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OHAI - Q4 2016 OHA Investment Corp Earnings Call

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PRESENTATION

Operator

Before we begin, I would like to remind everyone that today's remarks may include comments which could be considered "forward-looking" statements and such statements are subject to many factors that can cause actual results to differ materially from our expectations as expressed in those forward-looking statements. Those factors are described in more detail in the company's SEC filings and I refer you to the Company's website or to the SEC's website to review those filings.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, which speak only as of today's date. As a reminder, this conference call is being recorded.

I will now turn the call over to Steven Wayne, the Company's President and CEO.

Steven Wayne - *OHA Investment Corporation - President & CEO*

Thank you, Amanda. Good morning. I would like to welcome all of you to our company's fourth-quarter 2016 earnings call. I'm joined the call today by Cory Gilbert, our Chief Financial Officer.

The presentation we are about to review was posted to our website earlier this morning under the Events and Presentations heading of the Investor Relations tab. We also refer you to our annual report on Form 10K that was filed yesterday. I will now turn to page 4 and provide an overview of 2016.

The end of 2016 marks nine quarters under OHA's management of OHAI, and while we are pleased with the success of our investment activity since September 2014 that has broadened OHAI's investment focus away from energy, the continued headwinds from low and volatile oil and natural gas prices in the energy space and overall problems throughout the legacy investment portfolio we inherited have prevented us from further reducing the Company's concentration in energy investments and its legacy portfolio.

While our investment portfolio's exposure to energy has declined from 74% at September 2014 to 38% at the end of 2016, we had hoped it would be much lower by now. We will continue to work diligently to maximize the value of our legacy investments and reduce the energy concentration of the portfolio over time.

Unfortunately, the continued suppressed energy prices have led to a significant reduction in the value of our legacy energy assets and, in turn, our Net Asset Value. NAV declined again in 2016 by $1.50 per share, from $5.49 at the end of 2015 to $3.99 at December 31, 2016.During the year we experienced $34.5 million of net write-downs related to our energy investments, or approximately $1.71 per share in NAV reduction. We also took almost $3.0 million of write-downs on OCI, our lone remaining non-energy legacy portfolio company. In September, we entered into a new credit facility with MidCap Financial, providing up to $56.5 million in borrowing capacity that matures March 2018 and can be extended for a six-month period at the Company's option.

During OHA's tenure, through December 31, 2016, OHAI has invested $117.5 million, all outside of the energy industry, in 13 new portfolio companies. In 2016, we made one new portfolio company investment totaling $5.3 million and a $1.7 million add-on to an existing OHA portfolio company and had portfolio realizations of $50.9 million. $40.5 million of the $50.9 million is from the full or partial realizations of six OHA investments. I'll talk more about the portfolio activity later on the call.

From a financial standpoint, we finished the year with $6.5 million of GAAP Net Investment Income, or $0.32 per share, and declared distributions of $0.24 per share during the year. The Company generated $0.29 of taxable income per share in 2016, of which 100% has been deemed to be distributed to our shareholders.

Our taxable income differs from our GAAP income due to temporary and permanent differences in income and expense recognition, capital gains and losses, activity at taxable subsidiaries and the timing and period of recognition regarding the distributions declared in December of one year and paid in January of the following year. Please refer to Note 8 in our Financial Statements on page 71 of our 10-K that was filed yesterday for further information about differences between our GAAP and taxable income.

Cory will provide more detail on the financial results in a few minutes. I will now turn to Page 5, which summarizes the developments for OHAI in the fourth quarter.

As I mentioned previously, we ended 2016 with an NAV of $3.99 and approximately 40% of 2016's decline came in the fourth quarter. Specifically, NAV in the fourth quarter declined 13%, or $0.62, from $4.61 per share at the end of the third quarter.

In the fourth quarter we experienced $12.9 million of net write-downs across the OHAI portfolio. That, however, was comprised of $14.7 million of net write-downs across the legacy energy asset portfolio and $2.1 million of mark-to-market gains from OHA investments, exclusive of fourth-quarter OHA realizations. Every one of our level 2 OHA investments experienced an increase in fair value in the fourth quarter.

As you will see later in the presentation, the most significant write-down in the quarter was the write-down of our investment in the ATP/Bennu ORRI to $0. Also during the quarter the Company purchased one new portfolio investment, a $5.5 million second-lien term loan.

In the fourth quarter of 2016, the debt capital markets continued the strength it has experienced since mid-February 2016, and the capital raising environment, particularly in the U.S., has remained strong. During the fourth quarter, high-yield spreads drifted wider in the run-up to the U.S. presidential elections, but the tone of the market improved post-election on the prospects for faster economic growth, tax reform, less regulation, and increased fiscal spending.

As the equity markets reached record levels following the election, high-yield spreads tightened sharply and the index returned 1.9% in the fourth quarter and 17.5% for the entirety of 2016, the strongest annual return since 2009. While issuance in the US high yield and leveraged loan markets remains vibrant, a large percentage of this volume has been in re-financings and re-pricings rather than transactions requiring new financing.

In the syndicated middle-market, in particular the volume of loan issuance (for loans of $350 million and under) is more challenging with 2016 volume down 27% year over year and down 52% compared to 2014 levels.

Before I turn the call over to Cory to provide more detail on the financial results for the fourth quarter, I do want to mention a positive development related to the ATP/Bennu litigation discussed in prior quarters. As in prior quarters, this remains a complex litigation situation and my remarks here are qualified entirely by the detail in the 10K.

Subsequent to year-end, on March 9th, the District Court affirmed the Bankruptcy Court's report and recommendation regarding the motion to dismiss Phase 2 of the ATP litigation and dismissed the Intervener Complaints with prejudice. However, we do anticipate that the lien claimants will appeal to the Fifth Circuit or seek other judicial relief.

I will now turn the call over to Cory to discuss the financial results for the 4th Quarter .

Cory Gilbert - *OHA Investment Corporation - CFO*

Thank you, Steven. The financial headlines for the 4th quarter can be found on page 6:

Our investment income for the quarter totaled $4 million, or $0.20 per share, a 7% decrease from the third quarter. Base management fees were $635,000 and there were no incentive fees for the fourth quarter.

Our net investment income totaled $1.6 million, or $0.08 per share. We recorded net realized and unrealized losses totaling $12.9 million, or $0.64 per share, during the quarter, primarily related to the net write-downs of our legacy energy related investments. Steven will provide additional comments on these write-downs in a moment.

All together, we reported a net decrease in net assets from operations of $0.56 per share. After our $0.06 per share distribution declared in December and paid in early January, our net asset value declined to $3.99 per share, a 13% decline from the third quarter.

We continued our practice to seek positive assurance from a third-party valuation firm on all Level 3 assets with fair values in excess of $10 million on a quarterly basis. We will also seek positive assurance on other Level 3 assets with any fair value below $10 million at least annually. This quarter we sought and received third-party positive assurance on 97% of our Level 3 assets with any fair value.

Page 7 shows the net investment income section of our income statement for the fourth quarter of 2016, compared to our results for the third quarter of 2016 and for the fourth quarter of the prior year. Investment income decreased by approximately $284,000 from the third quarter of 2016, driven by decreased interest and dividend income, partially offset by $340,000 of fee income related to the call premiums in connection with the payoffs of Bioclinica, Hanson, and Kronos this quarter. Compared to the same quarter in the prior year, investment income decreased $2.2 million, primarily as a result of a decrease in our average portfolio investment, lower average yield on our investment portfolio and lower call premiums earned.

Interest expense for the quarter was $988,000, or $0.05 per share, compared to $768,000, or $0.04 per share, in the third quarter of 2016 and $946,000, or $0.05 per share, in the same quarter of the prior year. Quarter over quarter, the increase in interest expense is due to higher financing costs associated with our New Credit Facility which we entered into on September 9.

Management and incentive fees to our advisor were $253,000 lower in the 4th quarter of 2016 compared to the third quarter, as the result of lower base management fees and no incentive fees incurred in the fourth quarter. Management and incentive fees were $1.1 million lower compared to the fourth quarter in the prior year, as a result of lower 2016 base management fees and no incentive fees in the fourth quarter of 2016.

Other G&A expenses for the quarter were $812,000, or $0.04 per share, compared to $971,000, or $0.05 per share, in the 3rd quarter of 2016 and $337,000, or $0.02 per share, in the same quarter prior year. Quarter over quarter, G&A expenses were lower due to lower legal costs and employee-related expenses. G&A expenses were $475,000 higher compared to the same quarter prior year, primarily due to the one-time expense credit from OHA of $521,000 recognized in 2015.

Excluding the 2015 expense credit, G&A expenses decreased by $46,000, or 5%. As a result, our net investment income for the fourth quarter of 2016 totaled $1.6 million, or $0.08 per share, compared to $1.7 million, or $0.08 per share, in the third quarter of 2016. In comparison, net investment income for the fourth quarter of 2015 totaled $3.2 million, or $0.16 per share.

Turning to page 8, you can see the summary of realized and unrealized gains and losses in the portfolio for the relevant quarters. During the fourth quarter, our remaining investments in Spirit, a legacy energy-related portfolio company, were deemed "worthless" from a tax perspective, therefore, the loss on our investments was reclassified from unrealized to realized in the fourth quarter and had no effect on the Company's NAV in 2016. Our investments in Spirit were completely written down in 2015, from a GAAP perspective.

Now let's look at the net unrealized losses on the lower portion of the page. There, the significant driver of write-downs continues to be our energy-related legacy investments, which contributed $13.4 million, or 104%, of the $12.9 million of net realized and unrealized losses recognized in the fourth quarter. Unrealized losses this quarter also included write-downs in our legacy non-energy investments in OCI.

Unrealized gains this quarter were concentrated primarily in our Level 2 investments.

On page 9, you'll find a graphical presentation of the components of the quarterly results and their respective impact on our net asset value per share.

Net asset value at the beginning of the quarter was $4.61 per share. Net investment income was $0.08 per share. This was partially offset by the fourth-quarter distribution of $0.06 per share and the net negative adjustments in the value of our investment portfolio totaling $0.64 per share, with $0.66 of that related to our net write-downs in our legacy energy investments. These all combined to reduce our net asset value per share to $3.99, for a quarter-over-quarter decrease of $0.62 per share, or 13%.

Now to discuss recent portfolio activity, let me hand the call back over to Steven.

Steven Wayne - *OHA Investment Corporation - President & CEO*

Thanks, Cory. Let's go to page 11. As I highlighted earlier and shown here, OHA has been able to invest $117.5 million in 13 new portfolio companies since September 30, 2014, which we believe validates the thesis of OHA's origination capability for OHAI.

During the same period we have realized $109.6 million of investments, including $71.5 million through the full or partial realization of OHA investments. In 2016 we realized $50.9 million of OHA investments, which included full realizations of Hanson, Kronos, EFS, and Bioclinica and partial realizations of Appriss and Gramercy.

On the six full realizations of OHA investments, OHAI has generated a volume-weighted gross unlevered IRR of 14.9%. Throughout most of 2016, we were not in a position to make any new investments due to the limitations of our previous investment facility. After closing the new MidCap credit facility on September 9th, we made one new $5.5 million new investment in a non-energy portfolio company and we ended the quarter with $16.5 million in cash on our balance sheet, most of which is available for new investments, and $16 million available to draw on our Credit Facility for new investments.

At the end of the fourth quarter, the fair value of our Portfolio Investments totaled $105.0 million and that excludes the cash mentioned above noted at the bottom of the page, they are split 50%/50% between floating-rate and fixed-rate investments, primarily due to the outsized exposure to Castex. Also, 42% of our portfolio investments, based on fair value, were classified as level 2.

Turning to Page 12, Despite investing almost $120 million over the past 9 quarters (which includes $1.7 million of additional investments in to legacy assets) the size of our portfolio has decreased 39% since September 2014, driven by $84.5 million in negative valuation changes and $109.6 million of realizations.

Let's now go to Page 13. While the portfolio may be smaller, this chart does show a material difference in the composition and diversification of today's portfolio. We unfortunately, continue to remain heavily exposed to energy, especially natural gas, but we have substantially diversified the non-energy portion of our portfolio into a wide range of industries.

Turning to page 14 for a more detailed look at the Company's year-end portfolio and changes during the quarter, I will focus my comments on the meaningful changes in the portfolio during the quarter.

As discussed previously, we experienced $20.1 million of realizations in the fourth quarter of 2016. In November, we were repaid on our $12.0 million principal amount second-lien term loan in Kronos, Inc. The repayment included a 1% call premium and OHAI generated a 9.9% gross unlevered IRR on this investment, which was originally purchased in October 2015.

In October, we were repaid on our $2.4 million investment in Bioclinica's first-lien secured notes. The repayment included a 7% make-whole call premium and OHAI generated a 17.0% gross unlevered IRR on this investment, which was originally purchased in September 2015.

Also in October 2016, we were repaid on our remaining $1.7 million of second-lien term loan in Hanson. This repayment, which included a 3% call premium, closed out our position in Hanson and generated a 16.3% gross unlevered IRR on our investment. We also received a partial pay-down of $3.7 million from our investment in Gramercy as that CLO was called in December and this repayment represented the initial proceeds from the liquidation.

During the quarter we made one new portfolio company investment. In October, OHAI purchased $5.5 million of PAE Holding Corporation's second-lien term loan at 97% of par, which matures in October 2023 and pays cash interest at LIBOR 950 with a 1% floor. At year-end this second-lien term loan was quoted at 101.75.

PAE is a leading government contractor that provides operations and maintenance, logistics, training, construction, vehicle aircraft maintenance, repair, and overhaul at US embassies, government infrastructure, and military facilities around the world. PAE was founded in the 1950's and has long-standing relationships with various government agencies.

During the quarter, our largest write-down came from our limited-term royalty investment in ATP/Bennu. As discussed in prior quarters, we own a royalty interest pursuant to which we receive 5% of the oil and gas revenues produced from the Telemark wells. As previously announced in our press release and 8K filed on December 6, Bennu Oil & Gas, the successor to ATP Oil & Gas Corporation, announced December 1st it had filed for Chapter 7 bankruptcy, indicating its intention to liquidate.

In November 2016, Bennu shut down production of the Titan platform and shut-in all related wells. As a result, the last monthly production payment received from our investment in the ATP limited-term ORRI was with respect to September production, which was received in November. Due to the cessation of the monthly production payments and uncertainty as to whether production will resume, we have written our investment in the ATP limited-term ORRI from $12.3 million at September 30, 2016, to zero as of December 31, 2016.

Also this quarter, we reduced our value in Castex, an E&P company with a large exposure to natural gas in Louisiana. Originally a $50 million face investment, we hold an 8% redeemable preferred stock that pays an 8% cash dividend, or 10% if paid in kind. Under the terms of the original investment, we are entitled to an additional make-whole that would increase our total return at redemption.

Per the agreement, since the Company PIK'd us more than three consecutive quarters, the total return upon redemption previously increased from 12% to 13.5%. Preferred unit holders had a put-right starting on July 1, 2016, and we exercised this right on July 1. The put-right and redemption process is more fully described in footnote eight of the December 31, 2016, Schedule of Investments in our 10K, and as I mentioned last quarter, we did not receive cash pursuant to the put during the initial 90-day phase, which ended September 29th.

As a result, our make-whole has further increased from 13.5% to 18% and certain rights have attached. Our valuation methodology for our Preferred stock is driven by a determination of Castex's Enterprise Value as of the valuation date. As a result of a decline in enterprise value assumption, we reduced the value of our Preferred Stock investment in Castex during the quarter from $34.7 million at September 30, 2016, to $32.9 million at December 31, 2016.

Additionally, during the quarter we reduced the value of our investments, both debt and equity, in OCI Holdings by a combined total of $1.2 million. We have a $17.3 million principal amount subordinated note investment in OCI, in addition to a 20.8% fully-diluted ownership position in the common equity.

OCI is a home health provider of pediatric therapy services to Medicaid patients in Texas, a business that has been negatively impacted by Medicaid reimbursement reductions proposed in June of 2015 and implemented by the state of Texas effective December 15, 2016. Even prior to the implementation of these reductions, OCI experienced pressures on rates in certain parts of their business and reductions in visit volumes. As a result, recent operating performance and cash flow have declined.

Advocacy groups continue to challenge the Medicaid reimbursement rate reductions and are asking the Texas Legislature to restore funding in its current Legislative session. However, there is no guarantee that the Texas legislature will do so; Therefore, the long-term impact on OCI remains uncertain.

Our only other legacy asset is a $12 million principal amount investment in Talos Production's senior unsecured notes which increased in value during the quarter by $1.6 million. As a level 2 asset, we rely on pricing services or broker quotes at the balance sheet date to determine fair value. At quarter-end, Talos was valued at 59.50% of par, up from 4.3375% of par at September 30th. As of yesterday, Talos was quoted at 70% of par.

As I noted before, every one of our Level 2 OHA portfolio investments made since September 2014 increased in fair value in the quarter by approximately $2.1 million in total. Subsequent to quarter end, we received partial pay-down on our Royal Holdings second-lien term loan and have made a new investment in a new portfolio company. We will provide details on this activity on next quarter's call.

So let's move on to another snapshot of our investment portfolio- the yield comparison on Page 15. This table focuses on the yield in our portfolio, both as it relates to cost and fair value. Based on our current yielding investments, which includes any PIK component for performing investments, our portfolio yielded 12.2% and 9.7% based on fair value and costs, respectively, at December 31, 2016. This compares to 11.8% and 8.9%, respectively, at the end of the prior quarter.

As shown on page 16, we now have 12 active investments, including the zero-value investments in Shoreline and ATP/Bennu, as compared to 10 at September 30, 2014. Seven of these are new investments made by OHA, and they constitute 46% of the portfolio on a fair value basis.

Before we end today, I want to address the quarterly distribution that was announced yesterday. Our Board of Directors declared a quarterly distribution in the amount of $0.02 per common share. This is obviously a departure from the $0.06 per share distribution that had been declared in the prior four quarters.

OHAI's general policy is that distributions should reflect the earnings power of the business over time, while maintaining RIC status. In determining this quarter's distribution, the Board, with the assistance of management, considered many factors in the announcement for Q1.

Among those factors were:

The expected earnings and cash flow of the business and differences between GAAP, tax, and cash earnings; The significant write-downs of the legacy assets we have experienced; The payment in PIK from Castex, our largest, investment in the past six quarters, the expectations that payments in PIK will continue in 2017 from Castex and the recent amendments with OCI that have paid us PIK interest since November 2016; The $0.06 distribution declared in December 2016 and paid in January of 2017, 90% of which will be applied to our 2017 taxable distribution requirement; and the covenants of our new Credit Facility, which includes a limitation in paying distributions of no more than 110% of our annual taxable income.

In future quarters, we will continue to assess our distribution policy and determine what is sensible, reasonable, and in the best interest of the shareholders and OHAI.

This ends our formal presentation for today. On pages 18 and 19 you will see the current and selected historical price curves for both Oil and Natural Gas. Thanks for your time today, and your continued interest in OHAI.

I will now turn it over to the operator to coordinate the Q and

A process.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) [Brian Bode].

Brian Bode - - *Analyst*

Good morning. I was hoping that you guys could speak to the efforts to drive an eventual liquidity event at Castex. Obviously, given that it is PIK-ed and there's the additional make-whole provisions, on the face that would seem like that would be a pretty good accretive event, but given the size in the portfolio, what are these additional rights that could drive liquidity in the near- to medium-term here?

Steven Wayne - *OHA Investment Corporation - President & CEO*

We don't get into the specific rights and we haven't declared it. But as I've talked about in the past, the way the put process works, after the 90-day period there is in effect another year period at which point some of those rights kicked in, including Board observer rights and some other covenants that the Company needs to abide by. But in terms of our ability to drive an exit, we are, unfortunately, a long way off before we are in a position to do that given our preferred position and lack of control of the Company.

Brian Bode - - *Analyst*

So since that kicked in in the third quarter of last year, it's not actionable for another two quarters or so? Is that what you're saying?

Steven Wayne - *OHA Investment Corporation - President & CEO*

Again, the put date expired, as we said, September 20 -- the 90-day period expired September 29 and then there's a one-year period which would take us to next September 29. Then at that point there's another continued process that takes place in terms of trying to convert our investment into a royalty stream. And then, if that's not successful, then we would have I'd say more typical creditors' rights to then try and exert more influence.

But, again, unfortunately that is a long way off, but we are as focused as we can on trying to --. We agree with your view that we would like to have liquidity in this asset, particularly given the large concentration that it continues to have in our portfolio.

Brian Bode - - *Analyst*

And could you speak to the capital stack that's in front of us there?

Steven Wayne - *OHA Investment Corporation - President & CEO*

Yes, and again, I can't get into a lot of the details, but it's a very large, relatively large given the size of the preferred tranche, RBL and they have been in continued negotiations, as we've talked about, with that group about a restructuring. And that has not yet been completed, but that is an ongoing process.

Brian Bode - - *Analyst*

Okay. More on a macro view, what is your point of view in terms of narrowing the discount relative to NAV?

Steven Wayne - *OHA Investment Corporation - President & CEO*

Look, we are trying to do the things that are in our control, which is try and make good investments with the available capital that we have. And with respect to working through the legacy assets that I think create a lot of the discount and at least, I would speculate, people's differing view in terms of the ultimate realization of those assets, we are heavily concentrated in still the legacy assets between Castex and OCI. It is a big chunk of our capital and we are working as much as we can. Given our ability to influence those situations, we are focused on both of those and trying to bring about a realization at some point.

Brian Bode - - *Analyst*

I'm sorry, remind me -- I know you said at the outset of the call, but could you just remind us what liquidity is available to the Company and both cash and available capacity on the line? And the line matures in 2018?

Steven Wayne - *OHA Investment Corporation - President & CEO*

We have $16.5 million of cash, of which I would say most of that were principal proceeds of the realizations, so most of that was available for investment. We also had available $16 million under our new credit facility that we could draw, so we had probably $32 million or so of availability to invest.

As we talked about on the prior call, this is a difficult markets for finding interesting assets, particularly of the yield requirements that make sense for a BDC. We have also received about another $3 million to $4 million of proceeds from realizations so far in the first quarter and we have actually just committed and will be closing later this week a new portfolio company investment that we made -- that we committed to last week.

So we are still working on trying to get that invested. We hope to have another $20 million to $30 million invested over the next quarter or so. But we are being cautious and prudent given the environment and we are making sure that we really like the investments that we are making for the shareholders.

Brian Bode - - *Analyst*

Okay, thank you.

Operator

Al Shams, American Capital Partners.

Al Shams - *American Capital Partners - Analyst*

Gentlemen, good morning. Don't construe anything that I am saying as trying to be negative or attacking you. I'm surprised that -- we've got a good net asset value, so I was really heartened to see that.

I guess what you are saying is you are looking to put that $32 million to work and you've just commented that some of that is going to get announced here pretty soon, so that's good. Could you discuss a little bit more about why the distribution was cut so dramatically in view of the fact that we still have fairly decent net asset value?

Then, secondly, on a bigger issue. I know you guys had some big hopes with this thing and it really hasn't worked out the way you wanted. Maybe it is in everybody's best interest let's say to just wrap this thing up, do a liquidation, distribute the $3.99, and call it a day and move on to something else. My sense is this is probably a bigger pain to you guys than it's really worth. So I will listen to your comments.

Steven Wayne - *OHA Investment Corporation - President & CEO*

Look, with respect to the distribution, I think I commented on it during the presentation, both at the beginning and towards the end. Obviously, we are focused on our requirements as a RIC to distribute out our taxable income. The taxable income we have -- for a relatively small entity, we have a relatively complex tax situation that we inherited and tax structure that brings us significant differences between GAAP and tax income. Included in that is just our judgment in terms of -- particularly on assets that don't trade at par, whether we recognize from a GAAP standpoint or a tax standpoint that income.

We are mindful of trying to walk the tightrope of trying to provide as full a dividend or distribution as we can to our shareholders and mindful of our requirements and also our limitations under our credit facility, which put a limit on our ability to distribute out more than 110% of our expected taxable income. So, unfortunately, I can't get into that anymore. We will continue to look at our distribution on a quarter-by-quarter basis based on our view and our look for the year in terms of where we think taxable income is going to be, but it doesn't always align with GAAP income.

And on the latter, while I hear what you are saying, it's not as simple as being able to close this. If it were as simple as saying let's wind it down and get the shareholders' book value -- the problem is we've got these large illiquid legacy assets that we can't sell. So we can't -- we are not in a position to be able to liquidate this entity quickly for the same reasons we talk about, the frustration that we have with our continued burden of these legacy assets.

If it were simple as just winding down and handing the shareholders the $3.99, we would certainly consider that as an alternative. But it is not that simple and either we or someone else has to work through those assets. We took on that responsibility and we continue to take that responsibility seriously as long as we are managing this.

And while we will continue to work for opportunities with this entity, not only to deploy the capital we have but to see if there's other opportunities we can to help, I'd say, broaden the asset base to be able to lessen the expense burden that this entity has on a relatively small asset base today. We are mindful of those. We're going to look for those opportunities to continue to try and benefit the shareholders. But as of now, our job is to work the assets as hard as we can and to reinvest the capital that we have into as good of assets as we can.

Al Shams - *American Capital Partners - Analyst*

Okay, I understand it. And, look, I think you guys have done a good job under very, very tough circumstances.

One final question, as a BDC, do we have the advantage of tax loss carryforwards? And can that be used to shelter future income, or if we were to be combined with somebody else, shelter their income? Could you talk to that please?

Steven Wayne - *OHA Investment Corporation - President & CEO*

The answer is to some degree we do, because we do have -- we hold certain of our investments in a taxable subsidiary and that subsidiary has some tax characteristics. Again, it does get complicated about what happens if you merge it and there's limitations on those, but we do have the benefit --. Again, that goes into some of what I talked about in terms of the cash GAAP differences in terms of our ability to shield income in terms of determining what our ultimate net income is or taxable income is for the year. But we do have some and I think we disclose it in our --

Cory Gilbert - *OHA Investment Corporation - CFO*

Yes, we do have taxable carryforwards disclosed in our 10-K. We have them carried at the RIC level, also at the operating sub level.

Al Shams - *American Capital Partners - Analyst*

Okay, okay. Thank you, guys, for doing your best and I am heartened to see a $3.99 net asset value. Thanks again.

Operator

(Operator Instructions) Brian Bode.

Brian Bode - - *Analyst*

Sorry, guys. Just kind of building on the tough operating environment for new investments, how does the Board evaluate share buybacks relative to new deals? I know you are liquidity-challenged here, but buying back in your shares at a material discount, how does that play into the mix relative to finding new, higher yields?

Steven Wayne - *OHA Investment Corporation - President & CEO*

Unfortunately, it does not play into the mix at this point because, as we have disclosed and it's in our 10-K that was when we entered into our new credit facility, we are restricted from repurchasing equity as part of our -- one of the covenants in our credit facility. So currently we don't -- we are not in a position to consider buybacks as an alternative use of our cash. Obviously that's something that could change over time, but right now that is a limitation we have and is not something that, given the restrictions in our credit facility, we are able to do.

Brian Bode - - *Analyst*

And the prior facility did enable that to a limited extent? Am I remembering that right?

Steven Wayne - *OHA Investment Corporation - President & CEO*

There was to a limited extent. Obviously the process of refinancing that credit facility was a challenging one given our legacy assets. As you can imagine, we were hopeful and we tried to get flexibility in order to try and do buybacks, but that was -- and I'm sympathetic as typically someone who is a lender -- that was a restriction was a requirement of this as well as other alternative proposals that we had. So, unfortunately, that is the limitation that we have today.

Brian Bode - - *Analyst*

Okay, thank you.

Operator

Thank you and I'm showing no further questions at this time. I would like to turn the call back over to Mr. Steven Wayne for closing remarks.

Steven Wayne - *OHA Investment Corporation - President & CEO*

Thank you, operator. I just want to thank everyone again for their time today and I look forward to speaking with you next quarter.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everybody, have a great day.