

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of WhiteHorse Capital Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (214) 855-2999. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

WhiteHorse Capital Partners, L.P. is a Registered Investment Adviser. Registration with United States Securities and Exchange Commission or any state securities authority does not mean nor imply any special skill, training or qualification on the part of the Adviser.

Additional information about WhiteHorse Capital Partners, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Part 2 of WhiteHorse Capital Partners, LLC's Form ADV was last updated March 31, 2010. This current version is different in all respects, as new SEC rules mandate that the Form ADV Part 2 be rewritten with new information in an entirely new format. We encourage everyone to read this Form ADV Part 2A in its entirety.

Table of Contents

1. Advisory Business	2
2. Fees and Compensation	3
3. Performance-Based Fees and Side-By-Side Management	5
4. Types of Clients	5
5. Methods of Analysis, Investment Strategies and Risk of Loss	5
6. Disciplinary Information	7
7. Other Financial Industry Activities and Affiliations	7
8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	7
9. Brokerage Practices	8
10. Review of Accounts	8
11. Client Referrals and Other Compensation	9
12. Custody	9
13. Investment Discretion	10
14. Voting Client Securities	10
15. Financial Information	10

1. Advisory Business

Our firm, WhiteHorse Capital Partners, LP, was founded in 2003. We specialize in managing investments in the high-yield and credit markets, principally through collateralized loan obligation ("CLO") structures. As of August 31, 2011, we manage five CLOs with aggregate assets under management of approximately \$1.1 billion. We also manage two private investment hedge funds, WhiteHorse Credit Fund I, L.P. and WhiteHorse Credit Fund Offshore I, Ltd., with aggregate assets under management of approximately \$33 million. For purposes of reporting our assets under management with the CLOs and hedge funds, we include the value of all loans held by these private funds.

Our owners are Jay Carvell (33.3%), Jarred Worley (33.3%) and Ethan Underwood (33.3%). WhiteRock Asset Advisors, LLC is the general partner of our firm and is also owned equally by Jay Carvell, Jarred Worley and Ethan Underwood (33.3% each).

We provide asset selection and portfolio management services, as well as administrative services for the hedge funds and CLO structures managed by us. The assets we select for investments for both the CLO structures and the hedge funds that we manage are focused in the high yield space, particularly the senior leverage loan market.

Operating agreements and indentures for the five CLOs and the hedge funds managed by our firm generally impose various asset-specific investment restrictions, such as minimum asset size, minimum coupon, and maturity. The governing documents also create portfolio composition restrictions focused on overall credit quality and portfolio diversification. Part of our role as advisor is managing the investments to maintain compliance with these limitations and restrictions.

We do not participate in any wrap fee programs.

Aside from the restrictions and limitations of the governing documents, we have sole discretion over the management and investment allocation for the CLO structures and the hedge fund clients.

2. Fees and Compensation

CLO Funds

Our firm receives compensation from our CLO fund clients based both on the percentage of assets we manage and, for some clients, on performance achieved for our clients' accounts.

Management fees are based on the average assets under management for the payment period. WhiteHorse I, Ltd., WhiteHorse II, Ltd., WhiteHorse III, Ltd., and WhiteHorse IV, Ltd. pay a management fee equal to 0.50% on an annual basis. WhiteHorse V, Ltd. pays a management fee equal to 0.20% on an annual basis. Management fees are paid on a quarterly basis in arrears.

We also receive performance fees from certain CLO clients. WhiteHorse II, Ltd., WhiteHorse III, Ltd., and WhiteHorse IV, Ltd. pay a performance fee equal to 20.0% of all distributions to the preferred shares above a stated target internal rate of return of 12.0%. We receive performance fees on a quarterly basis in arrears.

We will earn a performance fee of approximately 40 basis points from WhiteHorse V, Ltd. upon final payment date, if principal losses in the portfolio are less than 2.5% of the initial par amount of the portfolio.

As of December 31, 2010, we had not received performance fees from any CLO clients.

Management and performance fees are deducted from clients' assets.

Our fees are not negotiable.

Credit Funds

We receive compensation from our hedge fund clients based both on the percentage of assets we manage and on performance achieved for their accounts. We charge hedge fund client a quarterly asset-based fee equal to 0.5% of each of its investor's capital accounts, paid quarterly in advance. We also charge a performance-based profit allocation equal to 20% of

each investor's annual net realized and unrealized profits, subject to a "loss carryforward" or "high water mark" limitation. This means we only receive a performance profit allocation when an investor's account value for the year has recovered any losses from all prior years.

Management and performance fees are deducted from clients' assets.

Our fees are not negotiable.

In connection with our advisory services, each of our funds, and consequently the investors in each of our funds, bears all of its own organizational and operational expenses, including:

- legal fees (including settlement costs),
- costs of any litigation or investigation involving our clients' activities,
- accounting costs (including tax preparation and audit expenses),
- administration costs,
- insurance,
- costs associated with reporting and providing information to existing and potential investors,
- any governmental fees imposed on our client, and
- withholding and/or transfer taxes.

Each of our clients, and consequently investors in each of our clients, also bears all of its investment-related expenses, such as:

- interest and commitment fees on loans and debit balances,
- custodial fees,
- brokerage commissions,
- trade processing fees, including clearing and settlement charges,
- travel expenses related to research,
- costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged in connection with specific transactions, and
- other ordinary miscellaneous research and trade-related expenses.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Practices.

Our CLO managed funds are closed-ended funds, therefore investors in these funds do not have the ability to withdraw capital. However, investors in our CLO managed funds may trade their securities on the secondary market. Investors in our hedge funds are only allowed to withdraw capital at the end of each calendar quarter. Accordingly, we do not need to provide fee refunds to investors before the end of a billing period, as they do not pay a fee in excess of what they owe.

Neither our firm nor any of our employees receives any transaction-based compensation for the sale of securities or other investment products, including charges or fees from the sale of mutual funds.

3. Performance-Based Fees and Side-By-Side Management

As discussed in Section 2, we receive performance-based fees from certain clients.

Because we can earn higher fees from the clients that pay performance-based compensation, there is a potential incentive for us to disproportionately direct investments to those funds. However, the funds we manage have specific guidelines regarding the types of investments we can make and covenants that govern factors such as issuer and industry concentration limits, ratings factors, average and minimum coupons. These tests and covenants are specifically defined by each fund's indenture or offering memorandum. We manage the inherent conflicts of interest by adhering to each fund's specific mandate. Furthermore, we analyze the merits of each investment on a client-by-client basis. When we make an investment decision, it is based on the appropriateness of the investment for each individual client at that point in time.

4. Types of Clients

We provide investment advisory services to five CLO funds and the two hedge funds described in Section 1. Investors in these structures include high net worth individuals, institutional investors and other investment funds.

The hedge funds seek minimum investments of \$5 million from eligible investors, although the fund may accept investments of a lesser amount.

Investors in our funds are required to be "accredited investors" and "qualified purchasers."

This firm brochure is not an offer to invest in our funds.

5. Methods of Analysis, Investment Strategies and Risk of Loss

We employ various types of investment analyses and strategies. Typically, we choose investments based on their fundamental attractiveness and their suitability to each client. We also consider technical drivers of the investment and current and future trading liquidity.

We focus our investing in the high yield space, particularly the senior leveraged loan market. To a lesser extent, we invest in investment grade and non-investment grade bonds as well as equities. Our investments involve significant risk of loss that our clients, and any of the investors in our clients, should be prepared to bear.

The following is a description of the various strategies we utilize in advising our clients and some important risks associated with each strategy. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in our investment strategies.

- *Investments in Secured Loans:* We buy, on our clients' behalf, interests in secured loans, seeking both interest income and capital appreciation. Secured loans typically pay an interest rate comprised of a floating rate (LIBOR or Prime) plus a spread and the eventual return of the principal at the end of the term. Our profit is generally derived from the interest we collect from these investments exceeding our cost of capital. We also derive profit from buying loans at a discount to the loans' notional value with the expectation that the value of the loans will appreciate. The value of these investments will generally vary with the issuer's performance and movements in the high yield loan and bond markets. Secured loans are subject to the risk that their issuer may be unable to make interest or principal payments on its obligations. Our client may suffer losses if we invest in loans of issuers whose performance diverges from our expectations. We do not short sell any loans.
- *Investments in Other Fixed-Income Securities:* At times, on our client's behalf, we may invest in bonds or other fixed-income securities. Fixed-income securities provide periodic fixed interest payments and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to repay its obligations. Fixed-income securities are also subject to the risk that their issuer may be unable to make interest or principal payments on its obligations. We do not short sell any fixed income securities.
- *Leverage/Borrowing:* We may borrow against our client's assets. We believe the interest income will cover and exceed the interest expense on the borrowings, benefiting our client. Borrowing involves risk to our client because leverage will exacerbate any market value changes in the underlying investment. Due to the leverage, the client's return may be more volatile than the return in the underlying assets. Furthermore, we may be forced to sell an investment if the market value of our investments declines.

We encourage investors in our client funds to consider all of the risk factors we have explained and to review carefully each fund's private offering memorandum. Any investors in our clients risk the loss of their entire investment.

6. Disciplinary Information

Neither our firm, nor any of our officers or principals has been party to any criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our officers or principals has been involved in any self-regulatory organization proceedings.

7. Other Financial Industry Activities and Affiliations

Neither our firm, nor any of our officers or principals is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

Management persons do not have any relationships or arrangements with related persons that are material to our advisory business or our clients.

We note that we have engaged and may engage from time to time in soliciting investments in offerings of the private funds for which we act as investment manager. Thus, to the extent that we are able to attract investors to these private funds, we benefit from the fees and other compensation we receive from these funds as investment manager.

We do not recommend or select other investment advisors for our clients.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a Trading, Compliance and Ethics Policy (“Code of Ethics”) that works to ensure that our employees’ securities transactions are consistent with our firm’s fiduciary duty to our clients.

In brief, the Code of Ethics prohibits any employee from purchasing or selling securities of any portfolio company. This includes securities of companies held by our fund clients and that we are considering for investment. We prohibit employees from communicating any material non-public information regarding portfolio companies to third parties.

Additionally, if an employee learns of material, non-public information about a company with which we or any portfolio company does business, including a customer or supplier of any portfolio company, we prohibit the employee from purchasing or selling securities of

any such company until the information becomes public or is no longer material, or communicate any such information to third parties.

We have also adopted the Code of Ethics and Standards of Professional Conduct promulgated by the CFA Institute. Accordingly, we require each employee to comply with the provisions of this Code of Ethics and Standards of Professional Conduct.

We do not recommend, buy, or sell securities for client accounts in which we have material financial interest. As part of the Code of Ethics, we review employee and principal trading account statements on a quarterly basis to ensure that no trades have been made in securities, or related securities, of an entity included in any of our portfolios.

From time to time, we trade for our proprietary account. We do not buy or sell loans or securities which we have deemed appropriate for inclusion in client accounts.

The CFA's Code of Ethics and Standards of Professional Conduct, as well as the Firm's Code of Ethics are available to our fund clients and their investors or potential investors upon request.

9. Brokerage Practices

We have complete investment and brokerage discretion over our clients' accounts. We select broker-dealers for our clients' transactions based on a number of factors, including the following:

- the financial strength, integrity and stability of the broker-dealer;
- the ability to effect prompt and reliable executions at favorable prices (including the applicable broker-dealer spread or commission, if any); and
- the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution.

We do not utilize research or other soft dollar benefits, nor do we consider referrals in selecting or recommending broker-dealers.

Our firm does not recommend, request or require that our clients or any investor in our clients, direct us to execute transactions through a specified broker-dealer. We do not permit our clients or any investor in our clients to direct us to execute transactions through a specified broker-dealer.

We will aggregate the purchase or sale of investments for various clients. We make the decision to aggregate orders based on broker-dealer execution capabilities and market price impact of orders, as well as portfolio considerations specific to the funds.

10. Review of Accounts

Jay Carvell, CFA and Ethan Underwood, CFA are principals and our portfolio managers that lead the portfolio team. Messrs. Carvell and Underwood review our clients' investments on a daily basis and determine whether the investments are still of value to our clients or whether an investment should be replaced. We also conduct investment committee meetings to discuss individual buy and sell decisions, as frequently as daily, as market conditions warrant.

Jarred Worley is a principal and our risk manager. As risk manager he ensures portfolios are balanced and investments are appropriate based on issuer and industry concentration limits, ratings, coupon, duration and other factors, as we deem appropriate.

Bank of New York Mellon ("BONY") is the Trustee for the CLO fund clients. BONY retains custody over all cash in each CLO structure and provides written monthly reports to investors. Each report contains a review of the structure's performance, trading activity, current positions, and a review of covenants and tests for the relevant month. BONY also provides a written quarterly cash flow distribution report to the investors in each of our CLOs.

Hedgematrix LLC is the fund administrator for our hedge fund clients. Hedgematrix provides written monthly reports to the investors in our hedge fund clients which contain a review of the fund's performance, as well as each investor's individual position.

We also furnish our clients' investors with annual audited financial statements and tax information.

11. Client Referrals and Other Compensation

Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our client.

Our firm does not, nor do any principals or employees of our firm, compensate anyone for client referrals.

12. Custody

In our role as manager of the CLOs, we do not have custody of clients' cash or investments. Clients' cash and investments are held, received and distributed by a trustee, which sends each investor in the CLOs monthly statements regarding the activity and holdings of the CLOs. Investors are encouraged to carefully review these monthly statements.

While it is our firm's practice not to accept or maintain physical possession of our clients' assets, in our role as manager of our client hedge funds, we are deemed to have custody of its assets under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access our client's funds and deduct fees and expenses from its accounts. The administrator of our client hedge funds reconciles client assets and provides monthly statements to each investor in the funds.

Investors are encouraged to carefully review these monthly statements, and to compare any statements they receive from us to those they receive from the Administrator.

13. Investment Discretion

Scope of Authority

Our firm accepts discretionary authority to manage our CLO clients' accounts. Essentially, this means we have the authority to determine, without obtaining specific consent from our clients or its investors, which investments to buy or sell and the amount of investments to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in our clients' private placement memorandum, as well as the covenants and tests as defined by our clients' indenture.

Our firm accepts discretionary authority to manage our hedge fund clients' accounts. If we use leverage to make the investment, the leverage provider generally requires us to receive trade approval prior to making the investment. However, if we fund the investment without the use of leverage, no specific consent is required. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in our client's private placement memorandum.

Procedures for Assuming Authority

Before accepting their subscriptions for interests, we provide all potential investors in our clients a private placement memorandum that sets forth, in detail, our investment strategy and program. By completing our subscription documents to acquire an interest in our client funds, investors give us complete authority to manage their investments in accordance with the private placement memorandum they received.

14. Voting Client Securities

We have authority to vote proxies on behalf of our clients. It is our policy to attempt to vote all proxies and to do so in accordance with the goal of maximizing the long-term value of our clients' investments.

Neither our clients, nor investors in our clients, can direct us to vote client proxies in a certain manner.

As we very rarely hold equity positions and receive proxies, we do not maintain a proxy voting policy and procedure. Clients and investors may request information regarding any votes made on their behalf.

We receive all of our clients' proxies and similar solicitations and we have the authority to vote our clients' proxies.

15. Financial Information

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our clients.

We have never been the subject of a bankruptcy petition.