

UPDATE 1-Fifth Street Finance receives \$150 mln financing

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- * Facility a third source of funding for new investments
- * Facility has a targeted initial close of \$65 mln

Feb 25 (Reuters) - Business development company Fifth Street Finance Corp <FSC.N> said it received a \$150 million financing commitment from ING Capital LLC, a unit of ING Bank NV <ING.AS>, for a syndicated three-year revolving credit facility.

The facility is a two-year secured revolving credit facility with a one-year term out, and will bear interest at a rate of LIBOR plus 4.5 percent per annum, with no floor, it said.

The facility has a targeted initial close of \$65 million, the company said.

The financing comes after Fifth Street's unit received committee approval for a license from the U.S. Small Business Administration (SBA) to operate as a small business investment company (SBIC) in January.

Under the SBIC program, if a business development company (BDC) is seeking a loan of \$150 million, it should first make investments of \$75 million out of its own funds.

Fifth Street said in January it will offer 7 million of its common shares at a price of \$11.20 apiece.

BDCs make loans to small and mid-sized businesses in return for equity stakes.

Shares of the company closed at \$11.24 Thursday on the New York Stock Exchange. (Reporting by Abhinav Sharma in Bangalore; Editing by Maju Samuel)