequences or tax return reporting requirements. Accordingly, you are strongly urged to consult with your own tax advisor to determine the particular U.S. federal, state, local or foreign income or other tax consequences to you of the reorganization.

Anticipated Accounting Treatment

For accounting purposes, our reorganization into a holding company structure will be treated as a merger of entities under common control. The accounting treatment for such events is similar to the former pooling of interests method. Accordingly, the financial position and results of operations of dressbarn will be included in the consolidated financial statements of Ascena on the same basis as currently presented.

Authorized Capital Stock

dressbarn s amended and restated certificate of incorporation currently authorizes the issuance of 165,000,000 shares of common stock and 100,000 shares of preferred stock. Ascena s second amended and restated certificate of incorporation, which would govern the rights of our stockholders after the reorganization, currently authorizes the issuance of 375,000,000 shares of common stock and 100,000 shares of preferred stock. Upon completion of the reorganization, the number of shares of Ascena common stock that will be outstanding will be equal to the number of shares of dressbarn common stock outstanding immediately prior to the reorganization.

The Board believes that the increase to 375,000,000 authorized shares of common stock is desirable so that, as the need may arise, the Company will have the flexibility to issue shares without additional expense or delay in connection with possible future stock dividends or stock splits, equity financings, future opportunities for expanding the Company s business through investments or acquisitions, management incentive and employee benefit plans and for other general corporate purposes. If the increase in the number of authorized shares of common stock is not effected, the Company would not have the benefit of this flexibility in the future. As of the date of this proxy statement/prospectus, the Board has not taken any action to issue any of the additional authorized shares for any such purposes. The number of shares authorized for issuance under the Company s equity compensation plans as of July 31, 2010 is set forth on page 90 of this proxy statement/prospectus. No other shares are presently reserved for any other purpose.

Listing of Ascena Common Stock on the NASDAQ Global Select Market; De-listing and De-registration of dressbarn Common Stock

The completion of the reorganization is conditioned on the approval for listing of the shares of Ascena common stock issuable in the reorganization (and any other shares to be reserved for issuance in connection with the reorganization) on the NASDAQ Global Select Market. We expect that the Ascena common stock will trade under the ticker symbol ASNA. In addition, Ascena will become a reporting company under the Exchange Act.

Following the reorganization, dressbarn s common stock will no longer be quoted on the NASDAQ Global Select Market and will no longer be registered under the Exchange Act. In addition, dressbarn will cease to be a reporting company under the Exchange Act.

Board of Directors and Executive Officers of Ascena Following the Reorganization

Presently, the Ascena board and the dressbarn Board are comprised of the same persons. We expect that immediately following the reorganization the Ascena board will be comprised of David R. Jaffe, Elliot S. Jaffe, Kate Buggeln, Michael W. Rayden, Klaus Eppler, Randy L. Pearce and John Usdan, if Elliot S. Jaffe and Michael W. Rayden are elected as directors of dressbarn at the Annual Meeting.

We expect that the executive officers of Ascena following the reorganization will be the same as those of dressbarn immediately prior to the reorganization.

For information concerning persons expected to become directors of Ascena, see Proposal Two Election of Directors.

Independent Registered Public Accounting Firm of Ascena

The adoption by the holders of dressbarn common stock of the Reorganization Agreement will also constitute ratification of Deloitte & Touche LLP as described under the caption Proposal Four Ratification of the Engagement of the Independent Registered Public Account Firm as the Independent Registered Public Accounting Firm of Ascena for the fiscal year ending July 30, 2011.

Issuances of Ascena Common Stock Under the dressbarn Plans

The adoption by the holders of dressbarn common stock of the Reorganization Agreement will also constitute approval of the assumption by Ascena of the dressbarn Plans and, where appropriate, the future issuance of shares of Ascena common stock in lieu of shares of dressbarn common stock under the dressbarn Plans, each as amended in connection with the reorganization without further shareowner action.

Ascena Second Amended and Restated Certificate of Incorporation

The adoption by the holders of dressbarn common stock of the Reorganization Agreement will also constitute approval of the terms of the Ascena second amended and restated certificate of incorporation in the form attached to this proxy statement/prospectus as Annex II.

Restrictions on the Sale of Ascena Shares

The shares of Ascena common stock to be issued in the reorganization will be registered under the Securities Act. These shares will be freely transferable under the Securities Act, subject to existing restrictions on certain affiliates of Ascena.

Description of Ascena Capital Stock

Ascena is incorporated in the State of Delaware. The rights of stockholders of Ascena will generally be governed by Delaware law and Ascena s second amended and restated certificate of incorporation and bylaws. The following is a summary of the material provisions of Ascena s second amended and restated certificate of incorporation and bylaws. This summary is not complete and is qualified by reference to Delaware statutory and common law and the full texts of Ascena s second amended and restated certificate of incorporation and bylaws, which are attached as Annexes II and III to this proxy statement/prospectus.

General

Upon the completion of the reorganization, the authorized capital of Ascena will be 375,100,000 shares, consisting of 100,000 shares of preferred stock, par value $0.01 per share, and 375,000,000 shares of common stock, par value $0.01 per share. All of the shares issued and outstanding upon completion of the reorganization will be fully paid and nonassessable.

Upon completion of the reorganization, the number of shares of Ascena common stock that will be outstanding will be equal to the number of shares of dressbarn common stock outstanding immediately prior to the reorganization.

Common Stock

Dividends and Distributions. Subject to preferences applicable to any shares of outstanding Ascena preferred stock, the holders of outstanding shares of Ascena common stock will be entitled to receive dividends and other distributions out of assets legally available at times and in amounts as the board of directors of Ascena may determine from time to time. All shares of Ascena common stock are entitled to participate ratably with respect to dividends or other distributions.

Liquidation Rights. If Ascena is liquidated, dissolved or wound up, voluntarily or involuntarily, holders of Ascena common stock are entitled to share ratably in all assets of Ascena available for distribution to the Ascena stockholders after the payment in full of any preferential amounts to which holders of any Ascena preferred stock may be entitled.

Voting Rights. Holders of Ascena common stock are entitled to one vote per share on all matters to be voted upon by stockholders. There are no cumulative voting rights. Stockholders may vote by proxy.

Other. There are no preemption, redemption, sinking fund or conversion rights applicable to the Ascena common stock.

Preferred Stock

The board of directors of Ascena may, without further stockholder approval, issue up to 100,000 shares of preferred stock in one or more series and fix the number of shares constituting the designation, voting powers (if any), preferences and other rights, as well as the qualifications, limitations and restrictions, of the series. The powers, preferences and rights, and the qualifications, limitations or restrictions, if any, of each series of preferred stock may be different from those of any and all other series. The issuance of Ascena preferred stock may have the effect of delaying, deferring or preventing a change of control of Ascena without further action by the stockholders, may discourage bids for Ascena common stock at a premium over the market price of Ascena common stock and may adversely affect the market price of, and the voting and other rights of the holders of, Ascena common stock.

Delaware Anti-Takeover Law and Certain Charter Provisions

Ascena is subject to the provisions of Section 203 of the Delaware General Corporation Law (the DGCL). In general, the statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the stockholder became an interested stockholder unless:

prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers, and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

A business combination includes a merger, asset or stock sale or other transaction resulting in financial benefit to the stockholder. An interested stockholder is a person who, together with affiliates and associates owns, or within three years prior, did own, 15% or more of a corporation s outstanding voting stock. This provision may have the effect of delaying, deterring or preventing a change in control of Ascena without further action by its stockholders.

Ascena s second amended and restated certificate of incorporation and bylaws include a number of provisions that may have the effect of deterring or impeding hostile takeovers or changes in control or management. These provisions include:

the authority of the board of directors to issue up to 100,000 shares of undesignated preferred stock and to determine the rights, preferences and privileges of these shares, without stockholder approval;

all stockholder actions must be effected at a duly called meeting of stockholders and not by written consent;

a classified board of directors;

members of Ascena s board of directors may be removed only (1) for cause, by the remaining directors or (2) with or without cause by stockholder action, at a meeting called for that purpose, by vote of at least 80% of the shares of capital stock then entitled to vote at an election of directors;

the elimination of cumulative voting; and

requiring the affirmative vote of holders of at least 80% of the outstanding shares of voting stock to approve any business combination with any related person. However, such approval is not applicable to any particular business combination and such business combination shall require only such affirmative vote as may be required by law or otherwise, if such business combination has been approved by a majority of continuing directors at a meeting at which a continuing director quorum is present or such business combination involves Ascena and a subsidiary in which a related person has no direct or indirect interest, subject to certain additional limitations.

Such provisions may have the effect of delaying or preventing a change in control.

Limitation of Director Liability and Indemnification

Ascena s second amended and restated certificate of incorporation provides, to the fullest extent permitted by Delaware law, that directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director. Delaware law currently provides that this waiver may not apply to liability:

for any breach of the director s duty of loyalty to us or our stockholders;

for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

- under Section 174 of the DGCL (governing distributions to stockholders); or
- for any transaction from which the director derived any improper personal benefit.

However, in the event the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. The second amended and restated certificate of incorporation and bylaws of Ascena further provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware law and may indemnify other persons as authorized by the DGCL. These provisions do not eliminate any monetary liability of directors under the federal securities laws.

In connection with the reorganization, we expect to enter into customary indemnification agreements with the officers and directors of Ascena.

Transfer Agent

We expect that the transfer agent for Ascena common stock will be American Stock Transfer & Trust Company, LLC, 59 Maiden Lane, Plaza Level, New York, New York 10038.

The NASDAQ Global Select Market Listing

We expect that Ascena common stock will be listed on the NASDAQ Global Select Market under the trading symbol ASNA.

Description of The Dress Barn, Inc. Capital Stock

The Dress Barn, Inc. is incorporated in the State of Connecticut. The rights of shareholders of dressbarn are generally governed by Connecticut law and dressbarn s amended and restated certificate of incorporation and amended and restated bylaws. The following is a summary of the material provisions of dressbarn s amended and restated certificate of incorporation and amended and restated bylaws. This summary is not complete and is qualified by reference to Connecticut statutory and common law and the full texts of dressbarn s amended and restated certificate of incorporation and amended and restated bylaws. A copy of dressbarn s amended and restated certificate of incorporation is attached as Annex A to the Company s Proxy Statement filed with the SEC on November 5, 2008. A copy of dressbarn s amended and restated bylaws is attached as Exhibit 3.4 to the Company s Annual Report on Form 10-K filed with the SEC on September 24, 2008.

General

dressbarn is authorized to issue 165,000,000 shares of common stock, $0.05 par value per share, and 100,000 shares of preferred stock, $0.05 par value per share. As of November , 2010, dressbarn had shares of common stock outstanding held of record by approximately shareholders. The outstanding shares of dressbarn s stock are fully paid and nonassessable.

Common Stock

Dividends and Distributions. Subject to preferences applicable to any shares of outstanding dressbarn preferred stock, the holders of outstanding shares of dressbarn common stock are entitled to receive dividends and other distributions out of assets legally available at times and in amounts as the Board of dressbarn may determine from time to time. All shares of dressbarn common stock are entitled to participate ratably with respect to dividends or other distributions.

Liquidation Rights. If dressbarn is liquidated, dissolved or wound up, voluntarily or involuntarily, holders of dressbarn common stock are entitled to share ratably in all net assets of dressbarn available for distribution to the dressbarn shareholders after the payment in full of any preferential amounts to which holders of any dressbarn preferred stock may be entitled.

Voting Rights. Holders of dressbarn common stock are entitled to one vote per share on all matters to be voted upon by shareholders. There are no cumulative voting rights. Shareholders may vote by proxy.

Other. There are no preemption, redemption, sinking fund or conversion rights applicable to the dressbarn common stock.

Preferred Stock

The Board has authority to issue 100,000 shares of dressbarn preferred stock in one or more series and to fix the voting powers, designations, preferences and participating, optional, relative or other special rights, and qualifications, limitations or restrictions of the dressbarn preferred stock, without any further vote or action by dressbarn s shareholders. No shares of preferred stock are issued or outstanding. The issuance of dressbarn preferred stock may have the effect of delaying, deferring or preventing a change of control of dressbarn without further action by the shareholders, may discourage bids for the dressbarn common stock at a premium over the market price of the dressbarn common stock and may adversely affect the market price of, and the voting and other rights of the holders of, dressbarn common stock.

Connecticut Anti-Takeover Law and Certain Charter Provisions

Certain provisions of Connecticut law described below could have an anti-takeover effect. These provisions are intended to provide Connecticut corporations with management flexibility, to enhance the likelihood of continuity and stability in the board of directors and in the policies formulated by a Connecticut corporation s board of directors and to discourage an unsolicited takeover if the board of directors determines that such a takeover is not in the best interest of the corporation and its shareholders. However, these provisions could have the effect of discouraging certain attempts to acquire us, which could deprive our shareholders of opportunities to sell their shares of our stock at higher values.

In general, Sections 33-844 and 33-845 of the CBCA provide that a shareholder acquiring more than 10% of the outstanding voting stock of a corporation subject to the statute and that person s affiliates and associates, referred to in this section as an interested shareholder, may not engage in specified business combinations, as discussed below, with the corporation for a period of five years after the date on which the shareholder became an interested shareholder unless the business combination is approved by the corporation s board of directors and a majority of the non-employee directors of the corporation of which there shall be at least two, prior to such interested shareholder s stock acquisition date.

Section 33-840(4) of the CBCA defines the term business combination to include a wide variety of transactions with or caused by an interested shareholder or its affiliates in which the interested shareholder receives or could receive a benefit on other than a pro rata basis with other shareholders, including, but not limited to, mergers, consolidations, specified types of asset sales, specified issuances of additional shares to the interested shareholder, transactions with the corporation which increase the proportionate interest of the interested shareholder or transactions in which the interested shareholder receives specified other benefits.

In addition, dressbarn s amended and restated certificate of incorporation includes provisions that may have the effect of deterring or impeding hostile takeovers or changes in control or management. These provisions include:

the authority of the Board to issue up to 100,000 shares of undesignated preferred stock and to determine the rights, preferences and privileges of these shares, without approval;

all shareholder actions must be effected at a duly called meeting of shareholders or by unanimous written consent;

a classified board of directors;

members of the Board may be removed only (1) for cause, by the remaining directors or (2) with or without cause by shareholder action, at a meeting called for that purpose, by vote of at least 80% of the shares of capital stock then entitled to vote at an election of directors;

the elimination of cumulative voting; and

requiring the affirmative vote of holders of at least 80% of the outstanding shares of voting stock to approve any business combination with any related person. However, such approval is not applicable to any particular business combination and such business combination shall require only such affirmative vote as may be required by law or otherwise, if such business combination has been approved by a majority of continuing directors at a meeting at which a continuing director quorum is present or such business combination involves dressbarn and a subsidiary in which a related person has no direct or indirect interest, subject to certain additional limitations.

Such provisions may have the effect of delaying or preventing a change in control.

Indemnification of Directors and Officers

Section 8 of dressbarn s amended and restated certificate of incorporation provides that dressbarn shall indemnify its directors and officers, to the fullest extent permitted by law, for any liability, including any obligation to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to an employee benefit plan and any matters covered by the CBCA, except liability that:

- knowingly violated the law;
- enabled the director or an associate, as defined in Section 33-840 of the CBCA, to receive improper economic gain;

showed lack of good faith and a conscious disregard for his or her duties to dressbarn;

engaged in behavior that demonstrated an inexcusable pattern of inattention amounting to an abdication of the his or her duties to dressbarn; or

creates liability under Section 33-757 of the CBCA.

dressbarn may provide further indemnification for officers as permitted by Section 33-776 of the CBCA.

Further, dressbarn s amended and restated certificate of incorporation provides that the personal liability of a director of dressbarn is limited to an amount equal to the amount of compensation received by the director during the year such violation occurred, if such breach was not in connection with any of the matters described above.

dressbarn s amended and restated certificate of incorporation provides that no amendment to or repeal of Section 8 shall apply to or have any effect on the indemnification of any director of dressbarn for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

Transfer Agent

The transfer agent for dressbarn common stock is American Stock Transfer & Trust Company, LLC, 59 Maiden Lane, Plaza Level, New York, New York 10038.

The NASDAQ Global Select Market Listing

dressbarn common stock is listed on the NASDAQ Global Select Market under the trading symbol DBRN.

Comparative Rights of Holders of Ascena Capital Stock and dressbarn Capital Stock

At the effective time of the merger, dressbarn common stock will be converted on a one-for-one basis into Ascena common stock. As a result, Ascena s second amended and restated certificate of incorporation and bylaws and the applicable provisions of the DGCL will govern the rights of the former holders of dressbarn common stock who receive shares of Ascena common stock pursuant to the merger. The rights of dressbarn shareholders are currently governed by the CBCA and common law, dressbarn s amended and restated certificate of incorporation and dressbarn s amended and restated bylaws. The rights of Ascena stockholders after the completion of the reorganization will be governed by the DGCL and common law, Ascena s second amended and restated certificate of incorporation and Ascena s bylaws. The following summary compares the material rights that dressbarn shareholders currently have and the rights that they will have as stockholders of Ascena following the reorganization. This summary is qualified in its entirety by reference to the full text of the aforementioned authorities. For detailed descriptions of the capital stock of dressbarn and Ascena see Description of dressbarn Capital Stock and Description of Ascena Capital Stock in this proxy statement/prospectus.

	Rights of Holders of dressbarn Common Stock	**Rights of Holders of Ascena Common Stock**
Capitalization:	dressbarn s amended and restated certificate of incorporation authorizes dressbarn to issue 165,000,000 shares of dressbarn common stock, par value $0.05 per share, and 100,000 shares of dressbarn preferred stock, par value $0.05 per share.	Ascena s second amended and restated certificate of incorporation authorizes Ascena to issue 375,000,000 shares of Ascena common stock, par value $0.01 per share, and 100,000 shares of Ascena preferred stock, par value $0.01 per share.
Voting Rights:	dressbarn common shareholders are entitled to one vote for each share and vote together as a single class. dressbarn s amended and restated certificate of incorporation does not provide for cumulative voting for the election of directors.	Ascena common stockholders are entitled to one vote for each share and vote together as a single class. Ascena s second amended and restated certificate of incorporation does not provide for cumulative voting for the election of directors.
Quorum:	dressbarn s amended and restated bylaws provide that holders of a majority of the shares entitled to vote, present in person or by proxy, constitute a quorum at a shareholder meeting.	Ascena s bylaws provide that holders of a majority of the shares entitled to vote, present in person or by proxy, constitute a quorum at a stockholder meeting.
Number of Directors:	dressbarn s amended and restated bylaws provide that the number of members of the Board shall not be fewer than three nor more than 15 persons, as fixed from time to time by action of the shareholders or the Board or, in the absence thereof, shall be the number of incumbent directors after the election at the preceding annual meeting of shareholders.	Ascena s bylaws provide that the number of members of Ascena s board of directors shall not be fewer than three nor more than 15 persons, as fixed from time to time by action of the stockholders or the board of directors or, in the absence thereof, shall be the number of incumbent directors after the election at the preceding annual meeting of stockholders.

	Rights of Holders of dressbarn Common Stock	**Rights of Holders of Ascena Common Stock**
Removal of Directors:	dressbarn s amended and restated bylaws provide that members of the Board may be removed only (1) for cause, by the remaining directors or (2) with or without cause by shareholder action, at a meeting called for that purpose, by vote of at least 80% of the shares of capital stock then entitled to vote at an election of directors.	Ascena s bylaws provide that members of Ascena s board of directors may be removed only (1) for cause, by the remaining directors or (2) with or without cause by stockholder action, at a meeting called for that purpose, by vote of at least 80% of the shares of capital stock then entitled to vote at an election of directors.
Classification of Board of Directors:	dressbarn s amended and restated certificate of incorporation provides for directors to be divided into three classes, as nearly equal in the number of directors as possible, with the directors in each class serving a three-year term. Each director shall serve for a term ending on the date of the third annual meeting following the meeting at which such director was elected.	Ascena s second amended and restated certificate of incorporation provides for directors to be divided into three classes, as nearly equal in the number of directors as possible, with the directors in each class serving a three-year term. Each director shall serve for a term ending on the date of the third annual meeting following the meeting at which such director was elected.
Filling Vacancies on the Board of Directors:	Any vacancies on the Board, however resulting, or newly created directorships resulting from any increase in the number of directors, shall be filled by the affirmative vote of a majority of the remaining directors then in office. Any directors so chosen shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or in which the new directorship was created. No decrease in the number of directors shall shorten the term of any incumbent director.	Any vacancies on the board, however resulting, or newly created directorships resulting from any increase in the number of directors, shall be filled by the affirmative vote of a majority of the remaining directors then in office. Any directors so chosen shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or in which the new directorship was created. No decrease in the number of directors shall shorten the term of any incumbent director.
Record Date:	The Board may fix, in advance, a record date, which shall not be more than 70 nor less than 10 days before the date of any shareholder meeting, nor more than 70 days prior to any other action.	The board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of any stockholder meeting, nor more than 60 days prior to any other action.

	Rights of Holders of dressbarn Common Stock	Rights of Holders of Ascena Common Stock
Notice of Meetings:	Each shareholder entitled to vote must be given written notice (unless waived) of each annual or special meeting, stating the place, date, time and purpose(s) of the meeting, not less than 10 nor more than 60 days before the date of the meeting.	Each stockholder entitled to vote must be given written notice (unless waived) of each annual or special meeting, stating the place, date, time and purpose(s) of the meeting, not less than 10 days nor more than 60 days before the date of the meeting.
Amendments to Charter:	The CBCA requires that a proposed amendment to dressbarn s amended and restated certificate of incorporation must be adopted by the Board, and the Board must submit the amendment to the shareholders for their approval. In addition, the Board must submit the amendment to the shareholders with their recommendation of approval, unless the Board makes a determination that because of conflicts of interest or other special circumstances it should not make such a recommendation, in which case the Board must transmit to the shareholders the basis for such determination. In addition, the following sections of dressbarn s amended and restated certificate of incorporation may be amended, repealed or altered only at a meeting of the shareholders by vote of the holders of at least 80% of the shares of capital stock entitled to vote on amendments to the amended and restated certificate of incorporation: (1) Section 9 Supermajority Vote for Approval of Business Combinations; (2) Section 10 Amendment of Sections 9 and 10; (3) Section 11 Classification of Board of Directors; and (4) Section 12 Amendment of Bylaws by Shareholders.	The DGCL requires that the board of directors adopt a resolution setting forth any proposed amendment to Ascena s second amended and restated certificate of incorporation, declaring its advisability, and that the amendment be approved by a majority of the outstanding stock entitled to vote on the amendment; additionally, the amendment must be approved by a majority of the outstanding stock of each class entitled under to vote separately as a class on the amendment. In addition, the following sections of Ascena s second amended and restated certificate of incorporation may be amended, repealed or altered only at a meeting of the stockholders by vote of the holders of at least 80% of the shares of capital stock entitled to vote on amendments to the second amended and restated certificate of incorporation: (1) Section 9 Supermajority Vote for Approval of Business Combinations; (2) Section 10 Amendment of Sections 9 and 10; (3) Section 11 Classification of Board of Directors; and (4) Section 12 Amendment of Bylaws by Stockholders.

	Rights of Holders of dressbarn Common Stock	Rights of Holders of Ascena Common Stock
Amendments to Bylaws:	Pursuant to dressbarn s amended and restated certificate of incorporation and amended and restated bylaws, dressbarn s amended and restated bylaws may be adopted, amended or repealed only at a meeting of the shareholders by the affirmative vote of the holders of at least 80% of the shares of capital stock then entitled to vote thereon. The Board shall have the power, without the assent or vote of the shareholders, to adopt, amend or repeal the amended and restated bylaws by the affirmative vote of directors holding a majority of the directorships.	Pursuant to Ascena s second amended and restated certificate of incorporation and bylaws, the bylaws of Ascena may be adopted, amended or repealed only at a meeting of the stockholders by the affirmative vote of the holders of at least 80% of the shares of capital stock then entitled to vote thereon. The board of directors of Ascena shall have the power, without the assent or vote of the stockholders, to adopt, amend or repeal the bylaws by the affirmative vote of directors holding a majority of the directorships.
Special Meetings of the Board of Directors:	A special meeting of the Board may be called by the chairman or the secretary at the request of any director on at least two days written or oral notice of the date, time and place thereof, given to each director. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.	A special meeting of the board of directors may be called at any time by the chairman or the secretary at the request of any director on at least two days written or oral notice of the date, time and place thereof, given to each director. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.
Special Stockholders Meetings:	Special meetings of the shareholders may be called by the chairman of the board or by the directors. The chairman of the board is required to call, and give notice of, a special shareholders meeting upon the written request of the holders of not less than one-tenth of the voting power of all shares entitled to vote at the meeting, for the purposes specified in such request.	Special meetings of the stockholders may be called by the chairman of the board or by the directors. The chairman of the board is required to call, and give notice of, a special stockholders meeting upon the written request of the holders of not less than one-tenth of the voting power of all shares entitled to vote at the meeting, for the purposes specified in such request.

	Rights of Holders of dressbarn Common Stock	**Rights of Holders of Ascena Common Stock**
Action by Consent of Stockholders:	Under the CBCA, shareholders may execute an action by unanimous written consent in lieu of any annual or special shareholder meeting; or if the certificate of incorporation so provides, by written consent by shareholders holding not less than a majority of the voting power of shares, entitled to vote thereon or to take such action, as may be provided in the certificate of incorporation. In either event, directors may not be elected by written consent of shareholders without a meeting of shareholders other than by unanimous written consent, or pursuant to a plan of merger. dressbarn s amended and restated certificate of incorporation does not specifically provide for shareholder actions by written consent; thus, under the CBCA, shareholders may take action only by unanimous written consent.	As permitted under the DGCL, Ascena s second amended and restated certificate of incorporation prohibits stockholder action except at an annual or special meeting of stockholders.
Approval for Business Combinations:	The affirmative vote of holders of at least 80% of the outstanding shares of voting stock is required to approve any business combination with any related person. However, such approval is not applicable to any particular business combination and such business combination shall require only such affirmative vote as may be required by law or otherwise, if such business combination has been approved by a majority of continuing directors at a meeting at which a continuing director quorum is present or such business combination involves dressbarn and a subsidiary in which a related person has no direct or indirect interest, subject to certain additional limitations.	The affirmative vote of holders of at least 80% of the outstanding shares of voting stock is required to approve any business combination with any related person. However, such approval is not applicable to any particular business combination and such business combination shall require only such affirmative vote as may be required by law or otherwise, if such business combination has been approved by a majority of continuing directors at a meeting at which a continuing director quorum is present or such business combination involves Ascena and a subsidiary in which a related person has no direct or indirect interest, subject to certain additional limitations.

	Rights of Holders of dressbarn Common Stock	**Rights of Holders of Ascena Common Stock**
Limitation of Personal Liability of Directors:	The personal liability of a director of dressbarn is limited to an amount equal to the amount of compensation received by the director during the year such violation occurred, if such breach did not (a) involve a knowing violation of the law, (b) enable the director or an associate, as defined in Section 33-840 of the CBCA, to receive improper economic gain, (c) show a lack of good faith and a conscious disregard for his or her duties to dressbarn, (d) involve behavior that demonstrated an inexcusable pattern of inattention amounting to an abdication of the director s duties to dressbarn, or (e) create liability under Section 33-757 of the CBCA.	Ascena s second amended and restated certificate of incorporation provides that, to the fullest extent permitted by the DGCL, directors of Ascena shall not be held personally liable to Ascena or its stockholders for monetary damages for breach of any fiduciary duty as a director.
Indemnification of Directors and Officers:	dressbarn s amended and restated certificate of incorporation provides that dressbarn shall indemnify its directors and officers, to the fullest extent permitted by law, for any liability, including any obligation to pay a judgment, settlement, penalty, fine, including an excise tax assessed with respect to an employee benefit plan and any matters covered by the CBCA, except for liability that (a) knowingly violated the law, (b) enabled the director or an associate, as defined in Section 33-840 of the CBCA, to receive improper economic gain, (c) showed lack of good faith and a conscious disregard for his or her duties to dressbarn, (d) involved behavior that demonstrated an inexcusable pattern of inattention amounting to an abdication of such director or officer s duties to dressbarn, or (e) creates liability under Section 33-757 of the CBCA. dressbarn may provide further indemnification for officers as permitted by Section 33-776 of the CBCA.	Ascena s bylaws provide that Ascena shall indemnify, to the fullest extent permitted by the laws of Delaware, any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person is or was a director or officer of Ascena or serves or served at any other enterprise as a director or officer at the request of Ascena.

	Rights of Holders of dressbarn Common Stock	**Rights of Holders of Ascena Common Stock**
Relevant Business Combination Provisions and Statutes:	The CBCA applies to corporations with a class of voting stock registered on a national securities exchange and restricts transactions that may be entered into by the corporation and some of its shareholders. In general, the CBCA provides that a shareholder acquiring more than 10% of the outstanding voting stock of a corporation subject to the statute and that person s affiliates and associates, referred to in this section as an interested shareholder, may not engage in specified business combinations, as discussed below, with the corporation for a period of five years after the date on which the shareholder became an interested shareholder unless the business combination is approved by the corporation s Board of Directors and a majority of the non-employee directors of the corporation of which there shall be at least two, prior to such interested shareholder s stock acquisition date.	The DGCL provides that if a person acquires 15% or more of the stock of a Delaware corporation, such person may not engage in transactions with the corporation for a period of three years. The statute contains exceptions to this prohibition. The prohibition on business combinations is not applicable if, for example, the board of directors approves the acquisition of stock or the transaction prior to the time that the person becomes an interested stockholder, or if the interested stockholder acquired at least 85% of the voting stock of the corporation (excluding voting stock owned by directors who are also officers and employee stock plans) in the transaction that resulted in the person becoming an interested stockholder, or if the transaction is approved by the board of directors and two-thirds of the holders of the outstanding voting stock which is not owned by the interested stockholder at a meeting of the stockholders.
	The term business combination is defined to include a wide variety of transactions with or caused by an interested shareholder or its affiliates in which the interested shareholder receives or could receive a benefit on other than a pro rata basis with other shareholders, including, but not limited to, mergers, consolidations, specified types of asset sales, specified issuances of additional shares to the interested shareholder, transactions with the corporation which increase the proportionate interest of the interested shareholder or transactions in which the interested shareholder receives specified other benefits.	

QUESTIONS AND ANSWERS ABOUT OUR BOARD AND CORPORATE GOVERNANCE MATTERS

What is the makeup of the Board and how often are members elected?

Our Board currently has seven members, divided into three classes, each with a staggered three-year term of office. Only two directors, Elliot S. Jaffe and Michael W. Rayden, whose terms are expiring as of the date of the Annual Meeting, shall stand for election this year. We appointed Michael W. Rayden, Chief Executive Officer of Tween Brands, Inc., to our Board upon the consummation of the acquisition of Tween Brands, Inc., which closed on November 25, 2009.

How often did the Board meet in fiscal 2010?

The Board met six times during fiscal 2010 and otherwise accomplished its business through the work of the committees described below. Each incumbent director attended at least 75% of the meetings of the Board and of the standing committees of which he or she was a member during fiscal 2010.

Do the non-management directors meet in regularly scheduled executive sessions?

Yes. The non-management members of our Board meet in regularly scheduled executive sessions without any members of management present.

How does the Board determine which directors are independent?

Our Board determines whether an individual director satisfies all of the independence standards of the SEC and the NASDAQ Global Select Market, as such standards may be amended from time to time, and also that the director has no material relationships with us (either directly or as a partner, shareholder or officer of any entity) that would be inconsistent with a finding of independence.

Which directors have been designated as independent?

Based on the analysis described below under the caption Independence Determinations, the Board affirmatively determined that a majority of the directors who will continue to serve on the Board following the Annual Meeting are independent. They include Kate Buggeln, Klaus Eppler, Randy L. Pearce and John Usdan.

What are the standing committees of the Board?

Our Board has three standing committees: the Audit Committee, the Nominating Committee and the Compensation and Stock Incentive Committee, which is also referred to as our Compensation Committee.

Who are the members of the standing committees?

Committee	Members	Chairperson
Audit Committee	Kate Buggeln Randy L. Pearce John Usdan	Randy L. Pearce
Nominating Committee	Klaus Eppler John Usdan	Klaus Eppler
Compensation Committee		John Usdan

Kate Buggeln
Randy L. Pearce
John Usdan

Are all of the members of the standing committees independent?

Yes. The Board has determined that the members of each of the standing committees are independent.

Do all of the standing committees operate under a written charter?

Yes. The charters of each of the standing committees are available for viewing on our website at www.dressbarn.com. Paper copies will be provided to any shareholder upon written request to: **The Dress Barn, Inc., 30 Dunnigan Drive, Suffern, New York 10901, Attention: Investor Relations.**

What are the functions of the standing committees?

Audit Committee

It is the responsibility of the Audit Committee to assist the Board in its oversight of our financial accounting and reporting practices. The duties of the Audit Committee include monitoring our financial reporting process and system of internal controls; selecting our independent registered public accounting firm; monitoring the independence and performance of our independent registered public accounting firm and internal auditing function; and providing an avenue of communication among the independent registered public accounting firm, management, the internal auditing functions and the Board. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to our independent registered public accounting firm as well as our internal auditors. The Audit Committee has the ability to retain, at our expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties. The Board has determined that Mr. Pearce, a member of the Audit Committee, qualifies as an audit committee financial expert, and that each Audit Committee member is financially literate and independent, each as defined by the SEC s regulations and the NASDAQ s listing standards.

Nominating Committee

The function of the Nominating Committee is to provide assistance to the Board in the selection of candidates for election and re-election to the Board. The Nominating Committee utilizes a variety of methods for identifying and evaluating director candidates. Candidates may come to the attention of the Committee through current directors, members of management, shareholders or other persons. From time to time, the Nominating Committee may also engage a search firm to assist in identifying potential Board candidates, although no such firm was used to identify any of the nominees for director proposed for election at the Annual Meeting. Once the Nominating Committee has identified a prospective nominee, the Nominating Committee evaluates the prospective nominee against the standards and qualifications set out in the Nominating Committee s charter, including the individual s potential contributions in providing advice and guidance to the Board and management. The Nominating Committee seeks to identify nominees who possess a wide range of experience, skills, areas of expertise, knowledge and business judgment. The Nominating Committee evaluates all candidates for director, regardless of the person or firm recommending such candidate, on the basis of the length and quality of their business experience, the applicability of such candidate s experience to us and our business, the skills and perspectives such candidate would bring to the Board and the personality or fit of such candidate with existing members of the Board and management. Successful nominees must have a history of superior performance or accomplishments in their professional undertakings and should have the highest personal and professional ethics and values.

The Board determines the total number of directors and selects nominees with a view to maintaining a Board that is strong in its collective knowledge and has a diversity of not only skills and experience, but also diversity in gender, culture and geography. The Board assesses the effectiveness of its diversity policies by reviewing the nominees for director to the Board to determine if such nominees satisfy the Company s then-current needs.

Compensation Committee

The function of the Compensation Committee is to assist the Board by (i) considering and determining all matters relating to the compensation of our Chairman, President and Chief Executive Officer and our other executive officers, including the named executive officers; (ii) administering and functioning as the committee that is authorized to grant stock options, restricted stock and other equity awards to executive officers and such other key executives and employees as the Compensation Committee shall determine under our 2001 Stock Incentive Plan, as amended (the Stock Incentive Plan); and (iii) reviewing and reporting to the Board on such other

matters as may be appropriately delegated by the Board for the Compensation Committee s consideration.

From time to time, the Compensation Committee may determine to engage an independent compensation consultant to assist it in reviewing the current compensation levels for our Chairman, President and CEO or other executive officers (including our named executive officers). Prior to the beginning of fiscal 2010, the Compensation Committee engaged Radford Consulting, a separate business unit of Aon Consulting and a separate division of Aon Corporation (Radford), as its independent compensation consultant. Radford was initially retained by the Compensation Committee in part in contemplation of the acquisition of Justice. Management did not specifically recommend Radford. Radford has met regularly with the Compensation Committee and provided it with advice regarding the design and implementation of our executive compensation program. In particular, Radford:

- analyzed competitive compensation levels for our executive officers;

- conducted studies and made recommendations regarding executive compensation, including with regard to the integration of the compensation programs covering dressbarn, maurices and Justice, and changes to the Company s bonus and long-term incentive programs;

- provided market data, performed benchmarking and developed a new peer group;

- advised the Compensation Committee as to best practices; and

- assisted in the preparation of our compensation-related disclosure included in this proxy statement/prospectus.

The results of this analysis form the general basis of our Chairman s and President and CEO s compensation in fiscal 2010.

In providing its services to the Compensation Committee, with the Compensation Committee s knowledge, Radford contacted the Company s management from time to time to obtain data and other information from the Company and worked together with management in the development of proposals and alternatives for the Compensation Committee to review and consider.

The Compensation Committee intends to regularly evaluate the nature and scope of the services provided by Radford. The Compensation Committee approved the fiscal 2010 executive compensation consulting services described above. In order to ensure that Radford is independent, Radford is only engaged by, takes direction from, and reports to, the Compensation Committee and, accordingly, only the Compensation Committee has the right to terminate or replace Radford at any time.

How many times did each standing committee meet in fiscal 2010?

During fiscal 2010, the Audit Committee met seven times, the Compensation Committee met seven times and the Nominating Committee met one time.

What is the Board s role in the risk oversight process?

The positions of Chairman of the Board and Chief Executive Officer are presently separated and have historically been separated at the Company. We believe that separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and oversight of management. Our Board recognizes the time, effort and energy that the Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required by our Chairman, particularly as the oversight responsibilities continue to grow. Our Board believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

The Board exercises its oversight of the Company s risks through regular reports to the Board from David Jaffe, in his role as Chief Executive Officer, and other members of senior management on areas of material risk, actions and strategies to mitigate those risks and the effectiveness of those actions and strategies. The Board also administers its risk oversight function through its Audit and Compensation Committees.

The Audit Committee discusses with management the Company s policies with respect to risk assessment and risk management, including the Company s major financial risk exposures and the steps management has taken to monitor and control those risks. Members of senior management with responsibility for oversight of particular risks report to the Audit Committee periodically throughout the year. The Company s chief internal audit executive annually prepares a comprehensive risk assessment report which identifies the material business risks (including strategic, operational, financial reporting and compliance risks) for the Company as a whole, as well as for each business unit, and identifies the controls that address and mitigate those risks. The chief internal audit executive reviews that report with the Audit Committee each year. The Audit Committee reports to the full Board annually, or more frequently as required, on its review of the Company s risk management.

How does the Board evaluate director candidates recommended by shareholders?

The Nominating Committee does not evaluate shareholder nominees differently than any other nominee. Pursuant to policies set forth in our Nominating Committee Charter, our Nominating Committee will consider shareholder nominations for directors if we receive timely written notice, in proper form, of the intent to make a nomination at a meeting of shareholders. To be timely for the 2011 annual meeting, the notice must be received within the time frame discussed above under the heading How do shareholders submit proposals for the Company s 2011 Annual Meeting of Shareholders? To be in proper form, the notice must, among other things, include each nominee s written consent to serve as a director if elected, the number of shares held of record and beneficially owned by the nominee, and any other information relating to the nominee that is required to be disclosed in solicitations of proxies for the election of directors, or is otherwise required pursuant to Regulation 14A under the Exchange Act.

How are directors compensated?

Cash Compensation

For fiscal 2010 and for Board meetings during fiscal 2011 held on and prior to September 23, 2010, we paid our Board members as follows:

For our directors who were not also officers or consultants of the Company:

an annual fee at the rate of $35,000 per year; and

$1,000 per regular Board meeting attended in person.

There were four in-person Board meetings in fiscal 2010. No payments were made to directors who participated in telephonic board meetings.

Annual fees to each member (including the chair) of a committee as follows:

Audit Committee: $6,000 per year

Compensation Committee: $4,000 per year

Nominating Committee: $1,000 per year

Additional annual fees to the Chairs of the Audit Committee and the Compensation Committee of $5,000 and

$2,500 per year, respectively.

An additional fee to Mr. Eppler, who served as Board secretary and attends meetings of the Board and standing committees, of $1,000 for each Board and committee meeting that he attended and for which he served as secretary.

Based on a study of the compensation paid to the board members of companies in our peer group, effective for Board meetings following September 23, 2010, we will pay our Board members as follows:

An annual fee at the rate of $50,000 per year to our directors who are not also officers or consultants of the Company. Such directors will no longer receive a fee for attending Board meetings, whether in person meetings or telephonic meetings.

Annual fees to each member (including the chair) of the Audit Committee and the Compensation Committee of $10,000 and $5,000 per year, respectively. Members of the Nominating Committee will no longer receive an annual fee.

Additional annual fees to the Chairs of the Audit Committee and the Compensation Committee of $10,000 and $5,000 per year, respectively.

An additional fee to Mr. Eppler, who continues to serve as Board secretary and attends meetings of the Board and standing committees, of $1,500 for each Board and committee meeting that he attends and

for which he
serves as
secretary.

The annual fees paid to our Board members for fiscal 2011 will be pro rated to reflect the forgoing changes.

Equity Compensation

For fiscal 2010, all directors (except for David R. Jaffe and Michael W. Rayden) received options to purchase 5,000 shares of our common stock. Commencing in fiscal 2011, all directors (except for David R. Jaffe and Michael W. Rayden) will be eligible to receive options to purchase 10,000 shares of our common stock annually.

Options granted to our non-employee directors generally vest in approximately equal one-third increments on an annual basis from the date of grant. Consistent with the vesting schedule generally applicable to our employees, options granted to Elliot S. Jaffe generally vest 25% per year on each of the first four anniversaries of the date of grant. However, if a non-employee director that has served on the Board for at least three years ceases to be a member of the Board for any reason (other than for Cause, as defined under the Stock Incentive Plan), then all of such director s unvested stock options (granted on or after September 18, 2008) will immediately vest and remain exercisable for a period of six months following termination of such directorship, provided that no option will be exercisable for a period longer than the original term of that option. A former director will not be deemed to have terminated his or her directorship so long as he or she remains a consultant to the Company. Notwithstanding the foregoing, if a non-employee director receives a grant of stock options and is nominated for re-election to the Board at a meeting of shareholders to be held within six months after the date of the grant, such option grant shall terminate and shall not become vested if such director either (a) is no longer serving on the Board on the date of such meeting of shareholders; or (b) is not re-elected to the Board at such meeting of shareholders, or any adjournment thereof.

Cause, as defined under the Stock Incentive Plan, means, with respect to a participant s termination of service, any of the following: (i) willful malfeasance, willful misconduct or gross negligence by the participant (including, in each case, a non-employee director) in connection with his or her duties; (ii) continuing refusal by the participant to perform his or her duties under any lawful direction of the Board after notice of any such refusal to perform such duties or direction was given to the participant; (iii) any willful and material breach of fiduciary duty owing to the Company or its affiliates by the participant; (iv) the participant s conviction of a felony or any other crime resulting in pecuniary loss to the Company or its affiliates (including, but not limited to, theft, embezzlement or fraud) or involving moral turpitude; or (v) the participant s habitual drunkenness or narcotics addiction. If shareholders approve the amendment and restatement of the Stock Incentive Plan, then with respect to grants made on or after December 17, 2010, item (v) will be modified to be the participant s on duty intoxication or confirmed positive illegal drug test result.

Our President and Chief Executive Officer, our Chairman of the Board and Michael W. Rayden are executive officers of the Company and do not receive any cash compensation for their services as directors. Compensation paid to these individuals for their services as executive officers during fiscal 2010 is reflected in the Summary Compensation Table below. As noted above under Equity Compensation, our Chairman, Elliot S. Jaffe, received options to purchase 5,000 shares of common stock in connection with his service as a director for fiscal 2010 and commencing in fiscal 2011 is eligible to receive annually options to purchase 10,000 shares of common stock in connection with his continued service as a director.

FISCAL 2010 DIRECTOR COMPENSATION TABLE

The following table provides each element of non-employee director compensation for fiscal 2010.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($) (1)	All Other Compensation ($)	Total ($)
Kate Buggeln	$ 44,000	$ 36,400		$ 80,400
Klaus Eppler	43,000	36,400		79,400
Randy L. Pearce	49,000	36,400		85,400
John Usdan	47,500	36,400		83,900

[1] Reflects the aggregate grant date fair value calculation in accordance with ASC Topic 718. Assumptions used in the valuation of equity based awards are discussed in Stock Options and Restricted Stock in Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 31, 2010.

As of July 31, 2010, the aggregate number of vested and unvested stock options held by each non-employee director was:

Name	Number of Vested Options	Number of Unvested Options
Kate Buggeln	20,000	15,001
Klaus Eppler	31,665	15,001
Randy L. Pearce	19,999	11,667
John Usdan	20,133	11,667

Do you have a written Code of Ethics?

Yes, our Board has adopted a Code of Ethics for Senior Financial Officers, which can be viewed at www.dressbarn.com. This code complies with the requirements of the Sarbanes-Oxley Act of 2002 pertaining to codes of ethics for chief executives and senior financial and accounting officers. If we amend or waive a provision of our Code of Ethics for Senior Financial Officers that applies to our principal executive officer, principal financial officer or controller, we will post such information at this location on our website. Paper copies of the code of ethics will be provided to any shareholder upon request.

Do you have a Whistleblower Policy?

Yes, as required by the Sarbanes-Oxley Act of 2002, we have established a confidential hotline for associates to call with any information regarding concerns about accounting or auditing matters. All calls are referred to the Chairman of the Audit Committee of the Board. Our Whistleblower Policy can be viewed on our website at www.dressbarn.com.

How can I communicate with members of the Board?

You may contact any member of the Board as follows:

Write to our Board at:

Dress Barn s Board of Directors
c/o Chair of the Audit Committee
The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901

To the extent reasonably practical under the circumstances, all such communications are treated confidentially and you can remain anonymous when communicating your concerns.

When do your fiscal years end?

Our fiscal years end on the last Saturday in July. References in this proxy statement to a fiscal year are to the calendar year in which the fiscal year ends. For example, the fiscal year ended July 31, 2010 is referred to as fiscal 2010.

PROPOSAL TWO

ELECTION OF DIRECTORS

Our amended and restated certificate of incorporation provides for a classified Board divided into three classes, each with a staggered three-year term of office and each class of directors as nearly equal in number as possible. At the Annual Meeting, two directors are to be elected for three-year terms. On the recommendation of the Nominating Committee, the Board has nominated Elliot S. Jaffe and Michael W. Rayden, current directors whose terms of office expire at the Annual Meeting, for election for three-year terms expiring at the 2013 Annual Meeting of Shareholders. Each nominee has indicated that he will serve if elected. We do not anticipate that either Board nominee will be unable or unwilling to stand for election, but should either such nominee be unavailable for election for any reason, your proxy, to the extent permitted by applicable law, may be voted with discretionary authority in connection with the nomination by the Board and the election of any substitute nominee.

Directors will be elected by a plurality of the votes cast at the Annual Meeting. This means that the two nominees with the most votes for election for the three-year terms will be elected. We will count only votes cast for a nominee, except that a shareholder s proxy will be voted FOR the two nominees described in this Proxy Statement unless the shareholder instructs the proxy holders to the contrary in his or her proxy.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF THE NOMINEES LISTED BELOW TO SERVE AS DIRECTORS.

Information about Director Nominees

Following is information regarding the nominees and the other continuing directors.

Nominees for Election as Directors for Three-Year Terms Expiring in 2013

Name of Director and Age	Director Since
Elliot S. Jaffe, 84	1966
Michael W. Rayden, 62	2009

ELLIOT S. JAFFE, Chairman of the Board and a founder of our Company, was Chief Executive Officer from the founding of our Company in 1962 until 2002. Mr. Jaffe is the spouse of Roslyn S. Jaffe, a founder and Director Emeritus of our Company, and they are the parents of David R. Jaffe, a director and CEO, Elise Jaffe, a non-executive officer and a more than 5% shareholder, and Richard Jaffe, a more than 5% shareholder. Mr. Jaffe s qualifications to sit on our Board include his over 50 years experience in the apparel industry and broad knowledge of our business, including as our founder, as our Chairman for 44 years, and as our Chief Executive Officer for 40 years.

MICHAEL W. RAYDEN, is the Chief Executive Officer of Tween Brands, Inc. Prior to the acquisition by the Company on November 25, 2009, Mr. Rayden served as Chief Executive Officer of Tween Brands, Inc. since March 1996 and was elected Chairman of the Board of Tween Brands, Inc. in August 1999. Mr. Rayden also served as the President of Tween Brands, Inc. from March 1996 until January 2007. Before joining Tween Brands, Inc., he served as President, Chief Executive Officer and Chairman of the Board of Pacific Sunwear of California, Inc. from 1990 to 1996, President and Chief Executive Officer of The Stride Rite Corporation from 1987 to 1989 and President and Chief Executive Officer of Eddie Bauer Inc. from 1984 to 1987. Pursuant to the terms of the Merger Agreement pursuant to which we acquired Tween Brands, Inc. and a letter agreement entered into in connection therewith (the Letter Agreement), upon consummation of the acquisition on November 25, 2009, Mr. Rayden was appointed by the Board to fill the vacancy in the class of directors with a term expiring in 2010. The Letter Agreement provides that for at least one additional term ending no earlier than 2012, so long as he shall continue to be employed by us, the Board is required to nominate Mr. Rayden for re-election to the Board at the expiration of each term of service as a director. Mr. Rayden s extensive experience as the Chief Executive Officer of multi-divisional retailers, and his experience having served on the boards of directors of retailers, strengthens the Board s collective qualifications, skills and experience.

Directors with Terms Expiring in 2011

Name of Nominee and Age	Director Since
David R. Jaffe, 51	2001
Klaus Eppler, 80	1993
Kate Buggeln, 49	2004

DAVID R. JAFFE has been our President and Chief Executive Officer (CEO) since 2002. Previously, he had been Vice Chairman and Chief Operating Officer since 2001. Mr. Jaffe joined our Company in 1992 as Vice President, Business Development and became Senior Vice President in 1995, Executive Vice President in 1996 and Vice Chairman in 2001. He is the son of Elliot S. and Roslyn S. Jaffe. Elliot S. Jaffe is Chairman of the Board and an executive officer. Roslyn S. Jaffe is a founder and Director Emeritus. David R. Jaffe is the brother of Elise Jaffe, a non-executive officer and a more than 5% shareholder, and Richard Jaffe, a more than 5% shareholder. The Board selected Mr. Jaffe to serve as a director based on his extensive retail and financial background.

KLAUS EPPLER is a pensioned partner in the law firm of Proskauer Rose LLP. He was an equity partner of Proskauer Rose LLP from 1965 to 2001. Mr. Eppler is also a director of Bed Bath & Beyond Inc. Mr. Eppler has served as a director of one or more retailers continuously for over 35 years. Throughout his career as a practicing attorney, he represented numerous public companies, including many retail companies. He brings to the Board knowledge and experience in securities law, corporate governance and the retail industry, each of which strengthen the Board s collective qualifications, skills and experience.

KATE BUGGELN is on the Governing Board of the Business Council for Peace. Ms. Buggeln has provided business strategy and brand management consulting services for the past five years. Ms. Buggeln was Senior Vice President, Strategic Planning and Business Development for Coach, Inc. from 2001 to 2004. Ms. Buggeln is also a director of VS Holdings, Inc., the parent company of The Vitamin Shoppe, Inc. The Board selected Ms. Buggeln to serve as a director based on her strong background in strategic planning, marketing and new business development.

Director with Terms Expiring in 2012

Name of Director and Age	Director Since
John Usdan, 52	2002
Randy L. Pearce, 55	2005

JOHN USDAN has, since 1981, been President of Midwood Management Corporation, a company specializing in real estate ownership, development and management. The Board selected Mr. Usdan to serve as a director because of his strong background in real estate and strategic planning.

RANDY L. PEARCE has been the Senior Executive Vice President and Chief Financial and Administrative Officer of Regis Corporation, an owner, operator and franchisor of hair and retail product salons, since 1998, and has held various executive positions at Regis Corporation since 1985. The Board selected Mr. Pearce to serve as a director based on his extensive financial background in auditing and in internal controls over financial reporting of large publicly held retail companies.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee was an officer or employee of our Company during fiscal 2010. No executive officer of the Company served during fiscal 2010 as a director or member of a compensation committee of any entity one of whose executive officers served on the Board or the Compensation Committee of the Company.

Independence Determinations

Our Board has determined that a majority of the Board and all members of the standing committees are independent pursuant to applicable SEC and NASDAQ rules, and, in addition, in the case of the Compensation Committee, pursuant to applicable tax rules. Our independent directors include Kate Buggeln, Klaus Eppler, Randy L. Pearce and John Usdan.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This Compensation Discussion and Analysis describes the compensation philosophy, objectives, policies and practices with respect to our named executive officers (the NEOs). The NEOs for the fiscal year ended July 31, 2010 (which we refer to below as fiscal 2010) are David R. Jaffe, the President and CEO, Elliot S. Jaffe, the Chairman of the Board, Armand Correia, the Executive Vice President and Chief Financial Officer, Michael W. Rayden, the CEO of Tween Brands (which we refer to below as Justice), and Gene Wexler, the Senior Vice President and General Counsel.

Role of Our Compensation Committee

Our Compensation Committee (the Compensation Committee) reviews and approves salaries and other compensation of the Chairman of the Board and all senior executives of the Company (including the NEOs), and its dressbarn, maurices and Justice brands. Our Compensation Committee also administers the Stock Incentive Plan, and establishes and reviews the achievement of performance goals and other matters relating to the Company s other annual and long-term bonus and incentive plans for senior executives (including the NEOs), including under the Company s Executive 162(m) Bonus Plan (referred to as the 162(m) Plan) and Management Incentive Plan (referred to as the MIP) (as discussed in more detail below).

Role of Chief Executive Officer in Compensation Decisions

David R. Jaffe, our President and CEO, annually reviews the performance of each NEO with the Compensation Committee and makes recommendations with respect to each key element of executive compensation for each NEO (excluding himself and our Chairman), as well as senior executives from all of our brands. Generally, the Compensation Committee Chair works with our President and CEO in establishing the agenda for Compensation Committee meetings and our President and CEO typically attends meetings to address recommendations on executive compensation, other than with respect to portions of meetings concerning his own compensation. Management also prepares and submits information during the course of the year for the consideration of the Compensation Committee, such as information relevant to annual, semi-annual and long-term performance measures and proposed financial targets and proposed recommendations for salary increases and proposed equity award allocations. Based in part on these recommendations and other considerations discussed below, the Compensation Committee reviews and approves the annual compensation package of our NEOs.

Setting the Compensation of our President and Chief Executive Officer

The Compensation Committee sets the compensation of our President and CEO based on the objectives, philosophy and methodology described below. As part of this process, the Compensation Committee reviews and approves the Company s goals and objectives relevant to our President and CEO s compensation, including his annual, semi-annual and long-term compensation opportunities, and evaluates his performance in light of those goals and objectives at least twice per year. The semi-annual review of our President and CEO s performance is conducted by the Compensation Committee.

No Delegation of Authority

The Compensation Committee does not delegate any authority for awards to NEOs or any other officers.

Compensation Program Objectives and Philosophy

The overall objective of our executive compensation program is to attract highly skilled, performance-oriented executives and to motivate them to achieve outstanding results through appropriate incentives. We focus on the following core principles in structuring an effective compensation program that meets our stated objectives:

Total Compensation

Our compensation philosophy focuses on each executive s total compensation. Total compensation includes a base salary, semi-annual incentive bonuses, long-term incentive compensation (generally consisting of stock options and restricted stock) and various employee benefits. At the beginning of fiscal 2010, the Compensation Committee reviewed the structure of our annual incentive program and decided to utilize semi-annual performance periods for our bonus programs to reflect the fall and spring seasons and more directly incentivize our executives. In addition, following the acquisition of Justice, the Compensation Committee did a comparative analysis of the compensation structures of Justice, dressbarn and maurices for purposes of cross-brand equalization and to formalize the Company s severance pay practices which resulted in the implementation of an executive severance program for certain executives of the Company, including two of the NEOs.

Performance of Company and our Stock Price

We endeavor to align executive compensation with the achievement of operational and financial results and increases in shareholder value. Our compensation program includes significant performance-based remuneration and is designed to ensure that our executives have a larger portion of their total compensation at risk based on Company performance than we believe is generally the case with specialty retailers. We believe this feature creates a meaningful incentive for outstanding performance and an effective retention tool. Two of the elements (the semi-annual incentive bonuses and long-term performance-based incentive compensation) are entirely at risk based on performance and will not be earned if the threshold performance goals are not achieved. However, as described in greater detail below under Risk Mitigation, these incentives are designed in a manner that does not encourage excessive risk taking.

Generally, performance below threshold levels results in no awards of compensation other than base salary and an annual grant of non-qualified stock options.

Our executive compensation program also features substantial stock-related components, including time-vesting stock options and long-term performance-based incentive compensation that for awards granted with respect to cycles beginning prior to fiscal 2011 are settled in time-vesting restricted stock (as well as the limited use of special grants of time-vesting restricted stock). The value of both the stock options and the restricted stock depends on our stock price. Because stock options and restricted stock vest over a period of years, and long-term performance-based incentive compensation awards are awarded based on the achievement of Company financial metrics over a three-year performance period, the value of these components of compensation to our executives is dependent on the performance of our stock price over a period of several years. This aligns the interests of our executives with the long-term interests of our shareholders. Because of this long-term alignment of interests, we do not have either minimum stock ownership guidelines or stock sale guidelines for our executives.

Role of Compensation Consultants

The Compensation Committee engages an outside compensation consultant, Radford, to provide advice regarding our executive compensation program, which includes, among other things: (i) reviewing and making recommendations concerning our executive compensation program; (ii) providing market data and performing benchmarking; and (iii) advising the Compensation Committee as to best practices. For more information about the Compensation Committee s engagement of Radford, please see the section above entitled Questions and Answers About our

Board and Corporate Governance Matters What are the Functions of the Standing Committees Compensation Committee.

Compensation Benchmarking

Each year, we seek to target salary compensation for our NEOs (excluding our Chairman) at approximately the 50th percentile of our peer group. For Mr. Rayden, however, his base salary reflects a higher percentile as we continued the practice that was in place prior to the Company s acquisition of Justice.

The Compensation Committee reviews and approves the recommended peer group changes as necessary. With respect to the salaries of our NEOs (other than our Chairman), the Compensation Committee reviews the annual salary studies published by the National Retail Federation. Although it considered industry-based compensation studies and data in order to obtain a general understanding of current compensation practices, the substantial part of the Compensation Committee s work and compensation decisions have been based on internal discussions and conclusions regarding what compensation levels would produce a competitive compensation package while also providing the requisite performance incentives to drive Company financial and strategic performance.

For fiscal 2010, Radford proposed, and the Compensation Committee reviewed and approved, a new peer group for the purpose of benchmarking certain forms of compensation and reviewing appropriate maximum limitations to the 162(m) Plan. The new peer group was selected to reflect, as accurately as possible, both the market for talent and business performance in which we compete. 16 peer companies were selected generally based on the following criteria (with a few exceptions of larger and smaller companies):

Industry: All companies selected are primarily, if not solely, clothing retailers. Companies that are primarily manufacturing or general retailers were excluded.

Size: The companies selected were roughly one-half to twice the size of the Company in terms of revenue (which is consistent with the approach taken in selecting prior peer groups) and number of employees.

- Structure: In general, multi-divisional companies were selected to capture the anticipated growing complexity of the Company s business structure.

The fiscal 2010 peer companies were: Abercrombie & Fitch Co. (ANF); Aéropostale, Inc. (ARO); American Eagle Outfitters, Inc. (AEO); AnnTaylor Stores Corporation (ANN); Charming Shoppes, Inc. (CHRS); Chico s FAS, Inc. (CHS); Coldwater Creek Inc. (CWTR); The Gymboree Corporation (GYMB); Hot Topic, Inc. (HOTT); J. Crew Group, Inc. (JCG); Pacific Sunwear of California, Inc. (PSUN); Stage Stores, Inc. (SSI); Stein Mart, Inc. (SMRT); The Children s Place Retail Stores, Inc. (PLCE); The Men s Wearhouse, Inc. (MW); and Urban Outfitters, Inc. (URBN).

While not part of the peer group, other companies, such as Limited Brands, Inc., were also used for comparison purposes with respect to certain aspects of our executive compensation program.

Compensation Program Elements

Our philosophy serves to cultivate a pay-for-performance environment. Our executive compensation program design has five key elements:

- Base Salary

- Semi-Annual Incentive Bonuses

- Non-Qualified Stock Options

- Long-Term Incentives, which include Long-Term Incentive Plans (LTIPs), which consists of performance based awards that are paid in restricted stock and, solely with respect to Mr. Rayden, a Long

Term Incentive Bonus, payable in performance-based cash compensation

Severance Protection Benefits

Historically, we have not considered change in control payments to be a key element of executive compensation for our NEOs. Prior to fiscal 2010, except for Mr. David Jaffe who is entitled to change in control severance benefits under his employment agreement, our NEOs, including our Chairman, did not have specific change in control severance protections. However, Mr. Rayden and several other senior Justice executives were entitled to change in control benefits under their executive agreements which remained in effect following the Company s acquisition of Justice. As discussed below, as part of our overall plan to equalize executive pay through all of our brands and to provide customary change in control protections to our NEOs (other than our Chairman), during fiscal 2010 the Company adopted the Executive Severance Plan that included enhanced change in control severance benefits for Messrs. Correia and Wexler. For a description of all such arrangements, see Potential Payments Upon Termination or Change in Control below.

We do not consider employee benefits or perquisites to be a key element of executive compensation for our NEOs, however certain perquisites to which Mr. Rayden was entitled pursuant to his employment arrangement with Justice prior to its acquisition by the Company were preserved by the Company, as described below under Executive Perquisites. For a description of perquisites received by our NEOs in fiscal 2010, see the details of the amounts included in the All Other Compensation column of the Summary Compensation Table below.

We allocate compensation between short-term and long-term components and between cash and equity in order to maximize executive performance and retention. Long-term compensation and equity awards comprise an increasingly larger proportion of total compensation as position level increases as we believe that these elements of compensation more closely align management s interests with our financial performance and with our shareholders interests.

Base Salary

Base salary represents the annual salary paid to each executive. For salaries for our NEOs (excluding Messrs. Elliot Jaffe and Rayden) we seek to target approximately the 50th percentile of our peer group. To honor Mr. Rayden s contractual entitlements and recognize Justice s strong performance up to and following the acquisition, Mr. Rayden s annual salary remains at a higher percentile than the other NEOs, which is at approximately the 70th percentile based on the Company s peer group. We do not benchmark base salary for our Chairman, who is entitled to a cost of living increase to his salary each year pursuant to his employment agreement with the Company. We review base salaries in the first quarter of each new fiscal year (*i.e.,* the fiscal year which follows the completed fiscal year for which executive compensation is described in this proxy statement/prospectus) and increases, where applicable, are typically effective on or about October 1 of the new fiscal year.

For fiscal 2010, Mr. David Jaffe s salary was increased on October 4, 2009 from $850,000 to $900,000 to reflect his additional responsibilities due to the acquisition of Justice and to move his salary closer to the 50th percentile of the chief executive officers in our peer group, and was further increased on December 13, 2009 to $950,000 to provide a make-up for the elimination of certain perquisites. For fiscal 2010, on October 4, 2009 Mr. Correia s salary was increased from $320,000 to $342,000 and Mr. Wexler s salary was increased from $270,000 to $340,000. Mr. Correia s salary was further increased to $392,000 on December 13, 2009. The increases for Messrs. Correia and Wexler were adopted in order to move their salaries closer to the 50th percentile target of our peer group established in fiscal 2010, to reflect a 2% merit increase and the elimination of certain perquisites and to compensate them for additional responsibilities due to the acquisition of Justice. Mr. Elliot Jaffe did not receive a salary increase for fiscal 2010, accordingly, his fiscal 2010 salary was $377,100. Mr. Rayden s fiscal 2010 salary was $1,050,000, which is consistent with his prior salary.

In connection with a general merit-based increase in salaries across all of our divisions to reflect a balancing of the strong performance in all divisions with the recessionary economic environment, for fiscal 2011, the salaries for Messrs. David Jaffe, Correia and Wexler were increased to $980,000, $425,000 and $370,000, respectively. Mr. Elliot Jaffe s salary was increased for fiscal 2011 to $382,800 to reflect a 1.5% cost of living increase. Mr. Rayden did not receive a salary increase for fiscal 2011.

Incentive Bonus Plans

The Compensation Committee believes that a substantial percentage of each executive officer s annual compensation should tie directly to the financial performance of the Company as well as to the executive s own individual performance. For fiscal 2010, our NEOs participated in the following incentive bonus plans: (i) Mr. David Jaffe participated in the 162(m) Plan and (ii) Messrs. Correia and Wexler participated in the MIP. In addition, from November 25, 2009 through January 30, 2010 (the end of the Justice 2010 fall season), Mr. Rayden continued to participate in the Justice Incentive Compensation Bonus Plan (the Justice IC Plan), and commencing with the Company s 2010 spring season (January 24, 2010 through July 31, 2010), he participated in the 162(m) Plan. Mr. Elliot Jaffe does not participate in any of the incentive bonus plans.

We structure the Company s incentive bonus plans to encourage the achievement of above-market annual performance targets and to recognize annual Company performance. The incentive bonus plans help to focus our NEOs on key annual objectives and business drivers, which we believe will support growth of Company EBITDA (EBITDA represents Earnings before Interest, Taxes, Depreciation and Amortization), improvement in overall operations and increases in shareholder value.

Commencing with fiscal 2010, we have modified the MIP and the 162(m) Plan to provide for semi-annual goals and payouts based on 6-month performance periods for the fall and spring seasons rather than annual goals and payouts. The purpose of this change was to allow for a mid-year reevaluation of performance targets and provide an incentive for our employees to focus on meeting goals in the second half of the fiscal year when first half results are not favorable. For fiscal 2010, the fall season was from July 26, 2009 through January 23, 2010 and the spring season was from January 24, 2010 through July 31, 2010.

We establish the target amount of an NEO s incentive bonus as a percentage of base salary for the performance period based on the NEO s position level. This approach places a proportionately larger percentage of total annual pay at risk based on Company performance for our NEOs relative to position level. For fiscal 2010, the target award opportunity for our NEOs (excluding the Chairman) was as follows: Mr. David Jaffe 100% of base salary; Mr. Rayden 120% of base salary (reflecting his preexisting contractual rights with Justice); Mr. Correia 75% of base salary; and Mr. Wexler 60% of base salary. Higher and lower percentages of base salary may be earned if minimum performance levels or performance levels above target are achieved. Commencing with fiscal 2010, the Compensation Committee decided to increase the maximum bonus opportunity under the 162(m) Plan and the MIP from 100% of base salary to 200% of base salary to better align our incentive bonus plans with those maintained by our competitors which typically provide for increased payouts for outstanding performance.

Management Incentive Plan

Messrs. Correia and Wexler participated in the MIP for both the fiscal 2010 fall and spring seasons.

Full Year Goals for Fiscal 2010 The performance goals for the full fiscal 2010 year and the percentage of the fiscal 2010 target award opportunity subject to the achievement of each goal were as follows:

40% based on divisional goals (20% per season), as follows:

30% based on division EBITDA dollars (15% per season)

10% based on divisional EBITDA as a percentage of sales (5% per season)

20% based on Company goals (10% per season), as follows:

15% based on Company EBITDA dollars (7.5% per season)

5% based on Company EBITDA as a percentage of sales (2.5% per season)

40% based on personal goals for the full fiscal year

Fiscal 2010 Fall Season Financial Goals The financial performance goals for Messrs. Correia and Wexler for the fiscal 2010 fall season and the percentage of the fiscal 2010 target award opportunity subject to the achievement of each goal were as follows:

- 15% on the achievement by the dressbarn division of target EBITDA of $26,116,000

- 5% on the achievement by the dressbarn division of a target of EBITDA as 5.95% of sales

- 10% based on Company financial goals, as follows:

- 7.5% on the achievement by the Company of target EBITDA dollars of $62,090,000

- 2.5% on the achievement by the Company of a target of EBITDA as 8.35% of sales

Fiscal 2010 Spring Season Financial Goals The financial performance goals for Messrs. Correia and Wexler for the fiscal 2010 spring season and the percentage of the fiscal 2010 target award opportunity subject to the achievement of each goal were as follows:

15% based on the achievement of divisional target EBITDA as follows:

6% on the achievement by the dressbarn division of target EBITDA of $67,500,000

4.5% on the achievement by the maurices division of target EBITDA of $55,800,000

4.5% on the achievement by the Justice division of target EBITDA of $26,300,000

5% based on the achievement of divisional target EBITDA as a percentage of sales as follows:

2% on the achievement by the dressbarn division of a target of EBITDA as 13.19% of sales

1.5% on the achievement by the maurices division of a target of EBITDA as 16.62% of sales

1.5% on the achievement by the Justice division of a target of EBITDA as 5.81% of sales

10% based on Company financial goals, as follows:

7.5% on the achievement by the Company of target EBITDA dollars of $149,500,000

2.5% on the achievement by the Company of a target of EBITDA as 11.51% of sales

The fiscal 2010 personal goals for Mr. Correia were generally based on corporate governance compliance and increasing profitability, sales and productivity. The fiscal 2010 personal goals for Mr. Wexler were generally based on overseeing our legal department, legal compliance, reviewing and negotiating contracts, the closing of our acquisition of Tween Brands, protection of our data and intellectual property rights, assisting with special projects and advising our CEO and Chief Financial Officer on legal issues affecting our business.

The target bonus percentages under the MIP increase with position level. For Mr. Correia, who is an Executive Vice President, his target bonus award for fiscal 2010 was 75% of his base salary. For Mr. Wexler, who is a Senior Vice President, his target bonus award for fiscal 2010 was 60% of his base salary.

The level of achievement for the personal goals established under the MIP is determined by the Company s bonus review committee (which consists of certain members of senior management) based on a scale of 0 to 500 points. Participants in the MIP must achieve at least a minimum score of 300 points on their personal goals in order to be eligible for any payment under the MIP.

With respect to the Company and divisional goals, the amount of the payment with respect to each goal is based on the level of achievement of that goal, with a 50% of target payout if 85% of the goal is achieved, a 100% payout at 100% achievement, and 200% payout at 130% and above achievement, with intermediate target levels and interpolation between target levels. No payments are made on any of the EBITDA dollar goal if achievement is at less than 85% of the goal unless the Compensation Committee approves a discretionary award.

Any amounts earned for a season with respect to the division and Company goals were payable following the end of such season. Any amounts earned for the 2010 fiscal year with respect to the personal goals were payable at the end of the fiscal year. An NEO would not be entitled to fall season MIP payment if his employment was terminated for any reason prior to the earlier of the fall season MIP payment and April 30, 2010 and an NEO would not be entitled to a spring season MIP payment (including the payment for achievement of personal goals) if his employment terminated for any reason prior to the earlier of the spring season MIP payment and October 31, 2010.

The results under the MIP for fiscal 2010 were as follows:

Fiscal 2010 Fall Season Performance Goals	**Fiscal 2010 Fall Season Result**	**Percentage of Target Achieved**	**Payout Percentage**
Company EBITDA dollars	$ 78,000,000	125.7 %	185.6 %
Company EBITDA as a percent of sales	10.04 %	120.3 %	167.5 %
dressbarn division EBITDA dollars	$ 30,700,000	117.6 %	158.8 %
dressbarn division EBITDA as a percent of sales	6.72 %	112.9 %	143.0 %

The achievement of the fiscal 2010 fall season MIP performance goals generated a MIP payment of $150,983 to Mr. Correia and $100,164 to Mr. Wexler.

Fiscal 2010 Spring Season Performance Goals	**Fiscal 2010 Spring Season Result**	**Percentage of Target Achieved**	**Payout Percentage**
Company EBITDA dollars	$ 186,700,000	124.9 %	182.9 %
Company EBITDA as a percent of sales	13.57 %	117.9 %	159.5 %
dressbarn division EBITDA dollars	$ 71,200,000	105.6 %	188.6 %
dressbarn division EBITDA as a percent of sales	13.57 %	102.9 %	109.7 %
maurices division EBITDA dollars	$ 69,000,000	123.7 %	179.1 %
maurices division EBITDA as a percent of sales	19.13 %	115.1 %	150.3 %
Justice division EBITDA dollars	$ 46,725,000	177.8 %	200 %
Justice division EBITDA as a percent of sales	9.48 %	163.2 %	200 %

The achievement of the fiscal 2010 spring season MIP performance goals, taking into account achievement of personal goals, generated a MIP payment of $276,812 to Mr. Correia and $204,041 to Mr. Wexler.

Fiscal 2011 The design of the MIP for fiscal 2011 is substantially similar to the fiscal 2010 MIP except that performance goals for the full fiscal 2011 year and the percentage of the fiscal 2011 target award opportunity subject to the achievement of each goal have been modified to be based 40% on fall EBITDA dollars, 40% on spring EBITDA dollars and 20% on individual performance goals. EBITDA as a percentage of sales has been eliminated as a performance goal under the MIP for fiscal 2011. These changes are intended to streamline the structure of potential MIP awards and to make uniform the goal percentages in the Company s three divisions.

Executive 162(m) Bonus Plan

Our President and CEO, David R. Jaffe, participated in the 162(m) Plan for both the fiscal 2010 fall and spring seasons. Mr. Rayden, the CEO of Justice, was added as a participant to the 162(m) Plan for the fiscal 2010 spring season. The 162(m) Plan is used instead of the MIP for those NEOs who may be affected by Section 162(m) of the Code and are designated by the Compensation Committee to be subject to the 162(m) Plan. Section 162(m) of the

Code generally disallows a Federal income tax deduction to any publicly held corporation for non-performance-based compensation paid to NEOs (other than the principal financial officer) in excess of $1,000,000 in any taxable year. The Company structures awards under the 162(m) Plan to provide compensation that is intended to qualify as performance-based compensation that is excluded from the $1,000,000 deductibility cap.

The maximum performance award payable to any individual under the 162(m) Plan for any one-year performance period is $5,000,000 (pro-rated for performance periods of less than one year). For each season during fiscal 2010 the target bonus opportunity under the 162(m) Plan was 50% of 100% of base salary and the maximum bonus opportunity was 100% of base salary (*i.e.,* a target bonus opportunity of 100% base salary and a maximum bonus opportunity of 200% of base salary for the full fiscal year).

For fiscal 2010, the Compensation Committee set the performance goals under the 162(m) Plan for Mr. David Jaffe for the fall and spring seasons and for Mr. Rayden for the spring season.

The performance goals for Mr. David Jaffe for the fiscal 2010 fall season were as follows:

25% based on exceeding the Company s sales plan, as follows:

12.5% on the achievement of a target increase of 2% in the dressbarn division s comparable store sales

12.5% on the achievement of a target increase of 2% in the maurices division s comparable store sales

50% based on EBITDA dollars, as follows:

25% on the achievement by the dressbarn division of target EBITDA of $26,116,000

25% on the achievement by the maurices division of target EBITDA of $35,974,000

25% based on the level of increase in the Company s stock price relative to the Company s peer group

The performance goals for Mr. David Jaffe for the fiscal 2010 spring season were as follows:

20% based on exceeding the Company s sales plan, as follows:

6.67% on the achievement of a target increase of 3% in the dressbarn division s comparable store sales

6.67% on the achievement of a target increase of 3% in the maurices division s comparable store sales

6.67% on the achievement of a target increase of 7.4% in the Justice division s comparable store sales

60% based on EBITDA dollars, as follows:

20% on the achievement by the dressbarn division of target EBITDA of $67,456,000

20% on the achievement by the maurices division of target EBITDA of $55,792,000

20% on the achievement by the Justice division of target EBITDA of $26,274,000

20% on the level of increase in the Company s stock price relative to

the
Company s
peer group

He is eligible to receive a payment under the 162(m) Plan of 50% of his target bonus amount for the season for performance at the threshold level, 100% of his target bonus amount for the season for performance at the target level, and a maximum payment of 200% of his target bonus amount for the season for performance at the maximum level, with intermediate target point levels and interpolation between target point levels. Mr. Jaffe was not entitled to a payment under the 162(m) Plan for performance below the threshold level.

The results for Mr. David Jaffe under the 162(m) Plan for fiscal 2010 were as follows:

Fiscal 2010 Fall Season Performance Goals	**Fiscal 2010 Fall Season Result**	**Performance Level Achieved**
dressbarn division sales plan	5% increase	Maximum
maurices division sales plan	4% increase	Maximum
dressbarn division EBITDA dollars	$30,700,000	Maximum
maurices division EBITDA dollars	$47,300,000	Maximum
Increases in Company stock price	Top 20th percentile of peer group:	Maximum
	Payout Percentage of Fiscal 2010 Fall Target Bonus:	200%
	Total Fiscal 2010 Fall Payout:	$950,000

Fiscal 2010 Spring Season Performance Goals	Fiscal 2010 Spring Season Result	Performance Level Achieved
dressbarn division sales plan	6.8% increase	Maximum
maurices division sales plan	8.2% increase	Maximum
Justice division sales plan	16.5% increase	Maximum
dressbarn division EBITDA dollars	$71,200,000	105.6%
maurices division EBITDA dollars	$69,000,000	Maximum
Justice division EBITDA dollars	$46,725,000	Maximum
Increases in Company stock price	Top 60th percentile of peer group:	125%
	Payout Percentage of Fiscal 2010 Spring Target Bonus:	125%
	Total Fiscal 2010 Spring Payout:	$593,750

The performance goal for Mr. Rayden under the 162(m) Plan for the fiscal 2010 spring season was achievement by Justice of target EBITDA of $26,274,067. At target performance Mr. Rayden would receive his target bonus of 50% of 120% of his base salary equal to $630,000, with a threshold performance target of EBITDA of $22,330,000 paying an amount equal to 50% of his target bonus and a maximum performance target of EBITDA of $34,150,000 paying an amount equal to 200% of his target bonus, with interpolation between the target levels. Mr. Rayden would not be eligible for a bonus payment for performance below the threshold level. The actual EBITDA achieved by Justice for the fiscal 2010 spring season was $46,725,000, resulting in a payment to Mr. Rayden of 200% of his target bonus equal to $1,260,000.

The performance goals for Mr. David Jaffe and Mr. Rayden for the full fiscal 2011 year and the percentage of the fiscal 2011 target award opportunity subject to the achievement of each goal have been structured in the same manner as their fiscal 2010 spring season goals.

Justice Incentive Compensation Bonus Plan

The Justice IC Plan was designed by Justice to provide incentive compensation to its executive officers. The Justice IC Plan was designed to provide performance-based compensation that satisfies the provisions of Section 162(m) of the Code and was approved by Justice s stockholders. The Justice IC Plan provided for semi-annual targets with semi-annual payouts based on the level of achievement of pre-established financial goals for Justice s fall and spring operating seasons with 40% of the annual payout for the spring season and 60% of the annual payout for the fall season.

For continuity purposes, Mr. Rayden continued to participate in the Justice IC Plan for the plan s fall 2009 season (which commenced on August 2, 2009 and ended on January 30, 2010) following the Company s acquisition of Justice. Justice had established Mr. Rayden s 2009 fall season target bonus opportunity as 60% of 120% of his base salary for a target bonus of $756,000. Justice set performance targets based on operating income growth targets, with a threshold target of operating income of $19,900,000 paying 20% of the target bonus, a target level of operating income of $25,100,000 paying 100% of the target bonus and a maximum target level of operating income of $34,200,000 paying 200% of the target bonus. Justice s actual operating income for its fall 2009 season was $61,500,000, resulting in an incentive bonus for Mr. Rayden of 200% of his target bonus equal to $1,512,000, which amount was approved by our Compensation Committee.

Non-Qualified Stock Options and Restricted Stock under the Company s Stock Incentive Plan

NEOs receive annual grants under our Stock Incentive Plan. As discussed under To Approve the Amendment and Restatement of the Company s 2001 Stock Incentive Plan, as Amended, shareholders are being asked to approve an amendment and restatement of the Stock Incentive Plan at the Annual Meeting (the amended and restated Stock Incentive Plan is referred to below as the 2010 Stock Incentive Plan). A summary of the 2010 Stock Incentive Plan appears beginning on page 79 of this proxy statement/prospectus.

Non-Qualified Stock Options

Our NEOs are granted annual awards of nonqualified stock options. Options granted to the NEOs prior to fiscal 2010 vest 20% per year for five years following the grant date. Effective for stock options made in the beginning of fiscal 2010, options granted to the NEOs vest 25% per year for four years following the grant date. This change was made as part of the equalization of the pay practices among our brands and better aligns our equity grant practices with those of the other members of our peer group. The exercise price of a stock option is the average of the high and low Company stock prices on the date of grant. Options typically have a term of ten years.

The Company awards stock options to the NEOs on an annual cycle. On September 24, 2009, the following NEOs were granted the following number of stock option grants with an exercise price of $17.67: Elliot S. Jaffe 5,000 options; David R. Jaffe 80,000 options; Armand Correia 20,000 options; and Gene Wexler 20,000 options. On September 23, 2010, our NEOs were granted the following number of stock options grants with an exercise price of $23.39: Elliot S. Jaffe 10,000 options; David R. Jaffe 80,000 options; Michael Rayden 80,000 options; Armand Correia 25,000 options; and Gene Wexler 20,000.

The Compensation Committee generally determines each participant grant in accordance with pre-established option grant guidelines (which are primarily based on the participant s level of responsibility with the Company). Our President and CEO may exercise discretion in his recommendations to the Compensation Committee for grants of stock options for all executives, including the NEOs, excluding himself and the Chairman. Our President and CEO may recommend an increase or decrease to the stock option grant guidelines for a given executive, based on individual performance. All grants are made by the Compensation Committee.

The Compensation Committee has a practice of not granting any stock options until at least one business day after the Company has issued its quarterly and/or annual earnings release, as well as the public release of any other pending material non-public information.

Special Equity Grants

The Compensation Committee may also make other equity grants from time to time during the course of the year, such as when a new employee is hired, a current employee is promoted or recognition of special achievement. After the consummation of the acquisition of Justice on November 25, 2009, on December 9, 2009, in recognition of the successful turnaround of Justice, Michael Rayden was granted 25,000 shares of restricted stock, which restrictions thereon lapsed on March 25, 2010 (the date Mr. Rayden satisfied the Total Years Test, as described below). Mr. Rayden was also granted 80,000 options on December 9, 2009, as a sign-on bonus for joining the Company. On December 9, 2009, in light of the considerable amount of time committed to the acquisition of Justice, the Compensation Committee granted Success Awards in the form of 10,000 shares of restricted stock to each of Messrs. Correia and Wexler. The award granted to Mr. Correia was fully vested on the grant date as he has satisfied the Total Years Test. The restrictions on the award granted to Mr. Wexler will lapse in two equal installments on the first and second anniversaries of the grant date. In light of Mr. David Jaffe s compensation level being low relative to the market and to compensate Mr. Jaffe for his efforts in connection with the acquisition of Justice, on December 9, 2009, the Compensation Committee granted him 25,000 shares of restricted stock, which restrictions thereon lapse in two equal installments on the first and second anniversaries of the grant date, and an option to purchase 150,000 shares of the Company s stock at a premium per share price of $30.00 that will vest 25% per year for four years following the grant date. Further, as additional compensation for his efforts in connection with all three of the Company s divisions exceeding their goals during fiscal 2010, on September 23, 2010, Mr. David Jaffe was granted an option to purchase 75,000 shares of the Company s stock at a premium per share price of $30.00 that will vest 25% per year for four years following the grant date.

Post-Termination Continued Vesting and Exercisability of Employee Options in Certain Circumstances

If an employee ceases to be an employee of the Company for any reason (other than for Cause, as defined under the Stock Incentive Plan) and the employee has achieved the Total Years Test (as defined below) as of his last day of employment, then all of such employee s unvested stock options granted during fiscal 2010 will continue to vest and remain exercisable for a period of four years from the date of termination, but not longer than the original term of each option, and provided that after the last unvested option vests, all options shall remain exercisable for one year thereafter, but not longer than the original term of each option. The definition of Cause under the Stock Incentive Plan can be found in this proxy statement/prospectus in the section above entitled Questions and Answers About our Board and Corporate Governance Matters How are directors compensated? Equity Compensation.

In addition, upon achievement of the Total Years Test, all of an employee s unvested restricted stock will become fully vested, without regard to a termination of employment.

The Total Years Test shall mean 75 years, based on the sum of (i) the total number of years of employment with the Company or an affiliate, plus (ii) the employee s age, which shall be at least age 60.

Long-Term Incentive Plans

The Company grants the NEOs annual long-term incentive plans (LTIP) under which, for awards granted prior to fiscal 2011, the NEOs (other than our Chairman) may receive grants of restricted stock under the Stock Incentive Plan. LTIP performance goals are established annually, and the performance period for each annual plan consists of three consecutive fiscal years. The LTIPs are intended to give each senior executive a substantial incentive to maximize our long-term financial performance. During the first quarter of fiscal 2008, the Compensation Committee established the 2010 Long- Term Incentive Plan (the 2010 LTIP). The 2010 LTIP uses a three-year performance period consisting of fiscal 2008, fiscal 2009 and fiscal 2010. During the first quarter of fiscal 2009, the Compensation Committee established the 2011 Long-Term Incentive Plan (the 2011 LTIP). The 2011 LTIP uses a three-year performance period consisting of fiscal 2009, fiscal 2010 and fiscal 2011. During the first quarter of fiscal 2010, the Compensation Committee established the 2012 Long-Term Incentive Plan for executives at dressbarn and maurices (the db/m 2012 LTIP). The db/m 2012 LTIP uses a three-year performance period consisting of fiscal 2010, fiscal 2011 and fiscal 2012. During the third quarter of fiscal 2010, the Compensation Committee adopted a 2012 Long Term Incentive Plan for executives of Justice (the Justice 2012 LTIP). The performance periods under the Justice 2012 LTIP are discussed below. Messrs. David Jaffe, Correia and Wexler participate in the 2010 LTIP, the 2011 LTIP and the db/m 2012 LTIP. Mr. Rayden participates in the Justice 2012 LTIP.

We expect that during the first quarter of each subsequent fiscal year, the Compensation Committee will establish a new LTIP.

All of the LTIPs adopted prior to the dm/m 2012 LTIP, if earned, provided for settlement in time-vesting restricted stock under the Stock Incentive Plan that would vest in equal installments over a period of 3 years from the last day of the applicable performance period. Upon review of this practice the Compensation Committee determined that the 6-year total vesting period (3 year performance period plus 3 year vesting period) placed the Company at a competitive disadvantage as compared to other companies in the peer group that typically grant restricted stock with shorter vesting periods. To more closely align our pay practices with our peer group and the executive pay practices maintained by Justice prior to the acquisition, both the db/m 2012 LTIP and the Justice 2012 LTIP (together, the 2012 LTIPs), if earned, provide for settlement in time-vesting restricted stock under the Stock Incentive Plan that would become fully vested on the first anniversary of the last day of the performance period and commencing with the LTIP to be established in fiscal 2011 for the three-year performance period consisting of fiscal 2011, fiscal 2012 and fiscal 2013, it is expected that future LTIPs will be settled in fully vested common stock, rather than restricted stock (*i.e.,* the shares will not be subject to a vesting schedule).

The Compensation Committee believes that the goals set under the LTIP represent an appropriate and substantial degree of difficulty for achieving a payout. For example, no awards were paid out under the 2010 LTIP because the Company did not achieve threshold performance levels in any of the three performance categories for fiscal 2010, nor were awards paid out under the LTIPs

with performance periods that ended in fiscal 2008 (which had a 1 year performance period) and fiscal 2009 (which had a 3 year performance period).

For the 2012 LTIPs, the participating NEOs were assigned a target number of shares of restricted stock. The actual number of shares of restricted stock to be awarded at the end of the performance period will depend on the Company s achievement of Company financial goals during the applicable performance period. The performance goals under the db/m 2012 LTIP are intended to constitute performance-based compensation under Section 162(m) of the Code. The performance goals under the Justice 2012 LTIP are not intended to constitute performance-based compensation under Section 162(m) of the Code as they were not timely adopted prior to or within the 90 period following the commencement of the performance period as required under Section 162(m) of the Code, and accordingly, Mr. Rayden s 2012 Justice LTIP payout, if any, may not be deductible under Section 162(m) of the Code.

The target number of shares of our common stock that may be earned by the NEOs participating under the 2012 LTIPs is as follows: Mr. David Jaffe 62,706; Mr. Rayden 42,918; Mr. Correia 19,406; and Mr. Wexler 13,465. The target number of shares that Mr. Rayden may earn reflects a pro-rated portion (30/36) of the number of shares that he otherwise would have been eligible to earn to reflect the shortened performance periods under the Justice 2012 LTIP.

dressbarn/maurices 2012 LTIP Performance Goals

50% of the target shares are subject to Company performance goals divided 1/3 among the following performance goals:

total shareholder return (TSR) relative to our peer group:

Threshold: top 60% to 40% of the peer group

Target: between the top 40% and 20% of the peer group

Maximum: top 20% of the peer group

Company s compounded annual

average EBITDA dollar growth (other than with respect to the Justice division):

Threshold: 7.13% growth

Target: 9.48% growth

Maximum: 14.26% growth

Company s compounded annual average return on invested capital (ROIC):

Threshold: 26.82% ROIC

Target: 28.37% ROIC

Maximum: 31.83% ROIC

The remaining 50% of the target shares are subject to dressbarn and maurices divisional performance goals (the db/m Divisional Shares), divided 25% among the following performance goals:

dressbarn divisions compounded annual average EBITDA dollar growth:

Threshold:
6.04%
growth

Target:
8.03%
growth

Maximum:
12.07%
growth

dressbarn
divisions
compound
annual
comparable
store sales
growth

Threshold:
2.50%
growth

Target:
3.33%
growth

Maximum:
5.0%
growth

maurices
divisions
compounded
annual
average
EBITDA
dollar
growth:

Threshold:
8.03%
growth

Target: 10.68% growth

Maximum: 16.06% growth

maurices divisions compound annual comparable store sales growth

Threshold: 2.67% growth

Target: 3.55% growth

Maximum: 5.3% growth

Each performance goal will be measured during the fiscal 2010, fiscal 2011 and fiscal 2012 performance period. For each performance goal, at threshold level 50% of the target shares subject to the performance goal will be earned, 100% will be earned for target achievement and 150% for maximum achievement, with intermediate target levels and earning.

Justice 2012 LTIP Performance Goals

75% of the target shares are subject to Company performance goals divided 1/3 among the following performance goals:

TSR relative to our peer group:

Threshold: top 60% to 40% of the peer group

Target: between the top 40% and 20% of the peer group

Maximum: top 20% of the peer group

Company s compounded annual average EBITDA dollar growth (other than with respect to the Justice division):

Threshold: 8.53% growth

Target: 11.35% growth

Maximum: 17.06% growth

Company s compounded annual average ROIC:

Threshold: 28.07% ROIC

Target: 34.72% ROIC

Maximum: 43.20%

ROIC

The remaining 25% of the target shares are subject to compounded annual average EBITDA dollar growth, as follows:

Threshold:	14.86% growth
Target:	19.77% growth
Maximum:	29.72% growth

The performance period for all of the goals under the Justice 2012 LTIP will be measured over a performance period consisting of January 24, 2010 through July 28, 2012 (the last day of fiscal 2012), other than the ROIC goal which will be measured over a performance period consisting of August 1, 2010 through July 28, 2012. The difference in performance periods was necessary as the Company would be unable to accurately evaluate ROIC for Mr. Rayden for the stub period from January 24 through July 31, 2010. For each performance goal, at threshold level 50% of the target shares subject to the performance goal will be earned, 100% will be earned for target achievement and 150% for maximum achievement, with intermediate target levels and earning.

The peer group with respect to the TSR goals for the 2012 LTIPs is the same group of companies used for benchmarking purposes in fiscal 2010 other than The Gymboree Corporation and Stage Stores, Inc. as those companies were added to the benchmarking peer group after the goals for the db/m 2012 LTIP were established.

Prior to the 2012 LTIPs, the LTIP goals were based solely on Company performance goals. The addition of divisional goals to the 2012 LTIPs reflects the growth of the Company as the impact that any individual has on the entire Company has been diminished as we add new divisions. This is also reflected in the choice of performance goals which are intended to reflect goals that participants can best control, such as comparable store sales and EBITDA in lieu of an operating income which was used for prior LTIPs. In addition, starting with the 2012 LTIPs, the Compensation Committee has decided to use TSR relative to the peer group as a performance metric in lieu of market capitalization growth. The Company chose relative TSR as a goal as it is based on peer group performance rather than a fixed numerical number and is thereby not subject to external factors such as national economics, weather and political issues that do not reflect on individual or corporate performance and better aligns executive rewards with prevailing market conditions. The Company has retained ROIC as the third performance metric.

Holders of outstanding restricted stock granted under the LTIPs have the right to vote prior to vesting. Any shares of restricted stock earned under the LTIPs will be subject to accelerated vesting upon the participant s termination due to death or disability, upon a change in control (as defined in the Stock Incentive Plan, which can be found on page 75 of this proxy statement/prospectus), or upon achievement of the Total Years Test.

2013 LTIP

In fiscal 2011, the Compensation Committee adopted an LTIP for our NEOs for the three-year performance period consisting of fiscal 2011, fiscal 2012 and fiscal 2013 (the 2013 LTIP). The 2013 LTIP was granted as restricted stock that will vest based on the level of performance achieved. The target number of shares of our common stock that may vest for the NEOs participating under the 2013 LTIP is as follows: Mr. David Jaffe 39,313; Mr. Rayden 50,623; Mr. Correia 12,806; and Mr. Wexler 8,919. In order to align the 2013 LTIP with the performance goals adopted under the Justice 2012 LTIP so that goals are consistent through all divisions, the goals for all participants in the 2013 LTIP are divided as follows:

75% of the target shares are subject to Company performance goals divided 1/3 among the following performance goals:

TSR relative to the peer group

Company s compound annual average ROIC

Company s annual average EBITDA

dollar growth

25% of the target shares are subject to divisional compound annual EBITDA growth. The divisional goal is based on the division the NEO has responsibility for and is further divided for an NEO who has responsibilities between 2 or 3 divisions.

In order to align the 2013 LTIP with the MIP so that there is consistency in the payout arrangements between the Company s incentive plans, for each performance goal, at threshold level 50% of the target shares for the performance goal will vest, 100% will vest for target achievement and 200% for maximum achievement, with intermediate target levels and vesting. The performance goals under the 2013 LTIP are intended to constitute performance based compensation under Section 162(m) of the Code.

The peer group with respect to the TSR goals for the 2013 LTIP is the same group of companies used for benchmarking purposes other than Hot Topic, Inc., and also includes The Talbots, Inc. (TLB).

Justice EBITDA Bonus for Mr. Rayden

Following the Company s acquisition of Justice, the Compensation Committee determined that it was necessary to create a strong incentive for Michael Rayden to stay with the Company for a prolonged period and to increase Justice s EBITDA performance over its plan during that time. In order to create such an incentive, the Compensation Committee approved a long term, performance-based bonus plan for Michael Rayden (the Justice EBITDA Bonus). Under the Justice EBITDA Bonus, which is set forth in Mr. Rayden s employment agreement, Mr. Rayden is eligible to receive a cash bonus in an amount equal to 10% of the sum of the Justice divisions positive incremental and negative decremental actual EBITDA performance versus target EBITDA goals over each semi-annual period occurring in the five and one-half year performance period, as set forth below, or if shorter, the duration of Mr. Rayden s employment (we refer to the applicable period as the EBITDA performance period). The incremental and decremental amounts for each semi-annual period will be determined by comparing Justice s actual EBITDA performance during such semi-annual period against the semi-annual Justice EBITDA goals below, calculated excluding certain extraordinary items (*i.e.,* unusual events effecting the financial statements, corporate transactions and changes in accounting principles). Any bonus payable under the Justice EBITDA Bonus will be paid within 60 days following completion of the EBITDA performance period, provided that if the amount is payable as a result of Mr. Rayden s termination of employment, the bonus payment will be subject to a six-month delay pursuant to Section 409A of the Code. No amounts are payable under the Justice EBITDA Bonus if Mr. Rayden s employment is terminated by Justice for Cause (as defined in his employment agreement).

The following semi-annual target EBITDA goals for Justice for the five and one-half year performance period under the Justice EBITDA Bonus have been approved by the Compensation Committee:

Justice EBITDA Bonus
Semi-Annual Goals
Justice EBITDA
(in thousands)

Year	**Spring**	**Fall**
2010	$ 26,274	N/A
2011	$ 33,994	$ 84,893
2012	$ 41,608	$ 94,871
2013	$ 46,121	$ 101,204
2014	$ 50,058	$ 106,795
2015	$ 54,742	$ 113,492

The actual EBITDA achieved by Justice for the fiscal 2010 spring season was $46,725,000, resulting in Mr. Rayden earning an amount equal to $2,045,100 under the Justice EBITDA Bonus. This amount will be paid at the end of the EBITDA performance period.

Executive Perquisites

Executive perquisites are not a significant component of our executive compensation program. We limit the use of perquisites among our eligible executives, and, except as noted below with respect to Mr. Rayden, we do not currently offer any notable perquisites to our NEOs. The cost of perquisites for our NEOs is included in the All Other Compensation column of the Summary Compensation Table. The Company also offers broad health and welfare programs, which are available to our full-time employees generally.

In accordance with the terms of Mr. Rayden s employment with Justice prior to it being acquired by the Company, Mr. Rayden continues to receive limited personal use of an aircraft while Mr. Rayden serves as CEO of Justice, subject to certain limitations on use and cost. Mr. David Jaffe was also provided with one personal flight during fiscal 2010. In addition, the Company maintains life insurance coverage on Mr. Rayden s life in the amount of $5,000,000, the proceeds of which are payable to his designated beneficiaries.

Deferred Compensation

We maintain a non-qualified deferred compensation plan for approximately 120 employees, including all of our NEOs. We make Company contributions to this plan in an amount determined by us for each plan year. For fiscal 2010, the NEOs received a Company matching contribution of 100% on the first 5% of base salary and bonus deferred. Prior to fiscal 2010, the Company matching contribution was capped at $1,000,000 of compensation. This cap was removed commencing with fiscal 2010. See Nonqualified Deferred Compensation in Fiscal 2010 below.

Severance and Change in Control Payments

All of our NEOs, other than our Chairman, are entitled to receive severance payments upon certain terminations of their employment and all of our NEOs, other than our Chairman, are entitled to benefits in the event of a change in control of the Company. These arrangements provide essential protections to both the executive and the Company. Arrangements providing for severance and change in control payments assist the Company in attracting and retaining qualified executives that could have other job alternatives.

Under David Jaffe s employment agreement, in the event of a change in control, he is entitled to elect to terminate employment and to receive a severance payment of two times his base salary. The Compensation Committee has evaluated David Jaffe s employment agreement and believes that the change in control provision is appropriate given his long relationship and service with the Company and due to the fact that if a change in control were to occur, his responsibilities and services would likely be very different from those that currently exist.

Mr. Rayden s entitlements to severance and change in control benefits are a continuation of his contractual rights under his arrangements with Justice. These arrangements have been reviewed and evaluated by the Compensation Committee and it has determined that such arrangements continue to be appropriate given Mr. Rayden s contributions to and essential role with Justice.

Mr. Elliot Jaffe s employment agreement provides that his estate will be entitled to receive a lump sum payment equal to 1 year of his base salary at the rate in effect at the time of his death. He is not entitled to severance under any other termination of his employment.

As part of our effort to equalize the executive pay practices of the Company with those of Justice, we have adopted The Dress Barn, Inc. Executive Severance Plan (the Executive Severance Plan), in which Messrs. Correia and Wexler participate. Under the Executive Severance Plan Messrs. Correia and Wexler are entitled to severance benefits upon certain terminations of their employment, including enhanced severance benefits following a change in control. A description of terms and conditions of the Executive Severance Plan can be found in the section of this of this proxy statement/prospectus entitled Executive Severance Plan below.

Other than with respect to Mr. Rayden, none of our NEOs is entitled to a golden parachute (280G) excise tax gross-up or a Code Section 409A tax gross-up, both of which are preserved benefits from the agreements governing Mr. Rayden s employment with Justice prior to its acquisition by the Company. A description of terms and conditions of this arrangement with Mr. Rayden can be found in the section of this proxy statement/prospectus entitled Employment Agreements and Employment Letters - Michael W. Rayden.

A further description of termination and change in control events that trigger post termination and change in control pay and benefits for our NEOs, including the Executive Severance Plan, can be found in the section of this proxy statement entitled Potential Payments upon Termination or Change in Control below.

Risk Mitigation

The Company believes that its compensation programs may not reasonably be expected to give rise to a material adverse effect on the Company. The principal performance based measures depend on the Company s business and strategic plan. Further, we have attempted to, and will continue to strive to, equalize the compensation practices and performance measures of all of our divisions. In most cases, each component of performance-based compensation is subject to a limit on the cash paid or the number of shares delivered. The performance criteria are designed to focus on performance metrics that deliver value to our shareholders and that focus on the strength of our business.

Impact of Accounting and Tax Matters

As a general matter, the Compensation Committee reviews and considers the various tax and accounting implications of compensation vehicles that we utilize. With respect to accounting matters, the Compensation Committee examines the accounting cost associated with equity compensation in light of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718.

With respect to tax matters, the Compensation Committee considers the impact of Section 162(m) of the Code, which generally permits a tax deduction to public corporations for compensation over $1,000,000 paid in any fiscal year to a corporation s NEOs only if the compensation qualifies as being performance-based under Section 162(m) of the Code. We endeavor to structure our compensation to qualify as performance-based under Section 162(m) of the Code where it is reasonable to do so while meeting our compensation objectives.

Nonetheless, from time to time certain non-deductible compensation may be paid and the Board and the Compensation Committee reserve the authority to award non-deductible compensation in appropriate circumstances. In addition, it is possible that some compensation paid pursuant to certain equity awards may be non-deductible under Section 162(m) of the Code.

Consideration of Prior Amounts Paid or Realized

Actual pay earned by our NEOs in prior years from annual or semi-annual incentive opportunities and long-term equity compensation is not specifically taken into account by the Compensation Committee in making a current year s compensation decisions for (i) salary increases, (ii) target annual or semi-annual incentive compensation opportunity, (iii) target long-term equity incentive opportunity, or (iv) equity compensation. The Compensation Committee also does not specifically adjust a current year s target incentive compensation in order to reflect the prior year s actual earned cash or equity incentive compensation.

COMPENSATION COMMITTEE REPORT

The following report of the Compensation Committee does not constitute soliciting material and shall not be deemed to be filed with the SEC under the Securities Act or the Exchange Act or incorporated by reference into any document so filed except to the extent that the Company specifically incorporates this Compensation Committee Report by reference therein.

The Compensation Committee has reviewed and discussed with management the above Compensation Discussion and Analysis. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee:

John Usdan, Chairman
Kate Buggeln
Randy L. Pearce

SUMMARY COMPENSATION TABLE

The table below summarizes information concerning compensation for fiscal 2010, fiscal 2009 and fiscal 2008 of those persons who were on July 31, 2010 our NEOs, including: (i) our Chief Executive Officer, (ii) our Chief Financial Officer, and (iii) our three other most highly compensated executive officers, including our Founder and Chairman of the Board.

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Stock Awards ($)[2]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)[4]	All Othe Compensat ($)[5]
David R. Jaffe	2010	950,000		2,068,588	2,036,000	1,543,750		149,46
President and	2009	850,000	255,000	692,832	1,460,000			169,77
Chief Executive	2008	850,000		756,530				177,74
Officer								
Elliot S. Jaffe	2010	377,100			37,750			206,41
Founder and	2009	377,100			29,200			194,82
Chairman of the	2008	358,000			43,800			168,19
Board								
Michael W. Rayden	2010	726,923		1,579,825	710,400	2,772,000		218,62
Chief Executive Officer, Tween Brands, Inc.[6]								
Armand Correia	2010	392,000		687,228	152,000	427,795		84,07
Executive Vice	2009	320,000	60,000	191,993	350,400			77,10
President and Chief	2008	320,000	41,422	169,944				78,58

Financial Officer							
Gene Wexler, Esq.	2010	340,000		540,486	152,000	304,205	19,35
Senior Vice President,	2009	270,000	50,000	121,506	292,000		84,70
General Counsel and	2008	270,000	32,400	107,547			37,18
Assistant Secretary							

(1) The amounts shown in fiscal 2009 and fiscal 2008 represent discretionary bonuses awarded to each NEO by the Compensation Committee.

(2) Reflects the aggregate grant date fair value calculation in accordance with FASB ASC Topic 718. Amounts include both time-vesting restricted stock awards and restricted stock awards subject to performance conditions. Assumptions used in the valuation of equity based awards are discussed in Summary of Accounting

Policies Restricted Stock and Stock Options and Restricted Stock in Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended July 31, 2010.

[3] The amounts shown for fiscal 2010 represent amounts earned under (i) the 162(m) Plan with respect to David R. Jaffe, (ii) the Justice IC Plan and the 162(m) Plan for Mr. Rayden, and (iii) the Management Incentive Plan for Messrs. Correia and Wexler. Elliot S. Jaffe was not eligible for any bonus under the Company s incentive plans.

[4] We have no actuarial pension plans. All earnings in our nonqualified Executive Retirement Plan are at market values and are therefore omitted from the table.

[5] A detailed breakdown of All Other Compensation for

fiscal 2010 is provided in the table on the following page.

[6] As Mr. Rayden joined the Company as Chief Executive Officer of Tween Brands, Inc. on November 25, 2009, the amounts shown above represent amounts earned by him on or after such date.

The table below provides the details of amounts included for fiscal 2010 in the All Other Compensation column of the Summary Compensation Table for each NEO.

Name	Contributions to Executive Officer s Defined Contribution Plan Accounts	Payments made for Supplemental Retirement Benefits[1]	Payments made For Life Insurance	Reimbursement for Legal Fees	Personal Use of Company Plane[2]	Commuting and Automobile Related Payments[3]	Total
David R. Jaffe	$ 106,308		$ 16,740		2,051	$ 24,363	$ 149,
Elliot S. Jaffe	18,855	$ 187,557					206,
Michael W. Rayden	30,288			$ 17,000	171,341		218,
Armand Correia	28,928		34,940			20,210	84,
Gene Wexler, Esq.	16,327					3,023	19,

[1] Represents supplemental retirement benefit as discussed under Retirement Agreements below. This amount is adjusted on an annual basis for cost-of-living increases as determined using the Consumer Price Index.

[2] Represents the aggregate

incremental cost to the Company for personal use of the Company s aircraft.

[3] Represents, for David R. Jaffe, the fiscal 2010 cost to the Company for his car service. Represents an automobile allowance for the full fiscal 2010 for Armand Correia and for the first two months of fiscal 2010 for Gene Wexler.

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2010

The following table provides information regarding the grants of plan-based awards made to the NEOs during fiscal 2010.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]		
Name	**Grant Date or Perfor-mance Period**	**Plan***	**Thres-hold ($)**	**Target ($)**	**Max ($)**	**Thres-hold (#)**	**Target (#)**	**Max (#)**
David R. Jaffe		162(m)	190,000	950,000	1,900,000			
	FY10-12	12LTIP				31,353	62,706	94,059
	9/24/09	NQ						
	12/9/09	NQ						
	12/28/09	RS						
Elliot S. Jaffe	9/24/09	NQ						
Michael W. Rayden		JIC	72,000	360,000	720,000			
	FY10-12	12LTIP				21,459	42,918	64,377
	12/9/09	NQ						
	1/12/10	RS						
Armand Correia		MIP	38,400	192,000	384,000			
	FY10-12	12LTIP				9,703	19,406	29,109
	9/24/09	NQ						
	12/28/09	RS						
Gene Wexler		MIP	32,400	162,000	324,000			
	FY10-12	12LTIP				6,733	13,465	20,198
	9/24/09	NQ						
	12/28/09	RS						

* Plan:
MIP = Management Incentive Plan

NQ = Non-qualified stock options (granted under the Stock Incentive Plan)

12LTIP = 2012 Long-Term Incentive Plan (granted under the Stock Incentive Plan)

162(m) = Executive 162(m) Bonus Plan

RS = Restricted stock (granted under the Stock Incentive Plan)

JIC = Justice Incentive Compensation Plan

[1] Amounts represent the range of annual cash incentive awards the NEO was potentially entitled to receive based on the achievement of his or her performance goals during fiscal 2010 under (i) the 162(m) Plan, for David R. Jaffe, (ii) the Justice Incentive Compensation Plan for the fiscal 2010 fall season and the 162(m) for the fiscal 2010 spring season, for Mr. Rayden, and (iii) under the MIP, for Mr. Correia and Mr. Wexler. See Incentive Bonus Plan under the Compensation Discussion and

Analysis above for more information for more information regarding the bonus targets under the 162(m) Plan, the Justice Incentive Compensation Plan and the MIP.

[2] Amounts represent the range of shares of restricted stock that each eligible NEO may potentially be granted based on the achievement of his or her performance goals established for the three-year fiscal 2010, 2011 and 2012 cycle under the 2012 LTIP. Shares are not actually granted under the 2012 LTIP until the Compensation Committee has certified the level of achievement for each performance metric under the 2012 LTIP and has determined the

number of shares that each participant has earned, which will occur after the Company files its Annual Report on Form 10-K for fiscal 2012. The Threshold amount represents the minimum number of shares that could be awarded if all goals are achieved at the threshold level, the Target amount represents the number of shares that could be awarded if 100% of the goals are achieved, and the Maximum amount represents the maximum number of shares that could be awarded under the 2012 LTIP.

Any shares of restricted stock that may potentially be awarded under the 2012 LTIP cycle will vest on July 28, 2013. However, as described above in the Compensation Discussion and Analysis under Long-Term Incentive Plans, this vesting schedule may be accelerated upon the NEO s termination due to death or disability, upon a change in control, or upon achievement of the Total Years Test. Prior to vesting, holders of restricted stock have the right to vote the shares.

Potential awards under the 2013 Long-Term Incentive Plan are not reflected in this table as the potential awards were approved by the

Compensation Committee after the end of fiscal 2010. Because the Company did not achieve its financial goal under the 2010 LTIP, no awards of restricted stock were made under the 2010 LTIP.

[3] Represents a stock option award made pursuant to the Company s annual stock option grant, as described above in the Compensation Discussion and Analysis under Non-Qualified Stock Options and Restricted Stock under the Stock Incentive Plan.

[4] Represents a stock option award made to David Jaffe in connection with the successful acquisition of Justice, with a premium per share price of $30.00.

[5] Represents a restricted stock award made in

connection with the successful acquisition of Justice.

[6] Represents a stock option to purchase 5,000 shares of our common stock awarded to Elliot Jaffe in connection with his service as a director, as described above under Questions and Answers About Our Board and Corporate Governance Matters How are directors compensated?

[7] Represent a sign-on grant to Mr. Rayden for joining the Company.

Equity incentives granted to our executives have historically been limited to stock options and restricted stock grants. Our executives do not participate in any other long- or short-term equity incentive plans.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2010

The following table provides information relating to outstanding equity awards held by the NEOs at July 31, 2010.

			Option Awards				Stock Awa	
Name	Plan*	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[1]	I In A N Ur S or I V
David R. Jaffe	NQ[3]	300,000	0	$ 7.56	6/4/2012			
	NQ[3]	300,000	0	$ 6.76	12/9/2012			
	NQ[4]	240,000	60,000	$ 11.84	10/12/2015			
	NQ[5]	50,000	200,000	$ 14.99	9/18/2018			
	NQ[7]	0	80,000	$ 17.67				
	NQ[8]	0	150,000	$ 30.00				
	RS[10]					800	$ 19,760	
	RS[11]					25,000	617,500	
	11LTIP[13]							
	12LTIP[14]							
Elliot S. Jaffe	NQ[4]	180,000	60,000	$ 11.84	10/12/2015			
	NQ[6]	6,666	3,334	$ 14.06	11/28/2017			
	NQ[5]	1,000	4,000	$ 14.99	9/18/2018			
	NQ[7]		5,000	$ 17.67	9/24/2019			
Michael W. Rayden	NQ[8]	0	80,000	$ 20.79	12/9/2019			
	12LTIP[14]							
Armand Correia	NQ[3]	24,000	0	$ 6.76	12/9/2012			
	NQ[4]	96,000	24,000	$ 11.84	10/12/2015			
	NQ[5]	12,000	48,000	$ 14.99	9/18/2018			

	NQ[7]	0	20,000	$	17.67			
	RS[12]						2,000	49,400
	11LTIP[13]							
	12LTIP[14]							
Gene Wexler	NQ[4]	0	16,000	$	11.84	10/12/2015		
	NQ[9]	2,400	1,600	$	23.30	11/29/2016		
	NQ[5]	10,000	40,000	$	14.99	9/18/2018		
	NQ[7]	0	20,000	$	17.67			
	RS[10]						2,000	49,400
	RS[11]						10,000	247,000
	11LTIP[13]							
	12LTIP[14]							

(Footnotes relating to the OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2010 table on the preceding page.)

* Plan/Type of Award:

NQ = Non-qualified stock option

RS = Restricted stock

11LTIP= 2011 Long Term Incentive Plan

12LTIP= 2012 Long Term Incentive Plan

[1] The amounts in this column equal the number of shares of restricted stock indicated multiplied by the closing price of our common stock ($24.70) on July 30, 2010.

[2] The amounts in this column equal the number of shares of restricted stock indicated multiplied by the closing price of our common stock ($24.70) on July 30, 2010. The amounts assume that all goals

under the Long-Term Incentive Plan will be achieved at the threshold level. The amounts indicated are not necessarily indicative of the amounts that may be realized by our NEOs.

[3] This award is fully vested.

[4] The options relating to this award became fully vested on October 12, 2010.

[5] 20% of the options relating to this award vested on September 18, 2010 and the remaining unexercisable options relating to this award vest equally over the next four years on each September 18th.

[6] The unexercisable options relating to this award will vest on November 28,

2010.

[7] 25% of the options relating to this award vested on September 24, 2010 and the remaining unexercisable options relating to this award vest equally over the next three years on each September 24th.

[8] The unexercisable options relating to this award vest equally over the next four years on each December 9th.

[9] The unexercisable options relating to this award vest equally over the next two years on each November 29th.

[10] The shares of restricted stock relating to this grant became fully vested on October 12, 2010.

[11]

The unvested shares of restricted stock vest equally over the next two years on each December 9th.

[12] The unvested shares of restricted stock vest equally over the next two years on each November 29th.

[13] This award relates to the 2011 Long-Term Incentive Plan and will vest in three equal installments on July 23, 2012, July 23, 2013 and July 23, 2014, provided we meet the minimum performance target necessary to achieve the minimum (threshold) payouts of restricted stock as defined in the Plan.

[14] This award relates to the 2012 Long-Term

Incentive Plan and will vest on July 28, 2013, provided we meet the minimum performance target necessary to achieve the minimum (threshold) payouts of restricted stock as defined in the Plan.

OPTION EXERCISES AND STOCK VESTED IN FISCAL 2010

The following table shows information about stock options exercised by our NEOs and stock awards held by our NEOs that vested during fiscal 2010.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)[1]**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)[2]**
David R. Jaffe	300,000	$ 3,621,000	8,044	$ 156,429
Elliot S. Jaffe				
Michael W. Rayden			25,000	659,526
Armand Correia			11,000	229,033
Gene Wexler, Esq.	48,000	449,760	3,027	57,351

[1] The value realized upon the exercise of the stock options reflect the number of options multiplied by the difference between the closing stock price of our common stock on the date of the exercise and exercise price of the options.

[2] The value realized upon vesting of the stock awards is based on the closing stock price of our common stock on the date the awards vested.

PENSION BENEFITS

Other than the supplemental retirement benefit agreements for Elliot S. Jaffe and Mrs. Roslyn Jaffe (see Retirement Agreements below) we do not maintain any pension benefit plans for our officers or directors.

EMPLOYMENT AGREEMENTS AND EMPLOYMENT LETTERS

We have entered into employment agreements with Elliot S. Jaffe, David R. Jaffe and Michael W. Rayden. We have entered into employment letters with Armand Correia and Gene Wexler. An employment agreement provides an executive with a time period (or term) during which he will be employed by the Company. An employment letter does not have a term of employment. Rather, the letter sets forth the minimum compensation and benefits that the executive will receive during his employment. An executive with an employment letter is an employee at will, *i.e.*, the Company may terminate such executive at any time with or without cause, subject to any applicable severance provisions, including the Executive Severance Plan.

The Compensation Committee believes that these employment agreements and employment letters are important to our executives and to the Company. Each executive benefits from clarity of the terms of his or her employment. The Company enhances its ability to retain the services of its executives. The Compensation Committee periodically reviews the terms of the employment agreements and employment letters and amends them as necessary to remain competitive and to carry out its objectives. Details of the terms of the specific employment agreements and employment letters are discussed below.

David R. Jaffe

David R. Jaffe is employed by the Company pursuant to an employment agreement, dated May 2, 2002, which currently expires on July 30, 2011, and which will automatically renew on an annual basis for additional one-year terms unless either party provides written notice at least one-year prior to the end of the term. The Compensation Committee approved an amendment to Mr. Jaffe s employment agreement, effective January 1, 2009, solely for the purpose of addressing Section 409A of the Code.

The agreement provides for an annual salary of $650,000 per year or such higher salary as the Compensation Committee may set from time to time ($950,000 for fiscal 2010). The agreement entitles Mr. Jaffe to participate in all of the Company s retirement, insurance, bonus, incentive and other benefit plans, including the 162(m) Plan and the Stock Incentive Plan. It also provides for certain perquisites, however, in fiscal 2010 he agreed to an increase in base salary in lieu of such perquisites. Mr. Jaffe may terminate his employment under his agreement following a Change in Control (as defined below). In such event, he would be entitled to an amount equal to two years salary paid in installments for 12 months. Mr. Jaffe may also terminate his employment under his agreement prior to a change in control for Good Reason (as defined below) after providing at least 60 days prior written notice of termination. If Mr. Jaffe terminates his employment for Good Reason or the Company terminates his employment without Cause (as defined below), he would be entitled to continued payment of his salary for one year. The agreement further provides for payments of an amount equal to one year s salary, and continued health and medical coverage for one year, following termination of employment by reason of death or Total Disability (as defined below). Severance amounts payable under the agreement, except for amounts payable upon Mr. Jaffe s death, will be subject to a possible six-month delay pursuant to Section 409A. The agreement also contains non-competition and non-solicitation restrictions effective during the employment term and for one year thereafter as well as a perpetual non-disparagement restriction. For further information regarding Mr. Jaffe s employment agreement and the payments to which he may be entitled thereunder, see below under Potential Payments Upon Termination or Change in Control David R. Jaffe.

Cause is generally defined in Mr. Jaffe s employment agreement to include conviction of a crime, intentional and willful failure to satisfactorily perform employment duties reasonably

requested by our board of directors, fraud or embezzlement, gross misconduct or gross negligence that has a substantial adverse affect on the Company or its affiliates, an intentional and willful act or omission which is materially detrimental to our business or reputation, or Mr. Jaffe s willful breach of the covenants set forth in his employment agreement (which include covenants not to compete, not to solicit our employees and not to disparage the Company).

Good Reason is generally defined in Mr. Jaffe s employment agreement as the occurrence, without Mr. Jaffe s consent, of any of the following: a material demotion in his position, job duties or responsibilities, our failure to pay him his compensation or benefits, the relocation of Mr. Jaffe s principal place of work at least 35 miles from its current location, any material breach of any of our obligations under his agreement, or a Change in Control following which Mr. Jaffe provided a notice of termination.

Change in Control is generally defined in Mr. Jaffe s employment agreement as: (a) any person (as defined in the Securities Exchange Act of 1934) becoming the beneficial owner of 30% or more of the outstanding common stock of the Company (excluding affiliates of the Company); (b) a change of a majority of the Board after May 2, 2002 (the Incumbent Directors), unless the election of a new director was supported by two-thirds of the Incumbent Directors (which includes any new director whose election was supported by two-thirds of the Incumbent Directors); (c) the Company adopts a plan of liquidation of all or substantially all of its assets; or (d) the Company disposes of all or substantially all of the assets or business of the Company pursuant to a merger, consolidation or other transaction.

Total Disability is generally defined in Mr. Jaffe s employment agreement as Mr. Jaffe being physically or mentally incapacitated such that Mr. Jaffe is incapable of performing his material duties under the employment agreement for a period of ninety (90) consecutive days or 120 non-consecutive days in any 12 month period. Receipt of disability under the Company s long-term disability plan or receipt of Social Security disability benefits is conclusive evidence of Total Disability, or in the absence of such a Company plan, a determination of Total Disability by an impartial physician.

Elliot S. Jaffe

Elliot S. Jaffe, in accordance with the terms of an employment agreement, dated May 2, 2002, gave notice of his election to terminate his term as Executive Chairman of the Board effective on July 30, 2006. In an amendment effective July 30, 2006, the terms of the 2002 agreement were amended to provide that Mr. Jaffe will continue to be employed by the Company initially as Chairman of the Board at a reduced salary of $350,000 per year (subject to cost of living increases). The Company may terminate Mr. Jaffe s employment on at least 90 days advance notice at any time after July 30, 2016. The 2006 amendment eliminated a number of Mr. Jaffe s personal benefits, including his eligibility for a bonus and any change-of-control payment. Under the 2006 amendment, commencing on July 30, 2006, Mr. Jaffe also became eligible to receive a supplemental retirement benefit of $150,000 per year for life, subject to an annual cost-of-living increase, as well as health insurance coverage for life similar to the Company s current health plan. Mr. Jaffe is obligated to provide no more than 24 days per fiscal year of advisory and consultative services to the Company and is subject to non-competition restrictions following his termination of employment. Mr. Jaffe, while he continues to serve as Chairman of the Board, shall be entitled to an office and secretarial assistance. All other terms, conditions and covenants of the 2002 agreement remain in full force and effect, including a lump sum payment equal to one-year s salary based on the salary rate last in effect prior to his termination of employment by reason of death.

Michael W. Rayden

Michael W. Rayden is employed as CEO of Justice pursuant to an amended and restated employment agreement entered into with Justice on April 23, 2010, that expires on December 3, 2013, with successive one year extensions unless Justice or Mr. Rayden gives 15-month advance notice. The Company is a party to the agreement solely with respect to certain provisions, including provisions involving equity compensation, long term incentive bonuses and performance bonuses.

The agreement superseded and replaced the employment agreement between Mr. Rayden and Justice, effective as of December 3, 2008, the executive agreement between Mr. Rayden and Justice, effective as of December 3, 2008, and the letter agreement between Mr. Rayden and the Company dated June 24, 2009 (collectively, the Prior Rayden Agreements) in their entirety.

The new agreement is intended to set forth the continuing terms of Mr. Rayden s employment with Justice in a single document, preserve Mr. Rayden s rights and entitlements under the Prior Rayden Agreements, and make certain changes to the terms of Mr. Rayden s employment with Justice that are designed, among other things, to incentivize and retain Mr. Rayden.

The new agreement preserves Mr. Rayden s current annual salary of $1,050,000 per year, which may be increased by the Compensation Committee, and provides for an annual bonus under the Company s annual incentive bonus program, which target payout will not be less than 120% of his then current base salary. In addition, effective January 24, 2010, Mr. Rayden is eligible to participate in the Company s LTIPs, with a target award equal to 120% of base salary.

The new agreement provides that Mr. Rayden is eligible to receive equity compensation as determined by the Compensation Committee, in its sole discretion, including an annual equity award in the form determined by the Compensation Committee which will have the same value as any annual equity award made in the normal course to the Company s Chief Executive Officer. In addition, Mr. Rayden is entitled to accelerated vesting of his restricted stock and continued vesting of his options upon termination of employment pursuant to his satisfaction of the Total Years Test.

Mr. Rayden is eligible to receive a long term performance-based bonus under the Justice EBITDA Bonus, as described under Justice EBITDA Bonus on page 55 of this proxy statement/prospectus.

Consistent with the Prior Rayden Agreements, upon any termination of Mr. Rayden s employment, other than a termination by Justice for Cause, Mr. Rayden is entitled to a lump sum payment in the amount of $9,106,365 (the Severance Payment), subject to his execution of a release. The Severance Payment reflects the value of the cash severance amounts and other termination benefits payable to Mr. Rayden under the Prior Rayden Agreements, and will, upon Mr. Rayden s qualifying termination, be held in a rabbi trust until the six month anniversary of Mr. Rayden s termination date, or if earlier, his death (at which time Mr. Rayden will be entitled to receive the amount held in trust, any earnings thereon, and the difference between such earnings and $400,000). Upon Mr. Rayden s termination of employment for any reason, including as a result of non-renewal, Mr. Rayden is subject to certain restrictive covenants, including two-year non-competition and non-solicitation restrictive covenants.

Consistent with the Prior Rayden Agreements, Mr. Rayden will be entitled to participate in benefit plans, practices and programs maintained by Justice and made available to similarly situated executives generally from time to time. In addition, for the duration of the term of the Employment Agreement, the new agreement provides that Mr. Rayden will continue to be entitled to limited use of Justice s aircraft, subject to the terms and conditions described above under Executive Perquisites on page 56 of this proxy statement/prospectus. Justice will maintain $5,000,000 term life insurance coverage payable to Mr. Rayden s designated beneficiary. Mr. Rayden is entitled to a golden parachute (280G) excise tax gross-up and a Code Section 409A tax gross-up, both of which are preserved benefits from the agreements governing Mr. Rayden s employment with Justice prior to its acquisition by the Company.

Cause is generally defined under Mr. Rayden s employment agreement as Mr. Rayden having (1) pled guilty or no contest to or been convicted of a felony act, (2) committed intentional gross misconduct, fraud or gross negligence in connection with his duties that is determined to be materially harmful to Justice, or (3) committed a material breach of the agreement that is materially and demonstrably injurious to Justice.

Employment Letters

We have entered into employment letters with each of Messrs. Correia and Wexler. A description of such letters follows:

Armand Correia

Mr. Correia s employment letter was entered into in 1991. His employment can be terminated at any time by either the Company or Mr. Correia. Mr. Correia is entitled to a base salary of at least $150,000 per year (set at $320,000 for fiscal 2009 and increased to $410,000 for fiscal 2010), subject to possible increase based on annual performance reviews, as well as standard executive benefits, including participation in our bonus, option, life insurance, medical and dental, and short-term and long-term disability plans. As discussed below under Potential Payments Upon Termination or Change in Control , Mr. Correia s unvested stock options would automatically become fully exercisable in the event of a change of control (as defined in his employment letter).

Gene Wexler

Mr. Wexler s employment letter was entered into in 2005. As discussed below under Potential Payments upon Termination or Change in Control , should his employment be terminated by the Company for reasons other than death, disability or just cause involving misconduct, the Company will provide him with six months continuance of his base salary, and he will be eligible to continue to receive medical and dental coverage at the standard associate rate for six months following such termination. He is entitled to a base salary of at least $250,000 per year (set at $340,000 for fiscal 2010), subject to possible increase based on annual performance reviews, as well as standard executive benefits, including participation in our bonus, option, life insurance, medical and dental, and short-term and long-term disability plans.

Retirement Agreements

Elliot S. Jaffe

Commencing July 30, 2006, Elliot S. Jaffe became eligible to receive a supplemental retirement benefit of $150,000 per year for life, subject to an annual cost-of-living increase.

Mrs. Roslyn S. Jaffe

We also entered into a retirement agreement with Mrs. Jaffe. The agreement provides Mrs. Jaffe, in view of her role as co-founder of the Company and her 44 years of service to the Company, with a supplemental retirement benefit, commencing July 30, 2006, of $50,000 per year for life, subject to an annual cost-of-living increase.

EXECUTIVE SEVERANCE PLAN

On April 16, 2010, the Company adopted the Executive Severance Plan, effective as of March 3, 2010, in order to provide severance benefits to certain selected executive-level employees, including NEOs Messrs. Correia and Wexler. The following summary describes the key provisions of the Severance Plan as they apply to Messrs. Correia and Wexler.

The Severance Plan provides that in the event of a termination of employment without Cause (as defined below), other than a termination that constitutes a termination in connection with a Change in Control (as defined below), Messrs. Correia and Wexler will be eligible for the following:

Salary continuation as follows: 12 months for Mr.

Correia, and three weeks per anniversary year, subject to a minimum of six months and a maximum of 12 months for Mr. Wexler;

a pro rata portion of his semi-annual bonus based on actual results; and

continued health coverage at the active employee rate for a period of up to 12 months for Mr. Correia, and the salary continuation period for Mr. Wexler.

In lieu of the severance benefits described above, if Mr. Correia or Wexler is terminated without Cause or terminates employment for Good Reason (as defined below) during (1) the 90 day period prior to a change in control (such termination, a Pre-CIC Termination), or (2) the period commencing on a change in control and ending 12 months later (such termination, a Post-CIC Termination), such NEO will be eligible for the following upon the change in control (in the case of a Pre-CIC Termination), or upon the termination date (in the case of a Post-CIC Termination):

a lump sum equal to the sum of annual base salary plus target bonus (multiplied, solely with respect to Mr. Correia, by 1.5);

continued health coverage at the active employee rate for a period of up to 18 months for Mr. Correia and 12 months for Mr. Wexler; and

in the case of a Post-CIC Termination, full vesting of any unvested equity awards (in the case of a Pre-CIC Termination, a cash equivalent payment equal to the fair market value of the unvested equity awards that were forfeited

upon the
NEO s
termination).

The period commencing 90 day period prior to a change in control and ending on the 12 month anniversary of a change in control is referred to as the CIC Protection Period.

The severance benefits payable under the Severance Plan are subject to: (1) the six month delay under Section 409A of the Code; (2) the execution and non-revocation of a general release of claims in favor of the Company within a specified time period; (3) the NEO s compliance with certain non- competition and non-solicitation restrictive covenants; and (4) reduction to avoid any excise tax on parachute payments if the NEO would benefit from such reduction as compared to paying the excise tax. Any benefits payable under the Severance Plan to Mr. Correia or Mr. Wexler supersede and are in lieu of any severance benefits and/or payments provided under any other agreements, arrangements or severance plans by and between such NEO and the Company.

Cause as defined in the Severance Plan generally means: (1) conviction of a crime (including conviction on a nolo contendere plea) involving the commission of a felony or of a criminal act involving fraud, dishonesty, or moral turpitude; (2) material failure to satisfactorily perform employment duties; (3) fraud or embezzlement; (4) gross misconduct or gross negligence that has a substantial adverse effect on the Company or an affiliate; or (5) intentional and willful act or omission that is materially detrimental to the business or reputation of the Company or an affiliate.

Change in Control as defined in the Severance Plan generally means: (1) any person becomes a beneficial owner during the twelve (12) month period ending on the date of the most recent acquisition by such person of 30% or more of the total voting power of the outstanding stock of the Company, excluding affiliates of the Company; (2) during any period of twelve (12) consecutive months, individuals who at the beginning of such period constitute the Board, and any new director other than a director whose election by the Board or nomination for election by the Company s shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the twelve-month period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board; (3) all or substantially all the assets of the Company are disposed of pursuant to a merger, consolidation or other transaction; or (4) the Company combines with another company and is the surviving corporation, but, immediately after the combination, the shareholders of the Company immediately prior to the combination hold, directly or indirectly, 50% or less of the common stock or other ownership interests of the combined company.

Good Reason as defined in the Severance Plan generally means: (1) any material diminution of the responsibilities, duties or authority; (2) any reduction in base salary and/or benefits, other than a reduction that is uniformly applied to similar situated employees; (3) relocation of the employee s principal place of work outside of a thirty (30) mile radius of the then current location; or (4) the failure of any successor to the Company to assume the Plan.

NONQUALIFIED DEFERRED COMPENSATION IN FISCAL 2010

After satisfying a waiting period, our NEOs, are eligible for participation in our Executive Retirement Plan, which is an unfunded, unsecured nonqualified defined contribution plan. The Executive Retirement Plan allows our executives to defer a maximum of 95% of their base salary and any bonuses paid or other performance-based cash compensation awarded. Elections to participate in the Executive Retirement Plan are made by our executives on an annual basis, prior to the beginning of the year in which the compensation is earned. Executives who elect to participate in the Executive Retirement Plan are not eligible to participate in our 401(k) plan.

We make Company contributions to the Executive Retirement Plan in an amount determined by us for each plan year. For fiscal 2010, our NEOs who were eligible for participation received a Company matching contribution of 100% on the first 5% of base salary and bonus deferred. Employees are immediately vested in deferrals of their own compensation. Company matching contributions vest in 25% increments after 2 years, 3 years, 4 years and 5 years of service with the Company.

The aggregate balance of each participant s account consists of amounts that have been deferred by the participant, Company matching contributions, plus earnings (or minus losses). We do not deposit any amounts into any trust or other account for the benefit of plan participants. In accordance with tax requirements, the assets of the Executive Retirement Plan are subject to claims of our creditors. Account balances are deemed invested in accordance with investment elections designated by the executive. Investment option transfers may be made daily. There are 27 investment options available to plan participants, including fixed income funds, domestic and international equity funds, blended funds and pre-allocated lifestyle fund investments. Interest and gains or losses on each deemed investment are credited or debited to each participant s account on a monthly basis based on the actual performance of the funds in which the participant is deemed invested.

Deferred account balances are distributed to the plan participants in accordance with elections made by the executive at the time the deferral is made, subject to Section 409A of the Code. A participant may elect to receive distributions, either in a lump sum or in installments, upon his or her termination of employment with the Company, disability, death, an unforeseeable emergency or a change of control, each of the last two events as defined in Section 409A of the Code. A participant may also elect to receive distributions while still employed by the Company if he or she elects to have in- service or education distributions, made at a date specified by the participant.

The following table shows the executive and Company contributions, earnings and account balances for the NEOs.

Name	**Executive Contributions in Last FY ($)[1]**	**Registrant Contributions in Last FY ($)[2]**	**Aggregate (Loss) Earnings in Last FY ($)[3]**	**Aggregate Withdrawals/ Distributions ($)**	**Aggregate Balance at Last Fiscal Year End ($)**
David R. Jaffe	$ 1,244,750	$ 106,308	$ 624,063		$ 5,830,988
Elliot S. Jaffe	18,855	18,855	154,363		3,745,046
Michael W. Rayden	30,288	30,288	1,932		62,509
Armand Correia	438,433	28,928	180,744		4,820,609
Gene Wexler	16,327	16,327	12,179		109,283

[1] All executive contributions represent amounts

deferred by each NEO under the Executive Retirement Plan and are included as compensation in the Summary Compensation Table under Salary , Bonus and Non-Equity Incentive Plan Compensation.

(2) All registrant contributions are reported under All Other Compensation in the Summary Compensation Table.

(3) These amounts are not reported in the Summary Compensation Table as the earnings included in this column are based on the investment options selected by the NEO, none of which provide interest above the market rate.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The tables below describe and estimate additional compensation and benefits that our NEOs would become entitled to pursuant to their employment agreements, employment letter and other arrangements between us and them upon a termination of their employment in certain circumstances or in the event of a change in control, in each case assuming such event had occurred on July 31, 2010. Where applicable, the amounts payable assume a $24.70 fair value of our Common Stock (the closing price on July 30, 2010). We have calculated these estimated payments to meet SEC disclosure requirements. The estimated payments are not necessarily indicative of the actual amounts any of our NEOs would receive in such circumstances. The table excludes (i) compensation amounts accrued through July 31, 2010 that would be paid in the normal course of continued employment, such as accrued but unpaid salary, and (ii) vested account balances under our retirement plans that are generally available to all of our salaried employees. In addition, where applicable, the amounts reflected for bonuses reflect the actual amounts paid to the NEO for Fiscal Year 2010, since the hypothetical termination or Change in Control date is the last day of the fiscal year for which the bonus is to be determined.

In addition to these payments, participants in our Executive Retirement Plan, including the NEOs, may elect to receive distributions, either in a lump sum or in installments, upon his or her termination of employment with the Company, disability, death, or following a change in control (subject to Section 409A of the Code). Each NEO s account balance under the Executive Retirement Plan as of the end of fiscal 2010 is set forth under the Aggregate Balance at Last Fiscal Year End column of the Nonqualified Deferred Compensation Table above.

Payments and Benefits for Mr. David Jaffe

	Base Salary ($)	Health Benefits ($)	Acceleration of Equity Awards[4] ($)	Total ($)
Termination Without Cause or for Good Reason Prior to a Change in Control	950,000[1]	0	3,913,260	4,863,260
Voluntary Termination Upon or Following a Change in Control	1,900,000[2]	0	3,913,260	5,813,260
Change in Control No Termination		0	3,913,260	3,913,260
Death or Total Disability	950,000[1]	5,228[3]	3,913,260	4,868,488
Termination For Cause or without Good Reason Prior to a Change in Control	0	0	0	0

[1] Represents an amount equal to his base salary.

[2] Represents an amount equal to 2 times his base salary.

[3] Represents our payment for the cost of continuation health coverage for 12 months following his termination.

[4] Represent the fair market value of our Common Stock on July 31, 2010, less the exercise price, if applicable, multiplied by the number of shares of our Common Stock underlying all equity awards held by him on such date that would have become vested and exercisable or for which the restrictions thereon would have lapsed had such event

occurred on
such date.

Payments and Benefits for Mr. Elliot Jaffe

	Base Salary ($)	**Acceleration of Equity Awards[2] ($)**	**Total ($)**
Termination Without Cause or for Good Reason	0	881,071	881,071
Termination For Cause or without Good Reason	0	881,071	881,071
Change in Control No Termination	0	881,071	881,071
Death	377,100 [1]	881,071	1,258,171
Disability	0	881,071	881,071

[1] Represents an amount equal to his base salary.

[2] Represent the fair market value of our Common Stock on July 31, 2010, less the exercise price, if applicable, multiplied by the number of shares of our Common Stock underlying all equity awards held by him on such date that would have

become vested and exercisable or for which the restrictions thereon would have lapsed had such event occurred on such date.

Payments and Benefits for Mr. Rayden

	Lump Sum Payment ($)	Termination EBITDA Bonus ($)	Acceleration of Equity Awards[3] ($)	Total ($)
Termination Without Cause or Voluntary Termination	9,106,365 [1]	2,045,100[2]	312,800	11,464,265
Termination For Cause	0	0	0	0
Change in Control No Termination	0	0	312,800	312,800
Death or Disability	9,106,365 [1]	2,045,100[2]	312,800	11,464,265

[1] Represents a one time lump sum severance payment that will be deposited in a rabbi trust and will be paid to Mr. Rayden, plus any accrued earnings attributable to investments while held

in the rabbi trust, plus an amount equal to the difference between any such earnings and $400,000.

[2] Represents an accelerated payment of Rayden EBITDA Bonus based on results through the termination date.

[3] Represent the fair market value of our Common Stock on July 31, 2010, less the exercise price, if applicable, multiplied by the number of shares of our Common Stock underlying all equity awards held by him on such date that would have become vested and exercisable or for which

the restrictions thereon would have lapsed had such event occurred on such date.

Mr. Rayden is also entitled to receive a golden parachute (Code Section 280G) excise tax gross-up and a Code Section 409A tax gross-up. Based on the Company s estimates, however, he would not have been subject to an excise tax payment under Code Section 280G or an additional tax under Code Section 409A in the event of a change in control or termination of employment occurring on July 31, 2010.

Payments and Benefits for Mr. Correia

	Base Salary ($)	Bonus ($)	Health Benefits ($)	Acceleration of Equity Awards[6] ($)	Total ($)
Termination Without Cause prior to a CIC Protection Period	410,000 [1]	276,812[3]	4,110[4]	964,720	1,655,642
Voluntary Termination prior to a CIC Protection Period or Voluntary Termination without Good Reason during a CIC Protection Period	0	0	0	0	0
Termination Without Cause or for Good Reason during a CIC Protection Period	922,500 [2]	0	6,164[5]	964,720	1,893,384
Change in Control No Termination	0	0	0	964,720	964,720
Death or Disability	0	0	0	964,720	964,720
Termination For Cause	0	0	0	0	0

[1] Represents an amount equal to his base salary.

[2] Represents an amount equal to 1.5 times his base salary plus his fiscal 2010 target bonus.

[3] Represents the amount

of his semi-annual bonus for the fiscal 2010 spring season.

[4] Represents our payment for the cost of continuation health coverage for 12 months following his termination.

[5] Represents our payment for the cost of continuation health coverage for 18 months following his termination.

[6] Represent the fair market value of our Common Stock on July 31, 2010, less the exercise price, if applicable, multiplied by the number of shares of our Common Stock underlying all equity awards held by him on such date

that would have become vested and exercisable or for which the restrictions thereon would have lapsed had such event occurred on such date.

Payments and Benefits for Mr. Wexler

	Base Salary ($)	Bonus ($)	Health Benefits ($)	Acceleration of Equity Awards[6] ($)	Total ($)
Termination Without Cause prior to a CIC Protection Period	170,000 [1]	204,041[3]	5,073[4]	1,033,400	1,412,514
Voluntary Termination prior to a CIC Protection Period or Voluntary Termination without Good Reason during a CIC Protection Period	0	0	0	0	0
Termination Without Cause or for Good Reason during a CIC Protection Period	544,000 [2]	0	7,609[5]	1,033,400	1,585,009
Change in Control No Termination	0	0	0	1,033,400	1,033,400
Death or Disability	0	0	0	1,033,400	1,033,400
Termination For Cause	0	0	0	0	0

[1] Represents an amount equal to 6 months of his base salary.

[2] Represents an amount equal to his base salary plus his fiscal 2010 target bonus.

[3] Represents the amount of his semi-annual bonus for the fiscal 2010 spring season.

[4] Represents our payment for the cost of continuation health coverage for 12 months following his termination.

[5] Represents our payment for the cost of continuation health coverage for 18 months following his termination.

[6] Represent the fair market value of our Common Stock on July 31, 2010, less the exercise price, if applicable, multiplied by the number of shares of our Common Stock underlying all equity awards held

by him on such date that would have become vested and exercisable or for which the restrictions thereon would have lapsed had such event occurred on such date.

Acceleration of Equity Awards

As discussed in the Compensation Discussion and Analysis under the headings Non-Qualified Stock Options and Restricted Stock under the Stock Incentive Plan and Long-Term Incentive Plans , eligible employees, including our NEOs, may be awarded non-qualified stock options or shares of restricted stock that vest over a specified period of years that vary based on the type and timing of the award (unless, in the case of restricted stock, the shares are subject to immediate vesting because the recipient satisfies the Total Years Test). The Stock Incentive Plan and relevant award agreements, however, provide for the accelerated vesting of certain equity awards following a change in control of the Company or upon certain termination events, as described below.

Change in Control Provisions under the Stock Incentive Plan

Under the Stock Incentive Plan, stock options generally vest immediately upon the occurrence of a change in control.

Change in Control is defined in the Stock Incentive Plan as:

any person or group acquires 30% or more of the Company s voting securities;

a change in a majority of the members of the Board over any two-year period unless the new directors election to the board was approved by at least two-thirds of the existing directors (referred to as a change in Board composition);

a merger of the Company, unless the voting securities of the Company outstanding immediately prior to the merger continue to represent more than 50% of the voting securities of the Company or surviving entity outstanding immediately after such merger;

approval by the shareholders of a plan of liquidation of the Company;

approval by the shareholders of a sale of all or substantially all of the Company s assets other than a sale to a person or persons who beneficially own, directly or indirectly, at least 50% or more of the combined voting power of the outstanding voting securities of the Company at the time of the sale (referred to as an asset sale);

none of Messrs. Elliot Jaffe or David Jaffe, Ms. Roslyn Jaffe, or any of their direct lineal descendants (referred to as the Jaffe family), are a member of the

Board; or

the Jaffe family owns less than 5% of the voting securities of the Company.

If shareholders approve the amendment and restatement of the Stock Incentive Plan, then this definition of Change in Control will be modified with respect to awards granted on and after the date of such approval, as described on page 77 of this proxy/prospectus.

Special Provisions Related to Option Awards

If, prior to the occurrence of a change in control, the Compensation Committee reasonably determines in good faith that the stock options will be honored or assumed, or new rights substituted, then stock options granted under the Stock Incentive Plan generally will not be subject to accelerated vesting upon a change in control.

If the stock options granted under the Stock Incentive Plan are accelerated upon a change in control, the Compensation Committee, in its sole discretion, may authorize the Company or its affiliates to purchase any such accelerated options by paying the option holder the difference between the exercise price of his or her option and the higher of: (i) the highest price paid for a share of common stock in any transaction related to the change in control, or (ii) the highest fair market value per share of common stock at any time during the 60 day period preceding the change in control.

Special Provisions Related to Restricted Stock Awards

Restricted stock awards granted under any completed LTIP cycle also would immediately vest in the event that a change in control occurs or the recipient s employment is terminated due to death or disability. With respect to special awards of restricted stock (*i.e.*, an award that was not made in connection with the Company s LTIPs), unless otherwise determined by the Compensation Committee at the time of grant, any portion of such award of restricted stock that had not yet vested would vest immediately upon the occurrence of a change in control.

PROPOSAL THREE

APPROVE THE AMENDMENT AND RESTATEMENT OF THE COMPANY S 2001 STOCK INCENTIVE PLAN, AS AMENDED

Our shareholders are being asked to approve an amendment and restatement of the Company s 2001 Stock Incentive Plan, as amended and restated effective as of September 29, 2005, which, if approved, will be renamed the 2010 Stock Incentive Plan. Our Board unanimously approved the 2010 Stock Incentive Plan on September 23, 2010, subject to, and to be effective upon, the approval of the 2010 Stock Incentive Plan by our shareholders at the Annual Meeting (the date of such approval is referred below as the restatement date). The 2010 Stock Incentive Plan generally incorporates the provisions of the 2001 Stock Incentive Plan as currently in effect and includes the following key modifications, effective upon the restatement date:

Increase of the Aggregate Share Reserve. The current aggregate share reserve will be increased by an additional 6 million shares for a total share reserve of 18 million shares under the 2010 Stock Incentive Plan. We continue to maintain a fungible share limit where each share of common stock subject to full value awards (*e.g.,* restricted stock or restricted stock units) will be counted as 3 shares against the aggregate share reserve under the 2010 Stock Incentive Plan. Our Board believes that stock ownership by key employees, consultants, officers and directors provides performance incentives and fosters long-term commitment to our benefit and the benefit of our shareholders and that the proposed increase in the share reserve is necessary to insure that a sufficient reserve of common stock remains available for issuance to allow us to continue to utilize equity incentives to attract and retain the services of key individuals essential to our long-term growth and financial success.

Other Stock-Based Awards. To enhance the Company s flexibility in designing awards, we added to the 2010 Stock

Incentive Plan the ability to grant awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of our common stock, including, for example, unrestricted shares of common stock awarded as bonuses, stock equivalent units, restricted stock units, deferred stock units, and awards valued by reference to book value of shares of common stock, which we refer to as an other stock-based award.

Eligibility. To better utilize the Stock Incentive Plan as an incentive tool for our growing employee pool and to reflect our corporate structure following the reorganization, we have expanded the classification of employees and directors eligible to receive awards under the Stock Incentive Plan to include:

All employees of the Company and its affiliates (currently, only employees of the Company and its affiliates who hold executive or other positions in the management of the affairs of the Company and its affiliates are eligible to receive awards); and

Non-employee directors of our affiliates (currently only non-employee directors of the Company are eligible to receive awards).

Change in Control Provisions. To reflect corporate governance best practices, we have modified the provisions relating to a change in control of the Company for awards granted on or after the restatement date as follows:

Unless otherwise determined at grant, such awards will not vest upon a change in control (*i.e.,* upon a single trigger), but will vest upon an involuntary termination without cause that occurs within 2 years following a change in control (*i.e.,* upon a double trigger); awards granted prior to the restatement date vest upon a single trigger;

The definition of change in control has been modified with respect to such awards as follows:

an asset sale will occur upon the consummation of the sale of all or substantially all of the Company s assets (instead of upon shareholder approval of the sale); and

no event relating solely to the Jaffe family will be deemed to be a Change in Control.

In addition, the definition of change in control has also been modified solely with respect to any payment pursuant to an award that is triggered upon a change in control and that constitutes non-qualified deferred compensation pursuant to Section 409A of the Code as follows:

a change in Board composition will occur upon a change in a majority of the members of the Board over any 12 month period (instead of a two-year period) unless the new directors election to the Board was approved by at least a majority of the existing directors (instead of two-thirds of the existing directors); and

approval of a plan of liquidation will not constitute a change in control.

Corporate Governance Best Practices. The 2010 Stock

Incentive Plan also adopts the following key features that are designed to protect our shareholders interests and to reflect corporate governance best practices, as follows:

Avoidance of Liberalized Share Counting. To protect our shareholders interests and to reflect corporate governance best practices, the 2010 Stock Incentive Plan provides that the total number of shares of common stock available for awards will be reduced by (i) the total number of stock options or other stock-based awards (subject to exercise) that have been exercised, regardless of whether any of the shares of common stock underlying such awards are not actually issued to the participant as the result of a net settlement and (ii) any shares of common stock used to pay any exercise price or tax withholding obligation, and provides that the Company may not use the cash proceeds it receives from award exercises to repurchase shares of common stock on the open market for reuse under the 2010 Stock Incentive Plan.

Repricing Subject to Shareholder Approval. The 2010 Stock Incentive Plan requires that any reduction in the exercise price of a stock option or an other stock-based award that is subject to participant elected exercise which we refer to as exercisable awards , the replacement of an exercisable award with an award with a lower exercise price, or a cash repurchase of exercisable awards that are out-of-the-money, requires prior shareholder approval.

Eliminated Reloads. The 2010 Stock Incentive Plan specifically prohibits adding reload provisions to options that provide for the automatic grant of a number of options equal to the number of shares used to pay for the exercise price of options or shares used to pay withholding taxes in connection with the exercise of an option.

Term Extension. We extended the term of the 2010 Stock Incentive Plan until September 30, 2021 (currently, the 2001 Stock Incentive Plan is scheduled to expire on September 26, 2011).

Our shareholders are also being requested to approve the Section 162(m) performance goals under the 2010 Stock Incentive Plan so that certain incentive awards granted to executive officers of the Company may qualify as exempt performance-based compensation under Section 162(m) of the Code, which otherwise generally disallows the corporate tax deduction for certain compensation paid in excess of $1,000,000 annually to each of the chief executive officer and the three other most highly paid executive officers (other than the chief financial officer) of publicly-held companies. Code Section 162(m) generally requires such performance goals to be approved by shareholders every five years. If shareholders do not approve the Code Section 162(m) performance goals at the Annual Meeting, then awards of restricted stock and other stock-based awards may still be granted under the 2001 Stock Incentive Plan after the Annual Meeting, however, any such award that is intended to be performance-based compensation under Code Section 162(m) will not qualify as exempt performance-based compensation under Code Section 162(m) until such approval is obtained or shareholders approve other designated performance criteria. Notwithstanding the foregoing, awards of options will continue to qualify as exempt performance-based compensation under Code Section 162(m) even if the shareholders do not approve the Code Section 162(m) performance goals at the Annual Meeting.

The Company anticipates filing a Registration Statement on Form S-8 with the SEC to register the additional amount of new shares of common stock to be included in the aggregate share reserve under the 2010 Stock Incentive Plan as soon as practicable following shareholder approval of the 2010 Stock Incentive Plan.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR AMENDMENT AND RESTATEMENT OF THE COMPANY S 2001 STOCK INCENTIVE PLAN, AS AMENDED, WHICH, IF APPROVED, WILL BE RENAMED THE 2010 STOCK INCENTIVE PLAN.

The following description of the 2010 Stock Incentive Plan is only a summary and is qualified in its entirety by reference to the 2010 Stock Incentive Plan, a copy of which is included in this proxy statement/prospectus as Annex IV.

General

The 2010 Stock Incentive Plan provides that all employees, consultants and non-employee directors of the Company or its affiliates may be granted the following types of awards: options to acquire shares of the Company s common stock, shares of restricted stock, or other stock-based awards. Eligibility for awards under the 2010 Stock Incentive Plan is determined by the Compensation Committee, in its sole discretion.

The purpose of the 2010 Stock Incentive Plan is to enhance the profitability and value of the Company for the benefit of its shareholders by enabling the Company to offer eligible participants awards, thereby linking shareholder and eligible participants interests and creating a means to raise the level of stock ownership by such individuals. The awards are intended to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company s shareholders. Our Board believes that awards provide performance incentives to eligible participants to the benefit of the Company and its shareholders.

Available Shares

The total number of shares of common stock that may be subject to awards under the 2010 Stock Incentive Plan will not exceed 18 million shares. Such number of shares is subject to adjustment by the Compensation Committee in the event of a recapitalization, stock split, stock dividend or similar corporate transaction. Such shares may be either authorized or unissued shares or shares held in treasury.

Any shares of restricted stock or other stock-based awards that are not based solely on stock appreciation following the grant date above the fair market value of the common stock on the date of grant (referred to by us as full share awards) are counted against this limit as three shares for every share granted. In general, if options or any other stock-based awards that are not full share awards are canceled for any reason, or expire or terminate unexpired, the shares covered by such awards again become available for grant. If a share of restricted stock or an other stock-based award that is a full share award is forfeited for any reason, three shares will again become available for grant.

The number of shares of common stock available for awards under the 2010 Stock Incentive Plan will be reduced by the total number of exercisable awards exercised (regardless of whether the shares of common stock underlying such awards are not actually issued as the result of net settlement), any shares of common stock used to pay any exercise price or tax withholding obligation with respect to any award, and any shares of common stock repurchased in the open market with the proceeds of the exercise of an exercisable award. In addition, the Company may not use the cash proceeds it receives from the exercise of an exercisable award to repurchase shares of common stock on the open market for reuse under the 2010 Stock Incentive Plan.

Administration

The 2010 Stock Incentive Plan is administered by a committee (referred to as the plan committee), which with regard to employees and consultants is comprised of not less than two individuals appointed by our Board, each of whom is a non-employee director to the extent required by Rule 16b-3 and the Exchange Act, an outside director to the extent required by Code Section 162(m), an independent director as defined under NASDAQ Listing Rule 5605(a)(2) and independent under the rules to be promulgated by the SEC under The Dodd-Frank Wall Street Reform and Consumer Protection Act. The Compensation Committee, which meets these requirements, currently serves as the plan committee with regard to employees and consultants. The current members of the Compensation Committee are John Usdan, Randy L. Pearce, and Kate Buggeln. Our Board serves as the plan committee with respect to the application of the 2010 Stock Incentive Plan to non-employee directors. The plan committee may make such rules and regulations and establish such procedures for the administration of the 2010 Stock Incentive Plan as it deems advisable.

The plan committee may grant awards under the 2010 Stock Incentive Plan to eligible participants. The Company estimates that as of July 31, 2010, there are 913 employees, no consultants and four non-employee directors who are eligible to participate in the 2010 Stock Incentive Plan.

The plan committee has the discretion, in accordance with the provisions of the 2010 Stock Incentive Plan, to determine the terms of the award, to whom an award is granted and the number of shares of stock, subject to a maximum grant to an eligible participant in any year of 400,000 option shares and 400,000 shares of restricted stock and other stock-based awards that are intended to be performance based compensation under Code Section 162(m) (subject to customary adjustments as provided in the 2010 Stock Incentive Plan), with any unused portion of the limitation available to be carried forward.

Awards under the 2010 Stock Incentive Plan

Stock Options. An option granted under the 2010 Stock Incentive Plan may be an incentive stock option (an ISO) (which may be made solely to an eligible employee of the Company, its subsidiaries or its parent (if any)) or a non-qualified stock option (a Non-ISO) (which may be made to any participant), as determined at the time of grant. In certain circumstances, the grant of Non-ISOs, as opposed to ISOs, can result in federal income tax advantages to the Company, as described below.

The exercise price for options may not be less than the fair market value of the stock on the date of the grant of the options. The 2010 Stock Incentive Plan provides that optionees may pay the exercise price: in cash; by delivery to the Company of shares of the Company s common stock owned by the participant; solely to the extent permitted by law and authorized by the plan committee, through the delivery of irrevocable instructions to a broker reasonably acceptable to the plan committee to promptly deliver to us an amount equal to the purchase price; on such other terms and conditions as may be acceptable to the plan committee (which may include a reduction in the number of shares of stock issuable upon exercise); or any combination of the foregoing.

An option may not be exercised later than the date specified by the plan committee, which will be a maximum of 10 years from the date of the grant (five years in the case of an ISO granted to any employee that owns 10% or more of the total combined voting power of all classes of stock of the Company, its subsidiaries or its parent). An option may be exercised only during the participant s employment, consultancy or directorship or within one month after termination; provided, however, if such termination occurs as a result of (a) death or total and permanent disability or (b) retirement at age 60 or 65 (depending on the participant s number of years of service), then such one-month period is extended to six months or three months, respectively. Notwithstanding the foregoing, in the event of a termination of employment for cause (as defined in the 2010 Stock Incentive Plan) or a voluntary termination within 90 days after the occurrence of an event which would be grounds for a termination for cause, any stock option held by the participant at the time of occurrence of the event which would be grounds for a termination for cause, will immediately terminate and expire.

Restricted Stock. The plan committee may award restricted shares of the Company s common stock, which are grants of common stock that are subject to risk of forfeiture or other restrictions.

Upon the award of restricted stock, the participant generally has the rights of a shareholder with respect to the right to receive dividends and the right to vote the shares. Unless the plan committee specifies otherwise at the time of the award, the payment of dividends, if any, will be deferred until the expiration of the applicable restriction period. Participants who receive restricted stock are required to enter into a restricted stock agreement with the Company, which sets forth the restrictions to which the shares are subject, including, as applicable, the date or dates on which such restrictions will lapse or any performance criteria to be met for such restrictions to lapse. Awards of restricted stock may or may not be performance based.

If the grant of restricted stock or the lapse of the relevant restrictions is based on the attainment of performance goals, the plan committee will establish for each participant the applicable performance goals, formulae or standards and the applicable vesting percentages with reference to the attainment of such goals or satisfaction of such formulas or standards while the outcome of the performance goals are substantially uncertain, including, without limitation, performance goals that are intended to comply with the performance-based compensation exception under Code Section 162(m). Unless otherwise determined by the plan committee on the date of grant, all outstanding awards of Restricted Stock will vest upon a change in control. Further, unless otherwise determined by the plan committee on the date of grant, upon a participant s termination all unvested restricted stock will be forfeited.

Other Stock-Based Awards. The plan committee may, subject to applicable legal limits, make a grant of other stock-based awards. The plan committee determines the terms and conditions of any such other stock-based awards, which may include the achievement of certain minimum performance criteria for purposes of compliance with Code Section 162(m) and/or a minimum vesting period. The performance goals for performance-based other stock-based awards may be based on the attainment of performance goals which may include performance goals that are intended to comply with the performance-based compensation exception under Code Section 162(m). The exercise price for any exercisable other stock-based award that is not a full share award may not be less than the fair market value of the common stock on the date of grant and such award may not be exercised later than the date specified by the plan committee, which will be a maximum of 10 years from the date of grant.

Performance Goals

As noted above, performance-based awards granted under the 2010 Stock Incentive Plan that are intended to satisfy the performance-based compensation exception under Code Section 162(m) will be granted or vest based on attainment of specified performance goals established by the plan committee. These awards will be made in the form of restricted stock or other stock-based award. The performance goals relating to such awards will be based on one or more of the following criteria selected by the plan committee:

enterprise value or value creation targets;

after-tax or pre-tax profits;

operational cash flow;

reduction of, or

limiting the level of increase in all or a portion of, the Company s bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company;

earnings per share or earnings per share from continuing operations;

net sales, comparable store sales, revenues, net income or earnings before income tax or other exclusions;

return on capital employed (including, without limitation, return on invested capital or return on committed capital);

after-tax or pre-tax return on shareholder equity;

market share;

the fair market value of the shares of the Company s common stock;

the growth in the value of an investment in the Company s common stock assuming the reinvestment of dividends;

limiting the level of or increase in, all or a portion of controllable expenses or costs or other expenses or costs; or

economic value added targets based on a cash flow return on investment formula.

In addition, such performance goals may be based upon the attainment of specified levels of performance under one or more of the measures described above relative to the performance of other corporations. To the extent permitted under Code Section 162(m), the plan committee may designate additional business criteria on which the performance goals may be based or adjust, modify or amend the business criteria above. Unless otherwise determined by the plan committee at grant, such performance goals will disregard all items of gain, loss or expense related to certain events and circumstances, such as changes in accounting methods and corporate transactions (including dispositions and acquisitions).

Change in Control

Unless otherwise determined by the plan committee at grant, in the event of a change in control (as defined in the 2010 Stock Incentive Plan, which definition can be found on page 75 of this proxy statement/prospectus, as modified for awards granted on or after the restatement date as set forth on page 77 of this proxy statement/prospectus):

Awards granted prior to the restatement date will vest upon a change in control. However, unless the plan committee provides otherwise at the time an exercisable award is granted, no acceleration of exercisability will occur with respect to such exercisable award if the plan committee reasonably determines in good faith, prior to the occurrence of such transaction, that the exercisable award will be honored or assumed, or new rights substituted.

Awards granted on or after the restatement date will not vest upon a change in control. In addition, in the discretion of the plan committee, such awards may be assumed and continued or substituted in accordance with applicable law, purchased by us for an amount equal to the excess over the exercise price of such award of the higher of the highest price of the common stock paid in a change in control or the highest fair market value per share of the common stock at any time during the 60 day period preceding the change in control (in either case, such purchase price not to exceed the fair market value of the common stock at the time of purchase), or cancelled if the price of the common stock paid in a change in control is less than the exercise price of the award. The plan committee may also, in its sole discretion, provide for accelerated vesting or lapse of restrictions of an award at any time.

Notwithstanding the prior bullet, awards granted on or after the restatement date will vest upon a participant s involuntary termination without cause that occurs within 2 years following a change in control.

In the event of a merger or consolidation in which the Company is not the surviving corporation or in the event of a transaction that results in the acquisition of all or substantially all of the Company s common stock or assets, the plan committee may elect to terminate all outstanding exercisable awards granted under the 2010 Stock Incentive Plan, provided that during the period from notification of such termination to the date of consummation of the relevant transaction (which must be at least 20 days) each participant shall have the right to exercise all of his or her exercisable awards in full (without regard to any restrictions on exercisability), contingent on the consummation of such transaction.

Miscellaneous

Awards granted under the 2010 Stock Incentive Plan generally are not transferable, except that the plan committee may, in its sole discretion and subject to certain limitations, permit the transfer of Non-ISOs at the time of grant or thereafter to certain family members of the participant.

No awards may be granted under the 2010 Stock Incentive Plan after September 30, 2021. Awards granted prior to such date, however, may extend beyond such date and the provisions of the 2010 Stock Incentive Plan will continue to apply thereto.

Our Board may from time to time amend, suspend or terminate the 2010 Stock Incentive Plan except that the rights of a participant with respect to an award granted prior to such amendment, suspension or termination may not be impaired without the participant s consent and, without shareholder approval, no amendment may be made which increases the aggregate number of shares that may be issued under the 2010 Stock Incentive Plan, increases the maximum individual limitations, changes the classification of individuals eligible to receive awards, extends the maximum option, amends the 2010 Stock Incentive Plan or an outstanding award to reduce the exercise price of an exercisable award or cancel out-of-the-money outstanding exercisable awards in exchange for cash, other awards or exercisable awards with an exercise price that is less than the exercise price of the original exercisable award or otherwise requires shareholder approval. Our Board may amend the 2010 Stock Incentive Plan or any award agreement at any time without a participant s consent to comply with applicable law, including Code Section 409A.

United States Federal Income Tax Consequences

The following discussion of the principal U.S. federal income tax consequences with respect to stock options granted under the 2010 Stock Incentive Plan is based on statutory authority and judicial and administrative interpretations as of the date of this proxy statement/prospectus, which are subject to change at any time (possibly with retroactive effect) and may vary in individual circumstances. The discussion is limited to the U.S. federal income tax consequences (state, local and other tax consequences are not addressed below) to individuals who are citizens or residents of the U.S., other than those individuals who are taxed on a residence basis in a foreign country. In addition, the following discussion does not set forth any gift, estate, social security or state or local tax consequences that may be applicable.

The U.S. federal income tax law is technical and complex and the discussion below represents only a general summary. The following summary is included for general information only and does not purport to address all the tax considerations that may be relevant. Each recipient of a grant is urged to consult his or her own tax advisor as to the specific tax consequences to such grantee and the disposition of common stock.

Incentive Stock Options. The grant or exercise of an ISO generally has no income tax consequences for the optionee or the Company. No taxable income results to the optionee upon the grant or exercise of an ISO. However, the amount by which the fair market value of the stock acquired pursuant to the exercise of an ISO exceeds the exercise price is an adjustment item and will be considered income for purposes of alternative minimum tax.

The aggregate fair market value of common stock (determined at the time of grant) with respect to which ISOs can be exercisable for the first time by an optionee during any calendar year cannot exceed $100,000. Any excess will be treated as a non-qualified stock option.

The sale of common stock received pursuant to the exercise of an option that satisfied all of the ISO requirements, as well as the holding period requirement described below, will result in a long-term capital gain or loss equal to the difference between the amount realized on the sale and the exercise price. To receive ISO treatment, an optionee must be an employee of the Company (or certain affiliates) at all times during the period beginning on the date of the grant of the ISO and ending on the day three months before the date of exercise, and the optionee must not dispose of the common stock purchased pursuant to the exercise of an option either (i) within two years from the date the ISO was granted, or (ii) within one year from the date of exercise of the ISO. Any gain or loss realized upon a subsequent disposition of the shares will be treated as a long-term capital gain or loss top the optionee (depending on the applicable holding period). The Company will not be entitled to a tax deduction upon such exercise of an ISO, or upon a subsequent disposition of the shares, unless such disposition occurs prior to the expiration of the holding period described above.

In general, if the optionee does not satisfy the foregoing holding periods, any gain (in an amount equal to the lesser of the fair market value of the common stock on the date of exercise (or, with respect to officers subject to Section 16(b) of the Exchange Act, the date that sale of such common stock would not create liability, referred to as Section 16(b) liability, under Section 16(b) of the Exchange Act) minus the exercise price, or the amount realized on the disposition minus the exercise price) will constitute ordinary income. In the event of such a disposition before the expiration of the holding periods described above, subject to the limitations under Code Sections 162(m) and 280G (as described below), the Company is generally entitled to a deduction at that time equal to the amount of ordinary income recognized by the optionee. Any gain in excess of the amount recognized by the optionee as ordinary income would be taxed to the optionee as short-term or long-term capital gain (depending on the applicable holding period).

Non-Qualified Stock Options. In general, an optionee will realize no taxable income upon the grant of a Non-ISO and the Company will not receive a deduction at the time of such grant unless the option has a readily ascertainable fair market value (as determined under applicable tax law) at the time of grant. Upon exercise of a Non-ISO, an optionee generally will recognize ordinary income in an amount equal to the excess of the fair market value of the stock on the date of exercise over the exercise price. Upon a subsequent sale of the stock by the optionee, the optionee will recognize short- term or long-term capital gain or loss depending upon his or her holding period for the stock. Subject to the limitations under Code Sections 162(m) and 280G, the Company will generally be allowed a deduction equal to the amount recognized by the optionee as ordinary income.

Section 16(b). Any of our officers and directors subject to Section 16(b) of the Exchange Act may be subject to Section 16(b) liability with regard to both ISOs and Non-ISOs as a result of special tax rules regarding the income tax consequences concerning their stock options.

Code Section 162(m). In general, Code Section 162(m) denies a deduction to any publicly held corporation for compensation paid to certain covered employees in its taxable year to the extent that such compensation exceeds $1,000,000, subject to certain exceptions. Covered employees are a company s chief executive officer on the last day of the taxable year and any other individual whose compensation is required to be reported to shareholders in its proxy statement under the Exchange Act, other than the chief financial officer. Compensation paid under certain qualified performance-based compensation arrangements, which (among other things) provide for compensation based on pre-established objective performance goals established by a compensation committee that is comprised solely of two or more outside directors , is not considered in determining whether a covered employee s compensation exceeds $l,000,000. Options will generally qualify under one of these exceptions if they are granted under a plan that states the maximum number of shares with respect to which options may be granted to any participant during a specified period of the plan under which the options are granted, is approved by shareholders and is administered by a committee comprised of outside directors. Subject to shareholder approval of the Section 162(m) performance goals under the 2010 Stock Incentive Plan, it is intended that certain awards under the 2010 Stock Incentive Plan will satisfy these requirements so that the income recognized in connection with awards will not be included in a covered employee s compensation for the purpose of determining whether such individual s compensation exceeds $1,000,000.

Parachute Payments. In the event that the payment or vesting of any award under the 2010 Stock Incentive Plan is accelerated because of a change in ownership (as defined in Code Section 280G(b)(2)) and such payment of an award, either alone or together with any other payments made to certain participants, constitute parachute payments under Code Section 280G, then subject to certain exceptions, a portion of such payments would be nondeductible to the Company and the participant would be subject to a 20% excise tax on such portion of the payment.

Code Section 409A. Code Section 409A provides that all amounts deferred under a nonqualified deferred compensation plan are includible in a participant s gross income to the extent such amounts are not subject to a substantial risk of forfeiture, unless certain requirements are satisfied. If the requirements are not satisfied, in addition to current income inclusion, interest at the underpayment rate plus 1% will be imposed on the participant s underpayments that would have occurred had the

deferred compensation been includible in gross income for the taxable year in which first deferred or, if later, the first taxable year in which such deferred compensation is not subject to a substantial risk of forfeiture. The amount required to be included in income is also subject to an additional 20% tax. While most awards under the 2010 Stock Incentive Plan are anticipated to be exempt from the requirements of Code Section 409A, awards that are not exempt are intended to comply with Code Section 409A.

New Plan Benefits

Future Plan Awards. Because future awards under the 2010 Stock Incentive Plan will be based upon prospective factors including the nature of services to be rendered and a participant s potential contributions to the success of the Company or its affiliates, actual awards cannot be determined at this time.

Vote Required

Approval of the proposed amendments requires the affirmative vote of a majority of the votes cast with respect to the proposal at the Annual Meeting.

PROPOSAL FOUR

RATIFICATION OF THE ENGAGEMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Deloitte & Touche LLP (Deloitte & Touche) to provide audit services to us and our subsidiaries for the fiscal year ending July 30, 2011. The shareholders are being requested to ratify such selection at the Annual Meeting. A representative of Deloitte & Touche will attend the Annual Meeting to make any statements he or she may desire to make and to respond to appropriate shareholder questions.

Although this appointment is not required to be submitted to a vote of the shareholders, the Audit Committee believes it is appropriate as a matter of policy to request that the shareholders ratify the appointment. Assuming a quorum is present, the appointment of the independent registered public accounting firm will be ratified if the votes cast in favor of ratification exceed the votes cast in opposition to ratification, present in person or represented by proxy at the Annual Meeting and entitled to vote. If the shareholders do not ratify the appointment, the Audit Committee will consider the selection of another independent registered public accounting firm.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY FOR THE FISCAL YEAR ENDING JULY 30, 2011.

INFORMATION REGARDING THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee selected Deloitte & Touche as auditors with respect to the financial statements of the Company for the fiscal year ending July 30, 2011.

FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table shows the fees billed by Deloitte & Touche for the past two fiscal years for audit and other related fees:

	Fiscal 2010	Fiscal 2009
Audit Fees[1]	$ 3,133,000	$ 1,878,915
Audit-Related Fees[2]	514,000	961,175
Tax Fees[3]	543,000	578,670
All Other Fees		
Total Fees	$ 4,190,000	$ 3,418,760

[1] Fees for audit services billed

in fiscal 2010 and fiscal 2009 consist of the annual audit of the Company s financial statements, interim reviews of the quarterly consolidated financial statements and auditing the Company s internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Audit-related fees consist principally of services performed in connection with registration statements filed with the SEC, statutory audits, audits of employee benefit plans and assurance and related services that are reasonably related to the performance of the audit or review of the Company s consolidated financial statements and include due diligence services

performed in connection with our acquisition of Tween Brands, Inc.

[3] Includes fees for professional services provided related to tax compliance, including federal, state and local taxes, tax planning and advisory services.

The Audit Committee has established a policy concerning the pre-approval of the audit and non-audit services to be provided by the independent registered public accounting firm to the Company. The policy requires that all services to be performed by Deloitte & Touche, including audit services, audit-related services and permitted non-audit services, be pre-approved by the Audit Committee. Specific services provided by the independent registered public accounting firm are regularly reviewed in accordance with the pre-approval policy. At subsequent Audit Committee meetings, the Audit Committee receives updates on services being provided by the independent registered public accounting firm, and management may present additional services for approval. The procedures permit limited amounts of services to be approved by one or more members of the Audit Committee pursuant to authority delegated by the Audit Committee.

During fiscal 2010, the Audit Committee pre-approved all of the services provided by the auditors. The Audit Committee considered whether the provision of non-audit services is permitted under applicable laws and regulations and is compatible with maintaining the independence of Deloitte & Touche.

AUDIT COMMITTEE REPORT

The following report of the Audit Committee does not constitute soliciting material and shall not be deemed to be filed with the SEC under the Securities Act or the Exchange Act or incorporated by reference into any document so filed except to the extent that the Company specifically incorporates this Audit Committee Report by reference therein.

The Audit Committee oversees our financial reporting process on behalf of the Board and is directly responsible for the compensation, appointment and oversight of our independent registered public accounting firm. Management is responsible for the preparation, presentation and integrity of our financial statements and for the appropriateness of the accounting principles and reporting policies that are used. Management is also responsible for testing the system of internal control over financial reporting, and reports to the Audit Committee on any deficiencies found. Our independent registered public accounting firm, Deloitte & Touche, is responsible for auditing our financial statements and expressing an opinion as to their conformity with U.S. generally accepted accounting principles, as well as examining and reporting on the effectiveness of our internal controls over financial reporting. Under its written charter, our Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, has direct access to our independent registered public accounting firm as well as any of our employees, and has the ability to retain, at our expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

The Audit Committee reviewed and discussed the audited financial statements in the Annual Report on Form 10-K for the fiscal year ended July 31, 2010 with management.

The Audit Committee has also discussed and reviewed with Deloitte & Touche the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. We have discussed with Deloitte & Touche those matters required by PCAOB AU 380, *Communication With Audit Committees*, and SEC Rule 2-07, *Communication With Audit Committees*, of Regulation S-X. In addition, the Audit Committee obtained from Deloitte & Touche the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants communications with the audit committee concerning independence and discussed with Deloitte & Touche their independence from management and the Company. We have received written confirmation from Deloitte & Touche of their independence within the meaning of the Securities Act and the requirements of PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence.* The Audit Committee has also considered whether the provision of non-audit services by Deloitte & Touche is compatible with maintaining their independence, and has satisfied itself with respect to Deloitte & Touche s independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended July 31, 2010 for filing with the SEC.

Audit Committee:

Randy Pearce, Chair
Kate Buggeln
John Usdan

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

The following table presents information concerning the beneficial ownership of the shares of our common stock as of October 1, 2010 (unless otherwise noted) by each of our directors, each of our named executive officers, all of our directors and executive officers as a group, and each person who is known by us to beneficially own more than 5% of our common stock.

Unless otherwise indicated, beneficial ownership is direct and the person indicated has sole voting and investment power and the address of each beneficial owner listed below is c/o The Dress Barn, Inc., 30 Dunnigan Drive, Suffern, New York 10901.

Name of Beneficial Owner:	Number of Shares of Common Stock Beneficially Owned	Percent of Class[17]
Directors and Executive Officers:		
Elliot S. Jaffe[1]	1,159,692	1.47 %
David R. Jaffe[2]	5,996,164	7.53 %
Michael W. Rayden[3]	177,633	*
Armand Correia[4]	188,150	*
Gene Wexler[5]	56,713	*
Klaus Eppler[6]	39,813	*
Kate Buggeln[7]	33,333	*
John Usdan[8]	27,132	*
Randy L. Pearce[9]	24,998	*
All Directors and Executive Officers as a group (consisting of 9 persons)[10]	7,703,628	9.61 %
* Represents less than 1% of class		
Other Beneficial Owners:		
Elise Jaffe[11]	5,055,582	6.42 %
Richard Jaffe[12]	4,526,298	5.76 %
Royce & Associates, LLC[13] 1414 Avenue of the Americas New York, NY 10019	6,371,697	8.11 %
PRIMECAP Management Company[14] 225 South Lake Avenue #400 Pasadena, CA 91101	5,929,205	7.55 %
Vanguard Horizon Funds[15] Vanguard Capital Opportunity Fund 100 Vanguard Blvd. Malvern, PA 19355	4,851,500	6.17 %
BlackRock, Inc.[16] 40 East 52nd Street New York, NY 10022	4,544,015	5.78 %

(Footnotes relating to the SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT table on the preceding page and above.)

[1] Consists of 524,557 shares owned directly by Elliot S. Jaffe, 381,469 shares owned by his wife, Mrs. Roslyn S. Jaffe, and 253,666 shares covered by options exercisable by Elliot S. Jaffe within 60 days of October 1, 2010.

[2] Consists of 4,950,364 shares owned directly by David R. Jaffe, 25,800 restricted shares subject to vesting restrictions and 1,020,000 shares covered by options exercisable within 60 days of October 1, 2010.

[3] Consists of 177,633 shares owned directly by Michael W. Rayden.

[4] Consists of 13,150 shares owned directly by Armand Correia, 2,000 restricted shares subject to vesting restrictions and

173,000 shares covered by options exercisable within 60 days of October 1, 2010.

[5] Consists of 513 shares owned directly by Gene Wexler, 12,000 restricted shares subject to vesting restrictions and 44,200 shares covered by options exercisable within 60 days of October 1, 2010.

[6] Consists of 1,482 shares owned directly by Klaus Eppler and 38,331 shares covered by options exercisable within 60 days of October 1, 2010.

[7] Consists of 33,333 shares covered by options exercisable by Kate Buggeln within 60 days of October 1, 2010.

[8] Consists of 2,000 shares owned directly by John Usdan and 25,132 shares covered by options exercisable within 60 days of October 1, 2010.

(9) Consists of 24,998 shares covered by options exercisable Randy L. Pearce within 60 days of October 1, 2010.

(10) Includes 1,612,660 shares covered by options exercisable by Directors and Executive Officers within 60 days of October 1, 2010.

(11) Consists of 4,875,832 shares owned directly by Elise Jaffe and 179,750 shares covered by options exercisable within 60 days of October 1, 2010.

(12) Consists of 4,256,298 shares owned directly by Richard Jaffe.

(13) Based solely on information set forth in the Schedule 13G/A filed with the SEC on February 2, 2010 by Royce & Associates, LLC.

(14) Based solely on information set forth in the Schedule 13G/A

filed with the SEC on February 11, 2010 by PRIMECAP Management Company, which indicates that PRIMECAP Management Company has sole dispositive power over 5,929,205 shares and sole voting power over 843,905 shares.

[15] Based solely on information set forth in the Schedule 13G/A filed with the SEC on February 3, 2010 by Vanguard Horizon Funds-Vanguard Capital Opportunity Fund.

[16] Based solely on information set forth in the Schedule 13G filed with the SEC on January 29, 2010 by BlackRock, Inc.

[17] Based on 78,578,969 shares of common stock outstanding as of October 1, 2010.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes our equity compensation plans as of July 31, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	6,720,010 [1]	$ 14.42	2,351,261
Equity compensation plans not approved by security holders			
Total	6,720,010	$ 14.42	2,351,261

[1] The weighted average remaining term of the outstanding options is 6.4 years.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers and beneficial owners of more than 10% of our common stock to file reports with the SEC disclosing their ownership, and changes in their ownership, of our stock. Copies of these reports must also be furnished to us. Based solely upon our review of these copies, we believe that during fiscal 2010 all of such forms were filed on a timely basis by reporting persons.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS; RELATED PARTY TRANSACTIONS

In September 2007, the Board adopted a written policy for the review and approval or ratification of any transaction with a related person, which applies to related person transactions after the adoption date of the policy. Under this policy, related persons include our directors and executive officers and beneficial owners who are known to control over five percent of our common stock, as well as the immediate family members of any of the foregoing. The policy generally defines a related person transaction as one or a series of similar transactions, arrangements or relationships in which: (i) the Company was, is or will be a participant; (ii) a related person has a direct or indirect material interest; and (iii) the amount involved is expected to exceed $120,000 (determined without regard to the amount of profit or loss involved in the transaction). The policy does not cover arrangements available on the same basis to all employees generally or employment or compensation arrangements for our executive officers or director compensation arrangements.

Under the policy, a related person transaction requires the approval or ratification of the Audit Committee or the Chair of the Audit Committee in those situations in which the legal department, in consultation with the CEO or the Chief Financial Officer, determines that it is not practicable or desirable for us to wait until the next Audit Committee meeting for review. Prior to approving or ratifying any transaction, the Audit Committee or the Chair will consider the material facts of the transaction, including the related person s relationship to us and their interest in the transaction, and will determine whether the transaction is entered into in good faith and on fair and reasonable terms to us. No person may participate in the review of a transaction in which such person, or any of his or her immediate family members, may have a direct or indirect material interest.

During fiscal 2010, no transactions were reviewed by the Audit Committee since there were no new related person transactions, or any modifications to existing related person transactions, during fiscal 2010.

See above under the heading Employment Agreements and Employment Letters Retirement Agreements, for a description of our retirement agreement with Mrs. Roslyn S. Jaffe. Ms. Jaffe is the spouse of Elliot S. Jaffe, Chairman of the Board and a founder of our Company, and they are the parents of David R. Jaffe, a director and CEO, Elise Jaffe, a non-executive officer and a more than 5% shareholder, and Richard Jaffe, a more than 5% shareholder.

The Company leases two of its store locations from Nordan, LLC, a limited liability company of which Elliot S. Jaffe, Chairman of the Board (the affiliated landlord) is the sole member. The following table describes the terms of these leases:

Store Location	Expiration	Renewal Options	Square Feet	Minimum Annual Rent Per Square Foot
Norwalk, Connecticut	April 30, 2011	Until April 30, 2031	12,700	$ 11.22
Danbury, Connecticut	June 30, 2015	Until June 30, 2020	8,000	$ 24.33

These store rentals approximate the range of minimum rentals paid by the Company on its other store leases. The store leases also contain provisions for payment of a percentage of sales as additional rent when sales reach specified levels. The effective rent (total rent as a percentage of sales with respect to particular stores) for these stores is approximately eight percent (8%). During fiscal 2005, we exercised the renewal option in the lease for our Danbury, Connecticut store, extending the expiration date of the lease to June 30, 2010 and extending the renewal options contained in the lease until June 30, 2020. In connection with the extension, the minimum annual rent was increased from $13.00 per square foot to $21.16 per square foot, and the affiliated landlord agreed to a $25,000 rent credit upon the remodeling of the store. We believe that these leases are on terms that are comparable to terms we could obtain in arms-length negotiations with unrelated third parties for store locations in similar geographic areas. During fiscal 2010, we paid a total of approximately $386,088 in rent and related expenses under these leases.

VALIDITY OF SHARES

Proskauer Rose LLP, New York, New York, will pass upon the validity of the shares of Ascena common stock offered by this proxy statement/prospectus.

EXPERTS

The consolidated financial statements incorporated in this proxy statement/prospectus by reference from The Dress Barn, Inc. s Annual Report on Form 10-K/A for the fiscal year ended July 31, 2010, and the effectiveness of The Dress Barn, Inc. s internal control over financial reporting as of July 31, 2010, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, (which report on the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of Accounting Standards Codification (ASC) 470-20, Debt with Conversion and Other Options and ASC 810-10, Consolidations Overall effective July 26, 2009 and ASC 740-10, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 effective July 29, 2007), which are incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements incorporated in this proxy statement/prospectus by reference from Tween Brands, Inc. s Annual Report on Form 10-K for the fiscal year ended January 31, 2009, and the effectiveness of Tween Brands, Inc. s internal control over financial reporting as of January 31, 2009, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, (which report on the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109), which are incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Registration Statement

Ascena filed a registration statement on Form S-4 to register with the SEC the shares of Ascena common stock offered by this proxy statement/prospectus. This proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of Ascena in addition to being a proxy statement of dressbarn for the Annual Meeting. As permitted by SEC rules, this proxy statement/prospectus does not contain all the information you can find in the registration statement or in exhibits to the registration statement.

Other SEC Filings

dressbarn files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any of the information on file with the SEC at the SEC s public reference room, located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800- SEC-0330 for further information on the public reference room. dressbarn s SEC filings are also available on the SEC s web site located at http://www.sec.gov, and certain filings are available on dressbarn s web site at www.dressbarn.com.

Documents Incorporated by Reference

The SEC allows us to incorporate by reference information into this proxy statement/prospectus, which means that we can disclose important information to you by referring you to another document filed separately by dressbarn with the SEC. The information incorporated by reference is deemed to be part of this proxy statement/prospectus except for any information superseded by information in this proxy statement/prospectus or in any document subsequently filed with the SEC which is also incorporated by reference. This proxy statement/prospectus incorporates by reference the documents set forth below, including the exhibits that these documents specifically incorporate by reference, that The Dress Barn, Inc. and Tween Brands, Inc. have previously filed with the SEC. These documents contain important information about The Dress Barn, Inc. and Tween Brands, Inc. and their financial performance.

The Dress Barn, Inc. s Annual Report on Form 10-K/A for the year ended July 31, 2010;

The Dress Barn, Inc. s Current Report on Form 8-K filed on October 5, 2010;

Tween Brands, Inc. s Annual Report on Form 10-K for the year ended January

31, 2009;

Tween Brands, Inc. s Quarterly Reports on Form 10-Q for the quarterly periods ended May 2, 2009 and August 1, 2009; and

All reports and definitive proxy or information statements filed by dressbarn or Ascena pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this proxy statement/prospectus and before the date of the Annual Meeting.

Following the reorganization described in this proxy statement/prospectus, Ascena will become subject to the same informational requirements as dressbarn is prior to the reorganization, and will file annual, quarterly and special reports, proxy statements and other information with the SEC in accordance with the Exchange Act and the NASDAQ Global Select Market pursuant to the Exchange Act and NASDAQ Listing Rules. dressbarn does not expect to be subject to such requirements following the reorganization.

Documents Available Without Charge from Us

You can obtain any document incorporated by reference, excluding all exhibits that have not been specifically incorporated by reference, from us or the SEC. Documents incorporated by reference are available from us without charge.

Shareholders may obtain documents incorporated by reference in this document by requesting them in writing or by telephone at the following address:

The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901
Telephone: (845) 369-4600
Attn: Investor Relations

If you would like to request documents from us, please do so by November 30, 2010 to receive them before the Annual Meeting. We will send requested documents by first-class mail within one business day after receiving the request.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus and the registration statement of which this proxy statement/prospectus is a part to vote on the Annual Meeting proposals. No one has been authorized to provide you with information that is different from what is contained in this proxy statement/prospectus or in the incorporated documents.

This proxy statement/prospectus is dated November , 2010. You should not assume the information contained in this proxy statement/prospectus is accurate as of any date other than this date, and neither the mailing of this proxy statement/prospectus to shareholders nor the issuance of the Ascena common stock in the reorganization shall imply information is accurate as of any other date.

BY ORDER OF THE BOARD OF DIRECTORS

By:

Gene L. Wexler, Esq.
Assistant Secretary
Dated: November , 2010

ANNEX I

Agreement and Plan of Reorganization

AGREEMENT AND PLAN OF REORGANIZATION

This AGREEMENT AND PLAN OF REORGANIZATION (this Agreement), dated as of August 20, 2010, is among The Dress Barn, Inc., a Connecticut corporation (the Company), Ascena Retail Group, Inc., a Delaware corporation and a direct, wholly owned subsidiary of the Company (HoldingCo), and DB Merger Corp, a Connecticut corporation and a direct, wholly owned subsidiary of HoldingCo (MergerCo).

RECITALS

WHEREAS, as of the date hereof, the authorized capital stock of the Company consists of (i) 165,000,000 shares of common stock, par value $0.05 per share (Company Common Stock), of which approximately 78,542,934 shares are issued and outstanding, approximately 6,910,747 shares are reserved for issuance under the Company s Plans (as defined below) and upon exercise of outstanding Company Awards (as hereinafter defined) and no shares are held in treasury, and (ii) 100,000 shares of preferred stock, par value $0.05 per share (Company Preferred Stock), of which none is outstanding;

WHEREAS, as of the date hereof, the authorized capital stock of HoldingCo consists of (i) 375,000,000 shares of common stock, par value $0.01 per share (HoldingCo Common Stock), of which 100 shares are issued and outstanding and no shares are held in treasury, and (ii) 1,000,000 shares of preferred stock, par value $0.01 per share (HoldingCo Preferred Stock), of which none is outstanding;

WHEREAS, as of the date hereof, all of the issued and outstanding common stock of MergerCo (MergerCo Common Stock) is held by HoldingCo;

WHEREAS, HoldingCo and MergerCo are newly formed entities organized for the purpose of participating in the transactions herein contemplated;

WHEREAS, the Board of Directors of each of the Company, HoldingCo and MergerCo have unanimously determined that it is advisable and in the best interests of their respective securityholders to reorganize to create a new holding company structure by merging the Company with MergerCo with the Company being the surviving entity (sometimes hereinafter referred to as the Surviving Company), and converting each outstanding share of Company Common Stock into one share of HoldingCo Common Stock, all in accordance with the terms of this Agreement;

WHEREAS, the Board of Directors of the Company has unanimously determined that it is advisable and in the best interests of its shareholders to reorganize the Company s operations, such that the public company owned by its shareholders is incorporated in the State of Delaware and, accordingly, HoldingCo has been incorporated in the State of Delaware;

WHEREAS, the Boards of Directors of each of HoldingCo, the Company and MergerCo and the sole shareholder of MergerCo have approved this Agreement and the merger of the Company with MergerCo upon the terms and subject to the conditions set forth in this Agreement (the Merger);

WHEREAS, the Boards of Directors of each of the Company and MergerCo have declared advisable this Agreement and the Merger upon the terms and subject to the conditions set forth in this Agreement, and the Boards of Directors of each of the Company and MergerCo have unanimously determined to recommend to their respective shareholders the adoption of this Agreement and the approval of the Merger, subject to the terms and conditions hereof and in accordance with the provisions of the Connecticut Business Corporation Act (the CBCA);

WHEREAS, the parties intend, by executing this Agreement, to adopt a plan of reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the Code), and to cause the Merger to qualify as a reorganization under the provisions of Section 368(a) of the Code, as well as a transaction to which Section 351(a) of the Code applies; and

WHEREAS, promptly following the Effective Time (as defined below), HoldingCo plans to take, or cause its direct and indirect wholly owned subsidiaries to take, additional actions (the

Subsequent Actions) to enable HoldingCo to achieve certain benefits sought by the Boards of Directors of the Company, HoldingCo and MergerCo in authorizing the Merger.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained in this Agreement, and intending to be legally bound hereby, the Company, HoldingCo and MergerCo hereby agree as follows:

ARTICLE 1

THE MERGER

1.1 The Merger. In accordance with Section 33-815 of the CBCA, and subject to and upon the terms and conditions of this Agreement, the Company shall, at the Effective Time (as defined below), be merged with MergerCo, the separate corporate existence of MergerCo shall cease and the Company shall continue as the Surviving Company. At the Effective Time, the effect of the Merger shall be as provided in Section 33-820 of the CBCA.

1.2 Effective Time. The Merger shall become effective upon the filing of a Certificate of Merger with the Secretary of the State of the State of Connecticut or a later date specified therein (the Effective Time). It is currently anticipated by the parties that the Effective Time will be on or about January 1, 2011.

1.3 Organizational Documents of the Surviving Company.

1.3.1 From and after the Effective Time, the amended and restated certificate of incorporation of the Company, as in effect immediately prior to the Effective Time, shall continue in full force and effect as the certificate of incorporation of the Surviving Company until thereafter amended as provided therein or by applicable law.

1.3.2 From and after the Effective Time, the amended and restated bylaws of the Company, as in effect immediately prior to the Effective Time, shall continue in full force and effect as the bylaws of the Surviving Company (the Surviving Company Bylaws) until thereafter amended as provided therein or by applicable law.

1.4 Directors. The directors of MergerCo immediately prior to the Effective Time shall be the initial directors of the Surviving Company and will hold office from the Effective Time until their successors are duly elected or appointed and qualified in the manner provided in the Surviving Company Bylaws or as otherwise provided by law.

1.5 Officers. The officers of MergerCo immediately prior to the Effective Time shall be the initial officers of the Surviving Company and will hold office from the Effective Time until their successors are duly elected or appointed and qualified in the manner provided in the Surviving Company Bylaws or as otherwise provided by law.

1.6 Directors and Officers of HoldingCo. Prior to the Effective Time, the Company in its capacity as the sole stockholder of HoldingCo, agrees to take or cause to be taken all such actions as are necessary to cause those persons serving as the directors and executive officers of the Company immediately prior to the Effective Time to be elected or appointed as the directors and executive officers of HoldingCo, each such person to have the same office(s) with HoldingCo (and the same committee memberships in the case of directors) as he or she held with the Company, with the directors serving in the same class that they serve with the Company to serve until the earlier of the next meeting of the HoldingCo stockholders at which an election of directors of such class is held and until their successors are elected or appointed (or their earlier death, disability or retirement).

1.7 Additional Actions. Subject to the terms of this Agreement, the parties hereto shall take all such reasonable and lawful action as may be necessary or appropriate in order to effectuate the Merger and to comply with the requirements of the CBCA. If, at any time after the Effective Time, the Surviving Company shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm, of record or otherwise, in the Surviving Company its right, title or interest in, to or under any of the rights, properties or assets of either of MergerCo or the Company acquired or to be acquired by the

Surviving Company as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the officers of the Surviving Company shall be authorized to execute and deliver, in the name and on behalf of each of MergerCo and the Company, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of MergerCo and the Company or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Company or otherwise to carry out this Agreement.

1.8 Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of HoldingCo, MergerCo, the Company or the holder of any of the following securities:

1.8.1 Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than any shares held in treasury, which shall be automatically cancelled and retired without the payment of any consideration therefor) shall be converted into one duly issued, fully paid and nonassessable share of HoldingCo Common Stock (the Merger Consideration).

1.8.2 The MergerCo common stock held by HoldingCo will automatically be converted into, and thereafter represent, 100% of the common stock of the Surviving Company.

1.8.3 Each share of HoldingCo Common Stock owned by the Company immediately prior to the Merger shall automatically be cancelled and retired and shall cease to exist.

1.8.4 From and after the Effective Time, holders of certificates formerly evidencing Company Common Stock shall cease to have any rights as shareholders of the Company, except as provided by law; provided, however, that such holders shall have the rights set forth in Section 1.9 herein.

1.8.5 In accordance with Section 33-856 of the CBCA, no appraisal rights shall be available to holders of Company Common Stock in connection with the Merger.

1.9 No Surrender of Certificates; Direct Registration of HoldingCo Common Stock. At the Effective Time, each outstanding share of Company Common Stock (other than any shares of Company Common Stock to be cancelled in accordance with Section 1.8) shall automatically represent the same number of shares of HoldingCo Common Stock without any further act or deed by the shareholders of the Company and record of such ownership shall be kept in uncertificated, book entry form by HoldingCo s transfer agent. Until thereafter surrendered for transfer or exchange in the ordinary course, each outstanding certificate that, immediately prior to the Effective Time, evidenced Company Common Stock shall, from and after the Effective Time, be deemed and treated for all corporate purposes to evidence the ownership of the same number of shares of HoldingCo Common Stock.

1.10 Stock Transfer Books. At the Effective Time, the stock transfer books of the Company shall be closed and thereafter shall be no further registration of transfers of shares of Company Common Stock theretofore outstanding on the records of the Company. From and after the Effective Time, the holders of certificates representing shares of Company Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Company Common Stock except as otherwise provided in this Agreement or by law. On or after the Effective Time, any certificates presented to the exchange agent or HoldingCo for any reason shall solely represent the right to receive the Merger Consideration issuable in respect of the shares of Company Common Stock formerly represented by such certificates without any interest thereon.

1.11 Plan of Reorganization. This Agreement is intended to constitute a plan of reorganization within the meaning of Treasury Regulations Section 1.368-2(g). Each party hereto shall use its commercially reasonable efforts to cause the Merger to qualify, and will not knowingly take any actions or cause any actions to be taken which could reasonably be expected to prevent the Merger from qualifying, as a reorganization within the meaning of Section 368(a) of the Code, as well as a transaction to which Section 351(a) of the Code applies.

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1.12 Successor Issuer. It is the intent of the parties hereto that HoldingCo be deemed a successor issuer of the Company in accordance with Rule 12g-3 under the Securities Exchange Act of 1934, as amended, and Rule 414 under the Securities Act of 1933, as amended. At or after the Effective Time, HoldingCo shall file (i) an appropriate report on Form 8-K describing the Merger and (ii) appropriate pre-effective and/or post-effective amendments, as applicable, to any Registration Statements of the Company on Form S-8.

ARTICLE 2

ACTIONS TO BE TAKEN IN CONNECTION WITH THE MERGER

2.1 Assumption of Company Awards. At the Effective Time, all unexercised and unexpired options to purchase Company Common Stock (Company Options) or shares of restricted stock (collectively with Company Options, Company Awards) then outstanding under either The Dress Barn, Inc. 2001 Stock Incentive Plan, The Dress Barn, Inc. 1995 Stock Option Plan or The Dress Barn, Inc. 1993 Incentive Stock Option Plan or the other rights to acquire Company Common Stock under The Dress Barn, Inc. 401(k) Savings Plan or The Dress Barn, Inc. 2005 Employee Stock Purchase Plan (collectively, the Company Plans), whether or not then exercisable, will be assumed by HoldingCo. Each Company Award so assumed by HoldingCo under this Agreement will continue to have, and be subject to, the same terms and conditions as set forth in the applicable Company Plan and any agreements thereunder immediately prior to the Effective Time (including, without limitation, the vesting schedule (without acceleration thereof by virtue of the Merger and the transactions contemplated hereby) and per share exercise price), except that each Company Award will be exercisable (or will become exercisable in accordance with its terms) for, or shall be denominated with reference to, that number of shares of HoldingCo Common Stock equal to the number of shares of Company Common Stock that were subject to such Company Award immediately prior to the Effective Time. The conversion of any Company Options that are incentive stock options within the meaning of Section 422 of the Code, into options to purchase HoldingCo Common Stock shall be made in a manner consistent with Section 424(a) of the Code so as not to constitute a modification of such Company Options within the meaning of Section 424 of the Code.

2.2 Assignment and Assumption of Agreements. Effective as of the Effective Time, the Company hereby assigns to HoldingCo, and HoldingCo hereby assumes and agrees to perform, all obligations of the Company pursuant to the Company Plans, each stock option agreement and restricted stock agreement entered into pursuant to the Company Plans, and each outstanding Company Award granted thereunder.

2.3 Reservation of Shares. On or prior to the Effective Time, HoldingCo will reserve sufficient shares of HoldingCo Common Stock to provide for the issuance of HoldingCo Common Stock upon exercise of the Company Awards outstanding under the Company Plans.

2.4 Registration Statement; Proxy/Prospectus.

2.4.1 As promptly as practicable after the execution of this Agreement, the Company shall prepare and file with the Securities and Exchange Commission (the SEC) a proxy statement in preliminary form relating to the Shareholders Meeting (as hereinafter defined) (together with any amendments thereof or supplements thereto, the Proxy Statement) and HoldingCo shall prepare and file with the SEC a registration statement on Form S-4 (together with all amendments thereto, the Registration Statement and the prospectus contained in the Registration Statement together with the Proxy Statement, the Proxy/Prospectus), in which the Proxy Statement shall be included, in connection with the registration under the Securities Act of 1933, as amended (the Securities Act) of the shares of HoldingCo Common Stock to be issued to the shareholders of the Company as the Merger Consideration. Each of HoldingCo and the Company shall use its reasonable best efforts to cause the Registration Statement to become effective and the Proxy Statement to be cleared by the SEC as promptly as practicable, and, prior to the effective date of Registration Statement, HoldingCo shall take all actions reasonably required under any applicable federal securities laws or state blue sky laws in

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connection with the issuance of shares of HoldingCo Common Stock pursuant to the Merger. As promptly as reasonably practicable after the Registration Statement shall have become effective and the Proxy Statement shall have been cleared by the SEC, the Company shall mail or cause to be mailed or otherwise make available in accordance with the Securities Act and the Securities Exchange Act of 1934, as amended (the Exchange Act), the Proxy/Prospectus to its shareholders; provided, however, that the parties shall consult and cooperate with each other in determining the appropriate time for mailing or otherwise making available to the Company s shareholders the Proxy/Prospectus in light of the date set for the Shareholders Meeting.

2.5 Meeting of Company Shareholders; Board Recommendation.

2.5.1 Meeting of Company Shareholders. The Company shall take all action necessary in accordance with the CBCA and its amended and restated certificate of incorporation and amended and restated bylaws to call, hold and convene a meeting of its shareholders to consider the adoption of this Agreement (the Shareholders Meeting) to be held no less than 10 nor more than 60 days following the distribution of the definitive Proxy/Prospectus to its shareholders. The Company will use its reasonable best efforts to solicit from its shareholders proxies in favor of the adoption of this Agreement and approval of the Merger. The Company may adjourn or postpone the Shareholders Meeting to the extent necessary to ensure that any necessary supplement or amendment to the Proxy/Prospectus is provided to its shareholders in advance of any vote on this Agreement and the Merger or, if as of the time for which the Shareholders Meeting is originally scheduled (as set forth in the Proxy/Prospectus) there are insufficient shares of Company Common Stock voting in favor of the adoption of this Agreement and approval of the Merger or represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of such Shareholders Meeting.

2.6 Section 16 Matters. Prior to the Effective Time, the Board of Directors of the Company or an appropriate committee of non-employee directors thereof (as such term is defined for purposes of Rule 16b-3 promulgated under the Exchange Act) shall adopt a resolution consistent with the interpretive guidance of the SEC so that the receipt by any officer or director of the Company who is a covered person for purposes of Section 16(a) of the Exchange Act of shares of HoldingCo Common Stock in exchange for shares of Company Common Stock or Company Options pursuant to this Agreement and the Merger is intended to be an exempt transaction pursuant to Section 16b-3 of the Exchange Act. Prior to the Effective Time, the Board of Directors of HoldingCo or an appropriate committee of non-employee directors (as such term is defined for purposes of Rule 16b-3 promulgated under the Exchange Act) shall adopt a resolution consistent with the interpretive guidance of the SEC so that the receipt by any officer or director of the Company or HoldingCo who is a covered person for purposes of Section 16(a) of the Exchange Act of shares of HoldingCo Common Stock or options in exchange for shares of Company Common Stock or Company Options pursuant to this Agreement and the Merger is intended to be an exempt transaction for purposes of Section 16b-3 of the Exchange Act.

2.7 Subsequent Actions. Promptly following the Effective Time, HoldingCo will, pursuant to appropriate corporate resolutions and such additional documentation as may be required, cause the Surviving Company to distribute all of the issued and outstanding securities of its wholly owned subsidiaries, Maurices Incorporated, a Delaware corporation (Maurices), and Tween Brands, Inc., a Delaware corporation (Tween Brands), to HoldingCo such that each of the Surviving Company, Maurices and Tween Brands shall thereafter be wholly owned, sister subsidiaries of HoldingCo.

ARTICLE 3

CONDITIONS OF MERGER

3.1 Conditions Precedent. The obligations of the parties to this Agreement to consummate the Merger and the transactions contemplated by this Agreement shall be subject to fulfillment or waiver by the parties hereto at or prior to the Effective Time of each of the following conditions:

3.1.1 The Registration Statement shall have been declared effective by the SEC under the Securities Act and no stop order suspending the effectiveness of the Registration Statement shall have been issued by the SEC and no proceeding for that purpose shall have been initiated or, to the knowledge of HoldingCo or the Company, threatened by the SEC and not concluded or withdrawn. No similar proceeding with respect to the Proxy Statement shall have been initiated or, to the knowledge of HoldingCo or the Company, threatened by the SEC and not concluded or withdrawn.

3.1.2 This Agreement and the Merger shall have been approved by the requisite vote of the shareholders of the Company in accordance with the CBCA.

3.1.3 The HoldingCo Common Stock to be issued pursuant to the Merger shall have been approved for listing by The NASDAQ Global Select Market (NASDAQ).

3.1.4 No order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order that is in effect shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality that prohibits or makes illegal the consummation of the Merger or the transactions contemplated hereby.

3.1.5 The Boards of Directors of the Company and HoldingCo shall have received a legal opinion of Proskauer Rose LLP in form and substance reasonably satisfactory to them indicating that holders of Company Common Stock will not recognize gain or loss for United States federal income tax purposes as a result of the transactions contemplated by this Agreement.

ARTICLE 4

COVENANTS

4.1 Listing of HoldingCo Common Stock. HoldingCo will use its best efforts to obtain, at or before the Effective Time, confirmation of listing on the NASDAQ of the HoldingCo Common Stock issuable pursuant to the Merger.

4.2 The Plans. The Company and HoldingCo will take or cause to be taken all actions necessary or desirable in order to implement the assumption by HoldingCo pursuant to Section 2.2 of the Company Plans, each stock option agreement or restricted stock agreement entered into pursuant thereto, and each Company Award granted thereunder, all to the extent deemed appropriate by the Company and HoldingCo and permitted under applicable law.

4.3 Insurance. HoldingCo shall procure insurance or cause the execution of the insurance policies of the Company such that, upon consummation of the Merger, HoldingCo shall have insurance coverage that is substantially identical to the insurance coverage held by the Company immediately prior to the Merger.

ARTICLE 5

TERMINATION AND AMENDMENT

5.1 Termination. This Agreement may be terminated and the Merger contemplated hereby may be abandoned at any time prior to the Effective Time by action of the Board of Directors of the Company if such Board of Directors should determine that for any reason the completion of the transactions provided for herein would be inadvisable or not in the best interest of the Company or its shareholders. In the event of such termination and abandonment, this Agreement shall become void and neither the Company, HoldingCo nor MergerCo nor their respective stockholders, members, directors or officers shall have any liability with respect to such termination and abandonment.

5.2 Amendment. At any time prior to the Effective Time, this Agreement may, to the extent permitted by the CBCA, be supplemented, amended or modified by the mutual consent of the parties to this Agreement.

ARTICLE 6

MISCELLANEOUS PROVISIONS

6.1 Governing Law. This Agreement shall be governed by and construed and enforced under the laws of the State of Delaware.

6.2 Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which shall constitute one and the same agreement.

6.3 Entire Agreement. This Agreement constitutes the entire agreement and supersedes all other agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

6.4 Severability. The provisions of this Agreement are severable, and in the event any provision hereof is determined to be invalid or unenforceable, such invalidity or unenforceability shall not in any way affect the validity or enforceability of the remaining provisions hereof.

6.5 No Third-Party Beneficiaries. Nothing contained in this Agreement is intended by the parties hereto to expand the rights and remedies of any person or entity not party hereto against any party hereto as compared to the rights and remedies which such person or entity would have had against any party hereto had the parties hereto not consummated the transactions contemplated hereby.

6.6 Tax Matters. Each of the Company and HoldingCo will comply with the recordkeeping and information reporting requirements of the Code that are imposed as a result of the transactions contemplated hereby, and will provide information reporting statements to holders of Company Common Stock at the time and in the manner prescribed by the Code and applicable Treasury Regulations.

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IN WITNESS WHEREOF, the Company, HoldingCo and MergerCo have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

THE DRESS BARN, INC.

By: /s/ DAVID R. JAFFE

David R. Jaffe
President and Chief Executive Officer

ASCENA RETAIL GROUP, INC.

By: /s/ DAVID R. JAFFE

David R. Jaffe
President and Chief Executive Officer

DB MERGER CORP.

By: /s/ ARMAND CORREIA

Armand Correia
Executive Vice President and Treasurer

Signature Page to Agreement and Plan of Reorganization

ANNEX II

Second Amended and Restated Certificate of Incorporation of Ascena Retail Group, Inc.

SECOND AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

ASCENA RETAIL GROUP, INC.

Ascena Retail Group, Inc. (the Corporation), a corporation organized and existing under the General Corporation Law of the State of Delaware, as amended (the DGCL), does hereby certify as follows:

(1) The name of the Corporation is Ascena Retail Group, Inc.

(2) The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on July 27, 2010 (the Original Certificate of Incorporation).

(3) The Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 20, 2010 (the Amended and Restated Certificate of Incorporation), which Amended and Restated Certificate of Incorporation amended and restated the Original Certificate of Incorporation.

(4) This Second Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL, amends and restates the provisions of the Amended and Restated Certificate of Incorporation, and has been duly approved by the written consent of the sole stockholder of the Corporation in accordance with Section 228 of the DGCL.

(5) The text of the Amended and Restated Certificate of Incorporation is hereby amended and restated to read in its entirety as follows:

Section 1. The name of the corporation is Ascena Retail Group, Inc. (hereinafter referred to as the Corporation).

Section 2. The registered office of the Corporation is to be located at 2711 Centerville Road Suite 400, Wilmington, Delaware, 19808, New Castle County. The name of its registered agent at that address is Corporation Service Company.

Section 3. The purpose of the Corporation is to engage in any lawful act or activities for which corporations may be formed under the General Corporation Law of the State of Delaware, as may be amended, revised, modified or otherwise supplemented from time to time (the DGCL).

Section 4. The total authorized capital stock of the Corporation shall consist of the following classes of stock: (a) One Hundred Thousand (100,000) shares of preferred stock with a par value of one cent ($.01) per share (Preferred Stock); and (b) Three Hundred Seventy-Five Million (375,000,000) shares of common stock with a par value of one cent ($.01) per share (Common Stock). Subject to the rights of the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of subsection (a) of this Section 4, the number of authorized shares of Preferred Stock or Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote generally in the election of directors, irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), voting together as a single class, without a separate vote of the holders of the class or classes the number of authorized shares of which are being increased or decreased.

(a) Preferred Stock. The Board of Directors of the Corporation (the Board of Directors) is expressly authorized to provide for the issuance of all or any shares of the Preferred Stock, which may be issued in one or more series, from time to time, with each such series to consist of such number of shares and to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by the Board of Directors, and the Board of Directors is hereby expressly vested with the authority, to the full extent now or hereafter provided by law, to adopt any such resolution or resolutions. The authority of the Board of Directors with respect to each series of Preferred Stock shall include, but not be limited to, determination of the following:

(i) the distinctive serial designation of such series and the number of shares constituting such series (provided that the aggregate number of shares constituting all series of Preferred Stock shall not exceed 100,000);

(ii) the dividend rate or rates on the shares of that series, the terms and conditions upon which and the periods in respect of which dividends shall be payable, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(iii) whether the shares of such series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon and after which such shares shall be redeemable, the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates, and the manner of selecting shares for redemption if less than all shares of such series are to be redeemed;

(iv) the obligation, if any, of the Corporation to retire shares of such series pursuant to a sinking fund;

(v) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or classes and, if so, the terms and conditions of such conversion or exchange, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

(vi) whether the shares of such series shall have voting rights, in addition to the voting rights provided by law and, if so, the terms of such voting rights;

(vii) the rights of the shares of such series in the event of voluntary or involuntary liquidation, distribution of assets, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series;

(viii) whether or not the holders of shares of such series shall have any preemptive rights with respect to issuance of any class of equity shares of the Corporation, with respect to the granting by the Corporation of rights or options to purchase its equity shares of any class or the issuance of shares or other securities convertible into or carrying rights or options to purchase its equity shares of any class; and

(ix) any other terms, relative rights, preferences and limitations of such series.

The Board of Directors is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series, the number of which was fixed by it, subsequent to the issuance of shares of such series then outstanding, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in the resolution of the Board of Directors originally fixing the number of shares of such series. If the number of shares of any series is so decreased, then the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

(b) Common Stock. The powers, preferences and rights, and the qualifications, limitations and restrictions, of the Common Stock are as follows:

(i) the Common Stock shall be subject to the express terms of the Preferred Stock or any series thereof. Except as may otherwise be provided in this Certificate of Incorporation, in a certificate of designations or by applicable law, each holder of record of shares of Common Stock shall be entitled to one vote for each share of Common Stock held on all matters submitted to a vote of stockholders of the Corporation, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to vote at or receive notice of any meeting of stockholders;

(ii) subject to the rights of the holders of Preferred Stock, and subject to any other provisions of this Certificate of Incorporation, as it may be amended from time to time, holders of shares of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation if, as and when declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefore;

(iii) in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for the payment of the debts and liabilities of the Corporation and subject to the prior payment in full of the preferential amounts, if any, to which any series of Preferred Stock may be entitled, the holders of shares of Common Stock shall be entitled to receive the assets and funds of the Corporation remaining for distribution in proportion to the number of shares held by them, respectively;

(iv) no holder of shares of Common Stock shall be entitled to preemptive or subscription rights; and

(v) notwithstanding the foregoing, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) or pursuant to the DGCL.

Section 5. The Corporation is to have perpetual existence.

Section 6. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, any action required or permitted to be taken by stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting.

Advance notice of stockholder nominations for the election of directors and of business proposed to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the by-laws of the Corporation.

Section 7. No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. If the DGCL is amended hereafter to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent authorized by the DGCL, as so amended. Any repeal or modification of this Section 7 shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

Section 8. The Corporation shall indemnify its directors and officers to the extent set forth in the by-laws of the Corporation.

Section 9. (a) SuperMajority Vote for Approval of Business Combinations.

(i) Notwithstanding any other provisions to the contrary in this Certificate of Incorporation, except as set forth in subparagraph (ii) of this Section 9(a), the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of Voting Stock (as hereinafter defined) of the Corporation shall be required for the approval or authorization of any Business Combination (as hereinafter defined) of the Corporation with any Related Person (as hereinafter defined). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that the affirmative vote of a lesser percentage of stockholders may be specified, by law or otherwise.

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(ii) The provisions of this Section 9(a) shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as may be required by law or otherwise, if either:

(1) the Business Combination shall have been approved by a majority of Continuing Directors (as hereinafter defined) at a meeting at which a Continuing Director Quorum (as hereafter defined) is present; or

(2) the Business Combination shall involve the Corporation and a Subsidiary (as hereinafter defined) in which a Related Person has no direct or indirect interest (other than an interest arising solely by reason of the Related Party s interest in the Corporation), provided that (a) if the Corporation shall not be the surviving corporation, all stockholders of the Corporation shall be entitled to receive the same type of consideration in such transaction in proportion to their respective stockholdings, (b) the provisions of Sections 9, 10, 11 and 12 hereof shall be continued in effect or adopted by such surviving corporation as part of its articles or certificate of incorporation, as the case may be, and such articles or certificates shall have no provision inconsistent with the provisions of such Sections hereof and (c) the provisions of the Corporation s by-laws shall continue in effect or shall be adopted by such surviving corporation.

(iii) For purposes of this Section 9:

(1) The term person shall mean any individual, firm, corporation or other entity.

(2) The term Business Combination shall mean (a) any merger or consolidation of the Corporation or a Subsidiary with or into a Related Person, (b) any sale, lease, exchange, transfer, mortgage, pledge or other disposition (whether in one transaction or in a series of transactions) of all or any Substantial Part of the Assets (as hereinafter defined) of the Corporation (including, without limitation, any securities of a Subsidiary), or of a Subsidiary, to a Related Person, (c) any sale, lease, exchange, transfer, mortgage, pledge or other disposition (whether in one transaction or in a series of transactions) of all or any Substantial Part of the Assets of a Related Person to the Corporation or to a Subsidiary, (d) the issuance of any securities of the Corporation or a Subsidiary to a Related Person, (e) the acquisition by the Corporation or a Subsidiary of any securities of a Related Person, (f) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any Subsidiary or any other transaction (whether or not with or into or otherwise involving a Related Person) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity securities or securities convertible into equity securities of the Corporation or any Subsidiary which is directly or indirectly owned by a Related Person, (g) any loan or other extension of credit by the Corporation or a Subsidiary to a Related Person or any guarantee by the Corporation or a Subsidiary of any loan or other extension of credit by any person to a Related Person, (h) the adoption of any plan or proposal for the dissolution, liquidation or termination of the Corporation or any Subsidiary proposed by or on behalf of a Related Person and (i) any agreement, contract or other arrangement providing for any of the foregoing Business Combination transactions.

(3) The term Related Person shall mean any person that is the Beneficial Owner (as hereinafter defined) of five percent (5%) or more of the outstanding shares of Voting Stock of the Corporation, other than (a) any individual or trust that was the Beneficial Owner of five percent (5%) or more of such outstanding shares of the Corporation s predecessor, The Dress Barn, Inc., on December 31, 1984, such individual s estate, and any other person that is a Beneficial Owner of five percent (5%) or more of such outstanding shares solely by reason of being an affiliate or associate of such individual, trust or estate and (b) any profit-sharing, employee stock

ownership or other employee benefit plan of the Corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity.

(4) A person shall be a Beneficial Owner of any shares of Voting Stock of the Corporation (a) which such person or any of its affiliates or associates (as those terms are defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1985) beneficially owns, directly or indirectly, (b) which such person or any of its affiliates or associates has, directly or indirectly, (i) the right to acquire (whether such right is exercisable immediately or after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise or (ii) the right to vote pursuant to any agreement, arrangement or understanding, or (c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its affiliates or associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock of the Corporation.

(5) For the purposes of determining whether a person is a Related Person, the number of shares of Voting Stock of the Corporation deemed to be outstanding shall include all shares of Voting Stock deemed owned by such person through application of paragraph (4) of this subparagraph (iii), but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise or conversion rights, exchange rights, warrants or options, or otherwise.

(6) The term Continuing Director shall mean (a) any member of the Board of Directors (i) who was a member of the Board of Directors on August 20, 2010 or (ii) became a member of the Board of Directors prior to the time that the Related Person became a Related Person, and (b) any successor of a Continuing Director who is not an affiliate, associate, or representative of the Related Person and is nominated or elected to succeed a Continuing Director by a majority of Continuing Directors, provided that such nomination or election shall only be effective if made at a meeting at which a Continuing Director Quorum is present.

(7) The term Continuing Director Quorum shall mean a majority of Continuing Directors capable of exercising the powers conferred upon them under the provisions of the Certificate of Incorporation or the by-laws of the Corporation or by law.

(8) The term Subsidiary shall mean any corporation more than fifty percent (50%) of any class of equity security of which is owned, directly or indirectly, by the Corporation.

(9) The term Substantial Part of the Assets shall mean assets having fair market value or book value, whichever is greater, equal to more than ten percent (10%) of the total assets of a person as of the end of its most recent fiscal year ending prior to the time the determination is made.

(10) The term Voting Stock shall mean all of the outstanding shares of capital stock of the Corporation entitled to vote on matters submitted to stockholders generally, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares voting as one class.

(iv) Nothing contained in this Section 9 shall be construed to relieve any Related Person of any fiduciary obligation imposed upon it by law.

(v) The Board of Directors shall have the power and duty to determine, on the basis of information then known to it, whether (a) any person is a Related Person, (b) any person is an affiliate or associate of another, (c) any Business Combination relates to a Substantial Part of the Assets of any person and (d) any director is a Continuing Director and is acting at a meeting at which a Continuing Director Quorum is or was present. Any

such determination made in good faith by the Board of Directors shall be conclusive and binding for all purposes of this Section 9.

(b) Duties of the Board of Directors Regarding Business Combinations. The fact that any action or transaction conflicts with the provisions of Section 9(a) shall not be construed to waive or satisfy any other requirement of law or this Certificate of Incorporation or to impose any fiduciary duty, obligation or responsibility on the Board of Directors or any member thereof to approve such action or transaction or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such action or transaction. The Board of Directors, when evaluating any Business Combination, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation and its stockholders, give due consideration to all relevant factors, including, without limitation, the social and economic effects on the employees, customers, suppliers and other constituents of the Corporation and its Subsidiaries and on the communities in which the Corporation and its Subsidiaries operate or are located.

Section 10. Amendment of Sections 9 and 10. The provisions of Section 9 and this Section 10 of the Certificate of Incorporation may be amended, altered or repealed only at a meeting of stockholders by vote of the holders of at least eighty percent (80%) of the shares of capital stock entitled to vote on amendments to the Certificate of Incorporation.

Section 11. (a) Classification of Board of Directors. The directors of the Corporation shall be divided into three classes, each class as nearly equal in the number of directors as possible. At each annual meeting of stockholders, directors shall be elected to succeed the directors whose terms will then expire and shall be elected for a term of office that will expire at the third succeeding annual meeting of the stockholders after their election. The directors shall be elected to serve until the annual meeting of the stockholders at which their term expires and until their respective successors shall have been elected and qualified.

(b) Vacancies. Any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause or from newly created directorships arising from an increase in the number of directors shall be filled by a majority vote of the remaining directors then in office, and any directors so chosen shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or in which the new directorship was created. No decrease in the number of directors shall shorten the term of any incumbent director.

(c) Removal of Directors. Members of the Board of Directors may be removed from office only (1) for cause, by the remaining directors, or (2) with or without cause, by stockholder action, at a meeting of stockholders called for that purpose, by vote of at least 80 percent of the shares of capital stock then entitled to vote at an election of directors.

(d) Amendment of Section 11. The provisions of this Section 11 may be amended, altered or repealed only at a meeting of stockholders by vote of the holders of at least 80 percent of the shares of capital stock then entitled to vote on amendments to the Certificate of Incorporation.

Section 12. Amendment of By-laws by Stockholders. In furtherance and not in limitation of the powers conferred upon it by the laws of the State of Delaware, the Board of Directors shall have the power, without the assent or vote of the stockholders, to adopt, amend or repeal the by-laws of the Corporation by the affirmative vote of directors holding a majority of the directorships. Action by the stockholders to adopt, amend, and repeal the by-laws of the Corporation may be taken only at a meeting of stockholders by the affirmative vote of the holders of at least eighty percent (80%) of the shares of capital stock then entitled to vote thereon. Any by-law adopted by the stockholders may be amended or repealed by the Board of Directors unless the by-law or provision thereof specifically states that it shall not be amended or repealed by the Board of Directors, in which case such by-law or provision shall only be amended or repealed by action by the stockholders taken at a meeting of stockholders by the affirmative vote of the holders of eighty percent (80%) of the shares of capital stock of the Corporation entitled to vote thereon. Any notice of a meeting of stockholders or the Board of Directors at which by-laws are to be adopted, amended or repealed shall include

notice of such proposed action. The provisions of this Section 13 may be amended, altered or repealed only at a meeting of stockholders by vote of the holders of at least eighty percent (80%) of the shares of capital stock then entitled to vote on amendments to the Certificate of Incorporation.

Section 13. Unless, and except to the extent that, the by-laws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

* * * * * * *

IN WITNESS WHEREOF, the Corporation has caused this Second Amended and Restated Certificate of Incorporation to be executed on its behalf this 13th day of October, 2010.

ASCENA RETAIL GROUP, INC.

By: /s/ DAVID R. JAFFE

David R. Jaffe
President and Chief Executive Officer

Signature Page to Ascena Retail Group, Inc. Second Amended and Restated Certificate of Incorporation

ANNEX III

Bylaws of Ascena Retail Group, Inc.

BY-LAWS

OF

ASCENA RETAIL GROUP, INC.

ARTICLE I

OFFICES

SECTION 1. PRINCIPAL OFFICE. The principal office of Ascena Retail Group, Inc. (the Corporation) shall be at the address of the Corporation s registered agent for service.

SECTION 2. OTHER OFFICES. The Corporation may have other offices, either within or without the State of Delaware, at such place or places as the board of directors of the Corporation (the Board of Directors) may from time to time select or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. ANNUAL MEETINGS. An annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting pursuant to this Section 1, shall be held at such date, time and place, either within or without the State of Delaware, as the Board of Directors shall determine each year.

SECTION 2. SPECIAL MEETINGS. Special meetings of the stockholders for any purpose, unless otherwise prescribed by statute, may be called by the Chairman of the Board or by the directors and may be held at any date, time and place, within or without the State of Delaware, as shall be stated in the notice of meeting. Upon the written request of the holders of not less than one-tenth of the voting power of all shares entitled to vote at the meeting, the Chairman of the Board shall call a special shareholders meeting for the purposes specified in such request and cause notice thereof to be given.

SECTION 3. NOTICE OF MEETINGS. Written notice of each annual or special meeting of the stockholders, stating the place, date and time of the meeting shall be given by or at the direction of the Chairman of the Board or Secretary, not less than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting, at his address as it appears on the records of the Corporation. The general purpose or purposes for which a special meeting is called shall be stated in the notice thereof, and no other business shall be transacted at the meeting.

SECTION 4. VOTING. Each stockholder shall be entitled to one vote, in person or by proxy, for each share of stock entitled to vote which is registered in his name on the record date for the meeting. No proxy shall be voted after eleven (11) months from its date unless such proxy provides for a longer period. Elections for directors and all other questions shall be decided by plurality vote except as otherwise required by the certificate of incorporation or by law.

SECTION 5. QUORUM. The holders of a majority of the shares of the Corporation entitled to vote, present in person or proxy, shall constitute a quorum at all meetings of the stockholders, except as otherwise required by law or by the certificate of incorporation or any amendment thereto, or by these by-laws. If a quorum shall not be present at any meeting, the Chairman of the meeting or a majority of the holders of the stock of the Corporation entitled to vote who are present at such meeting, in person or by proxy, shall have the power to adjourn the meeting to another place, date or time, without notice other than announcement at the meeting; provided, however, that if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At any adjourned meeting any business may be transacted which might have been transacted at the original meeting.

SECTION 6. STOCKHOLDERS LIST. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his name, shall be open to the examination of any such stockholder, for any proper purpose in the interest of the stockholders as such or of the Corporation and not for speculative or trading purposes or any purpose inimical to the interest of the Corporation or of its stockholders, during ordinary business hours beginning two (2) business days after notice of the meeting is given and continuing through the meeting at the principal office of the Corporation. The stockholders list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

SECTION 7. BUSINESS PROPERLY BROUGHT BEFORE A MEETING. At any meeting of the stockholders, only such business shall be conducted as shall have been properly brought before such meeting. To be properly brought before a meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before a meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder s notice must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting of the stockholders, not less than one hundred twenty (120) calendar days in advance of the date specified in the Corporation s proxy statement released to stockholders in connection with the previous year s annual meeting of stockholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year s proxy statement, notice by the stockholder to be timely must be so received not later than the close of business on the later of one hundred twenty (120) calendar days in advance of such annual meeting or ten (10) calendar days following the date on which public announcement of the date of the meeting is first made; and (b) in the case of a special meeting of the stockholders, not less than one hundred twenty (120) days prior to the special meeting at which such business will be considered. A stockholder s notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting: (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting; (ii) the name and address, as they appear on the Corporation s books, of the stockholder proposing such business; (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder; (iv) any material interest of the stockholder in such business; and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the 1934 Act), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the Corporation s proxy statement and form of proxy for a stockholders meeting, stockholders must provide notice as required by the rules and regulations promulgated under the 1934 Act. Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at any meeting except in accordance with the procedures set forth in this Section 7. The Chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 7, and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

ARTICLE III

DIRECTORS

SECTION 1. NUMBER AND TERM. The number of directors shall be seven (7) until such number is reduced or increased as hereinafter provided. The number of directorships shall be not more than fifteen (15) nor fewer than three (3), as fixed from time to time by action of the

stockholders or the Board of Directors or, in the absence thereof, shall be the number of incumbent directors after the election at the preceding annual meeting of stockholders. The directors of the Corporation shall be divided into three (3) classes, each class as nearly equal in the number of directors as possible. At each annual meeting of stockholders, directors shall be elected to succeed the directors whose terms will then expire and shall be elected for a term of office that will expire at the third succeeding annual meeting of stockholders after their election. The directors shall be elected to serve until the annual meeting of the stockholders at which their term expires and until their respective successors shall have been elected and qualified.

SECTION 2. RESIGNATIONS. Any director, member of a committee or officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the Chairman of the Board or Secretary. The acceptance of a resignation shall not be necessary to make it effective. In the case of a resignation of a director to take effect at a date later than the receipt thereof by the Corporation, appropriate action to elect a successor to take office when the resignation becomes effective may be taken at any time after such receipt in the same manner as though such resignation were effective on receipt.

SECTION 3. VACANCIES. Any vacancies on the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause or from newly created directorships arising from an increase in the number of directors shall be filled by a majority vote of the remaining directors then in office, and any directors so chosen shall hold office for the remainder of the full term of the class of directors in which vacancy occurred or in which the new directorship was created. No decrease in the number of directors shall shorten the term of any incumbent director.

SECTION 4. REMOVAL. Members of the Board of Directors may be removed from office only (1) for cause, by the remaining directors, or (2) with or without cause, by stockholder action, at a meeting of stockholders called for that purpose, by vote of at least eighty percent (80%) of the shares of capital stock then entitled to vote at an election of directors.

SECTION 5. POWERS. The Board of Directors shall exercise all of the powers of the Corporation except such as are by law, or by the certificate of incorporation or by these by-laws, conferred upon or reserved to the stockholders.

SECTION 6. MEETINGS. Regular meetings of the Board of Directors may be held without notice at such dates, times and places as shall be established from time to time by the Board of Directors and publicized among all directors. Special meetings of the Board of Directors may be called by the Chairman of the Board or by the Secretary on the request of any director on at least two (2) days written or oral notice of the date, time and place thereof given to each director. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of such Board or committee, by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Action by a majority of the directors present at a meeting at which a quorum is present shall constitute the act of the Board of Directors.

SECTION 7. QUORUM. A majority of the number of directorships at the time shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board of Directors, a majority of those present may adjourn the meeting to another place, date or time, without further notice (other than announcement at the meeting) or waiver thereof.

SECTION 8. COMPENSATION. Directors may receive such compensation for their services as directors as the Board shall from time to time determine by resolution.

SECTION 9. ACTION WITHOUT MEETING. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, if a written consent thereto is signed by all members of the Board of Directors, or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee.

SECTION 10. COMMITTEES OF THE BOARD OF DIRECTORS. The Board of Directors, by resolution adopted by the affirmative vote of directors holding a majority of the directorships at a meeting at which a quorum is present, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall elect two (2) or more or directors to serve as the members of those committees, designating, if it desires, other directors as alternative members who may replace any absent or disqualified member at any meeting of the committee.

ARTICLE IV

OFFICERS

SECTION 1. GENERALLY. The officers of the Corporation shall be a President, one or more Vice-Presidents, a Treasurer, a Secretary and one or more Assistant Secretaries, all of whom shall be elected by the Board of Directors. In addition, the Board of Directors may elect a Chairman of the Board of Directors, a Chief Executive Officer and a Chief Operating Officer. Each officer shall hold office until his successor is elected and qualified or until his earlier resignation or removal. The Board of Directors may elect such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors. None of the officers of the Corporation need be directors. Two or more offices may be held by the same person, except the offices of President and Secretary. Any officer may be removed at any time, with or without cause, by the Board of Directors.

SECTION 2. CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall have power to sign, in the name of the Corporation, all authorized stock certificates, contracts, documents, tax returns, instruments, checks and bonds or other obligations of the Corporation and shall have general supervision and direction of all of the other officers and agents of the Corporation.

SECTION 3. PRESIDENT. The President shall, subject to the provisions of these by-laws and to the direction of the Board of Directors, have the responsibility for the general management and control of the affairs and business of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of President or which from time to time are delegated to him by the Board of Directors.

SECTION 4. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall have such powers and shall perform such duties as shall from time to time be designated by the Board of Directors.

SECTION 5. CHIEF OPERATING OFFICER. The Chief Operating Officer shall have such powers and shall perform such duties as shall from time to time be designated by the Board of Directors.

SECTION 6. VICE-PRESIDENTS. Each Vice-President shall have such powers and shall perform such duties as shall from time to time be designated by the Board of Directors.

SECTION 7. TREASURER. The Treasurer shall have the custody of the corporate funds and securities, shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation and shall have such other powers and perform such other duties as shall from time to time be designated by the Board of Directors.

SECTION 8. SECRETARY. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and directors, and all other notices required by law or by these by-laws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman of the Board, directors or stockholders upon whose requisition the meeting is called as provided in these by-laws. He shall record all the proceedings of the meetings of the Corporation and of the directors in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the directors or the Chairman of the Board. He shall have the custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the directors or the Chairman of the Board, and attest the same.

SECTION 9. ASSISTANT SECRETARIES. Each Assistant Secretary shall have such powers and shall perform such duties as shall from time to time be designated by the Board of Directors.

SECTION 10. ADDITIONAL POWERS OF OFFICERS. In addition to the powers specifically provided in these by-laws, each officer (including officers other than those referred to in these by-laws) shall have such other or additional authority and perform such duties as the Board of Directors may from time to time determine.

SECTION 11. ACTION WITH RESPECT TO SECURITIES OF OTHER CORPORATIONS. Unless otherwise directed by the Board of Directors, the Chairman of the Board shall have the power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE V

STOCK

SECTION 1. BOOK-ENTRY ONLY; DIRECT REGISTRATION PROGRAM. The shares of stock of the Corporation shall be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the 1934 Act. The Corporation shall issue shares of stock in the form of uncertificated shares only. Such uncertificated shares of stock shall be credited to a book-entry account maintained by the Corporation s transfer agent on behalf of each stockholder. The transfer agent shall use a Direct Registration System (DRS) and shall send to each stockholder a DRS confirmation statement as evidence of their ownership of shares of stock of the Corporation. Notwithstanding the foregoing, each outstanding share of common stock of The Dress Barn, Inc. (the predecessor entity of the Corporation) shall automatically represent the same number of shares of common stock of the Corporation without any further act or deed by the stockholder of the Corporation, and record of such ownership shall be kept in uncertificated, book-entry form by the Corporation s transfer agent.

SECTION 2. LOST, STOLEN OR DESTROYED CERTIFICATES OF THE DRESS BARN, INC. In the place of any certificate heretofore issued in the name of The Dress Barn, Inc. (the predecessor entity of the Corporation) alleged to have been lost, stolen or destroyed, uncertificated shares of stock of the Corporation may be credited to a book-entry account maintained by the Corporation s transfer agent, and the directors may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond, in such sum as they may direct, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the registration of replacement shares in book-entry form.

SECTION 3. TRANSFER OF SHARES. Transfers of stock shall be made only upon the transfer books of the Corporation s transfer agent designated to transfer shares of the stock of the Corporation. Upon surrender to the Corporation s transfer agent of a certificate for shares of The Dress Barn, Inc. (the predecessor entity of the Corporation), duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation s transfer agent shall cancel the old certificate and record the transaction upon its books in book-entry form, and send to the stockholder a DRS confirmation statement.

SECTION 4. STOCKHOLDERS RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting.

ARTICLE VI

MISCELLANEOUS

SECTION 1. DIVIDENDS. Subject to the provisions of the certificate of incorporation, the Board of Directors may, out of funds legally available therefor, at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient.

SECTION 2. SEAL. The corporate seal shall be circular in form and shall contain the name of the Corporation, the year of its creation and the words CORPORATE SEAL and DELAWARE . Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 3. FISCAL YEAR. The fiscal year of the Corporation shall be determined by the Board of Directors.

SECTION 4. CHECKS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner as shall be determined from time to time by the Board of Directors.

SECTION 5. NOTICE AND WAIVER OF NOTICE. Whenever any written notice is required to be given, personal notice shall not be necessary unless expressly so stated, and any notice so required shall be deemed to be sufficient if given by depositing the same in the United States mail, first class mail (air-mail if to an address outside of the United States), postage prepaid, addressed to the person entitled thereto at his address as it appears on the records of the Corporation, in which case such notice shall be deemed given on the day of such mailing, unless it is notice of a directors meeting, in which case such notice shall be deemed given five (5) days after the date of such mailing. Notice may also be given personally, against receipt, or by telegram, telex or similar communication and notice so given shall be deemed given when so delivered personally or when delivered for transmission.

Stockholders not entitled to vote shall not be entitled to receive notice of any meetings except as otherwise provided by statute.

Total (dilution)/accretion to Stockholder A (total NAV less total investment) $(10) $440 $4,025 Per Share Amounts
NAV per share held by Stockholder A $9.98 $9.91 $9.50 Investment per share held by Stockholder A $10.00 $9.47 $7.89 (Dilution)/Accretion per share held by Stockholder A (NAV per share less investment per share) $(0.02) $0.44 $1.61 Percentage (dilution)/accretion to Stockholder A ((dilution)/accretion per share divided by investment per share) (0.20)% 4.65% 20.41%

THE COMPANY

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

We are a direct lender targeting debt investments in privately held, small-cap companies located in the United States. We define the small-cap market as those companies with enterprise values between $50 million and $350 million. Our investment objective is to generate attractive risk-adjusted returns primarily by originating and investing in senior secured loans, including first lien and second lien facilities, to performing small-cap companies across a broad range of industries that typically carry a floating interest rate based on LIBOR and have a term of three to six years. While we focus principally on originating senior secured loans to small-cap companies, we may also make opportunistic investments at other levels of a company s capital structure, including mezzanine loans or equity interests. We also may receive warrants to purchase common stock in connection with our debt investments. We generate current income through the receipt of interest payments, as well as origination and other fees, capital appreciation and dividends.

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

As of March 31, 2015, our investment portfolio consisted primarily of senior secured loans across 35 positions in 29 companies, with an aggregate fair value of $391.3 million. As of December 31, 2014, our investment portfolio consisted primarily of senior secured loans across 37 positions in 31 companies with an aggregate fair value of approximately $403.5 million. As of December 31, 2013, our investment portfolio consisted primarily of senior secured loans across 21 positions in 19 companies with an aggregate fair value of approximately $272.4 million. At each date, the majority of our portfolio comprised senior secured loans to small-cap borrowers.

WhiteHorse Advisers

Our investment activities are managed by our Investment Adviser, H.I.G. WhiteHorse Advisers, LLC. Our Investment Adviser is responsible for sourcing potential investments, conducting research and diligence on prospective investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. WhiteHorse Advisers was organized in May 2012 and is a registered investment adviser under the Advisers Act. See The Adviser and the Administrator Investment Advisory Agreement Management Fee for a discussion of the base management fee and incentive fee, including the cumulative income incentive fee and the income and capital gains incentive fee, payable by us to our Investment Adviser. Unlike most closed-end funds whose fees are based on assets net of leverage, our base management fee is based on our average-adjusted gross assets (including leverage, unrealized depreciation or appreciation on derivative instruments, and cash collateral on deposit with custodian) and, therefore, our Investment Adviser benefits when we incur debt or use leverage. Additionally, under the incentive fee structure, our Investment Adviser benefits when capital gains are recognized and, because it determines when a holding is sold, our Investment Adviser controls the timing of the recognition of 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 not expected to review or approve each borrowing, our independent directors periodically review WhiteHorse Advisers services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate. See The Adviser and the Administrator Investment Advisory Agreement Board of Directors Approval of the Investment Advisory Agreement.

WhiteHorse Advisers is an affiliate of H.I.G. Capital. WhiteHorse Advisers has entered into the Staffing Agreement with an affiliate of H.I.G. Capital under which the affiliate has agreed to make experienced investment professionals available to WhiteHorse Advisers and to provide access to its senior investment personnel to enable WhiteHorse Advisers to perform all of its obligations under the Investment Advisory Agreement. See Business Staffing Agreement for a discussion of the Staffing Agreement. We believe that the Staffing Agreement provides our Investment Adviser with access to investment opportunities, which we refer to in the aggregate as deal flow, generated by H.I.G. Capital in the ordinary course of its business and commits the members of H.I.G. Capital s investment committee to serve as members of our investment committee.

WhiteHorse Administration

WhiteHorse Administration, an affiliate of WhiteHorse Advisers, provides the administration services necessary for us to operate. The Administrator furnishes us with office facilities and equipment and provides us clerical, bookkeeping, recordkeeping and other administrative services at such facilities. Under the Administration Agreement, the Administrator performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records we are required to maintain and preparing our reports to our stockholders and reports filed with the SEC. In addition, the Administrator also assists us in determining and publishing our NAV, oversees the preparation and filing of our tax returns, printing and disseminating reports to our stockholders and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. The Administrator may retain third parties to assist in providing administrative services to us. To the extent that the Administrator outsources any of its functions, we pay the fees associated with such functions on a direct basis without profit to the Administrator. We reimburse the Administrator for the allocable portion (subject to the review and approval of our board of directors) of the Administrator s overhead and other expenses incurred by it in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions, and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. The Administrator also provides on our behalf significant managerial assistance to those portfolio companies to which we are required to provide such assistance.

H.I.G. Capital

H.I.G. Capital is one of the leading global alternative asset managers focused on the small-cap market. H.I.G. Capital was founded in 1993 and, for more than 20 years, has grown by continually enhancing its strategic investment capabilities into additional asset classes within the small-cap market. As of March 31, 2015, H.I.G. Capital managed approximately $17 billion of capital (based on total capital commitments) through a number of buyout, credit-oriented and growth capital funds, each of which is focused on the small-cap market. As of such date, H.I.G. Capital operated through domestic offices in Atlanta, Boston, Chicago, Dallas, Miami, New York and San Francisco and international offices in Hamburg, London, Madrid, Milan, Paris and Rio de Janeiro and had a team of approximately 280 investment professionals. H.I.G. Capital s investment professionals share a common investment philosophy built around a highly analytical, private equity-like framework of rigorous business assessment, extensive due diligence and a disciplined risk valuation methodology that guides investment decisions. H.I.G. Capital has built an extensive and proprietary network of informal and unconventional deal sources in the small-cap business community consisting of accountants, attorneys, and other advisors who have access to small-cap companies. We believe that H.I.G. Capital, as an experienced small-cap investor, has a demonstrated ability to identify, source, analyze, invest and monitor investments in the small-cap market. H.I.G. Capital is headquartered in Miami, Florida.

Market Opportunity

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

Specialized Lending Requirements. We believe that several factors render traditional banks and providers of credit ill-suited to lend to small-cap companies. In our experience, lending to small-cap companies: (1) is generally more labor intensive than lending to larger companies due to fewer management resources at small-cap companies and often fragmented information available regarding such companies, particularly where no financial sponsor is involved, (2) requires more rigorous due diligence and underwriting practices than lending to larger companies, and (3) requires a substantial network of deal sources to identify appropriate opportunities because such borrowers often do not engage a financial advisor, or engage smaller, less sophisticated financial advisors focused on the small-cap market. As a result, only a limited segment of the lending community has historically served small-cap borrowers.

Reduced Lending by Commercial Banks. Recent regulatory changes, including the Dodd-Frank Act and the introduction of new international capital and liquidity requirements under the Basel III Accords, or Basel III, in addition to the continued ownership of legacy non-performing assets, have significantly curtailed banks lending capacity. In response, we believe that many commercial lenders have de-emphasized their service and product offerings to small-cap companies in favor of lending, managing capital markets transactions and providing other non-lending services to their larger customers. We expect bank lending to small-cap companies to continue to be constrained for several years as Basel III rules phase in and rules and regulations are promulgated and interpreted under the Dodd-Frank Act. We believe that the relative decline in competition will drive a higher volume of deal flow to us.

Reduced Credit Supply from Non-Bank Lenders. We believe lending to small-cap companies from non-bank lenders is constrained as many of those lenders have gone out of business, exited the market or are winding down. Along with the constraints in bank lending, this situation provides a promising environment in which to originate loans to small-cap companies.

Significant Demand for Credit. We believe that, despite the constrained supply situation, demand for debt financing from small-cap companies will remain strong. Small-cap companies consistently require credit to support investments and growth initiatives and to finance acquisitions. When combined with the decreased availability of debt financing for companies described above, these factors should increase lending opportunities for us.

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

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

Competitive Strengths

Leading Small-Cap Market Position. H.I.G. Capital is one of the leading global alternative asset managers focused on the small-cap market. With approximately $17 billion of capital under management (based on total capital commitments) and more than 20 years of investment experience focused primarily on small-cap companies as of March 31, 2015, H.I.G. Capital believes it has a specialized knowledge of the small-cap marketplace and expertise in evaluating the issues and opportunities facing small-cap companies throughout economic cycles. We believe that the quality of these resources provides a significant advantage and contributes to the strength of our business.

Large and Experienced Management Team with Substantial Resources. Our Investment Adviser has access through the Staffing Agreement to the resources and expertise of H.I.G. Capital s large infrastructure, including over 470 employees in thirteen offices across the United States, Europe and South America as of March 31, 2015. As of such date, H.I.G. Capital had approximately 280 experienced investment professionals, including approximately 90 professionals dedicated to debt investing. We believe that the quality of these resources provides a significant advantage and will contribute to the strength of our business.

Extensive Deal Sourcing Infrastructure. We believe that, given the inefficiencies of the small-cap market, finding smaller companies that represent attractive debt investment opportunities requires a different sourcing network than that used for investing in larger companies. Through the Staffing Agreement, our Investment Adviser has access to H.I.G. Capital s extensive proprietary deal flow network of informal and unconventional potential deal sources in the small-cap business community, including accountants, attorneys, brokers, insurance agents, consultants and financial advisors who have access to small-cap companies. This sourcing network has been built over more than 20 years, as H.I.G. Capital has focused its growth on increasing and improving its strategic capabilities for investing in the small-cap market. Unlike other private equity firms that have grown vertically during this timeframe by raising larger funds focused on investing in larger companies, H.I.G. Capital has expanded horizontally by creating more funds and strategies centered on the small-cap market. As a result, we believe H.I.G. Capital has established itself as a go to investor for small-cap companies. H.I.G. Capital s approximately 280 investment professionals are actively involved in sourcing opportunities. In addition, H.I.G. Capital s in-house business development group of 30 dedicated deal sourcing professionals, as of March 31, 2015, remains in close contact with potential sources of opportunities through an outbound calling program. We believe H.I.G. Capital s extensive deal sourcing infrastructure provides us access to investment opportunities that may not be available to many of our competitors.

Deep Credit Expertise. We believe we will benefit from H.I.G. Capital s extensive small-cap credit experience in evaluating, structuring and monitoring our investments. As of March 31, 2015, H.I.G. Capital s credit platform managed approximately $7 billion of capital across multiple investment funds supported by more than 90 dedicated credit investment professionals. These investment professionals have invested in more than 1,000 loans and bring a depth of experience across a broad range of transaction types, including primary loan originations, secondary debt purchases and distressed debt investments, and focus on capital preservation by extending loans to portfolio companies with assets that it believes will retain sufficient value to repay us even in depressed markets or under liquidation scenarios. We believe this experience and expertise in credit documentation, loan structuring and restructuring negotiations to help protect our investments and maximize our recovery value to the extent a portfolio company does not perform as expected.

Disciplined Investment and Underwriting Process. Through its more than 20 years of investment experience, H.I.G. Capital has developed a disciplined investment process entailing intensive bottom-up fundamental analysis in order to generate attractive risk-adjusted returns while preserving downside protection. This thorough due diligence process includes analyzing the following key target company criteria: (1) cash flow generation; (2) underlying asset valuation;

(3) competitive position; (4) industry dynamics and (5) strength of management.

Our Investment Adviser utilizes the established investment processes developed by H.I.G. Capital to analyze investment opportunities, including structuring loans with appropriate covenants and pricing loans based on its knowledge of the small-cap market and on its rigorous underwriting standards. Each investment is reviewed by the investment committee, which is comprised of senior investment professionals of H.I.G.

Capital with an average of more than 20 years of investment experience as of March 31, 2015. This investment committee process brings the experience and perspectives of the committee members to the analysis and consideration of each investment. Subsequently, if an underwriting commitment is approved, our Investment Adviser will seek to structure and document the loan to protect us from risks identified in the due diligence process. Our Investment Adviser intends to actively monitor and manage our investment portfolio, including engaging in frequent discussions with management regarding company performance as well as general market conditions.

Investment Criteria/Guidelines

Our investment strategy is to generate current income and capital appreciation primarily by originating secured loans. We seek to create a broad portfolio consisting of investments generally in the range of $10 million to $50 million primarily in debt securities and loans of U.S. based small-cap companies. We primarily target borrowers in the United States with enterprise values of $50 million to $350 million across a broad range of industries. The proceeds of our loans are used for a variety of purposes, including refinancings of existing debt, acquisition financing, or working capital to support growth or realignment.

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

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

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

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

Investment Process Overview

Sourcing. We believe that identifying small-cap companies that represent attractive debt investment opportunities requires a different sourcing network than is required for investments in larger companies. Whereas larger companies typically hire an investment bank to help develop marketing materials and run a financing process involving a large number of potential lenders to ensure pricing is determined by the market, small-cap companies typically do not have the resources to hire large financial advisors or investment banks. While these small-cap lending opportunities are far less competitive, they are more difficult to source.

Our deal flow and idea generation for small-cap investments primarily originates from H.I.G. Capital s existing and extensive network of informal and unconventional deal sources in the small-cap business community. Built over the past 21 years, this deal sourcing network includes accountants, attorneys, brokers, insurance agents, consultants and financial advisors who have access to small-cap companies. While other alternative asset managers have grown vertically during this timeframe by raising funds focused on investing in larger companies, H.I.G. Capital has expanded horizontally by creating more funds and strategies centered on the small-cap market. As a result, we believe H.I.G. Capital has established itself as a go to investor for small-cap companies and their financial advisors across asset classes.

The contacts in H.I.G. Capital s network generally operate outside of the structured investment banking infrastructure and typically play a limited introductory role to the companies and their management teams. In addition, H.I.G. Capital promotes a culture in which sourcing is considered a focus for all of its approximately 280 investment professionals in each of its thirteen offices, from analysts to managing directors. Lastly, H.I.G. Capital s in-house business development group of 30 dedicated deal sourcing professionals supplements this effort through an outbound calling program.

Due Diligence. We believe that the cornerstone of generating attractive risk-adjusted returns is a thorough due diligence process. We utilize the same methodology to evaluate potential investments that H.I.G. Capital has used for over 20 years, which includes employing a highly analytical, private equity-like framework for rigorously assessing companies, extensive due diligence and a disciplined risk valuation methodology that guides investment decisions. As part of every transaction we consider, we analyze the following key target company criteria: (1) cash flow generation, (2) underlying asset valuation, (3) competitive position, (4) industry dynamics and (5) strength of management. In addition, our due diligence process for small-cap companies typically entails:

- a thorough review of historical and pro forma financial information;
- on-site visits with management;
- a review of loan documents and material contracts;
- third-party quality of earnings accounting due diligence, when appropriate;
- research relating to the company s business, industry, markets, products and services of competitors;
- background checks on key managers; and
- the commission of third-party market studies, when appropriate.

During the due diligence process, we utilize the significant resources across the broad H.I.G. Capital platform, including the sector expertise of the firm s team of approximately 280 investment professionals, its industry contacts, and H.I.G. Capital s network of over 190 current and former controlled portfolio companies. We believe that our access to these significant resources provides a great deal of supplementary information that should enable us to evaluate opportunities more quickly and effectively than our competitors. Furthermore, H.I.G. Capital has a team of in-house operators and strategy consultants that provides support in evaluating strategic issues. Legal and financial due diligence may also be conducted by attorneys and independent accountants as well as other outside advisers, as appropriate.

Structuring Originations. Our Investment Adviser s team has substantial expertise in structuring and documenting loans originated to small-cap companies. Our Investment Adviser works with outside counsel to structure loans with strong creditor protections and contractual controls over borrower operations. Our Investment Adviser works to obtain extensive operating and financial covenants, detailed reporting requirements, governance rights and board seats to protect our investment while allowing the borrower the necessary flexibility to successfully execute its business plan. We believe that our Investment Adviser s extensive experience investing in distressed debt and special situations allows it to anticipate the form of any potential restructuring in order to maximize our potential recovery in such an event and better able to seek to structure our loan and credit documentation to protect us from risks identified in the due diligence process. Our Investment Adviser also evaluates the broader capital structure of the borrower to ensure that we have strong rights as compared to other participants in the borrower s capital structure.

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

We believe that consistent, active monitoring of individual companies and the broader market is integral to portfolio management and a critical component of our investment process. We expect that our Investment Adviser will continue to use several methods of evaluating and monitoring the performance and fair value of our investments, which may include the following:

frequent discussions with management and sponsors, including board observation rights where possible;
comparing/analyzing financial performance to the portfolio company s business plan, as well as our internal projections developed at underwriting;
tracking portfolio company compliance with covenants as well as other metrics identified at initial investment stage, such as acquisitions, divestitures, product development and specified management hires; and
periodic review by the investment committee of each asset in the portfolio and more rigorous monitoring of watch list positions.

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

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

The following table shows the distribution of our investments on the 1 to 5 investment performance rating scale at fair value as of March 31, 2015 and December 31, 2014 and 2013:

	March 31, 2015		December 31, 2014		December 31, 2013	
Investment Performance Rating	Investments at Fair Value (In Millions)	Percentage of Total Portfolio	Investments at Fair Value (In Millions)	Percentage of Total Portfolio	Investments at Fair Value (In Millions)	Percentage of Total Portfolio
1	$	%	$	0.0 %	$	0.0 %
2	357.6	91.4	403.5	100.0	251.7	92.4
3	33.7	8.6		0.0	20.7	7.6
4				0.0		0.0
5				0.0		0.0

Total	$ 391.3	100.0	%	$ 403.5	100.0	%	$ 272.4	100.0 %

Investment Committee and Decision Process

The investment committee oversees our investment activities and will be led by senior investment professionals of H.I.G. Capital with an average of more than 20 years of investment experience as of March 31, 2015. These professionals have extensive experience investing in the small-cap credit market, having collectively invested in more than 1,000 loans. The investment committee process is intended to bring the experience and perspectives of the various members to the analysis and consideration of each investment. The investment committee process is a highly collaborative effort, typically beginning at the term sheet phase of a transaction and continuing through the close of the transaction. When an opportunity is first discussed, the investment committee assists the investment team in exploring the key issues requiring due diligence or deal structuring and identifying the available resources within H.I.G. Capital, including other H.I.G. investment professionals or senior managers from current and former portfolio companies with specific industry experience. Throughout the transaction process, the investment team meets regularly with the investment committee in a process which requires all of the investment committee s concerns to be appropriately addressed through due diligence and transaction structuring. This collaborative process between the investment team and the investment committee means that, by the time a potential transaction is ready for final approval or rejection, the investment committee members are already deeply familiar with it and have had an opportunity to address any concerns. As a result, investment committee decisions are made by consensus. The investment committee meets regularly, including special meetings on short notice, to approve or discuss material developments on new or existing investments.

Investments

We seek to create a diverse portfolio that includes primarily senior secured, unitranche, second lien and subordinated loans and warrants and minority equity securities by investing approximately $10 million to $50 million of capital, on average, in the securities of small-cap companies. Set forth below is a table showing the portfolio composition by industry grouping at fair value as of March 31, 2015:

	March 31, 2015		
Broadcasting	$ 14,880	3.80	%
Cable & Satellite	7,028	1.80	
Consumer Finance	44,115	11.27	
Data Processing & Outsourced Services	35,572	9.09	
Diversified Support Services	28,558	7.30	
Electronic Equipment & Instruments	9,707	2.48	
Food Retail	17,642	4.51	
Health Care Distributors	21,640	5.53	
Health Care Facilities	58,210	14.88	
Health Care Technology	21,756	5.56	
Homebuilding	16,133	4.12	
Integrated Telecommunication Services	11,969	3.06	
Metal & Glass Containers	3,009	0.77	
Oil & Gas Drilling	8,760	2.24	
Oil & Gas Exploration & Production	13,735	3.51	
Oil & Gas Storage & Transportation	1,897	0.48	
Other Diversified Financial Services	27,319	6.98	
Specialized Consumer Services	18,054	4.61	

Specialized Finance	23,835	6.09
Trucking	7,470	1.92
Total	$ 391,289	100.00 %

Managerial Assistance

As a business development company, we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. Our Administrator will provide such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services and will reimburse our Administrator for its allocated costs in providing such assistance, subject to the review and approval by our board, including our independent directors. See The Adviser and the Administrator Administration Agreement.

Competition

Our primary competitors that provide financing to small-cap companies include public and private investment funds, including other business development companies, commercial and investment banks, commercial financing companies, specialty finance companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. As the economic recovery continues, we expect that we may face enhanced competition in the future. Many of our 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 may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company and that the Code imposes on us as a RIC and may not be subject to contractual restrictions similar to those under the Credit Facility, the Senior Notes and the Unsecured Term Loan. For additional information concerning the competitive risks we face, see Risk Factors Risks Relating to our Business and Structure The highly competitive market for investment opportunities in which we operate may limit our investment opportunities.

Administration

We do not have any direct employees, and our day-to-day investment operations are managed by our Investment Adviser. We have a chief executive officer, chief financial officer, chief operating officer and chief compliance officer and, to the extent necessary, our board may elect to hire additional personnel going forward. Under the Investment Advisory Agreement and the Administration Agreements, our Investment Adviser and our Administrator, respectively, have agreed to provide us with access to personnel, an investment committee and certain other resources so that we may perform our obligations as collateral manager under the Credit Facility. Our officers are employees of an affiliate of WhiteHorse Administration, an affiliate of our Investment Adviser, and our allocable portion of the cost of our chief financial officer, chief operating officer and chief compliance officer along with their respective staffs will be paid by us pursuant to the Administration Agreement. Some of our executive officers described under Management of the Company are also officers of WhiteHorse Advisers. See The Adviser and the Administrator Administration Agreement.

Properties

Our executive offices are located at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131 and are provided by our Administrator pursuant to our Administration Agreement. We believe that our office facilities are suitable and adequate for our business as it is contemplated to be conducted.

Legal Proceedings

None of our Investment Adviser, our Administrator, H.I.G. Capital or us is currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us, or against our Investment Adviser or Administrator.

PORTFOLIO COMPANIES

The following table sets forth certain information as of March 31, 2015 for each portfolio company in which we had an investment. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance that we may provide upon request and the board observer or participation rights we may receive in connection with our investment. See Regulation Managerial Assistance to Portfolio Companies. We do not control and are not an affiliate of any of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would control a portfolio company if we owned more than 25% of its voting securities and would be an affiliate of a portfolio company if we owned five percent or more of its voting securities.

All debt investments were income producing as of March 31, 2015. Common equity investments are non-income producing unless otherwise noted.

As of March 31, 2015, we held investments in:

Name and Address of Portfolio Company	Industry	Type of Investment[1]	Interest Rate[2][3]	Maturity Date	Par/Shares (in thousands)	Fair Value of Investment (in thousands)
AP Gaming I, LLC 6680 Amelia Earhart Court Las Vegas, NV 89119	Electronic Equipment & Instruments	First Lien Secured Term Loan	9.25% (L + 8.25%, 1.00% Floor)	12/20/20	$ 9,875	$ 9,707
Caelus Energy Alaska O3, LLC 8401 N. Central Expressway Dallas, TX 75225	Oil & Gas Exploration & Production	Second Lien Secured Term Loan	8.75% (L + 7.50%, 1.25% Floor)	4/15/20	13,000	11,869
Client Network Services, Inc. 15800 Gaither Drive Gaithersburg, MD 20877	Health Care Technology	First Lien Secured Term Loan	13.50% (L + 13.00%, 0.50% Floor)	4/24/19	21,756	21,756
Coastal Sober Living, LLC 1114 Lost Creed Boulevard Austin, TX 78746	Health Care Facilities	First Lien Secured Term Loan	10.25% (L + 9.25%, 1.00% Floor)	6/30/19	42,680	42,510
Comprehensive Decubitis Therapy, Inc. 7003 Valley Ranch Drive Little Rock, AR 72223	Health Care Distributors	First Lien Secured Term Loan	15.75% (3.00% PIK; P + 12.50%, 3.25% Floor)	3/15/18	11,761	11,690
		Warrants		3/31/18		890

Constellation Health, LLC[6] 875 Third Avenue, 9th Floor New York, NY 10022	Diversified Support Services					
Crews of California, Inc. 8685 W. Sahara Avenue Las Vegas, NV 89117	Food Retail	First Lien Secured Term Loan	12.00% (1.00% PIK; L + 11.00%, 1.00% Floor)	11/20/19	17,555	17,432
		Warrants		12/31/24		127
Expert Global Solutions, LLC 5085 West Park Boulevard Plano, TX 75093	Diversified Support Services	Second Lien Secured Term Loan	12.50% (L + 11.00%, 1.50% Floor)	10/3/18	7,500	7,440
Fox Rent A Car, Inc. 5500 W. Century Boulevard Los Angeles, CA 90045	Trucking	Second Lien Secured Term Loan	12.18% (L + 12.00%)	10/31/19	7,500	7,470
Future Payment Technologies, L.P. 12700 Park Central Drive, Suite 1100, Dallas, TX 75241	Data Processing & Outsourced Services	Second Lien Secured Term Loan	13.00% (2.00% PIK; L + 12.00%, 1.00% Floor)	12/31/18	35,895	35,572
GMT Holdings 1, Ltd. & GMT Holdings 12, Ltd.[4][6][7] 3300 S. Parker Road, Suite 500 Aurora, CO 80014	Specialized Finance	First Lien Secured Term Loan	10.00%[5]	6/30/17	3,835	3,835
Golden Pear Funding III, LLC[7] 100 Quentin Roosevelt Boulevard Garden City, NY 11530	Consumer Finance	First Lien Secured Term Loan	10.75% (L + 9.75%, 1.00% Floor)	12/29/19	10,000	9,840

Name and Address of Portfolio Company	Industry	Type of Investment[1	Interest Rate[2][3]	Maturity Date	Par/Shares (in thousands)	Fair Value of Investment (in thousands)
Grupo HIMA San Pablo, Inc. P.O. Box 4980 Caguas, PR 00726	Health Care Facilities	First Lien Secured Term Loan	8.50% (L + 7.00%, 1.50% Floor)	1/31/18	$ 14,700	$ 14,700
		Second Lien Secured Term Loan	13.75%[5]	7/31/18	1,000	1,000
Larchmont Resources, LLC 301 NW 63rd Street, Suite 600 Oklahoma City, OK 73116	Oil & Gas Exploration & Production	First Lien Secured Term Loan	8.25% (L + 7.25%, 1.00% Floor)	8/7/19	1,985	1,866
Multicultural Radio Broadcasting, Inc. 27 William Street, 11th Floor New York, NY 10005	Broadcasting	First Lien Secured Term Loan	11.50% (L + 10.50%, 1.00% Floor)	6/27/19	14,850	14,880
Nicholas & Associates, LLC[6] 7660 Beverly Boulevard #167 Los Angeles, CA 90036	Food Retail	Warrants		12/31/24		24
NMFC Senior Loan Program I LLC[6][7][8] 787 Seventh Avenue New York, NY 10019	Specialized Finance	LLC Interest Units	N/A	6/10/19		20,000
Oasis Legal Finance, LLC[7] 40 North Skokie Blvd, 5th Floor Northbrook, IL 60062	Consumer Finance	Second Lien Secured Term Loan	10.50%[5]	9/30/18	9,500	9,500
Orion Healthcorp, Inc. 875 Third Avenue, 9th Floor New York, NY 10022	Diversified Support Services	First Lien Secured Term Loan	11.00% (L + 9.00%, 2.00% Floor)	9/30/17	9,113	9,058
Orleans Homebuilders, Inc. 3333 Street Road	Homebuilding	First Lien Secured Term	10.50% (L + 8.50%, 2.00%	2/14/16	16,133	16,133

Bensalem, PA 19020		Loan	Floor)			
P2 Newco Acquisition, Inc.[6] 6410 Poplar, Suite 800 Memphis, TN 38119	Health Care Distributors	Second Lien Secured Term Loan	9.50% (L + 8.50%, 1.00% Floor)	10/22/21	10,000	9,950
The Pay-O-Matic Corp. 160 Oak Drive Syosset, NY 11791	Other Diversified Financial Services	First Lien Secured Term Loan	12.00% (L + 11.00%, 1.00% Floor)	3/31/18	10,000	9,800
Pelican Products, Inc.[6] 23215 Early Avenue Torrance, CA 90505	Metal & Glass Containers	Second Lien Secured Term Loan	9.25% (L + 8.25%, 1.00% Floor)	4/11/21	3,000	3,009
Pinnacle Management Group, LLC[6] 4114 Columns Drive SE Marietta, GA 30067	Food Retail	Warrants		12/31/24		46
Pre-Paid Legal Services, Inc. One Pre-Paid Way Ada, OK 74820	Specialized Consumer Services	Second Lien Secured Term Loan	9.75% (L + 8.50%, 1.25% Floor)	7/1/20	18,000	18,054
ProPetro Services, Inc. P.O. Box 873 Midland, TX 79702	Oil & Gas Drilling	First Lien Secured Term Loan	7.25% (L + 6.25%, 1.00% Floor)	9/30/19	9,250	8,760
Puerto Rico Cable Acquisition Company, Inc. 650 College Road East Princeton, NJ 08540	Cable & Satellite	Second Lien Secured Term Loan	9.50% (L + 8.50%, 1.00% Floor)	5/30/19	7,000	7,028
RC3 Enterprises, LLC[6] 705 Town Boulevard #170 Atlanta, GA 30319	Food Retail	Warrants		12/31/24		13
RCS Capital Corporation[7] 405 Park Avenue New York, NY 10022	Other Diversified Financial Services	Second Lien Secured Term Loan	10.50% (L + 9.50%, 1.00% Floor)	4/29/21	17,750	17,519
Securus Technologies Holdings, Inc. 14651 Dallas Parkway Dallas, TX 75254	Integrated Telecommunication Services	Second Lien Secured Term Loan	9.00% (L + 7.75%, 1.25% Floor)	4/30/21	12,090	11,969

Name and Address of Portfolio Company	Industry	Type of Investment[1]	Interest Rate[2][3]	Maturity Date	Par/Shares (in thousands)	Fair Value of Investment (in thousands)
Sigue Corporation 13291 Ralston Avenue Sylmar, CA91342	Consumer Finance	Second Lien Secured Term Loan	10.50% (L + 9.50%, 1.00% Floor)	12/27/18	$ 25,000	$ 24,775
Smile Brands Group Inc. 8105 Irvine Center Drive Irvine, CA 92618	Diversified Support Services	First Lien Secured Term Loan	7.50% (L + 6.25%, 1.25% Floor)	8/16/19	11,820	11,170
Sprint Industrial Holdings LLC[6] 5300 Memorial Drive, Suite 270 Houston, TX 77007	Oil & Gas Storage & Transportation	First Lien Secured Term Loan	7.00% (L + 5.75%, 1.25% Floor)	5/14/19	1,985	1,897
Total						**$ 391,289**

(1) All investments are non-controlled/non-affiliate investments as defined by the Investment Company Act of 1940, as amended. Except as otherwise noted, the investments provide collateral for the Credit Facility.

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

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

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

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

(6) Investment does not provide collateral for the Credit Facility.

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

(8) Income-producing common equity investment.

MANAGEMENT

Our business and affairs are managed under the direction of our board of directors. The board of directors currently consists of five members, three of whom are not interested persons of WhiteHorse Finance as defined in Section 2(a)(19) of the 1940 Act, and are independent as determined by our board of directors, consistent with the rules of the NASDAQ Global Select Market. We refer to these individuals as our independent directors. Our board of directors elects our officers, who serve at the discretion of the board of directors.

Board of Directors and its Leadership Structure

Under our certificate of incorporation, our directors are divided into three classes. Each class of directors will hold office for a three-year term. However, the initial members of the three classes have initial terms of one, two and three years, respectively. At each annual meeting of our stockholders, directors are elected for staggered terms of three years, with the term of office of only one of these three classes of directors expiring each year. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

Oversight of our investment activities extends to oversight of the risk management processes employed by our Investment Adviser as part of its day-to-day management of our investment activities. The board reviews risk management processes at both regular and special board meetings throughout the year, consulting with appropriate representatives of our Investment Adviser as necessary and periodically requesting the production of risk management reports or presentations. The goal of the board s risk oversight function is to ensure that the risks associated with our investment activities are accurately identified, thoroughly investigated and responsibly addressed. Investors should note, however, that the board s oversight function cannot eliminate all risks or ensure that particular events do not adversely affect the value of our investments.

The board has established an audit committee, a nominating and corporate governance committee and a compensation committee and may establish additional committees from time to time as necessary. The scope of each committee s responsibilities is discussed in greater detail below. For the fiscal year ended December 31, 2014, our board of directors held five board of directors meetings, four audit committee meetings, two nominating and corporate governance committee meetings and one compensation committee meeting. All directors attended at least 75% of the aggregate number of meetings of the board of directors that were held while they were members of the board of directors. The Company requires each director to make a diligent effort to attend all board of directors and committee meetings and encourages directors to attend the annual meeting of stockholders of the Company. John Bolduc, Executive Managing Director of H.I.G. Capital, and therefore an interested person of WhiteHorse Finance, serves as chairman of the board. Our board believes that it is in the best interests of our investors for Mr. Bolduc to lead the board because of his familiarity with our portfolio companies, his broad experience with the day-to-day management and operation of other investment funds and his significant background in credit investing and in the financial services industry, as described below.

The board does not have a lead independent director. However, Rick D. Puckett, the chairman of the audit committee, is an independent director and acts as a liaison between the independent directors and management between meetings of the board. Mr. Puckett is involved in the preparation of agendas for board and committee meetings. The board believes that its leadership structure is appropriate because the structure allocates areas of responsibility among the individual directors and the committees in a manner that enhances effective oversight. The board also believes that its small size creates an efficient governance structure that provides opportunity for direct communication and interaction between our Investment Adviser and the board.

Directors

Information regarding the board of directors as of the date of this prospectus is as follows:

Name, Age and Address[(1)]	Position(s) Held with the Company	Director Since	Expiration of Term	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Director or Nominee for Director During the Past Five Years[(2)]
Interested Directors					
John Bolduc (50)[(3)]	Chairman of the Board of Directors	2012	2015	Mr. Bolduc serves as an Executive Managing Director of H.I.G. Capital	None
Jay Carvell (49)[(4)]	Chief Executive Officer and Director	2012	2017	Mr. Carvell serves as a Managing Director at an investment adviser affiliated with H.I.G. Capital, L.L.C. Prior to joining H.I.G. Capital, Mr. Carvell was a partner at WhiteHorse Capital Partners, L.P.	None
Independent Directors					
Thomas C. Davis (66)	Director, Chairman of the Nominating and Corporate Governance Committee	2012	2017	Mr. Davis serves as Chief Executive Officer of The Concorde Group, Inc., a financial advisory firm.	Mr. Davis currently serves on the board of directors of Dean Foods Company and Affirmative Insurance Holdings, Inc. Mr. Davis served on the board of directors of Westwood Holdings Group, Inc. from 2004 to 2013 and BioHorizons Inc. from 2009 to 2013.

Rick D. Puckett (61)	Director, Chairman of the Audit Committee	2012	2015	Mr. Puckett has served as Executive Vice President, Chief Financial Officer and Treasurer of Snyder s-Lance, Inc., a food manufacturer, since December 2010. Prior to holding this position, Mr. Puckett served as Executive Vice President, Chief Financial Officer and Treasurer of Lance, Inc.	None
Alexander W. Pease (43)	Director, Chairman of the Compensation Committee	2012	2016	Mr. Pease has served as Senior Vice President and Chief Financial Officer of EnPro Industries, Inc., a diversified specialty manufacturing company, since May 2011. Prior to joining EnPro Industries Inc. in 2011, Mr. Pease was a principal with McKinsey & Company, Inc., a global management consulting firm, from 2000 to 2011.	None

(1) The business address of each director is c/o WhiteHorse Finance, Inc., 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131.

(2) No director otherwise serves as a director of an investment company subject to or registered under the 1940 Act.

(3) Mr. Bolduc is an interested director due to his position as an Executive Managing Director of H.I.G. Capital.

(4) Mr. Carvell is an interested director due to his position as Chief Executive Officer of the Company and a Managing Director of an investment adviser affiliated with H.I.G. Capital.

Information about the Officers Who Are Not Directors

Set forth below is certain information regarding our officers who are not directors.

Name	Age	Position
Gerhard Lombard	41	Chief Financial Officer, Treasurer
William Markert	50	Chief Operating Officer
Marco Collazos	39	Chief Compliance Officer

The address for each officer is c/o WhiteHorse Finance, Inc., 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131.

Biographical Information

Below is additional information about each director (supplementing the information provided in the table above) that describes some of the specific experiences, qualifications, attributes and/or skills that each director possesses and which the board of directors believes has prepared each director to be an effective member of the board of directors. The board of directors believes that the significance of each director s experience, qualifications, attributes and/or skills is an individual matter (meaning that experience or a factor that is important for one director may not have the same value for another) and that these factors are best evaluated at the board of directors level, with no single director, or particular factor, being indicative of board of directors effectiveness. However, the board of directors believes that directors need to have the ability to review, evaluate, question and discuss critical information provided to them and to interact effectively with Company management, service providers and counsel, in order to exercise effective business judgment in the performance of their duties. The board of directors believes that its members satisfy this standard. Experience relevant to having this ability may be achieved through a director s professional experience, education and/or other personal experiences. The Company s counsel has significant experience advising funds and fund board members. The board of directors and its committees have the ability to engage other experts as appropriate. The board of directors evaluates its performance on an annual basis.

The board of directors believes that, collectively, the directors have balanced and diverse experience, qualifications, attributes and skills, which allow the board to operate effectively in governing the Company and protecting the interests of its stockholders. Below is a description of the various experiences, qualifications, attributes and/or skills with respect to each director considered by the board of directors.

Interested Directors

John Bolduc: Mr. Bolduc has been Chairman of our board of directors since 2012. Mr. Bolduc is an Executive Managing Director of H.I.G. Capital, having joined the firm in 1993. Mr. Bolduc is responsible for leading H.I.G. Capital s credit platform, which manages approximately $7 billion of capital across multiple investment funds. He has more than 24 years of experience focused on credit investments, including primary loans and distressed debt, as well as private equity investments. Mr. Bolduc currently serves on the boards of directors of several privately held companies. Prior to joining H.I.G. Capital in 1993, Mr. Bolduc was at the management-consulting firm of Bain & Company, a leading worldwide management-consulting firm, where he directed domestic and international assignments for Fortune 500 clients. Prior to joining Bain & Company, Mr. Bolduc worked for three years as the Assistant to the President of Chemed Corporation (NYSE: CHE), a specialty chemical company. Mr. Bolduc is a graduate of Lehigh University with a B.S. degree in Computer Science and earned his M.B.A. from the University of Virginia s Darden School of Business.

Mr. Bolduc was selected to serve as Chairman of our board of directors due, in part, to his familiarity with our portfolio companies, his broad experience with the day-to-day management and operation of other investment funds and his significant background investing in debt and working in the financial services industry.

Jay Carvell: Mr. Carvell is our Chief Executive Officer and has served as a director since 2012. Mr. Carvell also serves as a Managing Director at an H.I.G. Capital-affiliated investment adviser. He is responsible for all aspects of our investment process, including sourcing, structuring and post-closing strategies, as well as portfolio management. Prior to joining H.I.G. Capital, Mr. Carvell was a founding partner of WhiteHorse Capital Partners, L.P., a leading credit investor and manager of CLOs. At WhiteHorse Capital Partners, Mr. Carvell co-managed portfolios of par and distressed loans across numerous industries and sectors through several market cycles. Mr. Carvell has over 15 years of experience in credit investment and management, including structuring and placement, trading and restructuring and reorganization. This experience branches across small-cap, mid-cap and broadly syndicated investments. Before founding WhiteHorse Capital Partners in 2003, Mr. Carvell held various positions with Highland Capital Management, L.P. and PricewaterhouseCoopers LLP. Mr. Carvell earned both a B.A. and an M.B.A. from the University of Texas at Austin and holds the Chartered Financial Analyst designation.

Mr. Carvell was selected to serve as a director on our board of directors due to his experience investing in credit instruments and managing WhiteHorse Capital Partners. Mr. Carvell s experience building WhiteHorse Capital Partners brings expertise on developing a successful credit investment firm to the board of directors.

Independent Directors

Thomas C. Davis: Mr. Davis has served as a director since 2012. He currently serves on the board of directors of Dean Foods Company and Affirmative Insurance Holdings, Inc. Mr. Davis is actively involved in investing in and financing small-cap companies through a wholly owned financial advisory firm called The Concorde Group, Inc., of which he serves as Chief Executive Officer. Mr. Davis previously served as the Managing Partner and head of Donaldson, Lufkin & Jenrette Inc. s investment banking and corporate finance activities in the southwestern United States from March 1984 to February 2001, when Credit Suisse First Boston acquired Donaldson, Lufkin & Jenrette. At Donaldson, Lufkin & Jenrette, Mr. Davis was responsible for the mergers and acquisitions activity and the equity and leveraged finance activity that Donaldson, Lufkin & Jenrette undertook in the southwestern United States. In this capacity, Mr. Davis worked with several large private equity firms as clients, in addition to a variety of public and private companies in the following industries: broadcast and telecommunications, energy, food service and health care. Mr. Davis received a B.S. in Aerospace Engineering from Georgia Tech and an M.B.A. from Harvard Business School and was an officer in the U.S. Navy.

Mr. Davis experience as Managing Partner at a large investment banking firm overseeing corporate finance activities and as a board member of several companies are among the attributes that led to the conclusion that Mr. Davis should serve on our board of directors.

Alexander W. Pease: Mr. Pease has served as a director since 2012. He is currently Senior Vice President and Chief Financial Officer of EnPro Industries, Inc. and has held these positions since May 2011. EnPro Industries, Inc. is a diversified, specialty manufacturing company with operations in nine countries worldwide. In addition to his finance responsibilities, Mr. Pease also has responsibility for mergers and acquisitions, strategy, supply chain management, information technology and continuous improvement. Prior to joining EnPro Industries, Inc. in February 2011, Mr. Pease was a principal with McKinsey & Company Inc., where he was a leader in the Global Energy and Materials and Operations practices. Prior to joining McKinsey & Company Inc., Mr. Pease gained a wide range of operating experience during the six years he spent in the U.S. Navy as a SEAL Team leader. Mr. Pease is a graduate of the U.S.

Naval Academy with a B.S. degree in English and Spanish and earned his M.B.A. from the Tuck School of Business at Dartmouth College.

Mr. Pease s experience as Senior Vice President and Chief Financial Officer at a public company and as a principal at a leading management consulting firm are among the attributes that led to the conclusion that Mr. Pease should serve on our board of directors.

Rick D. Puckett: Mr. Puckett has served as a director since 2012. He has served as Executive Vice President, Chief Financial Officer and Treasurer of Snyder s-Lance, Inc. since December 2010 and served as Executive Vice President, Chief Financial Officer and Treasurer of Lance, Inc. from 2006 to December 2010. Prior to joining Lance, Inc., Mr. Puckett served as Executive Vice President, Chief Financial Officer, Secretary and Treasurer of United Natural Foods, Inc., a wholesale distributor of natural and organic products, from 2005 to January 2006 and as Senior Vice President, Chief Financial Officer and Treasurer of United Natural Foods, Inc. from 2003 to 2005. Mr. Puckett earned both his B.S. in Accounting and his M.B.A. from the University of Kentucky and is a Certified Public Accountant.

Mr. Puckett s experience as Executive Vice President and Chief Financial Officer at a public company and his training as a Certified Public Accountant are among the attributes that led to the conclusion that Mr. Puckett should serve on our board of directors.

Officers Who Are Not Directors

Gerhard Lombard: Mr. Lombard is our Chief Financial Officer and Treasurer. Since joining our team in 2012, Mr. Lombard has worked on a number of key initiatives, including enhancing quarterly and annual SEC financial reporting and building out our financial reporting function. Previously, Mr. Lombard was the Chief Accounting Officer for Churchill Financial Group, a leading middle market finance and asset management company. Mr. Lombard started his career at Ernst & Young LLP in the assurance and advisory practice, where he rose to the level of Senior Manager in the financial services industry group. Mr. Lombard earned a B.Comm. in Accounting and a Postgraduate Degree in Finance from Stellenbosch University in South Africa, and is a Chartered Accountant.

William Markert: Mr. Markert is our Chief Operating Officer, in which capacity he is responsible for the Company s operational and support functions. Before joining the Company in May 2014, Mr. Markert served as Chief Financial Officer for and an adviser to Securus Technologies, Inc., an integrated communications and technology company, from June 2008 through April 2014, where he was responsible for accounting, finance, tax, treasury, billing, purchasing, mergers and acquisitions, and the implementation of efficiency projects. Prior to joining Securus, Mr. Markert held several executive-level finance and operations positions at Eschelon Telecom, Inc., Global Crossing, Ltd. and its predecessor companies. Mr. Markert earned a B.B.A. from the University of Wisconsin Whitewater and an M.B.A. from the University of St. Thomas in St. Paul, Minnesota.

Marco Collazos: Mr. Collazos is our Chief Compliance Officer. Mr. Collazos also currently serves as Director of Compliance for H.I.G. Capital, a position he has held since May 2013. Prior to joining H.I.G. Capital, Mr. Collazos served as Chief Compliance Officer in the Americas for EFG International from March 2011 until April 2013 and was a Senior Compliance Officer for Bulltick Capital Markets from April 2008 until February 2011. Mr. Collazos previously worked as a Principal Consultant with ACA Compliance Group (a regulatory and compliance consulting firm), as well as a Compliance Examiner for several years with the SEC and with the Federal Reserve Bank of Atlanta. Mr. Collazos received a B.S. from the University of Central Florida and an M.B.A. from the University of Notre Dame.

Committees of the Board of Directors

Our board of directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. For the fiscal year ended December 31, 2014, our board of directors held five board meetings. All directors attended at least 75% of the aggregate number of meetings of the board of directors that were held while they were members of the board of directors. The Company requires each director to make a diligent effort to attend all board and committee meetings and encourages directors to attend the annual meeting of stockholders of the Company.

Audit Committee

The members of the Audit Committee are Messrs. Davis, Pease and Puckett, each of whom is independent for purposes of the 1940 Act and the NASDAQ Global Select Market corporate governance requirements. Mr. Puckett serves as Chairman of the Audit Committee. The Audit Committee is responsible for pre-approving the engagement of the independent accountants to render audit and/or permissible non-audit services, approving the terms of compensation of such independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. The Audit Committee is also responsible for aiding our board in fair value pricing debt and equity securities that are not publicly-traded or for which current market values are not readily available. The board and Audit Committee use the services of one or more independent valuation firms to help them determine the fair value of these securities. Our board has determined that Mr. Puckett is an audit committee financial expert, as defined under Item 407(d)(5) of Regulation S-K under the Securities Act. In addition, each member of our Audit Committee meets the current independence and experience requirements of Rule 10A-3 under the Exchange Act. The Audit Committee has adopted a written charter that is available on our website at *www.whitehorsefinance.com*.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Messrs. Davis, Pease and Puckett, each of whom is independent for purposes of the 1940 Act and the corporate governance requirements of the NASDAQ Global Select Market. Mr. Davis serves as Chairman of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for selecting, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on the board or a committee of the board, developing and recommending to the board a set of corporate governance principles and overseeing the evaluation of the board and our management. The Nominating and Corporate Governance Committee has adopted a written charter that is available on our website at *www.whitehorsefinance.com*.

The Nominating and Corporate Governance Committee considers stockholders recommendations for possible nominees for election as directors when such recommendations are submitted in accordance with our bylaws, the Nominating and Corporate Governance Committee charter and any applicable law, rule or regulation regarding director nomination. Our bylaws provide that a stockholder who wishes to nominate a person for election as a director at a meeting of stockholders must deliver written notice to our Secretary, Richard Siegel, c/o WhiteHorse Finance, Inc., 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131. This notice must contain, as to each nominee, all of the information relating to such person as would be required to be disclosed in a proxy statement meeting the requirements of Regulation 14A under the Exchange Act and certain other information set forth in our bylaws, including the following information for each director nominee: full name, age and address; principal occupation during the past five years; directorships on publicly held companies and investment companies during the past five years; number of shares of our common stock owned, if any; and a written consent of the individual to stand for election if nominated by the board and to serve if elected by the stockholders. In order to be eligible to be a nominee for election as a director by a stockholder, such potential nominee must deliver to our Secretary a written questionnaire providing the requested information about the background and qualifications of such person and a written representation and agreement that such person is not and will not become a party to any voting agreements, any agreement or understanding with any person with respect to any compensation or indemnification in connection with service on the board and would be in compliance with all of our publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines.

Criteria considered by the Nominating and Corporate Governance Committee in evaluating the qualifications of individuals for election as members of the board include compliance with the independence and other applicable requirements of the corporate governance requirements of the NASDAQ Global Select Market, the 1940 Act and the SEC, and all other applicable laws, rules, regulations and listing standards, the criteria, policies and principles set forth in the Nominating and Corporate Governance Committee charter and the ability to contribute to the effective management of the Company, taking into account the needs of the Company and such factors as the individual s experience, perspective, skills and knowledge of the industry in which the Company operates. The Nominating and Corporate Governance Committee has not adopted a formal policy with regard to the consideration of diversity in identifying individuals for election as members of the board, but the Nominating and Corporate Governance Committee will consider such factors as it may deem are in the best interests of the Company and its stockholders. Such factors may include the individual s professional experience, education, skills and other individual qualities or attributes, including gender, race or national origin.

Compensation Committee

We established a Compensation Committee in May 2014. The members of our Compensation Committee are Messrs. Davis, Pease and Puckett, each of whom meets the independence standards established by the SEC and the corporate governance requirements of the NASDAQ Global Select Market. The Compensation Committee is responsible for determining, or recommending to the board of directors for determination, the compensation, if any, of our chief executive officer and all other executive officers of the Company. Currently none of our executive officers are compensated by the Company and, as a result, the Compensation Committee does not produce and/or review a report on executive compensation practices. The Compensation Committee also has the authority to engage compensation consultants following consideration of certain factors related to such consultants independence. The Compensation Committee has adopted a written charter that is available on our website at *www.whitehorsefinance.com*.

Compensation of Directors

Our independent directors each receive an annual fee of $50,000. They also receive $3,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each quarterly board meeting and receive $1,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each in-person committee meeting. In addition, the Chairman of the Audit Committee receives an annual fee of $10,000 and the Chairman of the Nominating and Corporate Governance Committee receives an annual fee of $5,000 for their additional services in these capacities. In addition, we have purchased directors and officers liability insurance on behalf of our directors and officers.

The following table shows information regarding the compensation earned by our directors for the fiscal year ended December 31, 2014. No compensation is paid to any interested director or executive officer of the Company.

	Year ended December 31, 2014		
Name	Aggregate Compensation from WhiteHorse Finance, Inc.	Pension or Retirement Benefits Accrued as Part of Our Expenses[1]	Total Compensation from WhiteHorse Finance, Inc.
Independent Directors			
Rick D. Puckett	$ 86,500		$ 86,500
Thomas C. Davis	$ 81,500		$ 81,500
Alexander W. Pease	$ 76,500		$ 76,500

(1) We do not have a profit-sharing or retirement plan, and directors do not receive any pension or retirement benefits.

Compensation of Chief Executive Officer and Other Executive Officers

None of our officers receives direct compensation from us. Our allocable portion of the compensation of our chief financial officer, chief operating officer and chief compliance officer and their respective staffs is paid by WhiteHorse Administration, subject to reimbursement by us of an allocable portion of such compensation for services rendered by them to us. To the extent that our Administrator outsources any of its functions, we pay the fees associated with such functions on a direct basis without profit to the Administrator.

THE ADVISER AND THE ADMINISTRATOR

WhiteHorse Advisers is registered with the SEC as an investment adviser, and we and WhiteHorse Advisers have entered into the Investment Advisory Agreement.

WhiteHorse Advisers is a Delaware limited liability company that is registered as an investment adviser under the Advisers Act. The principal executive offices of WhiteHorse Advisers are located at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131.

Investment Committee

Each of the individuals listed below, in addition to Messrs. Carvell and Bolduc, is a member of our investment committee and has primary responsibility for the day-to-day management of our portfolio. The members of our investment committee are also members of our Investment Adviser s investment committee. All of the portfolio managers are employed by H.I.G. Capital.

The members of our investment committee receive no compensation from us. These members are employees or partners of H.I.G. Capital and receive no direct compensation from our Investment Adviser. The compensation of the members of the investment committee paid by H.I.G. Capital includes an annual base salary and, in certain cases, an annual bonus based on an assessment of short-term and long-term performance. In addition, all of the members of our investment committee have equity interests in H.I.G. Capital or its affiliates, including WhiteHorse Advisers, and may receive distributions of profits in respect of those interests. H.I.G. Capital has employment agreements with the members of the investment committee, and such individuals are subject to certain confidentiality, nonsolicitation and, in most cases, noncompetition provisions to assist H.I.G. Capital in retaining their services.

Members of Our Investment Adviser s Investment Committee Who Are Not Our Directors or Officers

Sami Mnaymneh: Mr. Mnaymneh is a co-founding Partner of H.I.G. Capital and has served as a Managing Partner of the firm since 1993. He has directed H.I.G. Capital s development since its inception and, alongside Mr. Tamer, is responsible for the day-to-day management of H.I.G. Capital. He approves all capital commitments made by H.I.G. Capital and is a board member of several H.I.G. Capital portfolio companies. Prior to co-founding H.I.G. Capital, Mr. Mnaymneh was a Managing Director at The Blackstone Group in New York. Prior to that time, he was a Vice President in the Mergers & Acquisitions department at Morgan Stanley & Co., where he devoted a significant amount of his time to leveraged buyouts, serving as senior advisor to a number of large and prominent private equity firms. Mr. Mnaymneh currently serves on the Board of Columbia College and on the Dean s Council of Harvard Law School. Mr. Mnaymneh received a B.A. degree from Columbia University (*Summa Cum Laude*), a J.D. degree from Harvard Law School and an M.B.A. from Harvard Business School, respectively, with honors. Mr. Mnaymneh splits his time between H.I.G. Capital s London and Miami offices.

Anthony Tamer: Mr. Tamer is a co-founding Partner of H.I.G. Capital and has served as a Managing Partner of the firm since 1993. He has directed H.I.G. Capital s development since its inception and, alongside Mr. Mnaymneh, is responsible for the day-to-day management of the firm. Prior to founding H.I.G. Capital, Mr. Tamer was a Partner at Bain & Company, a leading management consulting firm. His focus at Bain & Company was on developing business unit strategies, improving clients competitive positions, implementing productivity improvement and cycle time reduction programs, and leading acquisition and divestiture activities for Fortune 500 clients. Mr. Tamer has extensive operating experience, having held marketing, engineering and manufacturing positions at Hewlett-Packard and Sprint Corporation. Mr. Tamer holds a B.S. degree from Rutgers University, an M.S. degree in Electrical Engineering from Stanford University and an M.B.A. degree from Harvard Business School.

Ethan Underwood: Mr. Underwood served as our Chief Operating Officer from 2012 to 2014. Mr. Underwood is a Managing Director of an H.I.G. Capital-affiliated investment adviser. He is responsible for all aspects of the investment process, including sourcing, structuring and post-closing strategies, as well as portfolio management. Prior to joining H.I.G. Capital, Mr. Underwood was a founding partner of WhiteHorse Capital Partners, L.P., a leading credit investor and manager of CLOs. At WhiteHorse Capital Partners, Mr. Underwood co-managed portfolios of par and distressed middle-market and broadly syndicated loans across numerous industries and sectors through several market cycles. Before founding WhiteHorse Capital

Partners in 2003, Mr. Underwood served as portfolio manager for Highland Capital Management, L.P., and he began his career at PricewaterhouseCoopers LLP. Mr. Underwood earned a B.B.A. from the University of Texas at Austin and holds the Chartered Financial Analyst designation.

Pankaj Gupta: Mr. Gupta is a Managing Director of an H.I.G. Capital-affiliated investment adviser. Mr. Gupta has over fourteen years of experience in private debt and equity investing across a broad range of industries, including business services, manufacturing, distribution, telecom, healthcare, consumer products and consumer services. Prior to joining H.I.G. Capital, Mr. Gupta served as a Managing Director of American Capital Ltd., a middle-market investment firm, where he co-managed the firm s debt investment business and sat on the boards of directors of several of the firm s portfolio companies. Prior to joining American Capital Ltd., Mr. Gupta spent six years at Audax Group LP, a Boston and New York-based private equity and mezzanine firm, where he was responsible for the origination, structuring, execution and monitoring of mezzanine investments. Mr. Gupta also worked in the private equity group of J.H. Whitney & Co., LLC. Mr. Gupta earned a B.A. in Economics from Dartmouth College.

Javier Casillas: Mr. Casillas is a Managing Director of an H.I.G. Capital-affiliated investment adviser. Since joining H.I.G. Capital in 2006, Mr. Casillas has worked on a wide range of investments, including recapitalizations, debt purchases and original issue loans. Mr. Casillas has been particularly active in sourcing, structuring and monitoring middle market original issue loans across several industries, including healthcare, business services, and specialty finance. Mr. Casillas has over thirteen years of experience in investment banking and principal investing. He began his career with JPMorgan Chase & Co.'s mergers and acquisitions team, and prior to joining H.I.G. Capital worked with ING Groep N.V., developing new financing products for companies in Mexico. At H.I.G. Capital, Mr. Casillas has played a leading role in the firm s expansion into original issue credit. Mr. Casillas received a B.A. in Government from Harvard University and an M.B.A. from Stanford University's Graduate School of Business.

Portfolio Management

The portfolio managers who are primarily responsible for the day-to-day management of WhiteHorse Finance manage a total of 36 registered investment companies, pooled investment vehicles or other accounts with a total amount of approximately $17 billion (based on total capital commitments) in assets under management as of December 31, 2014. The table below shows the dollar range of shares of common stock to be beneficially owned by each manager of our Investment Adviser and each of our officers as of May 11, 2015.

Name	Dollar Range of Equity Securities in WhiteHorse Finance[1]
Sami Mnaymneh	Over $1,000,000
Anthony Tamer	Over $1,000,000
John Bolduc	Over $1,000,000
Ethan Underwood	$ 100,001 $500,000
Pankaj Gupta	$ 100,001 $500,000
Jay Carvell	$ 100,001 $500,000
Gerhard Lombard	$ 50,001 $100,000
Javier Casillas	$ 10,001 $50,000
Marco Collazos	None
William Markert	None

(1) Dollar ranges are as follows: None, $1 $10,000, $10,001 $50,000, $50,001 $100,000, $100,001 $500,000; $500,001 $1,000,000 or Over $1,000,000.

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Investment Advisory Agreement

WhiteHorse Advisers serves as our Investment Adviser in accordance with the terms of the Investment Advisory Agreement. Subject to the overall supervision of our board of directors, the Investment Adviser manages the day-to-day operations of, and provides investment management services to us. Under the terms of the Investment Advisory Agreement, WhiteHorse Advisers:

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

WhiteHorse Advisers services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. Under the Investment Advisory Agreement, we pay WhiteHorse Advisers a fee for investment management services consisting of a base management fee and an incentive fee.

Management Fee

The base management fee is calculated at an annual rate of 2.0% of consolidated gross assets, including cash and cash equivalents and assets purchased with borrowed funds, and is payable quarterly in arrears. The base management fee is calculated based on the average carrying value of the Company s consolidated gross assets, including cash and cash equivalents and assets purchased with borrowed funds, at the end of the two most recently completed calendar quarters, appropriately adjusted for any share issuances or repurchases during the quarter. The management fees for any partial month or quarter is appropriately pro-rated. The Investment Advisory Agreement excluded cash and cash equivalents from the calculation of the base management fee for the calendar quarters ended December 31, 2012, March 31, 2013, June 30, 2013, and September 30, 2013.

WhiteHorse Advisers agreed to waive that portion of the base management fee payable with respect to cash and cash equivalents and restricted cash and cash equivalents to which it would otherwise be entitled under the Investment Advisory Agreement for the fiscal quarters ended December 31, 2013 and March 31, 2014; and for the fiscal quarter ended June 30, 2014 only to the extent that the determination of base management fees would otherwise include March 31, 2014 cash and cash equivalents and restricted cash and cash equivalents for the purpose of calculating the average carrying value of consolidated gross assets. The waived fees are not subject to recoupment by the Investment Adviser.

Incentive Fee

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

The calculations of these two components, which we refer to, collectively, as the Income and Capital Gain Incentive Fee Calculations, have been structured to include a fee limitation such that no incentive fee will be paid to our Investment Adviser for any quarter if, after such payment, the cumulative incentive fees paid to our Investment Adviser for the period that includes the current fiscal quarter and the 11 full preceding fiscal quarters, which we refer to in this registration statement on Form N-2 as the Incentive Fee Look-back Period, would exceed 20.0% of our Cumulative Pre-Incentive Fee Net Return (as defined below) during the Incentive Fee Look-back Period. Each quarterly incentive fee is subject to the Incentive Fee Cap (as defined below) and a deferral mechanism through which the Investment Adviser may recap a portion of such deferred incentive fees, which we refer to together as the Incentive Fee Cap and Deferral Mechanism.

This limitation is accomplished by subjecting each incentive fee payable to a cap, which is referred to as the Incentive Fee Cap. The Incentive Fee Cap in any quarter is equal to (a) 20.0% of Cumulative Pre-Incentive Fee Net Return (as defined below) during the Incentive Fee Look-back Period less (b) cumulative incentive fees of any kind paid to the Investment Adviser during the Incentive Fee Look-back

Period. To the extent the Incentive Fee Cap is zero or a negative value in any quarter, we will pay no incentive fee to our Investment Adviser in that quarter. We will only pay incentive fees to the extent allowed by the Incentive Fee Cap and Deferral Mechanism. To the extent that the payment of incentive fees is limited by the Incentive Fee Cap and Deferral Mechanism, the payment of such fees may be deferred and paid in subsequent quarters up to three years after their date of deferment, subject to applicable limitations included in the Investment Advisory Agreement. The deferral component of the Incentive Fee Cap and Deferral Mechanism may cause incentive fees that accrued during one fiscal quarter to be paid to the Investment Adviser at any time during the 11 full fiscal quarters following such initial full fiscal quarter.

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

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

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

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

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

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

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

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

The following is a graphical representation of the calculation of the income-based component of the incentive fee:

Quarterly Incentive Fee based on Pre-Incentive Fee Net Investment Income (expressed as a percentage of the value of net assets)

Percentage of Pre-Incentive Fee Net Investment Income allocated to first component of incentive fee

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

Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss subject to the Incentive Fee Cap and Deferral Mechanism. For example, if we receive Pre-Incentive Fee Net Investment Income in excess of the Hurdle Rate, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized and unrealized capital losses.

Examples of Quarterly Incentive Fee Calculation

Each of the following examples assumes that the Incentive Fee Cap and Deferral Mechanism is met.

Example 1 Income Related Portion of Incentive Fee (*):

Alternative 1

Assumptions

Investment income (including interest, distributions, fees, etc.) = 1.25%

Hurdle Rate[1] = 1.75%

Base management fee[2] = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)[3] = 0.25%

Pre-Incentive Fee Net Investment Income

(investment income - (base management fee + other expenses)) = 0.50%

Pre-Incentive Fee Net Investment Income does not exceed the Hurdle Rate, therefore there is no incentive fee.

Alternative 2

Assumptions

Investment income (including interest, distributions, fees, etc.) = 2.70%

Hurdle Rate[1] = 1.75%

Base management fee[2] = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)[3] = 0.25%

Pre-Incentive Fee Net Investment Income

(investment income - (base management fee + other expenses)) = 1.95%

Pre-Incentive Fee Net Investment Income exceeds the Hurdle Rate, therefore there is an incentive fee.

Incentive fee = (100% × catch-up) + (the greater of 0% **AND** (20% × (Pre-Incentive Fee Net Investment Income - 2.1875%)))

= (100.0% × (Pre-Incentive Fee Net Investment Income - 1.75%)) + 0%

= 100.0% × (1.95%-1.75%)

= 100.0% × 0.20%

= 0.20%

Alternative 3

Assumptions

Investment income (including interest, distributions, fees, etc.) = 3.00%

Hurdle Rate[1] = 1.75%

Base management fee[2] = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)[3] = 0.25%

Pre-Incentive Fee Net Investment Income

(investment income - (base management fee + other expenses)) = 2.25%

Pre-Incentive Fee Net Investment Income exceeds the Hurdle Rate, therefore there is an incentive fee.

Incentive fee = (100% × catch-up) + (the greater of 0% **AND** (20% × (Pre-Incentive Fee Net Investment Income - 2.1875%)))
= (100% × (2.1875% - 1.75%)) + (20.0% × (2.25% - 2.1875%))
= 0.4375% + (20.0% × 0.0625%)
= 0.4375% + 0.0125%
= 0.45%

(*) The hypothetical amount of Pre-Incentive Fee Net Investment Income shown is based on a percentage of net assets.

(1) Represents 7.00% annualized Hurdle Rate.

(2) Represents 2.00% annualized base management fee. This amount does not reflect that our investment advisor has agreed to exclude cash and cash equivalents from the calculation of the base management fee for the calendar quarters ending December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013.

Example 2 Capital Gains Portion of Incentive Fee:

Alternative 1

Assumptions

Year 1: $20 million investment made in Company A (Investment A), and $30 million investment made in Company B (Investment B)

Year 2: Investment A sold for $50 million and fair market value, or FMV, of Investment B determined to be $32 million

Year 3: FMV of Investment B determined to be $25 million

Year 4: Investment B sold for $31 million

The capital gains portion of the incentive fee would be:

Year 1: None

Year 2: Capital gains incentive fee of $6.0 million ($30 million realized capital gains on sale of Investment A multiplied by 20.0%)

Year 3: None; $5.0 million (20.0% multiplied by ($30 million cumulative capital gains less $5.0 million cumulative capital depreciation)) less $6.0 million (capital gains fee paid in Year 2)

Year 4: Capital gains incentive fee of $200,000; $6.2 million ($31 million cumulative realized capital gains multiplied by 20.0%) less $6.0 million (capital gains fee paid in Year 2)

Alternative 2

Assumptions

Year 1: $20 million investment made in Company A (Investment A), $30 million investment made in Company B (Investment B) and $25 million investment made in Company C (Investment C)

Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million

Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million

Year 4: FMV of Investment B determined to be $35 million

Year 5: Investment B sold for $20 million

The capital gains portion of the incentive fee would be:

Year 1: None

Year 2: Capital gains incentive fee of $5.0 million; 20.0% multiplied by $25 million ($30 million realized capital gains on Investment A less $5 million unrealized capital depreciation on Investment B)

Year 3: Capital gains incentive fee of $1.4 million; $6.4 million (20.0% multiplied by $32 million ($35 million cumulative realized capital gains less $3 million unrealized capital depreciation on Investment B)) less $5.0 million (capital gains fee received in Year 2)

Year 4: None

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Example 3 Application of the Incentive Fee Cap and Deferral Mechanism:

Assumptions

In each of Years 1 through 4 in this example, as well as in each preceding year, Pre-Incentive Fee Net Investment Income equals $40.0 million per year, which we recognized evenly in each quarter of each year and paid quarterly. This amount exceeds the Hurdle Rate and the requirement of the catch-up in each quarter of such year. As a result, the annual income related portion of the incentive fee, before the application of the Incentive Fee Cap and Deferral Mechanism in any year is $8.0 million ($40.0 million multiplied by 20%), and the cumulative income related portion of the incentive fee before the application of the Incentive Fee Cap and Deferral Mechanism over any Incentive Fee Look-back Period prior to any payment of incentive fees during such year is $16.0 million ($8.0 million multiplied by two). All income-related incentive fees were paid quarterly in arrears.

In each year preceding Year 1, we did not generate realized or unrealized capital gains or losses, no capital gain-related incentive fee was paid and there was no deferral of incentive fees.

Year 1:	We did not generate realized or unrealized capital gains or losses
Year 2:	We realized a $30.0 million capital gain and did not otherwise generate realized or unrealized capital gains or losses
Year 3:	We recognized a $5.0 million unrealized capital depreciation and did not otherwise generate realized or unrealized capital gains or losses
Year 4:	We realized a $6.0 million capital gain and did not otherwise generate realized or unrealized capital gains or losses

	Income Related Incentive Fee Accrued Before Application of Incentive Fee Cap and Deferral Mechanism	Capital Gains Related Incentive Fee Accrued Before Application of Incentive Fee Cap and Deferral Mechanism	Incentive Fee Cap	Incentive Fees Paid and Deferred
Year 1	$8.0 million ($40.0 million multiplied by 20%)	None	$8.0 million (20% of Cumulative Pre-Incentive Fee Net Return during Incentive Fee Look-back Period of $120.0 million less $16.0 million of cumulative incentive fees paid)	Incentive fees of $8.0 million paid; no incentive fees deferred
Year 2	$8.0 million ($40.0 million multiplied by 20%)	$6.0 million (20% of $30.0 million)	$14.0 million (20% of Cumulative Pre-Incentive Fee Net Return during Incentive Fee Look-back Period of $150.0 million ($120.0 million plus $30.0 million) less $16.0 million of cumulative incentive fees paid)	Incentive fees of $14.0 million paid; no incentive fees deferred
Year 3	$8.0 million ($40.0 million multiplied by 20%)	None (20% of cumulative net capital gains of $25.0 million ($30.0 million in cumulative realized gains less $5.0 million in cumulative unrealized capital depreciation) less $6.0 million of capital gains fee paid in Year 2)	$7.0 million (20% of Cumulative Pre-incentive Fee Net Return during Incentive Fee Look-back Period of $145.0 million ($120.0 million plus $25.0 million) less $22.0 million of cumulative incentive fees paid)	Incentive fees of $7.0 million paid; $8.0 million of incentive fees accrued but payment restricted to $7.0 million by the Incentive Fee Cap; $1.0 million of incentive fees deferred
Year 4	$8.0 million ($40.0 million multiplied by 20%)	$0.2 million (20% of cumulative net capital gains of $31.0 million ($36.0 million cumulative realized capital gains less	$9.2 million (20% of Cumulative Pre-Incentive Fee Net Return during Incentive Fee Look-back Period	Incentive fees of $9.2 million paid ($8.2 million of incentive fees accrued in Year 4 plus $1.0 million of

$5.0 million cumulative unrealized capital depreciation) less $6.0 million of capital gains fee paid in Year 2)	of $151.0 million ($120.0 million plus $31.0 million) less $21.0 million of cumulative incentive fees paid)	deferred incentive fees); no incentive fees deferred

Payment of Our Expenses

WhiteHorse Advisers provides and pays for all investment professionals of WhiteHorse Advisers and their respective staffs, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services.

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

calculating our NAV and NAV per share (including the cost and expenses of any independent valuation firm);

fees and expenses, including travel expenses, incurred by WhiteHorse Advisers or payable to third parties in performing due diligence on prospective portfolio companies, monitoring our investments and, if necessary, enforcing our rights;

interest payable on debt, if any, incurred to finance our investments;

the costs of this and all future offerings of common shares and other securities, if any;

the base management fee and any incentive fee;

distributions on our shares;

administration fees payable to WhiteHorse Administration under the Administration Agreement;

transfer agent and custody fees and expenses;

the allocated costs incurred by WhiteHorse Administration as our Administrator in providing managerial assistance to those portfolio companies that request it;

amounts payable to third parties relating to, or associated with, evaluating, making and disposing of investments;

brokerage fees and commissions;

registration fees;

listing fees;

taxes;

independent director fees and expenses;

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

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

costs of holding stockholder meetings;

our fidelity bond;

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

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

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

fees and expenses associated with marketing efforts to investors and sponsors;

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

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

Duration and Termination

The Investment Advisory Agreement, originally approved on September 18, 2012, was re-approved by our board of directors, including a majority of our directors who are not interested persons of us or WhiteHorse Advisers, on August 1, 2014. Unless terminated earlier as described below, the Investment

Advisory Agreement will continue in effect for a period of one year from its execution date. It will remain in effect from year to year thereafter if approved annually by our board of directors, or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons of WhiteHorse Finance. The Investment Advisory Agreement will automatically terminate in the event of its assignment. The Investment Advisory Agreement may be terminated by either party without penalty upon not less than 60 days written notice to the other. Any termination by us must be authorized either by our board of directors or by vote of our stockholders. See Risk Factors Risks Relating to our Business and Structure We depend upon key personnel of H.I.G. Capital and its affiliates.

Limitation of Liability and Indemnification

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, WhiteHorse Advisers and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with the Investment Adviser, including its general partner and the Administrator are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys fees and amounts reasonably paid in settlement) arising from WhiteHorse Advisers performance of its duties and obligations under the Investment Advisory Agreement or otherwise as our Investment Adviser.

Board of Directors Approval of the Investment Advisory Agreement

Our board of directors determined at a meeting held on August 1, 2014 to re-approve the Investment Advisory Agreement, which was originally approved on September 18, 2012. In its consideration of the Investment Advisory Agreement, the board of directors focused on information it had received relating to, among other things:

the nature, quality and extent of the advisory and other services provided to us by the Investment Adviser;
comparative data with respect to advisory fees or similar expenses paid by other business development companies with similar investment objectives;
our projected operating expenses and expense ratio compared to business development companies with similar investment objectives;
any existing and potential sources of indirect income to the Investment Adviser or WhiteHorse Administration from their relationships with us and the profitability of those relationships;
information about the services to be performed and the personnel performing such services under the Investment Advisory Agreement;
the organizational capability and financial condition of the Investment Adviser and its affiliates;
the Investment Adviser s practices regarding the selection and compensation of brokers that may execute our portfolio transactions and the brokers provision of brokerage and research services to the Investment Adviser; and
the possibility of obtaining similar services from other third party service providers or through an internally managed structure.

Based on the information reviewed and the considerations detailed above, the board of directors, including all of the directors who are not interested persons, as that term is defined in the 1940 Act, of us or WhiteHorse Advisers, concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the Investment Advisory Agreement, as well as the Administration Agreement, as being in the best interests of our stockholders.

Administration Agreement

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

Limitation of Liability and Indemnification

The Administration Agreement provides that WhiteHorse Administration and its officers, managers, partners, agents, employees, controlling persons, members and affiliates are not liable to us or any of our stockholders for any act or omission by it or such other persons or entities in connection with its duties or obligations under the Administration Agreement or otherwise as our Administrator, except that the foregoing exculpation does not extend to any act or omission constituting willful misfeasance, bad faith, gross negligence or reckless disregard of its duties or obligations under the Administration Agreement. The Administration Agreement also provides for indemnification by us of WhiteHorse Administration and its managers, partners, officers, employees, agents, controlling persons, members and affiliates for damages, liabilities, costs and expenses (including reasonable attorneys fees and amounts reasonably paid in settlement) incurred by them in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by us or our stockholders or in our or our stockholders right) arising out of or otherwise based on WhiteHorse Administration s duties or obligations under the Administration Agreement or otherwise as our Administrator, subject to the same limitations and conditions.

License Agreement

We have entered into a trademark license agreement, or the License Agreement, with an affiliate of H.I.G. Capital pursuant to which we have been granted a non-exclusive, royalty-free license to use the WhiteHorse name. Under this agreement, we have a right to use the WhiteHorse name for so long as WhiteHorse Advisers or one of its affiliates remains our Investment Adviser. The License Agreement is terminable by either party at any time in its sole discretion upon 60 days prior written notice to the other party and is also terminable by the affiliate of H.I.G. Capital in the case of certain events of non-compliance. Other than with respect to this limited license, we have no legal right to the WhiteHorse name.

RELATED PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS

We have entered into agreements with our Investment Adviser, in which our senior management and members of our investment committee have ownership and financial interests. Members of our senior management and members of the investment committee also serve as principals of other investment managers affiliated with our Investment Adviser that do and may in the future manage investment funds, accounts or other investment vehicles with investment objectives similar to ours. In addition, our executive officers and directors and the members of our Investment Adviser and members of the investment committee serve or may serve as officers, directors or principals of entities that operate in the same, or related, line of business as we do or of investment funds, accounts or other investment vehicles managed by our affiliates. These investment funds, accounts or other investment vehicles may have investment objectives similar to our investment objective. As a result, we may not be given the opportunity to participate in certain investments made by investment funds, accounts or other investment vehicles managed by our investment or its affiliates or by members of the investment committee. However, in order to fulfill its fiduciary duties to each of its clients, our Investment Adviser intends to allocate investment opportunities in a manner that is fair and equitable over time and is consistent with our Investment Adviser s allocation policy, investment objective and strategies so that we are not disadvantaged in relation to any other client. See Risk Factors Risks Relating to our Business and Structure There are significant potential conflicts of interest that could affect our investment returns. Where we are able to co-invest consistent with the requirements of the 1940 Act, if sufficient securities or loan amounts are available to satisfy our and each such account s proposed demand, 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 the amount that each such party would have invested if sufficient securities or loan amounts were available. 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.

Policies and Procedures for Managing Conflicts

Our Investment Adviser and its affiliates have both subjective and objective procedures and policies in place and designed to manage the potential conflicts of interest between our Investment Adviser s fiduciary obligations to us and its similar fiduciary obligations to other clients. For example, such policies and procedures are designed to ensure that investment opportunities are allocated in a fair and equitable manner among us and their other clients. An investment opportunity that is suitable for multiple clients of our Investment Adviser and its affiliates may not be capable of being shared among some or all of such clients and affiliates due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act. There can be no assurance that our Investment Adviser s or its affiliates efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to us. Not all conflicts of interest can be expected to be resolved in our favor.

Our Investment Adviser may manage investment vehicles with similar or overlapping investment strategies with us and has put in place a conflict-resolution policy that addresses the co-investment restrictions set forth under the 1940 Act and seeks to ensure the equitable allocation of investment opportunities when we are able to invest alongside other accounts managed by our Investment Adviser and its affiliates. When we invest alongside such other accounts as permitted, such investments are made consistent with 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. Where we are able to co-invest consistent with the requirements of the 1940 Act, 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 us and other accounts sponsored or managed by our Investment Adviser or its affiliates, the allocation policy further provides that allocations among us and such other accounts will generally be made pro rata based on the amount that each such party would have invested if sufficient securities or loan amounts were available. However, we cannot assure you that investment opportunities will be allocated to us fairly or equitably in the short-term or over time. We expect that these determinations will be made similarly for other accounts sponsored or managed by H.I.G. Capital and its affiliates. 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 have fair and equitable access to such investment opportunities.

Co-Investment Opportunities

We have in the past and expect in the future to co-invest on a concurrent basis with other affiliates, unless doing so is impermissible under the Exemptive Relief Order, existing regulatory guidance, applicable regulations or our allocation procedures. Pursuant to the Exemptive Relief Order, certain types of negotiated co-investments may be made only if our board of directors determines that it would be advantageous for us to co-invest with other accounts managed by our Investment Adviser or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. We cannot assure you, however, that we will develop opportunities that comply with such limitations.

Material Non-Public Information

Our senior management, members of our investment committee and other investment professionals from our Investment Adviser may serve as directors of, or in a similar capacity with, companies in which we invest or in which we are considering making an investment. Through these and other relationships with a company, these individuals may obtain material non-public information that might restrict our ability to buy or sell the securities of such company under the policies of the company or applicable law.

Investment Advisory Agreement

Under the Investment Advisory Agreement, we pay WhiteHorse Advisers a fee for investment management services consisting of a base management fee and an incentive fee. This fee structure may create an incentive for WhiteHorse Advisers to invest in certain types of securities. Additionally, we rely on investment professionals from our Investment Adviser to assist our board of directors with the valuation of our portfolio investments. See Staffing Agreement.

The management fee and incentive fee paid to our Investment Adviser are based on the value of our investments and there may be a conflict of interest when personnel of our Investment Adviser are involved in the valuation process for our portfolio investments. See Risk Factors Risks Relating to our Business and Structure There are significant conflicts of interest that could affect our investment returns.

Staffing Agreement

WhiteHorse Advisers is an affiliate of H.I.G. Capital, with whom it has entered into the Staffing Agreement. Under the Staffing Agreement, H.I.G. Capital has agreed to make available to WhiteHorse Advisers experienced investment professionals and access to the senior investment personnel and other resources of H.I.G. Capital and its affiliates. The Staffing Agreement provides WhiteHorse Advisers with access to deal flow generated by the professionals of H.I.G. Capital and commits the members of H.I.G. Capital s investment committee to serve as members of WhiteHorse Advisers investment committee. In addition, under the Staffing Agreement, H.I.G. Capital is obligated to allocate investment opportunities among its managed affiliates fairly and equitably over time in accordance with its allocation policy. WhiteHorse Advisers intends to capitalize on what we believe to be the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of H.I.G. Capital s investment professionals.

Administration Agreement

Pursuant to the Administration Agreement, WhiteHorse Administration and its affiliates furnish us with office facilities, equipment and clerical, bookkeeping and record keeping services to enable us to operate. WhiteHorse Administration also provides us with access to the resources necessary for us to perform our obligations as collateral manager of WhiteHorse Warehouse under the Credit Facility and for certain portfolio companies. Under the Administration Agreement, WhiteHorse Administration performs, or oversees the performance of, our required administrative services, which include being responsible for the financial records which we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, WhiteHorse Administration assists us in determining and publishing our NAV, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments in respect of the obligations of WhiteHorse Administration and its affiliates under the Administration Agreement equal an amount based upon our allocable portion of WhiteHorse Administration s overhead in performing its obligations under the Administration Agreement, including rent and our allocable portion of the cost of our chief compliance officer, chief operating officer and chief financial officer along with their respective staffs. Under the Administration Agreement, WhiteHorse Administration also provides managerial assistance on our behalf to portfolio companies that request such assistance. The renewal of the Administration Agreement was approved by our board of directors in November 2014. The Administration Agreement may be terminated by either party without penalty upon 60 days written notice to the other party. To the extent that our administrator outsources any of its functions, we will pay the fees associated with such functions on a direct basis, without any profit to WhiteHorse Administration.

License Agreement

We have entered into the License Agreement with an affiliate of H.I.G. Capital pursuant to which we have been granted a non-exclusive, royalty-free license to use the name WhiteHorse. Under this agreement, we have a right to use the WhiteHorse name, for so long as WhiteHorse Advisers or one of its affiliates remains our Investment Adviser. The License Agreement is terminable by either party at any time in its sole discretion upon 60 days prior written notice and is also terminable by H.I.G. Capital in the case of certain events of non-compliance. Other than with respect to this limited license, we will have no legal right to the WhiteHorse name.

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CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

As of May 11, 2015, there were 14,982,857 shares of common stock outstanding and 18 stockholders of record. The following table sets forth certain ownership information with respect to our common stock for those persons who directly or indirectly own, control or hold with the power to vote, five percent or more of our outstanding common stock and all officers and directors, as a group.

Name and address[1]	Type of ownership	Percentage of Common Stock outstanding	
		Shares owned	Percentage
H.I.G. Bayside Debt & LBO Fund II, L.P.[1]	Record/Beneficial	4,312,282	28.8 %
H.I.G. Bayside Loan Opportunity Fund II, L.P.[1]	Record/Beneficial	3,514,002	23.5 %
John Bolduc[2]	Record/Beneficial	128,634	*
Jay Carvell[2]	Record/Beneficial	10,567	*
Anthony Tamer[3][4]	Record/Beneficial	7,982,725	53.3 %
Sami Mnaymneh[3][5]	Record/Beneficial	7,994,350	53.4 %
Thomas C. Davis[2]	Record/Beneficial	8,000	*
Alexander W. Pease[2]	Record/Beneficial		*
Rick D. Puckett[2]	Record/Beneficial	19,480	*
Marco Collazos[2]	Record/Beneficial		*
Gerhard Lombard[2]	Record/Beneficial	3,811	*
William Markert[2]	Record/Beneficial		*
All officers and directors as a group (8 persons)	Record/Beneficial	170,492	1.1 %

* Represents less than 1.0%.

(1) The address of H.I.G. Bayside Debt & LBO Fund II, L.P. and H.I.G. Bayside Loan Opportunity Fund II, L.P., each a Delaware limited partnership, is 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131. The shares of common stock shown in the above table as being owned by the named entities reflect the fact that they collectively may be viewed as having investment power over 7,826,284 shares of our common stock indirectly owned of record by such entities, although voting rights to such securities have been passed through to the respective limited partners. Each of H.I.G. Bayside Debt & LBO Fund II, L.P. and H.I.G. Bayside Loan Opportunity Fund II, L.P. disclaim beneficial ownership of such shares of common stock, except to the extent of their respective pecuniary interests therein.

(2) The address for each of our officers and directors is c/o WhiteHorse Finance, Inc., 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131.

(3) Messrs. Mnaymneh and Tamer are control persons of H.I.G.-GP II, Inc., which is the manager of the general partner of each of H.I.G. Bayside Debt & LBO Fund II, L.P. and H.I.G. Bayside Loan Opportunity Fund II, L.P. The shares of common stock shown in the above table as being owned by each named individual reflects the fact that, due to their control of such entities, each may be viewed as having investment power over 7,826,284 shares of common stock indirectly owned by such entities, although voting rights to such securities have been passed through to the respective members and limited partners. Messrs. Mnaymneh and Tamer disclaim beneficial ownership of such shares of common stock except to the extent of their respective pecuniary interests therein.

(4)

Mr. Tamer is the President of Tamer H.I.G. Management, L.P. The shares of common stock shown in the above table as being owned by Mr. Tamer reflects the fact that, due to his control of Tamer H.I.G. Management, L.P., Mr. Tamer may be viewed as having investment power over 156,441 shares of common stock owned by such entity. Mr. Tamer disclaims beneficial ownership of shares of common stock held by Tamer H.I.G. Management, L.P., except to the extent of his direct pecuniary interest therein.

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[5] Mr. Mnaymneh is the General Partner and Manager of Mnaymneh H.I.G. Management, L.P. The shares of common stock shown in the above table as being owned by Mr. Mnaymneh reflects the fact that, due to his control of Mnaymneh H.I.G. Management, L.P., Mr. Mnaymneh may be viewed as having investment power over 168,066 shares of common stock owned by such entity. Mr. Mnaymneh disclaims beneficial ownership of shares of common stock held by Mnaymneh H.I.G. Management, L.P., except to the extent of his direct pecuniary interest therein.

Dollar Range of Equity Securities Beneficially Owned by Directors

The following table sets forth the dollar range of our equity securities beneficially owned by each of our directors as of May 11, 2015. We are not part of a family of investment companies, as that term is defined in the 1940 Act.

Name of Director	Dollar Range of Equity Securities in WhiteHorse Finance[1]
Independent Directors	
Thomas C. Davis	$100,001 $500,000
Alexander W. Pease	None
Rick D. Puckett	$100,001 $500,000
Interested Directors	
John Bolduc	Over $1,000,000
Jay Carvell	$100,001 $500,000

[1] Dollar ranges are as follows: None; $1 $10,000; $10,001 $50,000; $50,001 $100,000; $100,001 $500,000; $500,001 $1,000,000; and Over $1,000,000.

SELLING STOCKHOLDERS

This prospectus also relates to 7,826,284 shares of our common stock that may be offered for resale by the stockholders identified below. These stockholders acquired the shares from us in connection with the BDC Conversion and subsequent distributions as part of the dividend reinvestment plan. We are registering the shares to permit the stockholders and their pledgees, donees, transferees and other successors-in-interest that receive their shares from a stockholder as a gift, partnership distribution or other non-sale related transfer after the date of this prospectus to resell the shares when and as they deem appropriate. We do not know how long the stockholders will hold the shares before selling them, if at all, or how many shares they will sell, if any, and we currently have no agreements, arrangements or understandings with the stockholders regarding the sale of any of the resale shares. We will pay the printing, legal, filing and other similar expenses of any offering of common stock by the selling stockholders. The selling stockholders will bear all other expenses, including any brokerage fees, underwriting discounts and commissions, of any such offering.

As of the date of this prospectus, the following table sets out certain ownership information with respect to the selling stockholders and our common stock. The shares offered by this prospectus may be offered from time to time by the stockholders listed below.

H.I.G. Capital and its affiliates serve as investment adviser to the selling stockholders. By virtue of its investment power over securities held by the selling stockholder, H.I.G. Capital and its affiliates may be deemed to have beneficial ownership and Messrs. John Bolduc and Jay Carvell, due to their control of H.I.G. Capital and its affiliates, as well as their ownership interests in the selling stockholder, may each be viewed as having investment power over the shares of WhiteHorse Finance, Inc. indirectly owned by the selling stockholders although voting rights to such securities have been passed through to the members of the selling stockholders.

	Shares Beneficially Owned Prior to Offering		Number of Shares That May Be Offered	Shares Beneficially Owned After Offering (Assuming All Offered Shares are Sold)	
Stockholder	Number	Percent		Number	Percent
H.I.G. Bayside Debt & LBO Fund II, L.P.	4,312,282	28.8 %	4,312,282		
H.I.G Bayside Loan Opportunity Fund II, L.P	3,514,002	23.5 %	3,514,002		
Total	7,826,284	52.3 %	7,826,284		

DETERMINATION OF NET ASSET VALUE

The NAV per share of our outstanding shares of common stock will be determined quarterly by dividing the value of total assets minus liabilities by the total number of shares outstanding at the date as of which the determination is made.

We value our investments in accordance with ASC Topic 820. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about assets and liabilities measured at fair value. ASC Topic 820 s definition of fair value focuses on exit price in the principal, or most advantageous, market and prioritizes the use of market-based inputs over entity-specific inputs within a measurement of fair value. ASC Topic 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1	quoted unadjusted prices in active markets for identical investments as of the reporting date
Level 2	other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.)
Level 3	significant unobservable inputs (including the Investment Adviser s own assumptions about the assumptions market participants would use in determining the fair values of investments)

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

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

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

Our board has retained one or more independent valuation firms to review the valuation of each portfolio investment that does not have a readily available market quotation at least once during each 12-month period. Independent valuation firms retained by our board provide a valuation review on 25% of our investments for which market quotations are not readily available each quarter to ensure that the fair value of each investment for which a market quote is not readily available is reviewed by an independent valuation firm at least once during each 12-month period. However, our board does not intend to have *de minimis* investments of less than 2.0% of our total assets (up to an aggregate of 10% of our total assets) independently reviewed.

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

Fair value of publicly traded instruments is generally based on quoted market prices. Fair value of non-publicly traded instruments, and of publicly traded instruments for which quoted market prices are not readily available, may be determined based on other relevant factors, including without limitation, quotations from unaffiliated market makers or independent third party pricing services, the price activity of equivalent instruments and valuation pricing models. For those investments valued using quotations, the bid price is generally used unless we determine that it is not representative of an exit price.

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

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

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

The audit committee of the board reviews these preliminary valuations.

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

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

Investments for which fair value is determined using inputs defined above as Level 3 are fair valued using the income and market approaches, which may include the discounted cash flow method, reference to performance statistics of industry comparables, relative comparable yield analysis and, in certain cases, third party valuations performed by independent valuation firms. The valuation methods can reference various factors and use various inputs such as assumed growth rates, capitalization rates and discount rates, loan-to-value ratios, liquidation value, relative capital structure priority, market comparables, compliance with applicable loan, covenant and interest coverage performance, book value, market derived multiples, reserve valuation, assessment of credit ratings of an underlying borrower, review of ongoing performance, review of financial projections as compared to actual performance, review of interest rate and yield risk. Such factors may be given different weighting depending on our assessment of the underlying investment, and we may analyze apparently comparable investments in different ways. See Risk Factors Risks Relating to our Business and Structure 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.

Determinations in Connection with Offerings

In connection with each offering of shares of our common stock, our board of directors or a committee thereof is required to make the determination that we are not selling shares of our common stock at a price below the NAV of our common stock at the time at which the sale is made unless we receive the consent of the majority of our common stockholders to do so, and the board of directors decides that such an offering is in the best interests of our common stockholders. Our board of directors will consider the following factors, among others, in making such determination:

the NAV of our common stock disclosed in the most recent periodic report that we filed with the SEC;

our management s assessment of whether any change in the NAV of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recent public filing with the SEC that discloses the NAV of our common stock and ending two days prior to the date of the sale of our common stock; and

the magnitude of the difference between the offering price of the shares of our common stock in the proposed offering and management s assessment of any change in the NAV of our common stock during the period discussed above.

Whenever we do not have current stockholder approval to issue shares of our common stock at a price per share below our then-current NAV per share, the offering price per share (exclusive of any distributing commission or discount) will equal or exceed NAV per share, based on the value of our portfolio securities and other assets determined in good faith by our board of directors as of a time within 48 hours (excluding Sundays or holidays) of the sale. However, we have received the consent of a majority of our common stockholders to issue shares of our common stock at a price below our then-current NAV during a 12-month

period ending on July 31, 2015. If our board of directors decides that such an offering is in the best interest of our common stockholders, then we may undertake such an offering. See Sales Of Common Stock Below NAV for more information.

To the extent that the above procedures result in even a remote possibility that we may (i) in the absence of stockholder approval issue shares of our common stock at a price below the then-current NAV of our common stock at the time at which the sale is made or (ii) trigger our undertaking to suspend the offering of shares of our common stock pursuant to this prospectus if the NAV fluctuates by certain amounts in certain circumstances until the prospectus is amended, the board of directors or a committee thereof will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine NAV within two days prior to any such sale to ensure that such sale will not be below our then-current NAV, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine NAV to ensure that such undertaking has not been triggered.

We may, however, subject to the requirements of the 1940 Act, issue rights to acquire our 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 our best interests and the best interests of our common stockholders. In any such case, the price at which our securities are to be issued and sold may not be less than a price, that in the determination of our board of directors, closely approximates the market value of such securities. We will not offer transferable subscription rights to our stockholders at a price equivalent to less than the then-current NAV per share of common stock, excluding underwriting commissions, unless we first file a post-effective amendment that is declared effective by the SEC with respect to such issuance and the common stock to be purchased in connection with the rights represents no more than one-third of our outstanding common stock at the time such rights are issued. In addition, we note that for us to file a post-effective amendment to this registration statement on Form N-2, we must then be qualified to register our securities on Form N-2. If we raise additional funds by issuing more common stock or warrants or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our common stockholders at that time would decrease, and our common stockholders may experience dilution.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations of the board of directors described in this section, and we will maintain these records with other records that we are required to maintain under the 1940 Act.

DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution.

No action is required on the part of a registered stockholder to have their cash dividend or other distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying American Stock Transfer & Trust Company, LLC, the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares to the participant s account, issue a certificate registered in the participant s name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends and other distributions in cash by notifying their broker or other financial intermediary of their election.

We may use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to NAV. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on the NASDAQ Global Select Market on the valuation date fixed by our board for such distribution. The market price per share on that date will be the closing price for such shares on the NASDAQ Global Select Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend or other distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. Stockholders who do not elect to receive dividends in shares of common stock may experience accretion to the NAV of their shares if our shares are trading at a premium at the time we issue new shares under the plan and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend payable to a stockholder.

There will be no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator s fees are paid by us. If a participant elects by written notice to the plan administrator prior to termination of his or her account to have the plan administrator sell part or all of the shares held by the plan administrator in the participant s account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $15.00 transaction fee plus a $0.10 per share brokerage commission from the proceeds.

Stockholders who receive dividends and other distributions in the form of stock are generally subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash; however, since their cash dividends will be reinvested, such stockholders will not receive cash with which to pay any applicable taxes on reinvested dividends. A stockholder s basis for determining gain or loss upon the sale of stock received in a dividend or other distribution from us generally will be equal to the total dollar value of the distribution paid to the stockholder. Any stock received in a dividend or other distribution will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the stockholder s account. To the extent a stockholder is subject to U.S. federal withholding tax on a distribution, we will withhold the applicable tax and the balance will be reinvested in our common stock (or paid to such stockholder in cash if the stockholder has opted out of our dividend reinvestment plan).

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at *www.amstock.com* by filling out the transaction request form located at the bottom of the participant s statement and sending it to the plan administrator at the address below.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend or other distribution by us. All correspondence concerning the plan should be directed to the plan administrator by mail at American Stock Transfer & Trust Company, LLC, P.O. Box 922, Wall Street Station, New York, New York 10269, or by the Plan Administrator s Interactive Voice Response System at (877) 276-7499.

If you withdraw or the plan is terminated, you will receive the number of whole shares in your account under the plan and a cash payment for any fraction of a share in your account.

If you hold your common stock with a brokerage firm that does not participate in the plan, you will not be able to participate in the plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

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DESCRIPTION OF OUR CAPITAL STOCK

The following description is based on relevant portions of the DGCL and on our certificate of incorporation and bylaws. This summary is not necessarily complete, and we refer you to the DGCL and our certificate of incorporation and bylaws for a more detailed description of the provisions summarized below.

Capital Stock

Our authorized stock consists of 100,000,000 shares of common stock, par value $0.001 per share, and 1,000,000 shares of preferred stock, par value $0.001 per share. Our common stock is traded on the NASDAQ Global Select Market under the ticker symbol WHF . There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Delaware law, our stockholders generally are not personally liable for our debts or obligations.

The following are our outstanding classes of securities as of May 11, 2015:

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by us or for our Account	(4) Amount Outstanding Exclusive of Amounts Shown Under (3)
Common Stock	100,000,000		14,982,857
Preferred Stock	1,000,000		

All shares of our common stock have equal rights as to earnings, assets, dividends and other distributions and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefrom. Shares of our common stock have no preemptive, exchange, conversion or redemption rights and are freely transferable, except when their transfer is restricted by U.S. federal and state securities laws or by contract. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock can elect all of our directors, and holders of less than a majority of such shares will not be able to elect any directors.

Provisions of the DGCL and Our Certificate of Incorporation and Bylaws

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

The indemnification of our officers and directors is governed by Section 145 of the DGCL, and our certificate of incorporation and bylaws. Subsection (a) of DGCL Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if (1) such person acted in good faith, (2) in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and (3) with respect to any criminal action or proceeding, such person had no reasonable cause to believe the person s conduct was unlawful.

Subsection (b) of DGCL Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the corporation, and except that no indemnification may be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court deems proper.

DGCL Section 145 further provides that to the extent that a present or former director or officer is successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145, or in defense of any claim, issue or matter therein, such person will be indemnified against expenses (including attorneys fees) actually and reasonably incurred by such person in connection with such action, suit or proceeding. In all cases in which indemnification is permitted under subsections (a) and (b) of Section 145 (unless ordered by a court), it will be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the applicable standard of conduct has been met by the party to be indemnified. Such determination must be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (4) by the stockholders. The statute authorizes the corporation to pay expenses incurred by an officer or director in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of the person to whom the advance will be made to repay the advances if it is ultimately determined that he or she was not entitled to indemnification. DGCL Section 145 also provides that indemnification and advancement of expenses permitted under such Section are not to be exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise. DGCL Section 145 also authorizes the corporation to purchase and maintain liability insurance on behalf of its directors, officers, employees and agents regardless of whether the corporation would have the statutory power to indemnify such persons against the liabilities insured.

Our certificate of incorporation provides that our directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the current DGCL or as the DGCL may hereafter be amended. DGCL Section 102(b)(7) provides that the personal liability of a director to a corporation or its stockholders for breach of fiduciary duty as a director may be eliminated except for liability (1) for any breach of the director s duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the DGCL, relating to unlawful payment of dividends or unlawful stock purchases or redemption of stock or (4) for any transaction from which the director derives an improper personal benefit.

Our bylaws provide for the indemnification of any person to the full extent permitted, and in the manner provided, by the current DGCL or as the DGCL may hereafter be amended. In addition, we have entered into indemnification agreements with each of our directors and officers in order to effect the foregoing.

Delaware Anti-Takeover Law

The DGCL and our certificate of incorporation and bylaws contain provisions that could make it more difficult for a potential acquirer to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. These measures may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders. These provisions could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control over us. Such attempts could have the effect of increasing our expenses and disrupting our normal operations. We believe, however, that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because the negotiation of such proposals may improve their terms.

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, these provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

prior to such time, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

on or after the date the business combination is approved by the board of directors and authorized at a meeting of stockholders, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include the following:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, transfer, pledge or other disposition (in one transaction or a series of transactions) of 10% or more of either the aggregate market value of all the assets of the corporation or the aggregate market value of all the outstanding stock of the corporation involving the interested stockholder;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons.

The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Election of Directors

Our certificate of incorporation and bylaws provide that the affirmative vote of the holders of a majority of the votes cast by stockholders present in person or by proxy at an annual or special meeting of stockholders and entitled to vote thereat will be required to elect a director. Under our certificate of incorporation, our board of directors may amend the bylaws to alter the vote required to elect directors.

Classified Board of Directors

Our board of directors is divided into three classes of directors serving staggered three-year terms, with the term of office of only one of the three classes expiring each year. A classified board of directors may render a change in control of us or removal of our incumbent management more difficult. This provision could delay for up to two years the replacement of a majority of our board of directors. We believe, however, that the longer time required to elect a majority of a classified board of directors helps to ensure the continuity and stability of our management and policies.

Number of Directors; Removal; Vacancies

Our certificate of incorporation provides that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than four nor more than eight. Under the DGCL, unless the certificate of incorporation provides otherwise (which our certificate of incorporation does not), directors on a classified board of directors such as our board of directors may be removed only for cause by a majority vote of our stockholders. Under our certificate of incorporation and bylaws, any vacancy on the board of directors, including a vacancy resulting from an enlargement of the board of directors, may be filled only by vote of a majority of the directors then in office. The limitations on the ability of our stockholders to remove directors and fill vacancies could make it more difficult for a third-party to acquire, or discourage a third-party from seeking to acquire, control of us.

Action by Stockholders

Under our certificate of incorporation stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous written consent in lieu of a meeting. This may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) by or at the direction of the board of directors, (2) pursuant to our notice of meeting or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. Nominations of persons for election to the board of directors at a special meeting may be made only by or at the direction of the board of directors, and provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Stockholder Meetings

Our certificate of incorporation and bylaws provide that any action required or permitted to be taken by stockholders at an annual meeting or special meeting of stockholders may only be taken if it is properly brought before such meeting. In addition, in lieu of such a meeting, any such action may be taken by the unanimous written consent of our stockholders. Our certificate of incorporation and bylaws also provide that, except as otherwise required by law, special meetings of the stockholders can only be called by the chairman of the board of directors, the chief executive officer or the board of directors. In addition, our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to the board of directors. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors, or by a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to the secretary of the stockholder s intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities.

Calling of Special Meetings of Stockholders

Our certificate of incorporation and bylaws provide that special meetings of stockholders may be called by our board of directors, the chairman of the board of directors and our chief executive officer.

Conflict with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the DGCL or any provision of our certificate of incorporation or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

DESCRIPTION OF OUR PREFERRED STOCK

In addition to shares of common stock, our certificate of incorporation authorizes the issuance of preferred stock. We may issue preferred stock from time to time in one or more classes or series without stockholder approval. Prior to issuance of shares of each class or series, our board of directors is required by Delaware law and by our certificate of incorporation to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any such an issuance must adhere to the requirements of the 1940 Act, Delaware law and any other limitations imposed by law.

The 1940 Act currently requires that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends or other distribution on the preferred stock are in arrears by two years or more. Some matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

For any series of preferred stock that we may issue, our board of directors will determine and the certificate of designations and the prospectus supplement relating to such series will describe:

the designation and number of shares of such series;

the rate and time at which, and the preferences and conditions under which, any dividends or other distributions will be paid on shares of such series, as well as whether such dividends or other distributions are participating or non-participating;

any provisions relating to convertibility or exchangeability of the shares of such series, including adjustments to the conversion price of such series;

the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;

the voting powers, if any, of the holders of shares of such series;

any provisions relating to the redemption of the shares of such series;

any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;

any conditions or restrictions on our ability to issue additional shares of such series or other securities;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other relative powers, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our board of directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which dividends or other distributions, if any, thereon will be cumulative.

DESCRIPTION OF OUR SUBSCRIPTION RIGHTS

The following is a general description of the terms of the subscription rights we may issue from time to time. Particular terms of any subscription rights we offer will be described in the prospectus supplement relating to such subscription rights. We will not offer transferable subscription rights to our stockholders at a price equivalent to less than the then-current NAV per share of common stock, taking into account underwriting commissions, unless we first file a post-effective amendment that is declared effective by the SEC with respect to such issuance and the common stock to be purchased in connection with the rights represents no more than one-third of our outstanding common stock at the time such rights are issued.

We may issue subscription rights to our stockholders to purchase common stock. Subscription rights may be issued independently or together with any other offered security and may or may not be transferable by the person purchasing or receiving the subscription rights. In connection with any subscription rights offering to our stockholders, we may enter into a standby underwriting, backstop or other arrangement with one or more persons pursuant to which such persons would purchase any offered securities remaining unsubscribed for after such subscription rights offering. In connection with a subscription rights offering to our stockholders, we would distribute certificates evidencing the subscription rights and a prospectus supplement to our stockholders on the record date that we set for receiving subscription rights in such subscription rights offering. Our common stockholders will indirectly bear all of the expenses incurred by us in connection with any subscription rights offerings, regardless of whether any common stockholder exercises any subscription rights.

A prospectus supplement will describe the particular terms of any subscription rights we may issue, including the following:

the period of time the offering would remain open (which shall be open a minimum number of days such that all record holders would be eligible to participate in the offering and shall not be open longer than 120 days);

the title and aggregate number of such subscription rights;

the exercise price for such subscription rights (or method of calculation thereof);

the currency or currencies, including composite currencies, in which the price of such subscription rights may be payable;

if applicable, the designation and terms of the securities with which the subscription rights are issued and the number of subscription rights issued with each such security or each principal amount of such security;

the ratio of the offering (which, in the case of transferable rights, will require a minimum of three shares to be held of record before a person is entitled to purchase an additional share);

the number of such subscription rights issued to each stockholder;

the extent to which such subscription rights are transferable and the market on which they may be traded if they are transferable;

the date on which the right to exercise such subscription rights shall commence, and the date on which such right shall expire (subject to any extension);

if applicable, the minimum or maximum number of subscription rights that may be exercised at one time;

the extent to which such subscription rights include an over-subscription privilege with respect to unsubscribed securities and the terms of such over-subscription privilege;

any termination right we may have in connection with such subscription rights offering;

the terms of any rights to redeem, or call such subscription rights;

information with respect to book-entry procedures, if any;

the terms of the securities issuable upon exercise of the subscription rights;

the material terms of any standby underwriting, backstop or other purchase arrangement that we may enter into in connection with the subscription rights offering;

if applicable, a discussion of certain U.S. federal income tax considerations applicable to the issuance or exercise of such subscription rights; and

any other terms of such subscription rights, including exercise, settlement and other procedures and limitations relating to the transfer and exercise of such subscription rights.

Each subscription right will entitle the holder of the subscription right to purchase for cash or other consideration such amount of shares of common stock at such subscription price as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the subscription rights offered thereby. Subscription rights may be exercised as set forth in the prospectus supplement beginning on the date specified therein and continuing until the close of business on the expiration date for such subscription rights set forth in the prospectus supplement. After the close of business on the expiration date, all unexercised subscription rights will become void.

Upon receipt of payment and the subscription rights certificate properly completed and duly executed at the corporate trust office of the subscription rights agent or any other office indicated in the prospectus supplement we will forward, as soon as practicable, the shares of common stock purchasable upon such exercise. If less than all of the rights represented by such subscription rights certificate are exercised, a new subscription certificate will be issued for the remaining rights. Prior to exercising their subscription rights, holders of subscription rights will not have any of the rights of holders of the securities purchasable upon such exercise. To the extent permissible under applicable law, we may determine to offer any unsubscribed offered securities directly to persons other than stockholders, to or through agents, underwriters or dealers or through a combination of such methods, as set forth in the applicable prospectus supplement.

DESCRIPTION OF WARRANTS

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities. Such warrants may be issued independently or together with shares of common stock, preferred stock or debt securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

the title and aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

if applicable, the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock or preferred stock, the number of shares of common stock or preferred stock, as the case may be, purchasable upon exercise of one warrant and the price at which and the currency or currencies, including composite currencies, in which these shares may be purchased upon such exercise;

the date on which the right to exercise such warrants shall commence and the date on which such right will expire (subject to any extension);

whether such warrants will be issued in registered form or bearer form;

if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

the terms of any rights to redeem, or call such warrants;

information with respect to book-entry procedures, if any;

the terms of the securities issuable upon exercise of the warrants;

if applicable, a discussion of certain U.S. federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Each warrant will entitle the holder to purchase for cash such common stock or preferred stock at the exercise price or such principal amount of debt securities as shall in each case be set forth in, or be determinable as set forth in, the prospectus supplement relating to the warrants offered thereby. Warrants may be exercised as set forth in the prospectus supplement beginning on the date specified therein and continuing until the close of business on the expiration date set forth in the prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Upon receipt of payment and a warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, we will, as soon as practicable, forward the securities purchasable upon such exercise. If less than all of the warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

Prior to exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including, in the case of warrants to purchase debt securities, the right to receive principal, premium, if any, or interest payments, on the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture or, in the case of warrants to purchase common stock or preferred stock, the right to receive dividends or other distributions, if any, or payments upon our liquidation, dissolution or winding up or to exercise any voting rights.

Under the 1940 Act, we may generally only offer warrants provided that (1) the warrants expire by their terms within ten years, (2) the exercise or conversion price is not less than the current market value at the date of issuance, (3) the exercise or conversion price is not less than the then-current NAV per share of our common stock (unless the requirements of Section 63 of the 1940 Act are met), (4) our stockholders authorize the proposal to issue such warrants, and our board of directors approves such issuance on the basis that the issuance is in the best interests of WhiteHorse Finance and its stockholders and (5) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants, as well as options and rights, at the time of issuance may not exceed 25% of our outstanding voting securities.

DESCRIPTION OF OUR DEBT SECURITIES

We may issue additional debt securities in one or more series. The specific terms of each series of debt securities will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an indenture. An indenture is a contract between us and American Stock Transfer & Trust Company, LLC, a financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under Events of Default Remedies if an Event of Default Occurs. Second, the trustee performs certain administrative duties for us.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. For example, in this section, we use capitalized words to signify terms that are specifically defined in the indenture. We have filed the form of the indenture with the SEC. See Available Information for information on how to obtain a copy of the indenture.

A prospectus supplement, which will accompany this prospectus, will describe the particular terms of any series of debt securities being offered, including the following:

the designation or title of the series of debt securities;

the total principal amount of the series of debt securities;

the percentage of the principal amount at which the series of debt securities will be offered;

the date or dates on which principal will be payable;

the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;

the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;

the terms for redemption, extension or early repayment, if any;

the currencies in which the series of debt securities are issued and payable;

whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;

the place or places, if any, other than or in addition to the City of New York, of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued;

the provision for any sinking fund;

any restrictive covenants;

any Events of Default;

whether the series of debt securities are issuable in certificated form;

any provisions for defeasance or covenant defeasance;

if applicable, U.S. federal income tax considerations relating to original issue discount;

whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);

any provisions for convertibility or exchangeability of the debt securities into or for any other securities;

whether the debt securities are subject to subordination and the terms of such subordination;

the listing, if any, on a securities exchange; and

any other terms.

The debt securities may be secured or unsecured obligations. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

We are permitted, under specified conditions, to issue multiple classes of indebtedness if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any indebtedness and other senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see Risk Factors Risks Relating to Our Business and Structure 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.

General

The indenture provides that any debt securities proposed to be sold under this prospectus and the attached prospectus supplement (offered debt securities) and any debt securities issuable upon the exercise of warrants or upon conversion or exchange of other offered securities (underlying debt securities), may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt securities will include additional amounts if required by the terms of the debt securities.

The indenture does not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the indenture securities. The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See Resignation of Trustee section below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term indenture securities means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

We expect that we will issue debt securities in book-entry only form represented by global securities.

If any debt securities are convertible into shares of our common stock, the exercise price for such conversion will not be less than the NAV per share at the time of issuance of such debt securities (unless the majority of our board of directors determines that a lower exercise price is in the best interests of us and the stockholders, a majority of our stockholders (including stockholders who are not affiliated persons of us) have approved an issuance of common stock below the then-current NAV per share in the 12 months preceding the issuance and the exercise price closely approximates the market value of our common stock at the time the debt securities are issued).

Conversion and Exchange

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

Payment and Paying Agents

We will pay interest to the person listed in the applicable trustee s records as the owner of the debt security at the close of business on the record date, even if that person no longer owns the debt security on the interest due date. Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called accrued interest.

Payments on Global Securities

We will make payments on a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder s right to those payments will be governed by the rules and practices of the depositary and its participants.

Payments on Certificated Securities

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee s records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee in New York, New York and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, if the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request payment by wire, the holder must give the applicable trustee or other paying agent appropriate transfer instructions at least 15 business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Payment when Offices are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.

Events of Default

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term Event of Default in respect of the debt securities of your series means any of the following (unless the prospectus supplement relating to such debt securities states otherwise):

we do not pay the principal of, or any premium on, a debt security of the series on its due date, and do not cure this default within five days;

we do not pay interest on a debt security of the series when due, and such default is not cured within 30 days;

we do not deposit any sinking fund payment in respect of debt securities of the series on its due date, and do not cure this default within five days;

we remain in breach of a covenant in respect of debt securities of the series for 60 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of debt securities of the series;

we file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur and remain undischarged or unstayed for a period of 60 days;

on the last business day of each of 24 consecutive calendar months, we have an asset coverage of less than 100%; and

any other Event of Default in respect of debt securities of the series described in the applicable prospectus supplement occurs.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium or interest or in the payment of any sinking or purchase fund installment, if it considers the withholding of notice to be in the best interests of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. In certain circumstances, a declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an indemnity). If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

the holder must give your trustee written notice that an Event of Default has occurred and remains uncured;
the holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action;
the trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity; and
the holders of a majority in principal amount of the debt securities must not have given the trustee a direction inconsistent with the above notice during that 60 day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other than:

the payment of principal, any premium or interest; or
in respect of a covenant that cannot be modified or amended without the consent of each holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities, or else specifying any default.

Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We may also be permitted to sell all or substantially all of our assets to another entity. However, unless the prospectus supplement relating to certain debt securities states otherwise, we may not take any of these actions unless all the following conditions are met:

where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for our obligations under the debt securities;
immediately after giving effect to such transaction, no Default or Event of Default shall have happened and be continuing;
we must deliver certain certificates and documents to the trustee; and
we must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

Modification or Waiver

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

Changes Requiring Approval

First, there are changes that we cannot make to debt securities without specific approval of all of the holders. The following is a list of those types of changes:

- change the stated maturity of the principal of or interest on a debt security;
- reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a security following a default;

adversely affect any right of repayment at the holder s option;

change the place (except as otherwise described in the prospectus or prospectus supplement) or currency of payment on a debt security;

impair your right to sue for payment;

adversely affect any right to convert or exchange a debt security in accordance with its terms;

modify the subordination provisions in the indenture in a manner that is adverse to holders of the debt securities;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;

modify any other aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and

change any obligation we have to pay additional amounts.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

Changes Requiring Majority Approval

Any other change to the indenture and the debt securities would require the following approval:

if the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series; and

if the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under Changes Requiring Approval.

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

for original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default;

for debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that debt security described in the prospectus supplement; and

for debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described later under Defeasance Full Defeasance.

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Defeasance

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

Covenant Defeasance

Under current U.S. federal tax law, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. If applicable, you also would be released from the subordination provisions as described under the Indenture Provisions Subordination section below. In order to achieve covenant defeasance, we must do the following:

if the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates;

we must deliver to the trustee a legal opinion of our counsel confirming that, under current U.S. federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity; and

we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers certificate stating that all conditions precedent to covenant defeasance have been complied with.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit or the trustee is prevented from making payment. For example, if one of the remaining Events of Default occurred (such as our bankruptcy) and the debt securities became immediately due and payable, there might be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called full defeasance) if we put in place the following other arrangements for you to be repaid:

if the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

we must deliver to the trustee a legal opinion confirming that there has been a change in current U.S. federal tax law or an Internal Revenue Service, or IRS, ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity. Under current U.S. federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit; and

we must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers certificate stating that all conditions precedent to defeasance have been complied with.

If we ever did accomplish full defeasance, as described above, you would have to rely solely on the trust deposit for repayment of the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever became bankrupt or insolvent. If applicable, you would also be released from the subordination provisions described later under Indenture Provisions Subordination.

Form, Exchange and Transfer of Certificated Registered Securities

Holders may exchange their certificated securities, if any, for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their certificated securities, if any, at the office of their trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, if any, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder s proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

Resignation of Trustee

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions   Subordination

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Senior Indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Senior Indebtedness has been made or duly provided for in money or money s worth.

In the event that, notwithstanding the foregoing, any payment by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities before all Senior Indebtedness is paid in full, the payment or distribution must be paid over to the holders of the Senior Indebtedness or on their behalf for application to the payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Senior Indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed (other than indenture securities issued under the indenture and denominated as subordinated debt securities), unless in the instrument creating or evidencing the same or under which the same is outstanding it is provided that this indebtedness is not senior or prior in right of payment to the subordinated debt securities; and

renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Senior Indebtedness outstanding as of a recent date.

The Trustee under the Indenture

American Stock Transfer & Trust Company, LLC will serve as the trustee under the indenture.

Certain Considerations Relating to Foreign Currencies

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

Book-Entry Debt Securities

The Depository Trust Company, or DTC, will act as securities depository for the debt securities. The debt securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the debt securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC s participants, or Direct Participants, deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation, or DTCC.

DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, or Indirect Participants. DTC has Standard & Poor s rating: AA+. The DTC Rules applicable to its participants are on file with the SEC. More information about DTC can be found at *www.dtcc.com* and *www.dtc.org*.

Purchases of debt securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the debt securities on DTC s records. The ownership interest of each actual purchaser of each security, or the Beneficial Owner, is in turn to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the debt securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in debt securities, except in the event that use of the book-entry system for the debt securities is discontinued.

To facilitate subsequent transfers, all debt securities deposited by Direct Participants with DTC are registered in the name of DTC s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of debt securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the debt securities; DTC s records reflect only the identity of the Direct Participants to whose accounts such debt securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the debt securities within an issue are being redeemed, DTC s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the debt securities unless authorized by a Direct Participant in accordance with DTC s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co. s consenting or voting rights to those Direct Participants to whose accounts the debt securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the debt securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC s practice is to credit Direct Participants accounts upon DTC s receipt of funds and corresponding detail information from us or the trustee on the payment date in accordance with their respective holdings shown on DTC s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such Participant and not of DTC nor its nominee, the trustee, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the trustee, but disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the debt securities at any time by giving reasonable notice to us or to the trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered. We may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC s book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

REGULATION

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

Our board of directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a business development company, we are not generally able to issue and sell our common stock at a price below current NAV per share. We may, however, issue or sell our common stock, at a price below the current NAV of the common stock, or sell warrants, options or rights to acquire such common stock, at a price below the current NAV of the common stock if our board of directors determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount).

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an underwriter as that term is defined in the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations to the extent that we are permitted to engage in such hedging transactions without registering with the CFTC as a commodity pool operator. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investments. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than three percent of the voting stock of any registered investment company, invest more than five percent of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of investment companies. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies is fundamental, and all may be changed without stockholder approval.

Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company s total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which

issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the United States;

(b) is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

(c) satisfies any of the following:

does not have any class of securities listed on a national securities exchange or has any class of securities listed on a national securities exchange subject to a $250 million market capitalization maximum; or

is controlled by a business development company or a group of companies including a business development company, the business development company actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result, the business development company has an affiliated person who is a director of the eligible portfolio company.

(2) Securities of any eligible portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. Government securities or other high-quality debt securities maturing in one year or less from the time of investment.

The regulations defining and interpreting qualifying assets may change over time. We expect to adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

Managerial Assistance to Portfolio Companies

In addition, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Temporary Investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or other high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or may invest in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase

agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our Investment Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to five percent of the value of our total assets for temporary or emergency purposes without regard to asset coverage. We consolidate our financial results with those of WhiteHorse Warehouse for financial reporting purposes and measure our compliance with the leverage test applicable to business development companies under the 1940 Act on a consolidated basis. For a discussion of the risks associated with leverage, see Risk Factors 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.

Code of Ethics

We and WhiteHorse Advisers have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code s requirements. You may read and copy the code of ethics at the SEC s Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, each code of ethics is attached as an exhibit to the registration statement, and is available on the EDGAR Database on the SEC s Internet site at *http://www.sec.gov*. You may also obtain copies of each code of ethics, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC s Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to our Investment Adviser. The Proxy Voting Policies and Procedures of our Investment Adviser are set forth below. The guidelines are reviewed periodically by our Investment Adviser and our non-interested directors, and, accordingly, are subject to change. For purposes of these Proxy Voting Policies and Procedures described below, we our and us refers to our Investment Adviser.

Introduction

As an investment adviser registered under the Advisers Act, we have a fiduciary duty to act solely in the best interests of our clients. As part of this duty, we recognize that we must vote client securities in a timely manner free of conflicts of interest and in the best interests of our clients.

These policies and procedures for voting proxies for our investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

We vote proxies relating to our clients portfolio securities in what we perceive to be the best interest of our clients shareholders. We review on a case-by-case basis each proposal submitted to a shareholder vote to determine its impact on the portfolio securities held by our clients. In most cases, we will vote in favor of proposals that we believe are likely to increase the value of our clients portfolio securities. Although we will generally vote against proposals that may have a negative impact on our clients portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by the senior officers who are responsible for monitoring each of clients investments. To ensure that our vote is not the product of a conflict of interest, we require that: (1) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, we will disclose such conflicts, including to H.I.G. Capital, and may request guidance on how to vote such proxies.

Proxy Voting Records

You may obtain information without charge about how we voted proxies by making a written request for proxy voting information to: Investor Relations, 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131 or by calling us collect at (305) 381-6999.

Privacy Principles

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third party administrator).

We restrict access to non-public personal information about our stockholders to employees of our Investment Adviser and its affiliates with a legitimate business need for the information. We will maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

Under the 1940 Act, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to us or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person s office. We will be periodically examined by the SEC for compliance with the 1940 Act.

We and the Investment Adviser are each required to adopt and implement written policies and procedures reasonably designed to prevent violation of the U.S. federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

Other

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates, including the Investment Adviser, without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the prohibition on transactions by business development companies with affiliates to prohibit joint transactions among entities that share a common investment adviser. The staff of the SEC has granted no-action relief permitting purchases of a single class of privately placed securities provided that the adviser negotiates no term other than price and certain other conditions are met. Except in certain limited circumstances, we will be unable to invest in any issuer in which another account sponsored or managed by our Investment Adviser has previously invested.

On July 8, 2014, we received an exemptive relief order from the SEC, which permits us to participate in negotiated investments with our affiliates, subject to certain conditions. The exemptive relief order to co-invest with affiliated funds provides stockholders with access to a broader range of investment opportunities.

Our stockholders approved us to issue and sell our common stock during a 12-month period ending on July 31, 2015 at a price below then-current NAV per share. We may issue and sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current NAV per share of our common stock if our board determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale within the preceding 12 months. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board, closely approximates the market value of such securities (less any distributing commission or discount).

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act imposes a wide variety of new regulatory requirements on publicly held companies and their insiders. Many of these requirements affect us. For example:

pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer must certify the accuracy of the financial statements contained in our periodic reports;

pursuant to Item 307 of Regulation S-K under the Securities Act, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;

pursuant to Rule 13a-15 of the Exchange Act, beginning with our fiscal year ending December 31, 2013, our management must prepare an annual report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm beginning with the first fiscal year in which we do not qualify as an emerging growth company; and

pursuant to Item 308 of Regulation S-K under the Securities Act and Rule 13a-15 of the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance with that act.

JOBS Act

We are an emerging growth company, as defined in the JOBS Act signed into law in April 2012 until the earliest of:

the last day of our fiscal year ending December 31, 2017;

the last day of the fiscal year in which our total annual gross revenues first exceed $1 billion;

the date on which we have, during the prior three-year period, issued more than $1.0 billion in non-convertible debt; or

the last day of a fiscal year in which we (1) have an aggregate worldwide market value of our common stock held by non-affiliates of $700 million or more, computed at the end of each fiscal year as of the last business day of our most recently completed second fiscal quarter and (2) have been an Exchange Act reporting company for at least one year (and filed at least one annual report under the Exchange Act).

Under the JOBS Act, we are currently exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act, which would require that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. This may increase the risk that material weaknesses or other deficiencies in our internal control over financial reporting go undetected.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. While we are an emerging growth company, we are taking advantage of the extended transition period available to emerging growth companies to comply with new or revised accounting standards until those standards are applicable to private companies. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies.

Small Business Investment Company Regulations

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBIC regulations, SBICs may make loans to certain eligible small businesses, invest in the equity securities of such businesses and provide them with consulting and advisory services.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending or investing outside the United States, to businesses engaged in a few prohibited industries, and to certain passive (*i.e.*, non-operating) companies. In addition, without prior SBA approval, a SBIC may not invest an amount equal to more than approximately 30% of the SBIC s regulatory capital in any one company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by a SBIC in a portfolio company). Regulations adopted by the SBA allow a SBIC to exercise control over a small business for a period of up to seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA s prior written approval.

An SBIC (or group of SBICs under common control) may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately raised funds of the SBIC(s). Debentures guaranteed by the SBA have a maturity of ten years, require semi-annual payments of interest and do not require any principal payments prior to maturity.

The American Recovery and Reinvestment Act of 2009, or the 2009 Stimulus Bill, contains several provisions applicable to SBIC funds. One of the key SBIC-related provisions included in the 2009 Stimulus Bill increased the maximum amount of combined SBIC leverage, or the SBIC leverage cap, to $225 million for affiliated SBIC funds.

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBIC regulations in the following limited types of securities: (1) direct obligations of, or obligations guaranteed as to principal and interest by, the U.S. government, which mature within 15 months from the date of the investment; (2) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the U.S. federal government); (3) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (4) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (5) a checking account in a federally insured institution; or (6) a reasonable petty cash fund.

Neither the SBA nor the U.S. government or any of its agencies or officers has approved any ownership interest to be issued by us or any obligation that we or any of our subsidiaries may incur.

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BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we acquire and dispose of many of our investments in privately negotiated transactions, many of the transactions that we engage in will not require the use of brokers or the payment of brokerage commissions. No brokerage commissions have been paid in the past three fiscal years. Subject to policies established by our board of directors, our Investment Adviser is primarily responsible for selecting brokers and dealers to execute transactions with respect to the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. Our Investment Adviser does not expect to execute transactions through any particular broker or dealer but will seek to obtain the best net results for us under the circumstances, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm and the firm s risk and skill in positioning blocks of securities. Our Investment Adviser generally seeks reasonably competitive trade execution costs but will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements and consistent with Section 28(e) of the Exchange Act, our Investment Adviser may select a broker based upon brokerage or research services provided to our Investment Adviser and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if our Investment Adviser determines in good faith that such commission is reasonable in relation to the services provided.

TAX MATTERS

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our shares of common stock. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, traders in securities that elect to mark-to-market their securities holdings, pension plans and trusts, and financial institutions. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the IRS regarding any offering of our securities. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

A U.S. stockholder is a beneficial owner of shares of our common stock that is for U.S. federal income tax purposes:

a citizen or individual resident of the United States;

a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if either a U.S. court can exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or the trust was in existence on August 20, 1996, was treated as a U.S. person prior to that date, and has made a valid election to be treated as a U.S. person.

A Non-U.S. stockholder is a beneficial owner of shares of our common stock that is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partner in a partnership that will hold shares of our common stock should consult its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares of common stock will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty, and the effect of any possible changes in the tax laws.

Election to Be Taxed as a RIC

As a business development company, we have elected to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we timely distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, we must distribute to our stockholders, for each taxable year, an amount at least equal to 90% of our investment company taxable income, which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses, or the Annual Distribution Requirement.

Taxation as a RIC

If we:

- qualify as a RIC; and
- satisfy the Annual Distribution Requirement;

then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain, defined as net long-term capital gains in excess of net short-term capital losses, we distribute to stockholders. We will be subject to U.S. federal income tax at regular corporate rates on any net income or net capital gain not distributed to our stockholders. We may choose to retain our net capital gains or any investment company taxable income, and pay the associated U.S. federal corporate income tax, including the U.S. federal excise tax described below.

We will generally be subject to a 4% nondeductible U.S. federal excise tax on our undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income (taking into account certain deferrals and elections) for each calendar year, (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income or gains realized, but not distributed, in the preceding calendar year, or the Excise Tax Avoidance Requirement. For this purpose, however, any ordinary income or capital gain net income retained by us that is subject to corporate income tax in the taxable year ending within the relevant calendar year will be considered to have been distributed. We currently intend to make sufficient distributions to satisfy the Excise Tax Avoidance Requirement.

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- qualify to be treated as a business development company under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities, and net income derived from interests in qualified publicly traded partnerships (partnerships that are traded on an established securities market or tradable on a secondary market, other than partnerships that derive 90% of their income from interest, dividends and other permitted RIC income), or the 90% Income Test; and
- diversify our holdings, or the Diversification Tests, so that at the end of each quarter of the taxable year:
  - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
  - no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer or of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships.

We may invest in partnerships, including qualified publicly traded partnerships, which may result in our being subject to state, local or foreign income, franchise or withholding liabilities.

In addition, we are subject to ordinary income and capital gain net income distribution requirements under U.S. federal excise tax rules for each calendar year. If we do not meet the required distributions we will be subject to a 4% nondeductible federal excise tax on the undistributed amount. The failure to meet U.S. federal excise tax distribution requirements will not cause us to lose our RIC status. We currently intend to make sufficient distributions each taxable year to satisfy the U.S. federal excise tax distribution requirements.

Any underwriting fees paid by us are not deductible. We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with PIK interest or, in certain cases, with increasing interest rates or issued with warrants), we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (1) treat dividends that would otherwise constitute qualified dividend income as non-qualified dividend income, (2) treat dividends that would otherwise be eligible for the corporate dividends received deduction as ineligible for such treatment, (3) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (4) convert lower-taxed long-term capital gain into higher-taxed short-term capital gain or ordinary income, (5) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (6) cause us to recognize income or gain without a corresponding receipt of cash, (7) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (8) adversely alter the characterization of certain complex financial transactions and (9) produce income that will not be qualifying income for purposes of the 90% Income Test. We intend to monitor our transactions and may make certain tax elections to mitigate the effect of these provisions and prevent our disqualification as a RIC.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long term or short term, depending on how long we held a particular warrant.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain asset coverage tests are met. See Regulation Senior Securities. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our qualification as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

We generally invest in securities that have been rated below investment grade by independent rating agencies or that would be rated below investment grade if they were rated. Investments in these types of instruments may present special tax issues for us. U.S. federal income tax rules are not entirely clear about issues such as when we may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless instruments, how payments received on obligations in default should be allocated between principal and income and whether exchanges of debt obligations in a bankruptcy or workout context are taxable. These and other issues will be addressed by us to the extent necessary in order to seek to ensure that we distribute sufficient income such that we does not become subject to U.S. federal income or excise tax.

Some of the income and fees that we may recognize will not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees indirectly through one or more entities treated as corporations for U.S. federal income tax purposes. Such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce our return on such income and fees.

Failure to Qualify as a RIC

If we were unable to qualify for treatment as a RIC and are unable to cure the failure, for example, by disposing of certain investments quickly or raising additional capital to prevent the loss of RIC status, we would be subject to tax on all of our taxable income at regular corporate rates. The Regulated Investment Company Modernization Act of 2010 provides some relief from RIC disqualification due to failures of the source of income and asset diversification requirements, although there may be additional taxes due in such cases. We cannot assure you that we would qualify for any such relief should we fail the 90% Income Test or the Diversification Tests.

Should failure occur not only would all our taxable income be subject to tax at regular corporate rates, we would not be able to deduct distributions to stockholders in computing our taxable income, nor would they be required to be made. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as ordinary dividend income to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate stockholders would be eligible to claim a dividends received deduction with respect to such dividends, and non-corporate stockholders would generally be able to treat such dividends as qualified dividend income, which is subject to reduced rates of U.S. federal income tax. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder s tax basis in our shares, and any remaining distributions would be treated as a capital gain. If we fail to qualify as a RIC for a period greater than two taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (*i.e.*, the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next ten years.

The remainder of this discussion assumes that we qualify as a RIC and have satisfied the Annual Distribution Requirement.

Taxation of U.S. Stockholders

Distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our investment company taxable income (which is, generally, our net ordinary income plus net short-term capital gains in excess of net long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional shares of our common stock. To the extent such distributions paid by us to non-corporate stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations and if certain holding period requirements are met, such distributions generally will be treated as qualified dividend income and generally eligible for a maximum U.S. federal tax rate of either 15% or 20%, depending on whether the individual shareholder s income exceeds certain threshold amounts. In this regard, it is anticipated that distributions paid by us will generally not be attributable to dividends and, therefore, generally will not qualify for the preferential maximum U.S. federal tax rate.

Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as capital gain dividends will be taxable to a U.S. stockholder as long-term capital gains (currently generally at a maximum rate of either 15% or 20%, depending on whether the individual shareholder s income exceeds certain threshold amounts) in the case of individuals, trusts or estates, regardless of the U.S. stockholder s holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder s adjusted tax basis in such stockholder s common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder. Stockholders receiving dividends or distributions in the form of additional shares of our common stock purchased in the market should be treated for U.S. federal income tax purposes as receiving a distribution in an amount equal to the amount of money that the stockholders receiving cash dividends or distributions will receive, and should have a cost basis in the shares received equal to such amount. Stockholders receiving dividends in newly issued shares of our common stock will be treated as receiving a distribution equal to the value of the shares received, and should have a cost basis of such amount.

Although we currently intend to distribute any net long-term capital gains at least annually, we may in the future decide to retain some or all of our net long-term capital gains but designate the retained amount as a deemed distribution. In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include their share of the deemed distribution in income as if it had been distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal their allocable share of the tax paid on the deemed distribution by us. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder s tax basis for their common stock. Since we expect to pay tax on any retained capital gains at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder s other U.S. federal income tax obligations or may be refunded to the extent it exceeds a stockholder s liability for U.S. federal income tax. A stockholder that is not subject to U.S. federal income tax or otherwise required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a deemed distribution.

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following calendar year, will be treated as if it had been received by our U.S. stockholders on December 31 of the calendar year in which the dividend was declared.

If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares of our common stock will include the value of the distribution and the investor will be subject to tax on the distribution even though it represents a return of their investment.

A stockholder generally will recognize taxable gain or loss if the stockholder sells or otherwise disposes of their shares of our common stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held their shares of common stock for more than one year. Otherwise, it would be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. In such a case, the basis of the common stock acquired will be increased to reflect the disallowed loss.

In general, individual U.S. stockholders are subject to a maximum U.S. federal income tax rate of either 15% or 20% (depending on whether the individual U.S. stockholder s income exceeds certain threshold amounts) on their net capital gain, *i.e.*, the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year, including a long-term capital gain derived from an investment in our shares of common stock. Such rate is lower than the maximum federal income tax rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 35% rate also applied to ordinary income. Non-corporate stockholders with net capital losses for a taxable year (*i.e.*, net capital losses in excess of net capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of $3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a taxable year, but may carryback such losses for three years or carry forward such losses for five years.

We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder s taxable income for such year as ordinary income and as long-term capital gain. In addition, the U.S. federal tax status of each year s distributions generally will be reported to the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder s particular situation. Dividends distributed by us generally will not be eligible for the dividends-received deduction or the lower tax rates applicable to certain qualified dividends.

We may be required to withhold U.S. federal income tax (backup withholding) currently at a rate of 28% from all taxable distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual s taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder s U.S. federal income tax liability and may entitle such stockholder to a refund, provided that proper information is timely provided to the IRS.

If a U.S. stockholder recognizes a loss with respect to shares of our common stock of $2 million or more for an individual stockholder or $10 million or more for a corporate stockholder, the stockholder must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, stockholders of a RIC are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer s treatment of the loss is proper. U.S. stockholders should consult their tax advisors to determine the applicability of these regulations in light of their specific circumstances.

For taxable years beginning after December 31, 2012, an additional 3.8% Medicare tax will be imposed on certain net investment income (including ordinary dividends and capital gain distributions received from us and net gains from redemptions or other taxable dispositions of our shares) of U.S. individuals, estates and trusts to the extent that such person s modified adjusted gross income (in the case of an individual) or adjusted gross income (in the case of an estate or trust) exceed certain threshold amounts.

Taxation of Non-U.S. Stockholders

Whether an investment in the shares of our common stock is appropriate for a Non-U.S. stockholder will depend upon that person s particular circumstances. An investment in the shares of our common stock by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisors before investing in our common stock.

Distributions of our investment company taxable income to Non-U.S. stockholders (including interest income, net short-term capital gain or foreign-source dividend and interest income, which generally would be free of withholding if paid to Non-U.S. stockholders directly) will be subject to withholding of U.S. federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits unless the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder, in which case the distributions will generally be subject to U.S. federal income tax at the rates applicable to U.S. persons. In that case, we will not be required to withhold U.S. federal tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisors.

Under a provision that is scheduled to expire for taxable years of RICs beginning after December 31, 2014 (unless the provision is extended by the U.S. Congress), properly designated dividends received by a Non-U.S. stockholder generally are exempt from U.S. federal withholding tax when they (1) are paid in respect of our qualified net interest income (generally, our U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% stockholder, reduced by expenses that are allocable to such income), or (2) were paid in connection with our qualified short-term capital gains (generally, the excess of our net short-term capital gain over our long-term capital loss for such taxable year). There can be no assurance that this provision will be extended, if there is an extension, and depending on the circumstances, we may designate all, some or none of our potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a Non-U.S. stockholder must comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or an acceptable substitute or successor form). In the case of shares held through an intermediary, the intermediary could withhold even if we designate the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. stockholders should contact their intermediaries with respect to the application of these rules to their accounts.

Actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of our common stock, will not be subject to federal withholding tax and generally will not be subject to U.S. federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States or, in the case of an individual Non-U.S. stockholder, the stockholder is present in the United States for 183 days or more during the year of the sale or capital gain dividend and certain other conditions are met.

If we distribute our net capital gains in the form of deemed rather than actual distributions (which we may do in the future), a Non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder s allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return. For a corporate Non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate (or at a lower rate if provided for by an applicable treaty).

A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of U.S. federal income tax, may be subject to information reporting and backup withholding of U.S. federal income tax on dividends unless the Non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

As of July 1, 2014, we are required to withhold U.S. tax (at a 30% rate) on payments of taxable dividends and (effective January 1, 2017) redemption proceeds and certain capital gains made to certain non-U.S. entities that fail to comply (or be deemed compliant) with extensive new reporting and withholding requirements designed to inform the U.S. Department of the Treasury of U.S.-owned foreign investment accounts. Stockholders may be requested to provide additional information to us to enable us to determine whether withholding is required.

An investment in shares by a non-U.S. person may also be subject to U.S. federal estate tax. Non-U.S. persons should consult their own tax advisors with respect to the U.S. federal income tax, U.S. federal estate tax, withholding tax, and state, local and foreign tax consequences of acquiring, owning or disposing of our common stock.

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PLAN OF DISTRIBUTION

We may offer, from time to time, in one or more offerings or series, up to $500,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities in one or more underwritten public offerings, at-the-market offerings, negotiated transactions, block trades, best efforts or a combination of these methods. In addition, this prospectus relates to 7,826,284 shares of our common stock that may be sold by the selling stockholders identified under Selling Stockholders. We or the selling stockholders may sell the securities through underwriters or dealers, directly to one or more purchasers, including existing stockholders in a rights offering, through agents or through a combination of any such methods of sale. Any underwriter or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. A prospectus supplement or supplements will also describe the terms of the offering of the securities, including: the purchase price of the securities and the proceeds, if any, we will receive from the sale; any over-allotment options under which underwriters may purchase additional securities from us; any agency fees or underwriting discounts and other items constituting agents or underwriters compensation; the public offering price; any discounts or concessions allowed or re-allowed or paid to dealers; and any securities exchange or market on which the securities may be listed. Only underwriters named in the prospectus supplement will be underwriters of the securities offered by such prospectus supplement.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at prevailing market prices at the time of sale, at prices related to such prevailing market prices, or at negotiated prices; provided, however, that the offering price per share of our common stock, less any underwriting commissions or discounts, must equal or exceed the NAV per share of our common stock at the time of the offering except (1) in connection with a rights offering to our existing stockholders, (2) offerings completed within one year of the receipt of consent of the majority of our common stockholders or (3) under such circumstances as the SEC may permit. The price at which securities may be distributed may represent a discount from prevailing market prices.

In connection with the sale of the securities, underwriters or agents may receive compensation from us or from purchasers of the securities, for whom they may act as agents, in the form of discounts, concessions or commissions. Our common stockholders will indirectly bear such fees and expenses as well as any other fees and expenses incurred by us in connection with any sale of securities. Underwriters may sell the securities to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Underwriters, dealers and agents that participate in the distribution of the securities may be deemed to be underwriters under the Securities Act, and any discounts and commissions they receive from us and any profit realized by them on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. Any such underwriter or agent will be identified and any such compensation received from us will be described in the applicable prospectus supplement. The maximum aggregate commission or discount to be received by any member of the Financial Industry Regulatory Authority or independent broker-dealer will not be greater than 8% of the gross proceeds of the sale of securities offered pursuant to this prospectus and any applicable prospectus supplement. We may also reimburse the underwriter or agent for certain fees and legal expenses incurred by it.

Any underwriter may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price. Syndicate-covering or other short-covering transactions involve purchases of the securities, either through exercise of the over-allotment option or in the open market after the distribution is completed, to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a stabilizing or covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

Any underwriters that are qualified market makers on the NASDAQ Global Select Market may engage in passive market making transactions in our common stock on the NASDAQ Global Select Market in accordance with Regulation M under the Exchange Act, during the business day prior to the pricing of the offering, before the commencement of offers or sales of our common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker s bid, however, the passive market maker s bid must then be lowered when certain purchase limits are exceeded. Passive market making may stabilize the market price of the securities at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

We or the selling stockholders may sell securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

Unless otherwise specified in the applicable prospectus supplement, each class or series of securities will be a new issue with no trading market, other than our common stock, which is traded on the NASDAQ Global Select Market. We may elect to list any other class or series of securities on any exchanges, but we are not obligated to do so. We cannot guarantee the liquidity of the trading markets for any securities.

Under agreements that we may enter, underwriters, dealers and agents who participate in the distribution of shares of our securities may be entitled to indemnification by us against certain liabilities, including liabilities under the Securities Act, or contribution with respect to payments that the agents or underwriters may make with respect to these liabilities. Underwriters, dealers and agents may engage in transactions with, or perform services for, us in the ordinary course of business.

If so indicated in the applicable prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by certain institutions to purchase our securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which such contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases such institutions must be approved by us. The obligations of any purchaser under any such contract will be subject to the condition that the purchase of our securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and such other agents will not have any responsibility in respect of the validity or performance of such contracts. Such contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of such contracts.

We may enter into derivative transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third parties in such sale transactions will be underwriters and, if not identified in this prospectus, will be identified in the applicable prospectus supplement.

In order to comply with the securities laws of certain states, if applicable, our securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers.

CUSTODIAN, TRANSFER AND DISTRIBUTION PAYING AGENT AND REGISTRAR

Our securities are held under a custody agreement by The Bank of New York Mellon. The address of the custodian is: One Wall Street, New York, New York 10286. American Stock Transfer & Trust Company, LLC acts as our transfer agent, distribution paying agent and registrar. The principal business address of American Stock Transfer & Trust Company, LLC is 6201 15th Avenue, Brooklyn, New York 11219.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for WhiteHorse Finance by Dechert LLP, Washington, D.C. Dechert LLP also represents WhiteHorse Advisers.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

ADDITIONAL INFORMATION

We have filed with the SEC this prospectus, together with all amendments and related exhibits, under the Securities Act, with respect to the securities offered by this prospectus. The registration statement contains additional information about us and the securities being offered by this prospectus.

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

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WHITEHORSE FINANCE, INC.

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Part I. Financial Information

Item 1. Financial Statements

WhiteHorse Finance, Inc.

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

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Investments, at fair value (amortized cost $389,329 and $401,062, respectively)	$391,289	$403,500
Cash and cash equivalents	11,887	11,647
Restricted cash and cash equivalents	5,698	4,495
Interest receivable	2,725	2,702
Receivable from investments sold	4,750	
Deferred financing costs	4,391	4,004
Prepaid expenses and other receivables	437	494
Total assets	$421,177	$426,842
Liabilities		
Credit facility	$100,500	$105,500
Senior notes	30,000	30,000
Unsecured term loan	55,000	55,000
Distributions payable	5,319	5,319
Management fees payable	5,185	5,006
Accounts payable and accrued expenses	361	659
Total liabilities	196,365	201,484
Commitments and contingencies (See Note 7)		
Net assets		
Common stock, 14,982,857 shares issued and outstanding, par value $0.001 per share and 100,000,000 authorized	15	15
Paid-in capital in excess of par	228,731	228,731
Accumulated overdistributed net investment income	(5,903)	(5,918)
Accumulated realized gains on investments	645	728
Accumulated unrealized appreciation on investments	1,324	1,802
Total net assets	224,812	225,358
Total liabilities and total net assets	$421,177	$426,842
Number of shares outstanding	14,982,857	14,982,857
Net asset value per share	$15.00	$15.04

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

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

	Three months ended March 31,	
	2015	2014
Investment income		
Interest income	$10,511	$7,857
Fee income	100	393
Dividend income	660	
Total investment income	11,271	8,250
Expenses		
Interest expense	1,670	1,355
Base management fees	2,120	1,787
Performance-based incentive fees	1,333	151
Administrative service fees	329	325
General and administrative expenses	485	986
Total expenses, before fees waived	5,937	4,604
Base management fees waived		(344)
Total expenses, net of fees waived	5,937	4,260
Net investment income	5,334	3,990
Realized and unrealized (losses) gains on investments		
Net realized losses on investments	(83)	
Net change in unrealized (depreciation) appreciation on investments	(478)	2,380
Net realized and unrealized (losses) gains on investments	(561)	2,380
Net increase in net assets resulting from operations	$4,773	$6,370
Per common share data		
Basic and diluted earnings per common share	$0.32	$0.43
Distributions declared per common share	$0.36	$0.36
Basic and diluted weighted average common shares outstanding	14,982,857	14,982,728

See notes to the consolidated financial statements

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WhiteHorse Finance, Inc.

Consolidated Statements of Changes in Net Assets (Unaudited)

(in thousands, except share and per share data)

	Common Stock						
	Shares	Par amount	Paid-in Capital in Excess of Par	Accumulated Investment Income	Accumulated Realized Gains (Losses) on Investments	Accumulated Unrealized Appreciation (Depreciation) on Investments	Total Net Assets
Balance at December 31, 2013	14,977,056	$ 15	$ 228,646	$ (854)	$	$ (805)	$ 227,002
Stock issued in connection with dividend reinvestment plan	5,801		88				88
Net increase in net assets resulting from operations				3,990		2,380	6,370
Distributions declared				(5,319)			(5,319)
Balance at March 31, 2014	14,982,857	$ 15	$ 228,734	$ (2,183)	$	$ 1,575	$ 228,141
Balance at December 31, 2014	14,982,857	$ 15	$ 228,731	$ (5,918)	$ 728	$ 1,802	$ 225,358
Net increase in net assets resulting from operations				5,334	(83)	(478)	4,773
Distributions declared				(5,319)			(5,319)
Balance at March 31, 2015	14,982,857	$ 15	$ 228,731	$ (5,903)	$ 645	$ 1,324	$ 224,812

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

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

	Three months ended March 31,	
	2015	2014
Cash flows from operating activities		
Net increase in net assets resulting from operations	$4,773	$6,370
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Paid in kind income	(314)	(290)
Net realized losses on investments	83	
Net unrealized depreciation (appreciation) on investments	478	(2,380)
Accretion of discount	(254)	(204)
Amortization of deferred financing costs	176	148
Acquisition of investments	(26,475)	(16,623)
Proceeds from principal payments and sales of portfolio investments	38,693	5,074
Net changes in operating assets and liabilities:		
Interest receivable	(23)	(326)
Prepaid expenses and other receivables	57	(62)
Receivable from investments sold	(4,750)	
Payable for investments purchased		(16,883)
Management fees payable	179	(752)
Accounts payable and accrued expenses	(298)	354
Restricted cash and cash equivalents	(1,203)	(11,365)
Net cash provided by (used in) operating activities	11,122	(36,939)
Cash flows from financing activities		
Proceeds from borrowings under credit facility	6,000	
Repayment of borrowings under credit facility	(11,000)	(25,000)
Deferred financing costs	(563)	
Distributions paid to common stockholders, net of distributions reinvested	(5,319)	(5,229)
Net cash used in financing activities	(10,882)	(30,229)
Net change in cash and cash equivalents	240	(67,168)
Cash and cash equivalents at beginning of period	11,647	92,905
Cash and cash equivalents at end of period	$11,887	$25,737
Supplemental disclosure of cash flow information:		
Interest paid	$1,471	$1,202
Supplemental noncash disclosures:		
Dividends reinvested	$	$88

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (Unaudited)
March 31, 2015
(in thousands)

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (Unaudited) (continued) March 31, 2015 *(in thousands)*

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (Unaudited) (continued) March 31, 2015 *(in thousands)*

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WhiteHorse Finance, Inc.

Consolidated Schedule of Investments (Unaudited) (continued) March 31, 2015 *(in thousands)*

(1) All investments are non-controlled/non-affiliate investments as defined by the Investment Company Act of 1940, as amended (the 1940 Act). Except as otherwise noted, the investments provide collateral for the Credit Facility.

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

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

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

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

(6) Investment does not provide collateral for the Credit Facility.

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

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

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

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

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

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WhiteHorse Finance, Inc.

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

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

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

(1) All investments are non-controlled/non-affiliate investments as defined by the 1940 Act. Except as otherwise noted, the investments provide collateral for the Credit Facility.

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

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

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

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See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 1 ORGANIZATION

WhiteHorse Finance, Inc. (WhiteHorse Finance and, together with its subsidiaries, the Company) is an externally managed, non-diversified, closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, for tax purposes, WhiteHorse Finance elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code).

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

The Company s investment objective is to generate attractive risk-adjusted returns primarily by originating and investing in senior secured loans, including first lien and second lien facilities, to performing small-cap companies across a broad range of industries that typically carry a floating interest rate based on the London Interbank Offered Rate (LIBOR). It may also opportunistically make investments at other levels of a company s capital structure, including mezzanine loans or equity interests and may receive warrants to purchase common stock in connection with its debt investments.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and include WhiteHorse Finance, Inc., its wholly owned subsidiary, WhiteHorse Finance Warehouse, LLC, and its subsidiary, Bayside Financing S.A.R.L. All significant intercompany balances and transactions and have been eliminated. Additionally, the accompanying consolidated financial statements and related financial information have been prepared pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. This Form 10-Q should be read in conjunction with the Company s annual report on Form 10-K for the year ended December 31, 2014. The current period s results of operations will not necessarily be indicative of results that ultimately may be achieved for the year ending December 31, 2015.

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

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

market participant who holds the financial instrument. Therefore, when market assumptions are not readily available, the Company s own assumptions are set to reflect those that management believes market participants would use in pricing the financial instrument at the measurement date.

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

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

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

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

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

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

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

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

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

Non-accrual: Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected. The Company may conclude that non-accrual status is not required if the loan has sufficient collateral value and is in the process of collection. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management s judgment, are likely to remain current. As of March 31, 2015 and December 31, 2014, the Company had no non-accrual loans.

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WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Recent Accounting Pronouncements: During April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, containing new guidance that will require debt issuance costs related to a recognized debt liability of a reporting entity to be presented in the statement of assets and liabilities as a direct reduction from the carrying amount of such debt liability. This guidance is effective for annual and interim periods beginning on or after December 15, 2015. The Company is currently evaluating the impact of adopting this ASU on the consolidated financial statements.

During February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis*, which amends the consolidation requirements set forth under ASC Topic 810. Under this revised standard, greater emphasis is placed on risk of loss when determining a controlling financial interest. This standard also amends how variable interests held by a reporting entity s related parties affect the reporting entity s consolidation conclusion. The amendments made by ASU 2015-02 are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The Company is currently evaluating the impact of adopting this ASU on the consolidated financial statements.

NOTE 3 INVESTMENTS

Investments consisted of the following:

	March 31, 2015		December 31, 2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
First lien secured loans	$ 204,339	$ 205,034	$ 218,882	$ 220,038
Second lien secured loans	164,870	165,155	162,060	162,252
Equity	20,120	21,100	20,120	21,210
Total	$ 389,329	$ 391,289	$ 401,062	$ 403,500

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 3 INVESTMENTS (continued)

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

	March 31, 2015			December 31, 2014		
Auto Parts & Equipment	$		%	$ 1,975	0.49	%
Broadcasting	14,880	3.80		14,865	3.68	
Cable & Satellite	7,028	1.80		7,007	1.74	
Consumer Finance	44,115	11.27		44,164	10.95	
Data Processing & Outsourced Services	35,572	9.09		35,716	8.85	
Diversified Support Services	28,558	7.30		22,018	5.46	
Electronic Equipment & Instruments	9,707	2.48		9,623	2.38	
Food Retail	17,642	4.51		15,067	3.73	
Health Care Distributors	21,640	5.53		22,173	5.50	
Health Care Facilities	58,210	14.88		58,690	14.54	
Health Care Technology	21,756	5.56		30,157	7.47	
Homebuilding	16,133	4.12		16,175	4.01	
Home Furnishing Retail				4,975	1.23	
Human Resource & Employment Services				3,862	0.96	
Integrated Telecommunication Services	11,969	3.06		11,945	2.96	
Internet Software & Services				9,870	2.45	
Metal & Glass Containers	3,009	0.77		3,018	0.75	
Oil & Gas Drilling	8,760	2.24		9,291	2.30	
Oil & Gas Exploration & Production	13,735	3.51		13,635	3.38	
Oil & Gas Storage & Transportation	1,897	0.48		1,994	0.49	
Other Diversified Financial Services	27,319	6.98		17,253	4.28	
Specialized Consumer Services	18,054	4.61		17,964	4.45	
Specialized Finance	23,835	6.09		24,615	6.10	
Trucking	7,470	1,92		7,448	1.85	
Total	$ 391,289	100.00	%	$ 403,500	100.00	%

The portfolio companies underlying the investments are located in the United States. As of March 31, 2015 and December 31, 2014, the weighted average remaining term of the Company s debt investments was approximately 4.2 years and 4.5 years, respectively.

NOTE 4 FAIR VALUE MEASUREMENTS

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

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

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

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 4   FAIR VALUE MEASUREMENTS   (continued)

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

A review of the fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. During the three months ended March 31, 2015, there were no changes in the observability of valuation inputs that would have resulted in a reclassification of assets between any levels. During the three months ended March 31, 2014, changes in the observability of valuation inputs resulted in the reclassification of one asset from Level 3 to Level 2, with no other reclassification between levels.

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

The following table presents investments (as shown on the consolidated schedule of investments) that were measured at fair value as of March 31, 2015:

	Level 1	Level 2	Level 3	Total
First lien secured loans	$	$	$ 205,034	$ 205,034
Second lien secured loans			165,155	165,155
Equity			21,100	21,100
Total investments	$	$	$ 391,289	$ 391,289

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

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

The following table presents the changes in investments measured at fair value using Level 3 inputs for the three months ended March 31, 2015:

	First Lien Secured Loans	Second Lien Secured Loans	Equity	Total Investments
Balance at December 31, 2014	$ 220,038	$ 162,252	$ 21,210	$ 403,500
Funding of investments	19,050	7,425		26,475
Non-cash interest income	136	178		314
Accretion of discount	139	115		254
Proceeds from pay downs and sales	(33,943)	(4,750)		(38,693)
Net realized gains (losses)	77	(160)		(83)
Net unrealized (depreciation) appreciation	(463)	95	(110)	(478)
Balance at March 31, 2015	$ 205,034	$ 165,155	$ 21,100	$ 391,289

The following table presents the changes in investments measured at fair value using Level 3 inputs for the three months ended March 31, 2014:

	First Lien Secured Loans	Second Lien Secured Loans	Equity	Total Investments
Balance at December 31, 2013	$ 141,059	$ 131,380	$	$ 272,439
Funding of investments	9,700	4,900		14,600
Non-cash interest income	115	175		290
Accretion of discount	107	98		205
Proceeds from pay downs and sales	(5,074)			(5,074)
Net unrealized appreciation	572	1,552		2,124
Transfers out of Level 3		(17,102)		(17,102)
Balance at March 31, 2014	$ 146,479	$ 121,003	$	$ 267,482

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

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

Investment Type	Fair Value at March 31, 2015	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
First lien secured loans	$ 123,945	Discounted cash flows	Discount rate	8.8% 17.2% (12.2%)
			Exit multiple	5.5x 9.5x (6.5x)
	9,800	Consensus pricing	Market quotes	98.0
	71,289	Weighting of discounted cash flows and consensus pricing	Discount rate	7.4% 15.1% (10.8%)
			Market quotes	91.0 100.1 (97.2)
			Exit multiple	3.8x 9.5x (8.9x)
	$ 205,034			
Second lien secured loans	$ 78,317	Discounted cash flows	Discount rate	10.5% 14.6% (13.2%)
			Exit multiple	5.0x 6.5x (5.9x)
	86,838	Weighting of discounted cash flows and consensus pricing	Discount rate	10.2% 13.6% (11.2%)
			Market quotes	79.9 101.0 (96.5)
			Exit multiple	5.0x 8.5x (6.1x)
	$ 165,155			
Equity	$ 20,000	Discounted cash flows	Discount rate	11.4%
	1,100	Black-Scholes model	Volatility	25.0%
	$ 21,100			
Total Level 3 investments	$ 391,289			

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

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 4 FAIR VALUE MEASUREMENTS (continued)

The availability of observable inputs can vary depending on the financial instrument and is affected by a wide variety of factors, including, for example, the nature of the instrument, whether the instrument is traded on an active exchange or in the secondary market and the current market conditions. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires a greater degree of judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for financial instruments classified as Level 3.

The determination of fair value using the selected methodologies takes into consideration a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public and private exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment, compliance with agreed upon terms and covenants, and assessment of credit ratings of an underlying borrower. These valuation methodologies involve a significant degree of judgment to be exercised.

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

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

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

		March 31, 2015		December 31, 2014	
	Fair Value Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Credit facility	3	$ 100,500	$ 105,328	$ 105,500	$ 109,231
Senior notes	2	30,000	30,267	30,000	30,017
Unsecured term loan	3	55,000	54,072	55,000	54,442
		$ 185,500	$ 189,667	$ 190,500	$ 193,690

NOTE 5 BORROWINGS

In accordance with the 1940 Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, as defined in the 1940 Act, is at least 200% after giving effect to such borrowing. As of March 31, 2015, the Company s asset coverage for borrowed amounts was 221.2%.

Credit Facility: On September 27, 2012, the Company entered into a $150,000 revolving credit and security agreement with Natixis, New York Branch, acting as facility agent (the Credit Facility). On August 13, 2014, the Company amended the terms of its Credit Facility to (a) extend the reinvestment period

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 5 BORROWINGS (continued)

from September 27, 2014 to March 27, 2015, with the option to extend the reinvestment period by an additional six months to September 27, 2015, (b) extend the final maturity date from September 27, 2020 to September 27, 2021, (c) increase the borrowing capacity under certain conditions by reducing certain concentration limitations, (d) reduce the commitment fee from 1.00% to 0.75% and (e) include an accordion feature which allows for the expansion of the borrowing limit up to $200,000 subject to consent from the lenders and other customary conditions. On March 12, 2015, the Company exercised its option to extend the reinvestment period from March 27, 2015 to September 27, 2015.

The Credit Facility bears interest at the daily commercial paper rate plus 2.25% on outstanding borrowings. The Company also incurs a commitment fee of 0.75% per annum on any undrawn balance. The Credit Facility is secured by all of the assets held by WhiteHorse Warehouse. In connection with this agreement, WhiteHorse Finance Warehouse, LLC pledged securities with a fair value of $351,498 and $357,678, respectively, as of March 31, 2015 and December 31, 2014, as collateral for the Credit Facility. The Credit Facility has a final maturity date of September 27, 2021. Under the Credit Facility, the Company has made certain customary representations and warranties and is required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities.

The Credit Facility includes usual and customary events of default for credit facilities of this nature. At March 31, 2015, the Company had $100,500 outstanding borrowings and $49,500 undrawn under the Credit Facility. At December 31, 2014, the Company had $105,500 outstanding borrowings and $44,500 undrawn under the Credit Facility. Weighted average outstanding borrowings were $104,611 and $1,944 at weighted average interest rates of 2.55% and 2.54% for the three months ended March 31, 2015 and 2014, respectively. The Company s ability to draw down undrawn funds under the Credit Facility is determined by collateral and portfolio quality requirements stipulated in the credit and security agreement. At March 31, 2015 and December 31, 2014, $49,500 and $44,500, respectively, were available to be drawn by the Company based on these requirements.

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

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

Under the terms of the amended unsecured term loan, with respect to which the Company pledged no collateral to the lenders, the Company is required to pay interest monthly at the annual rate, except at its option and under certain other circumstances at one of several other interest rates. The unsecured term loan is

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 5 BORROWINGS (continued)

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

NOTE 6 RELATED PARTY TRANSACTIONS

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

determines the composition of the investment portfolio, the nature and timing of the changes to the portfolio and the manner of implementing such changes;

identifies, evaluates and negotiates the structure of the investments the Company makes (including performing due diligence on the Company s prospective portfolio companies); and

closes, monitors and administers the investments the Company makes, including the exercise of any voting or consent rights.

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

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

Base Management Fee

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

WhiteHorse Advisers agreed to waive that portion of the base management fee payable with respect to cash and cash equivalents and restricted cash and cash equivalents to which it would otherwise be entitled under the Investment Advisory Agreement for the fiscal quarters ended December 31, 2013 and March 31, 2014; and for the fiscal quarter ended June 30, 2014 only to the extent that the determination of base management fees would otherwise include March 31, 2014 cash and cash equivalents and restricted cash and cash equivalents for the purpose of calculating the average carrying value of consolidated gross assets. The waived fees are not subject to recoupment by the Investment Adviser.

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 6 RELATED PARTY TRANSACTIONS (continued)

During the three months ended March 31, 2015 and 2014, the Company incurred base management fees of $2,120 and $1,443, respectively, net of fees waived.

Performance-based Incentive Fee

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

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

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

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

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

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 6 RELATED PARTY TRANSACTIONS (continued)

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

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

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

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

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

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 6 RELATED PARTY TRANSACTIONS (continued)

Because of the structure of the incentive fee, it is possible that the Company may pay an incentive fee in a quarter where it incurs a loss subject to the Incentive Fee Cap and Deferral Mechanism. For example, if the Company receives Pre-Incentive Fee Net Investment Income in excess of the Hurdle Rate, it will pay the applicable incentive fee even after incurring a loss in that quarter due to realized and unrealized capital losses.

During the three months ended March 31, 2015 and 2014, the Company incurred performance-based incentive fees of $1,327 and $151, respectively.

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

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

During the three months ended March 31, 2015 and 2014, the Company incurred allocated administrative service fees of $329 and $325, respectively.

Co-investments with Related Parties: At March 31, 2015 and December 31, 2014, certain officers or employees affiliated with or employed by WhiteHorse Advisers and its related entities maintained co-investments in the Company s investments of $115 and $139, respectively.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Commitments: The Company had outstanding commitments to fund investments totaling $19,500 and $20,500 as of March 31, 2015 and December 31, 2014, respectively.

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

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

NOTE 7 COMMITMENTS AND CONTINGENCIES (continued)

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

NOTE 8 FINANCIAL HIGHLIGHTS

The following is a schedule of financial highlights:

	Three months ended March 31,	
	2015	2014
Per share data:[1]		
Net asset value, beginning of period	$15.04	$15.16
Net investment income	0.36	0.27
Net realized and unrealized (losses) gains on investments	(0.04)	0.16
Net increase in net assets resulting from operations	0.32	0.43
Distributions declared	(0.36)	(0.36)
Net asset value, end of period	$15.00	$15.23
Total annualized return based on market value[2]	30.55%	(27.91)%
Total annualized return based on net asset value	8.48%	11.25%
Net assets, end of period	$224,786	$228,141
Per share market value at end of period	$12.42	$14.07
Shares outstanding end of period	14,982,857	14,982,857
Ratios/Supplemental Data:[3]		
Ratio of expenses before incentive fees to average net assets	8.28%	7.26%
Ratio of incentive fees to average net assets	2.37%	0.26%
Ratio of total expenses to average net assets	10.65%	7.52%
Ratio of net investment income to average net assets	9.48%	7.05%
Portfolio turnover ratio	6.66%	1.81%

[1] Calculated using the average shares outstanding method.

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

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

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

The Company did not waive any base management fees during the three months ended March 31, 2015. During the three months ended March 31, 2014, WhiteHorse Advisers irrevocably waived $344 of base management fees. Had WhiteHorse Advisers not waived these fees, the annualized ratios of expense without incentive fees, incentive fees and total expenses to average net assets would have been 7.83%, 0.00% and 7.83%, respectively, for the three months ended March 31, 2014.

WhiteHorse Finance, Inc.

Notes to Consolidated Financial Statements (Unaudited) March 31, 2015 *(in thousands, except share and per share data)*

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

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

	Three months ended March 31,	
	2015	2014
Net increase in net assets resulting from operations	$4,747	$6,370
Weighted average shares outstanding	14,982,857	14,982,728
Basic and diluted per share net increase in net assets resulting from operations	$0.32	$0.43

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
WhiteHorse Finance, Inc.

We have audited the accompanying consolidated statements of assets and liabilities, including the consolidated schedules of investments, of WhiteHorse Finance, Inc. (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of December 31, 2014 and 2013, by correspondence with the custodian, loan agent, or borrower and other auditing procedures where replies were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of its operations, the changes in its net assets, and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Crowe Horwath LLP
Crowe Horwath LLP
New York, New York

March 5, 2015

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WhiteHorse Finance, Inc.

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

	December 31, 2014	December 31, 2013
Assets		
Investments, at fair value (amortized cost $401,062 and $272,608, respectively)	$403,500	$272,439
Cash and cash equivalents	11,647	92,905
Restricted cash and cash equivalents	4,495	3,078
Interest receivable	2,702	1,585
Deferred financing costs	4,004	3,827
Prepaid expenses and other receivables	494	319
Total assets	$426,842	$374,153
Liabilities		
Credit facility	$105,500	$25,000
Senior notes	30,000	30,000
Unsecured term loan	55,000	55,000
Distributions payable	5,319	5,317
Management fees payable	5,006	2,831
Payable for investments purchased		28,606
Accounts payable and accrued expenses	659	397
Total liabilities	201,484	147,151
Commitments and contingencies (See Note 7)		
Net assets		
Common stock, 14,982,857 and 14,977,056 shares issued and outstanding, par value $0.001 per share and 100,000,000 authorized	15	15
Paid-in capital in excess of par	228,731	228,646
Accumulated overdistributed net investment income	(5,918)	(854)
Net realized gains on investments	728	
Net unrealized appreciation (depreciation) on investments	1,802	(805)
Total net assets	225,358	227,002
Total liabilities and total net assets	$426,842	$374,153
Number of shares outstanding	14,982,857	14,977,056
Net asset value per share	$15.04	$15.16

See notes to the consolidated financial statements

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WhiteHorse Finance, Inc.

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

	Years ended December 31,		
	2014	2013	2012
Investment income			
Interest income	$35,148	$34,155	$42,495
Fee income	1,604	3,462	2,298
Dividend income	794		
Total investment income	37,546	37,617	44,793
Expenses			
Interest expense	5,818	5,341	1,131
Base management fees	7,557	5,059	306
Performance-based incentive fees	3,387	4,800	
Administrative service fees	1,510	1,173	109
Organization costs			406
General and administrative expenses	2,720	2,182	640
Total expenses, before fees waived	20,992	18,555	2,592
Base management fees waived	(447)	(248)	
Total expenses, net of fees waived	20,545	18,307	2,592
Net investment income	17,001	19,310	42,201
Realized and unrealized gains (losses) on investments			
Net realized losses on investments	(64)		(2,754)
Net change in unrealized appreciation (depreciation) on investments	2,607	(280)	111
Net realized and unrealized gains (losses) on investments	2,543	(280)	(2,643)
Net increase in net assets resulting from operations	$19,544	$19,030	$39,558
Per Common Share Data			
Basic and diluted earnings per common share[1]	$1.30	$1.27	N/A
Dividends and distributions declared per common share[1]	$1.42	$1.42	N/A
Basic and diluted weighted average common shares outstanding[1]	14,982,825	14,971,324	N/A

[1] Prior to December 4, 2012, the Company did not have common shares outstanding and therefore weighted average shares outstanding information and per share data for the year ended December 31, 2012 are not provided.

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

Consolidated Statements of Changes in Net Assets *(in thousands, except share and per share data)*

	Members Equity	Common Stock		Paid-in Capital in Excess of Par	Net Investment Income	Net Realized Losses on Investments	Net Unrealized Depreciation (Appreciation) on Investments	Total Net Assets
		Shares	Par amount					
Balance at January 1, 2012	$		$	$	$	$	$	$
Contributions of members equity	359,753							359,753
Distributions of members equity	(267,826)							(267,826)
Net increase in net assets resulting from operations	37,396							37,396
BDC Conversion	(129,323)	7,826,284	8	129,315				
Issuance of common stock		7,139,340	7	107,083				107,090
Common stock offering costs				(7,910)				(7,910)
Net increase (decrease) in net assets resulting from operations					2,687		(525)	2,162
Distributions declared					(1,616)			(1,616)
Tax reclassification of stockholders equity				(22)	93	(71)		
Balance at December 31, 2012	$	14,965,624	$15	$228,466	$1,164	$(71)	$(525)	$229,049
Stock issued in connection with dividend reinvestment plan		11,432		180				180
Net increase (decrease) in net assets resulting from operations					19,310		(280)	19,030
Distributions declared					(21,257)			(21,257)
Tax reclassification of stockholders equity					(71)	71		
Balance at December 31, 2013	$	14,977,056	$15	$228,646	$(854)	$	$(805)	$227,002
Stock issued in connection with dividend reinvestment		5,801		88				88

plan								
Net increase (decrease) in net assets resulting from operations					17,001	(64)	2,607	19,544
Distributions declared					(21,276)			(21,276)
Tax reclassification of stockholders equity				(3)	(789)	792		
Balance at December 31, 2014	$	14,982,857	$15	$228,731	$(5,918)	$728	$1,802	$225,358

See notes to the consolidated financial statements

WhiteHorse Finance, Inc.

Consolidated Statements of Cash Flows
(in thousands)

	Years ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net increase in net assets resulting from operations	$19,544	$19,030	$39,558
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Paid in kind income	(1,442)	(774)	(5,510)
Net realized losses on investments	64		2,754
Net unrealized (appreciation) depreciation on investments	(2,607)	280	(111)
Accretion of discount	(1,291)	(1,679)	(7,009)
Amortization of deferred financing costs	633	606	114
Acquisition of investments	(261,021)	(259,233)	(80,062)
Proceeds from principal payments and sales of portfolio investments	135,236	169,455	114,709
Net changes in operating assets and liabilities:			
Interest receivable	(1,117)	(111)	(2,388)
Prepaid expenses and other receivables	(175)	48	(367)
Payable for investments purchased	(28,606)	28,606	
Management fees payable	2,175	2,525	306
Accounts payable and accrued expenses	262	(664)	1,061
Restricted cash and cash equivalents	(1,417)	28,568	