OHA

INVESTMENT CORPORATION

Annual Report

For The Year Ended December 31, 2018

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 814-00672

OHA INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**20-1371499**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1114 Avenue of the Americas, 27th Floor New York, New York	**10036**
(Address of principal executive offices)	(Zip Code)

(212) 852-1900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, Par Value $.001 per share	**Nasdaq Global Select Market**
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2018, the aggregate market value of common stock held by non-affiliates of the registrant based on the closing price on that date of $1.53 on the Nasdaq Global Select Market was approximately $29,614,666.

As of March 21, 2019, there were 20,172,392 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2019 Annual Meeting of Stockholders, which will be filed subsequent to the date hereof are incorporated by reference into Part III, Items 10 through 14 herein. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days following the year end of the registrant's fiscal year ended December 31, 2018.

Certain exhibits previously filed with the Securities and Exchange Commission are incorporated by reference into Part IV of this report.

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PART I

In this Annual Report on Form 10-K, except where the context suggests otherwise, the terms "we," "us," "our," the "Company" and "OHAI" refer to OHA Investment Corporation; and "OHA," "our investment advisor" and "our administrator" refer to Oak Hill Advisors, L.P. Some of the statements in this Annual Report on Form 10-K constitute forward-looking statements, which relate to future events, future performance or financial condition. These forward-looking statements involve risks and uncertainties and actual results could differ materially from those projected in the forward-looking statement for any reason, including those factors discussed in "Item 1A. Risk Factors" and elsewhere in the report.

Item 1. Business

Introduction

OHA Investment Corporation

We are a specialty finance company with an investment objective to generate both current income and capital appreciation primarily through debt investments, some of which may include equity components. We focus primarily on providing creative direct lending solutions to middle market private companies across industry sectors. Our investment activities are managed by OHA and supervised by our Board of Directors, the majority of whose members are independent of OHA and its affiliates.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company, or a BDC, under the Investment Company Act of 1940, or the 1940 Act. For federal income tax purposes, we operate so as to be treated as a regulated investment company, or a RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. As a BDC and a RIC, we are required to comply with certain investment diversification and other regulatory requirements.

On September 30, 2014, our stockholders approved the appointment of OHA as our investment advisor, replacing NGP Investment Advisor, LP, which had been our investment advisor since our inception. In connection with this change in investment advisor, we changed our name from NGP Capital Resources Company to OHA Investment Corporation, or OHAI. OHA is a registered investment adviser under the Investment Advisers Act of 1940, or the Advisers Act. OHA acts as our investment advisor and administrator pursuant to an investment advisory agreement and an administration agreement, respectively, each dated as of September 30, 2014, which we refer to as the Investment Advisory Agreement and the Administration Agreement, respectively.

The aggregate fair value of our investment portfolio at December 31, 2018 was $65.6 million, with such value comprised of 26 active portfolio company investments. Under our previous investment advisor, NGP Capital Resources Company, we focused our investments primarily on small and mid-size companies engaged in the upstream sector of the energy industry, which includes businesses that find, develop and extract energy resources, including natural gas, crude oil and coal. The fair value of the investment portfolio at September 30, 2014 was $171.0 million, of which $126.8 million, or 74% was energy related investments. Since that time, the energy sector has experienced significant declines and volatility in commodity prices for oil and natural gas prices. As a result, many companies in the the oil and gas industry were negatively impacted and had to restructure their balance sheets. Since September 30, 2014, we have written off $97.9 million, or 77.2%, of the portfolio that was affiliated with our legacy energy related investments and we have written off $113.5 million, or 66.4% of our total legacy portfolio.

Part of OHA's investment strategy has been to reduce our historical portfolio concentration in the energy industry and to diversify our portfolio with investments in debt securities of U.S. private and small public middle market companies across industry sectors. Since September 30, 2014, we have made a total of 35 new investments in portfolio companies with a principal amount of $175.4 million (total cost of $171.1 million) and fully realized 11 of these investments with a principal amount of $99.6 million. Primarily as a result of these new investments, net of realizations, and write-downs of legacy energy investments, the exposure of our investment portfolio in the energy sector decreased to 7% at December 31, 2018.

Our Investment Advisor

OHA is a leading independent investment firm specializing in direct lending, high yield bonds, leveraged loans, distressed investments, mortgage strategies and corporate structured products. With approximately $33 billion of capital under management as of December 2018, OHA employs a fundamental value-oriented strategy focused on credit analysis, relative value analysis, risk-adjusted return generation, loss avoidance and active risk management that has been in place for more than two decades. OHA has substantial experience in direct lending, having invested approximately $5.5 billion in over 150 direct lending investments over the past 15+ years. Headquartered in New York, OHA employs more than 300 people, and has been registered as an investment adviser under the Advisers Act since 2004.

OHA is responsible for sourcing potential investments, conducting research on prospective investments, analyzing investment opportunities, structuring our investments, and monitoring our investments on an ongoing basis. We pay OHA a base management fee as a percentage of our assets and incentive fees as a percentage of our net investment income and net capital gains. Managing our portfolio is an extension of OHA's direct lending activities to middle market companies, which OHA defines as companies with annual revenues of $50 million to $1 billion.

We have an investment committee that evaluates and approves each of our investments, subject to the oversight of our Board of Directors. All key investment decisions made by OHA on our behalf require the approval of a majority of the members of the investment committee. OHA's extensive team of investment professionals, including industry analysts and portfolio managers, actively source, evaluate and monitor our investments.

Our Investment Approach

OHA (and its affiliated investment advisors and predecessor firms) continues to build on its over 20-year history of investing in various asset classes and believes that its past success is a reflection of the firm's consistent investment philosophy, strategy and process. As our investment advisor, OHA has sought to expand our portfolio's exposure to a broader range of industries beyond energy, focusing on the middle market. OHA believes that middle market companies are generally less able to secure financing from public financial markets than larger companies and thus offer better return opportunities for firms able to originate and structure these investments, along with conducting the necessary diligence to appropriately evaluate these opportunities.

The OHA investment team employs an opportunistic, credit-driven investing approach rather than a broad origination model, leveraging the depth and breadth of its credit research team to seek value creation through long-term investment results. OHA looks for investment opportunities across the capital structure of middle market companies, using a fundamental value-oriented investment strategy. We believe that this approach will yield a highly diversified investment portfolio across asset classes, industries and capital structures. Our investment approach seeks attractive risk-adjusted returns while attempting to limit the risk of potential capital losses.

OHA expects that most of our new investments will be in senior and junior secured, unsecured and subordinated debt securities in U.S. private and small public middle market companies with maturities ranging from three to seven years. However, OHA seeks to identify attractive investments throughout the capital structure and thus may invest in equity, distressed debt, residual interests of CLOs and other assets. We may invest in newly issued securities and acquire investments in the secondary market.

The companies in which OHA intends to invest are typically highly leveraged, and, in most cases, our investments in such companies will not be rated by national rating agencies. If such companies were rated, we believe that they would typically receive a rating below investment grade (between BB and CCC under the Standard & Poor's system) from the national rating agencies, which are often referred to as "junk." From time to time, OHA may invest opportunistically in other types of investments, consistent with the provisions of the 1940 Act.

Our Board of Directors has the authority to modify or waive our operating policies and strategies without prior notice and without stockholder approval. However, under the 1940 Act, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC without stockholder approval.

Investment Sourcing and Selection. OHA pursues selective direct origination from its extensive network of relationships with key financial sponsors, financial institutions, middle market companies, management teams, corporations and other sources, and it has sought to position itself as a value-added partner in club transactions by private equity firms. OHA believes its experience in the below-investment-grade credit markets positions it well to execute private deals and capture illiquidity premiums and attractive, uncorrelated returns that may be found in this market.

In originating assets, OHA employs multiple channels and leverages the extensive relationships of the broader OHA platform. OHA's decision to select an investment for our portfolio stems directly from OHA's long-established investment approach, which focuses on intensive credit analysis, relative value analysis, risk-adjusted return generation and loss avoidance. As part of this process, OHA continuously looks to originate new ideas, perform due diligence on these opportunities and execute on those investments that meet OHA's investment criteria. OHA has extensive direct lending experience spanning several credit cycles.

BDCs generally are not permitted to co-invest on a concurrent basis with certain affiliated entities in the absence of an exemptive order from the U.S. Securities and Exchange Commission, or the SEC. However, BDCs are permitted to and may simultaneously co-invest in transactions where price is the only negotiated point. In an order dated April 25, 2016, the SEC granted exemptive relief permitting us, subject to the satisfaction of certain conditions, to co-invest in certain investment transactions with certain OHA affiliates where terms other than price are negotiated. We believe this relief will enhance our ability to further our investment objectives and strategy and may also increase favorable investment opportunities for us, in part, by allowing us to participate in larger investments, together with our co-investment affiliates, than would be available to us if such relief had not been obtained. However, there can be no assurance that such exemptive relief will permit us to fully achieve these goals.

Due Diligence. OHA believes that each investment opportunity should stand on its own merits rather than being dependent upon macro views held by the chief investment officer or a research analyst. In performing diligence on direct lending opportunities, an investigation is typically conducted by a team of research analysts and portfolio managers. The process entails, among other considerations: business analysis, capital structure analysis and valuation analysis. Business analysis involves a comprehensive fundamental evaluation of a company, including historical and projected financial modeling. Capital structure analysis evaluates the terms and structure of a company's debt and equity securities relative to the company's business risk. Valuation analysis considers the enterprise value of a company in both the public and private markets.

OHA's credit process seeks to be quantitatively rigorous and qualitatively thorough, enhanced by OHA's contacts throughout the investment community and industries it analyzes. Research analysts are encouraged to develop relationships with senior management, consultants, investment bankers, rating agencies and other experts in the industries they cover. OHA's investment professionals also have extensive contact with senior professionals of OHA's portfolio companies, and often perform frequent customer and supplier references. Typically, detailed written reports evaluate an investment's merits and concerns and steer the discussions between the team of research analysts and portfolio managers. These discussions are critical to the decision to purchase or sell an investment, or to redirect the research process to areas that warrant further evaluation. The process is often iterative and can involve multiple investment discussions.

Monitoring Investments. Once we have provided a financial commitment or investment with respect to a portfolio company, OHA monitors our portfolio companies on an ongoing basis. The objective of OHA's monitoring process is to identify current and potential value changes and be in a position to act accordingly. OHA actively monitors the financial performance of our portfolio companies through regular contact with the management teams, along with studying developments in the relevant industries and the financial markets. Constant, active monitoring allows OHA to maintain current risk assessments, address potential problems early, refine exit plans, and make prompt follow-on investment decisions.

Valuation Process

The majority of our investments are in securities for which market quotations are unavailable, or which have various degrees of restrictions on liquidity. We account for all of the assets in our portfolio at fair value, following the provisions of the Financial Accounting Standards Board Accounting Standards Codification Topic 820 *"Fair Value Measurements and Disclosures,"* or ASC 820. Our Board of Directors determines the fair value of each investment in our portfolio on a quarterly basis, as generally described below.

- *Investment Team Valuation.* The investment professionals of OHA prepare fair value recommendations for each investment.
- *Investment Team Valuation Documentation.* The investment team documents and discusses its preliminary fair value recommendations with the investment committee and senior management of OHA.
- *Third Party Valuation Activity.* We may, at our discretion, retain an independent valuation firm to review any or all of the valuation analyses and fair value recommendations provided by the OHA investment team. As of December 31, 2018, our general practice is that we have an independent valuation firm review all Level 3 investments (those whose value is determined using significant unobservable inputs) with recommended fair values in excess of $10 million on a quarterly basis, and review all Level 3 investments with any meaningful fair value at least annually.
- *Presentation to Audit Committee.* OHA and our senior management present the valuation analyses and fair value recommendations to the Audit Committee of our Board of Directors.
- *Board of Directors and Audit Committee.* The Board of Directors and the Audit Committee review and discuss the valuation analyses and fair value recommendations provided by OHA and the analysis of the independent valuation firm, if applicable.
- *Final Valuation Determination.* Our Board of Directors discusses the fair values recommended by the Audit Committee and determines the fair value of each investment in our portfolio, in good faith, based on the input of OHA, our Audit Committee and the independent valuation firm, if applicable.

ASC 820 defines fair value as the price that a seller would receive for an asset or pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date. The fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes the use of observable market inputs over unobservable entity-specific inputs.

Competition

Historically, our primary competitors in this market have consisted of public and private investment funds, commercial and investment banks, commercial financing companies and other BDCs. Although these competitors regularly provide financing similar to most of our investments, a number of them focus on different aspects of these markets. We also face competition from other firms that are substantially larger and have considerably greater financial, technical and marketing resources than we have. Some of our competitors have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments or yield targets, which allow them to consider a wider variety of investments and establish more portfolio relationships than we can. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC; nor are they subject to the requirements imposed on RICs by the Code. Nevertheless, we believe that the relationships of the senior professionals of OHA should enable us to compete effectively for attractive investment opportunities.

Employees

We do not have any direct employees, and our day-to-day investment operations are managed by OHA. Our principal officers are our chief executive officer, our chief financial officer and our chief compliance officer. In addition to the chief financial officer, we have two other OHA employees dedicated full time to our operations. All of these individuals are employees of OHA. Our allocable portion of the cost of our officers and their staffs is paid by us pursuant to the Administration Agreement. The services necessary for the origination, monitoring and administration of our investment portfolio are provided by investment professionals employed by OHA.

Regulation

Business Development Company

We have elected to be regulated as a BDC under the 1940 Act. By electing to be treated as a BDC, we are subject to various provisions of the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs 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 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 withdraw our election to be regulated as, a BDC without first obtaining the approval of a “majority of our outstanding voting securities,” as that term is defined in the 1940 Act. Under the 1940 Act, the vote of holders of a “majority” means the vote of the holders of the lesser of: (i) 67% or more of the outstanding shares of the company’s common stock present at a meeting or represented by proxy if holders of more than 50% of the shares of the company’s common stock are present or represented by proxy or (ii) more than 50% of the company’s outstanding shares of common stock. We do not anticipate any substantial change in the nature of our business.

We are generally not permitted to issue and sell our common stock at a price below net asset value per share. We may, however, issue and sell shares of our common stock at a price below net asset value per share if (i) our Board of Directors determines that such sale is in our best interests and the best interests of our stockholders, and (ii) our stockholders have approved our policy and practice of making such sales within the preceding 12 months. In any such case, the price at which our common stock is 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. We may repurchase our shares subject to the restrictions of the 1940 Act and the terms of our credit agreement. We also may conduct rights offerings at prices less than the net asset value per share, subject to the requirements of the 1940 Act. If we raise additional funds by issuing additional common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and our stockholders my experience dilution. See Risk Factors - Risk Relating to Our Business Structure - Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise additional capital. As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

As a BDC, we are required to meet a coverage ratio of the value of total assets to senior securities, which include all of our borrowings and any preferred stock we may issue in the future, of at least 200%. On April 11, 2018, our Board of Directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act. As a result, the Company’s asset coverage requirements for senior securities will be changed from 200% to 150%, effective one year after the date of the Board of Directors’ approval, or April 11, 2019. Under the current 200% asset coverage standard, we may borrow debt or issue senior securities in the amount of $1.00 for every $1.00 of equity in the Company. Starting from April 11, 2019, under the 150% asset coverage standard, we may borrow debt or issue senior securities in the amount of $2.00 for every $1.00 of equity in the Company. Notwithstanding the modified asset coverage requirement under the 1940 Act described above, we are separately subject to a Debt to Tangible Net Worth Ratio of not more than 1.00:1.00 (200% minimum asset coverage) with respect to certain provisions of our Credit Facility. We are also prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our Board of Directors who are not interested persons and, in some cases, prior approval by the SEC.

We 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 are prohibited from (a) acquiring more than 3% of the voting stock of any registered investment company, (b) investing more than 5% of the value of our total assets in the securities of one investment company, or (c) investing more than 10% of the value of our total assets in the securities of registered investment companies in the aggregate. With regard to that portion of our portfolio invested in securities issued by registered investment companies, it should be noted that such investments might subject our stockholders to additional expenses.

Qualifying Assets

A BDC must be organized and have its principal place of business in the United States and operate for the purpose of investing in the types of securities described in 1, 2 and 3 below. As a BDC, we 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 our total assets. The principal categories of qualifying assets relevant to our 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):
    a. is an eligible portfolio company, or from any person who is, or has been during the preceding thirteen 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. The 1940 Act defines an eligible portfolio company as any issuer that:
        i. is organized under the laws of, and has its principal place of business in, the United States;
        ii. is not an investment company (other than a small business investment company, or SBIC, wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
        iii. does not have any class of securities listed on a national securities exchange
    b. is a company that meets the requirements of (a)(i) and (ii) above, but is not an eligible portfolio company because it has issued a class of securities on a national securities exchange, if:
        i. at the time of the purchase, we own at least 50% of (A) the greatest number of equity securities of such issuer and securities convertible into or exchangeable for such securities; and (B) the greatest amount of debt securities of such issuer, held by us at any point in time during the period when such issuer was an eligible portfolio company; and;
        ii. we are one of the 20 largest holders of such issuer's outstanding voting securities; or;
    c. is a company that meets the requirements of (a)(i) and (ii) above, but is not an eligible portfolio company because it has issued a class of securities on a national securities exchange, if the aggregate market value of such company's outstanding voting and non-voting common equity is less than $250 million.
2. Securities of any eligible portfolio company that 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 such issuer, or from any person in transactions incident thereto, if immediately prior to the purchase of its securities such 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 options, warrants or rights relating to such securities.
6. Cash, cash equivalents, U.S. government securities or high-quality debt maturing in one year or less from the time of investment.

Managerial Assistance to Portfolio Companies

As noted above, a BDC must be operated for the purpose of making investments in the types of securities described in 1, 2 and 3 under the heading entitled "Qualifying Assets" above. In addition, BDCs generally must offer to make available to the issuer of such securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of the securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers, employees or agents, 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 generally consist of cash, cash equivalents, U.S. government securities or high-quality debt maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that at least 70% of our assets are qualifying assets. Typically, we invest in U.S. Treasury Bills or 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 that 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 we may invest 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 asset diversification requirements in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. OHA will monitor the creditworthiness of the counterparties with which we enter into any repurchase agreement transactions.

Senior Securities

The 1940 Act permits us, under specified conditions, to issue multiple classes of senior 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% (decreases to 150% after April 11, 2019) immediately after each such issuance. In addition, while any senior securities remain outstanding, we may be required by the 1940 Act to 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 are also permitted to borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage.

Code of Ethics

We and OHA have adopted a joint code of ethics pursuant to Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Advisors Act, respectively, that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the 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.

Compliance Policies and Procedures

We and OHA have adopted and implemented written policies and procedures reasonably designed to prevent violation of the federal securities laws and will review these policies and procedures annually for their adequacy and the effectiveness of their implementation. We and OHA have each designated a chief compliance officer to be responsible for administering the policies and procedures.

Proxy Voting Policies and Procedures

While the majority of our investments are in debt securities, we may occasionally hold investments in publicly-traded equity securities. We have delegated our proxy voting responsibility to OHA. The proxy voting policies and procedures of OHA are set forth below. The guidelines are reviewed periodically by OHA and, accordingly, are subject to change.

As an investment advisor registered under the Advisers Act, OHA has fiduciary duties to us. As part of this duty, OHA recognizes that it must vote client securities in a timely manner free of conflicts of interest and in our best interests and the best interests of our stockholders. OHA's proxy voting policies and procedures have been formulated to ensure decision-making consistent with these fiduciary duties. These policies and procedures for voting proxies are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

OHA votes proxies relating to our portfolio securities in what it perceives to be the best interest of our stockholders. OHA reviews on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities held by us. Although OHA will generally vote against proposals that may have a negative effect on our portfolio securities, OHA may vote for such a proposal if there exist compelling long-term reasons to do so.

OHA's proxy voting decisions are made by those senior investment professionals who are responsible for monitoring each of our investments. To ensure that a vote is not the product of a conflict of interest, OHA requires 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 OHA intends to vote on a proposal in order to reduce any attempted influence from interested parties. If a vote may involve a material conflict of interest, prior to approving such vote, OHA must consult with our chief compliance officer to determine whether the potential conflict is material and if so, the appropriate method to resolve such conflict. If the conflict is determined not to be material, OHA's employees shall vote the proxy in accordance with OHA's proxy voting policy.

You may obtain information about how we voted proxies by making a written request for proxy voting information to Chief Compliance Officer, OHA Investment Corporation, 1114 Avenue of the Americas, 27th Floor, New York, New York 10036.

Other

We expect to be periodically examined by the SEC for compliance with 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 BDC, 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.

Regulated Investment Company

As a BDC, we have elected to be treated as a RIC under Subchapter M of Chapter 1 of the Code. As a RIC, we are generally not subject to corporate-level U.S. federal income taxes on the portion of our investment company taxable income (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses), or realized net capital gains, that we distribute, or deem to distribute, to stockholders on a timely basis.

Taxable income available for distribution differs from consolidated net investment income under GAAP due to (i) temporary and permanent differences in income and expense recognition, (ii) capital gains and losses, (iii) activity at taxable subsidiaries, and (iv) the timing and period of recognition regarding dividends declared in December of one year and paid in January of the following year. Dividends we declare and pay in a particular year generally differ from taxable income for that year as such dividends may include the distribution of current year taxable income, the distribution of prior year taxable income carried forward into and distributed in the current year, or returns of capital.

We may also be subject to federal excise tax if we do not distribute an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year (taking into account certain deferrals and elections), (2) 98.2% of our capital gain net income, computed for the one year period ended October 31 of that calendar year, and (3) 100% of any ordinary income or capital gain net income not distributed or taxed in prior years. Dividends to stockholders are recorded on the ex-dividend date. We currently intend to make sufficient distributions each year to maintain our status as a RIC for federal income tax purposes and to avoid excise taxes. If we do not meet this requirement, the Code imposes a nondeductible excise tax generally equal to 4% of the amount by which the required distribution exceeds the distribution for the year. The taxable income on which an excise tax is paid is generally carried forward and distributed to stockholders in the next tax year. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next tax year and pay a 4% excise tax on such income.

In order to maintain our status as a RIC, we must, in general, (1) continue to qualify as a BDC; (2) derive at least 90% of our gross income from dividends, interest, gains from the sale of securities and other specified types of income; (3) meet asset diversification requirements as defined in the Code; and (4) timely distribute to stockholders at least 90% of our annual investment company taxable income as defined in the Code.

Investment Advisory Agreement

Management Services

OHA manages our investments and business pursuant to the Investment Advisory Agreement. The Investment Advisory Agreement was most recently approved by our Board of Directors, a majority of whose members are not "interested" persons (as defined in the 1940 Act) of us, on August 2, 2018.

In determining to reapprove the Investment Advisory Agreement, our Board of Directors requested information from OHA that enabled it to evaluate a number of factors relevant to its determination. These factors included:

- information regarding the nature and quality of the advisory services rendered by OHA;
- our performance;

- the experience and qualifications of the personnel providing services to us;
- the current fee structure under the Investment Advisory Agreement, which was not proposed to be changed, and our current and anticipated expense ratio in relation to those of other BDCs with comparable investment policies and limitations, which the Board of Directors believed to be comparable to such other peer BDCs;
- the absence of breakpoints in the fee structure, and the fact that due to our small asset size, OHA had not experienced to date any economies of scale in connection with its management of our investments and business;
- the fees charged by OHA to its similar clients, which the Board of Directors did not believe to be a relevant consideration, as we are the sole BDC managed by OHA;
- the direct and indirect costs incurred by OHA in performing services for us and the basis of determining and allocating such costs; and
- any other possible benefits to OHA arising from its relationship with us.

Based on the information reviewed and the considerations detailed above, our Board of Directors, including all of our directors who are not interested persons of us or OHA, concluded that the investment advisory fee rate and terms are fair and reasonable in relation to the services provided and reapproved the Investment Advisory Agreement as being in the best interests of our stockholders.

Subject to the overall supervision of our Board of Directors, OHA manages the investment and reinvestment of our assets in accordance with our investment objectives and policies. Under the terms of the Investment Advisory Agreement, OHA provides any and all management and investment advisory services necessary for the operation and conduct of our business and:

- 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 our investments;
- monitors the performance of, and manages our investments;
- determines the securities and other assets that we purchase, retain or sell and the terms on which any such securities and other assets are purchased and sold;
- arranges for the disposition of our investments;
- recommends to our Board of Directors the estimated fair value of our investments that are not publicly traded debt or equity securities, based on our valuation guidelines;
- votes proxies in accordance with the proxy voting policy and procedures adopted by OHA; and
- provides us with such other investment advice, research and related services as our Board of Directors may, from time to time, reasonably require for the investment of our assets.

OHA's services under the Investment Advisory Agreement are not required to be exclusive, and OHA is free to furnish the same or similar services to other entities, including businesses that may directly or indirectly compete with us for particular investments, so long as its services to others do not impair its services to us. Under the Investment Advisory Agreement, OHA also provides on our behalf significant managerial assistance to those portfolio companies to which we are required to provide such assistance under the 1940 Act and who request such assistance from us.

Management and Incentive Fees

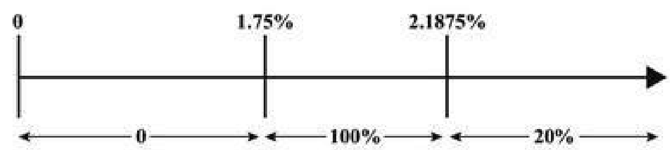
Pursuant to the Investment Advisory Agreement, we pay OHA a fee for management services consisting of two components — a base management fee and an incentive fee.

Base Management Fee: The base management fee is paid quarterly in arrears, and is calculated by multiplying the average value of our total assets (excluding cash, cash equivalents and U.S. Treasury Bills that are purchased with borrowed funds solely for the purpose of satisfying quarter-end diversification requirements related to our election to be taxed as a RIC under the Code), as of the end of the two immediately prior fiscal quarters, by a rate of 1.75% per annum.

Incentive Fee: The incentive fee consists of two parts. The first part, the investment income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the fiscal quarter for which the fee is being calculated. Pre-incentive fee net investment income means interest income, dividend income, royalty payments, net profits interest payments, and any other income (including any other fees, such as commitment, origination, syndication, structuring, diligence, monitoring and consulting fees or other fees that we receive from portfolio companies) accrued during the fiscal quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind ("PIK") interest and zero coupon securities), accrued income that we have not yet received in cash. Accordingly, we may pay (and in certain quarters, have paid) an incentive fee based partly on accrued investment income, the collection of which may be uncertain or deferred. Net investment income does not include any realized capital gains, realized capital losses, or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less liabilities at the end of the immediately preceding fiscal quarter) is compared to a "hurdle rate" of 1.75% per quarter (7% annualized). OHA receives no incentive fee for any fiscal quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate. OHA receives an incentive fee equal to 100% of our pre-incentive fee net investment income for any fiscal quarter in which our pre-incentive fee net investment income exceeds the hurdle rate but is less than 2.1875% (8.75% annualized) of net assets (also referred to as the "catch up" provision) plus 20% of our pre-incentive fee net investment income for such fiscal quarter greater than 2.1875% (8.75% annualized) of net assets. The following is a graphical representation of the calculation of the investment income incentive fee:

Quarterly Incentive Fee Based on Net Investment Income

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 investment income incentive fee

The second part of the incentive fee, the capital gains fee, is determined and payable in arrears as of the end of each fiscal year (or, upon termination of the Investment Advisory Agreement, as of the termination date). The capital gains incentive fee is equal to 20% of our cumulative aggregate realized capital gains from the date of the Investment Advisory Agreement through the end of that fiscal year, computed net of our cumulative aggregate realized capital losses and cumulative aggregate unrealized depreciation on investments for the same time period. The aggregate amount of any previously paid capital gains incentive fees to OHA is subtracted from the capital gains incentive fee calculated. If such amount is negative, then there is no capital gains fee for such year. For the purposes of the capital gains fee, any gains and losses associated with our investment portfolio as of September 30, 2014 shall be excluded from the capital gains incentive fee calculation.

On November 10, 2017, we entered into an Incentive Fee Waiver Agreement with OHA whereby OHA agreed to waive any incentive fees earned relating to fiscal years 2017 and 2018. Under the Incentive Fee Waiver Agreement, any capitalized gains fees that would have been earned and accrued during 2017 and 2018, which under our investment advisory agreement would not have been paid until 2018 and 2019, respectively, will be waived. For the year ended December 31, 2018, there were no capital gains incentive fees that would have been earned. For the year ended December 31, 2017, OHA waived $89,000 of capital gains incentive fee that would have been earned in 2017 and paid in 2018.

The Investment Advisory Agreement may be terminated at any time, without the payment of any penalty, by a vote of our Board of Directors or the holders of a majority of our shares on 60 days' written notice to OHA, and would automatically terminate in the event of its "assignment" (within the meaning of the 1940 Act). In addition, OHA may terminate the Investment Advisory Agreement without penalty upon not more than 60 days' written notice to us. Pursuant to the Investment Advisory Agreement, OHA pays the compensation expense of its investment professionals, who provide management and investment advisory services to us. We bear all other costs and expenses of our operations and transactions.

Administration Agreement

Under the Administration Agreement, OHA furnishes us with certain administrative services, personnel and facilities. The Administration Agreement was most recently approved by our Board of Directors on August 2, 2018. Payments under the Administration Agreement will be equal to our allocable portion of OHA's overhead in performing its obligations under the Administration Agreement, including all administrative services necessary for our operation and the conduct of our business. The Administration Agreement may be terminated at any time, without penalty, by a vote of our Board of Directors or by OHA upon 60 days' written notice to the other party.

Corporate Information

We are a Maryland corporation organized in July 2004, and we completed our initial public offering in November 2004. Our principal executive office is located at 1114 Avenue of the Americas, 27th floor, New York, New York 10036, and our telephone number is (212) 852-1900. We believe our office facilities are suitable and adequate for our operations as currently conducted and contemplated. Our corporate website is www.ohainvestmentcorporation.com. We file periodic reports, proxy statements and other information with the SEC and make such reports available on our website free of charge as soon as reasonably practicable. You may read and copy the materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at www.sec.gov that contains material that we file with the SEC on the EDGAR Database.

This document includes our website address as an inactive textual reference only, and we do not incorporate the information contained on our website into this Form 10-K.

We have several direct and indirect subsidiaries that are single member limited liability companies and wholly-owned limited partnerships established to hold certain portfolio investments or provide services to us in accordance with specific rules prescribed for a company operating as a RIC. We consolidate the financial results of our wholly-owned subsidiaries for financial reporting purposes, and we do not consolidate the financial results of our portfolio companies.

Item 1A. Risk Factors

An investment in our securities involves a number of significant risks. In addition to the other information contained in this annual report on Form 10-K, you should consider the following information before making an investment in our securities. The risks set forth below are not the only risks we face, and we face other risks which we have not yet identified, which we do not currently deem material or which are not yet predictable. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Relating to Our Investments

Our investment in OCI Holdings, LLC ("OCI") remains subject to risks resulting from Medicare reimbursement rate reductions in the state of Texas that have had a negative impact on OCI's earnings and cash flow.

OCI's business as a home health provider of pediatric services to Medicaid patients in Texas has been negatively impacted by Medicaid reimbursement rate reductions 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. In May, the Texas Legislature agreed to the 2018/2019 biennium budget. The new budget, which went into effect on September 1, 2017, restored approximately 25% of the rate cuts subject to a number of specific provisions relating to pediatric therapy reimbursement. OCI management continues to address its cost base and pursue operating initiatives to best position itself for success in the new rate reimbursement environment. As part of the effort to navigate the challenging rate environment, as posted on its website in January 2018, OCI was selected by Superior Healthplan, a nationally recognized Healthcare Maintenance Organization, for a therapy and evaluations services agreement utilizing its clinical resources and extensive independent research experience. However, there can be no assurance that such developments will positively impact our investments in OCI. Additionally, the 86th Texas Legislative Session, which will determine the Medicaid reimbursement rate environment for the 2019/2020 biennium budget, commenced on January 8, 2019 and will conclude on May 27, 2019. As of December 31, 2018, our investments in OCI represent 3.3% of our total investment portfolio including cash and cash equivalents. For the year ended December 31, 2018, investment income related to our investments in OCI represented 32.7% of total investment income. This investment was placed on non-accrual status in the fourth quarter of 2018.

Our ATP Oil & Gas Corporation ("ATP") limited term royalty interest ("ORRI") is dependent on continued oil and gas production from the Telemark field. In April 2018, Statoil USA E&P, Inc. ("Statoil"), now known as Equinor, resumed limited production on the wells located in MC 941 and 942. Prior to that date, the wells had been shut-in since November 2016 in connection with certain bankruptcy proceedings of Bennu Oil & Gas, LLC, the successor in title to ATP ("Bennu"). Notwithstanding the resumption of production and production payments, we are still unlikely to recover our full investment in the ORRIs.

In 2011 and 2012, we purchased from ATP Oil & Gas Corporation, predecessor in title to Bennu, limited-term ORRIs in certain offshore oil and gas producing properties operated by Bennu in the Gulf of Mexico. Under this arrangement, we purchased the right to portions (ranging from 5.0% to 10.8%) of the monthly production proceeds from oil and gas properties known as the Gomez and Telemark properties. The terms of the ORRIs provide that they will terminate after we receive payments that equal our investment in the ORRIs plus a time-value factor that is calculated at a rate of 13.2% per annum.

In November 2016, in connection with its Chapter 7 bankruptcy proceedings, Bennu ceased production on the Titan Production Facility (the floating production platform in the Gulf of Mexico utilized by Bennu for production with respect to the Telemark field in which we have an ORRI) and shut-in all related wells. On August 17, 2017, the Chapter 7 Trustee filed a motion to authorize a sale of certain assets of Bennu, including MC 941 and MC 942, to Statoil. The Court authorized the sale by order entered on September 14, 2017. In April 2018, Statoil (known as Equinor effective May 15, 2018) resumed limited production on the wells located in MC 941 and 942 in the Telemark field. Such production has been intermittent (due to certain maintenance and weather-related suspensions) and each well is producing at varying levels. We began receiving production payments in the second quarter of 2018. Our ORRI is dependent on continued production from the Telemark field. Even though production payments have resumed, we are still unlikely to recover our full investment in the ORRIs.

Please refer to "Item 3. Legal Proceedings" for further discussion of the ATP bankruptcy litigation, which has been concluded in our favor. As of December 31, 2018, our unrecovered investment was $39.7 million, and we had received aggregate production payments of $39.2 million since the date of ATP's bankruptcy filing. In addition, as of December 31, 2018, we had incurred legal and consulting fees totaling $6.5 million in connection with the enforcement of our rights under the ORRIs, $5.4 million of which has been added to the unrecovered investment balance under the terms of the ORRI agreements.

Disruption and instability in U.S. or global capital markets could materially and adversely affect our business.

The U.S. and global capital markets experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt, which created concerns about the ability of certain nations to continue to service their sovereign debt obligations. More recently, the implications of the United Kingdom's referendum decision to leave the European Union ("Brexit") and the policies of the current U.S. presidential administration remain unclear. These market and economic disruptions affected, and these and other similar market and economic disruptions may in the future affect, the U.S. capital markets, which could adversely affect our business and that of our portfolio companies, and have reduced the availability of debt and equity capital for the market as a whole and to financial firms, in particular. At various times, these disruptions resulted in, and may in the future result in, increased spreads between the yields realized on riskier debt securities and those realized on securities perceived to be risk-free, a lack of liquidity in parts of the debt capital markets, significant write-offs in the financial services sector and the repricing of credit risk. These conditions may reoccur for a prolonged period of time again or materially worsen in the future, including as a result of U.S. government shutdowns or further downgrades to the U.S. government's sovereign credit rating or the perceived credit worthiness of the United States or other large global economies. Unfavorable economic conditions, including future recessions, also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. We may in the future have difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may cause us to reduce the volume of loans we originate and/or fund, adversely affect the value of our portfolio investments or otherwise have a material adverse effect on our business, financial condition and results of operations.

Our investments are risky and highly speculative.

We invest primarily in senior and junior secured, unsecured and subordinated loans of U.S. private and public middle market companies. However, we may also invest in equity, distressed debt and other assets.

Senior Secured Loans. When we make a senior secured debt investment in a portfolio company, we generally take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which we expect to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our investment may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, our lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that an investment is secured does not guarantee that we will receive principal and interest payments according to the contractual terms, or at all, or that we will be able to collect on the investment should we enforce our remedies.

Junior Secured Debt. Junior secured debt investments are secured debt investments (including second lien loans) that rank after senior secured debt in priority of payment. As other creditors may rank senior to any junior secured debt held by us in the event of insolvency, junior secured debt may have an above average amount of risk and volatility or loss of principal.

Unsecured Debt. Unsecured debt investments do not benefit from a security interest in the assets of the portfolio company. As such, in the event of insolvency, any secured creditors of the portfolio company would have priority over us with respect to the proceeds from the sale of such company's assets and the proceeds from such sale may not be sufficient to repay our debt.

Subordinated Debt. Subordinated debt investments are debt investments in which the holder has contractually agreed to be subordinated to other creditors. As such, in the event of insolvency, any creditor with a security interest or who ranks senior to the subordinated debt under the agreement governing the debt, including certain unsecured creditors, would have priority over us with respect to the proceeds from the sale of the portfolio company's assets, and the proceeds from such sale may not be sufficient to repay our debt.

Preferred Stock and Other Equity Investments. We may invest directly in the equity securities of portfolio companies. In addition, when we invest in loans and other debt securities, we may acquire common or preferred equity securities as well. Our goal is generally to exit such equity interests and realize gains upon our disposition of interests. However, the equity interests we receive may not appreciate in value and may end up declining in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Distressed Debt. We may from time to time invest in distressed debt or the loans that we hold may become distressed. Distressed debt investments may not produce income, may require us to bear certain expenses to protect our investment and may subject us to uncertainty as to when, in what manner and for what value such distressed debt will eventually be satisfied.

Middle-Market Companies. Investing in middle market companies involves a number of significant risks, including:

- such companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing on any guarantees we may have obtained in connection with our investment;
- such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- such companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- limited public information exists about many of these companies and, if OHA's investment professionals are unable to uncover all material information necessary to evaluate the potential returns from investing in such companies, we may not make a fully informed investment decision, and we may lose money on our investments;
- such companies generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- such companies may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness, including any debt securities held by us, upon maturity.

Our portfolio is concentrated in a limited number of portfolio companies and industries, which will subject us to a risk of significant loss if any of these companies performs poorly or defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.

We are classified as a non-diversified management investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. Beyond the asset diversification requirements associated with our qualification as a RIC under Subchapter M of the Code, we do not have fixed guidelines for diversification. Our portfolio is currently concentrated in a limited number of portfolio companies.

As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, a downturn in any particular industry in which we are invested could also significantly impact our net asset value and the aggregate returns we realize.

Our investments in securities rated below investment grade are speculative in nature and are subject to additional risk factors such as increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates.

We typically invest in securities that are not rated by any rating agency, but we believe that if such securities were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Ratings Services). Securities rated below investment grade are often referred to as "leveraged loans," "high yield" or "junk" securities and are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. Securities rated below investment grade generally offer a higher current yield than that available from investment grade securities but typically involve greater risk. These securities are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, issuers of below investment grade instruments may experience financial stress that could adversely affect their ability to make payments of principal and interest and increase the possibility of default. In addition, the secondary market for below-investment grade securities may not be as liquid as the secondary market for more highly rated securities.

Many of our portfolio companies may incur debt that ranks equally with, or senior to, our investments and debt securities in such companies and such portfolio companies may not generate sufficient cash flow to service their debt obligations to us.

We have invested a portion of our capital in second lien, subordinated and unsecured debt securities issued by our portfolio companies and intend to continue to do so in the future. Such portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. Such subordinated investments are subject to greater risk of default than senior obligations as a result of adverse changes in the financial condition of the obligor or in general economic conditions. If we make a subordinated investment in a portfolio company, the portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may create increased risks that its operations might not generate sufficient cash flow to service all of its debt obligations. By their terms, senior debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us where we are junior creditor. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that we make to portfolio companies may be secured on a second priority basis by the same collateral securing senior secured debt of such companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by first priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from any realization of, the collateral to repay their obligations in full before we would. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds were not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any.

We have made in the past, and may make in the future, unsecured loans to portfolio companies, meaning that such loans will not benefit from any interest in the collateral of such companies. Liens on a portfolio company's collateral, if any, will secure the portfolio company's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the portfolio company under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from any realization of, such collateral to repay their obligations in full before we would. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy our unsecured loan obligations after payment in full of all loans secured by collateral. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of such senior debt. Under a typical intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be taken at the direction of the holders of the obligations secured by the first priority liens:

- the ability to cause the commencement of enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;

- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights are adversely affected.

Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our Board of Directors and in accordance with generally accepted accounting principles. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Any unrealized depreciation in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods and could materially adversely affect our ability to service our outstanding borrowings. Depending on market conditions, we could incur substantial losses in future periods, which could reduce our net asset value and have a material adverse impact on our business, financial condition and results of operations.

A portion of our portfolio investments are recorded at fair value as determined in good faith by our Board of Directors and, as a result, there may be uncertainty as to the value of our portfolio investments.

A portion of our portfolio investments take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable, and we value these securities at fair value as determined in good faith by our Board of Directors, including to reflect significant events affecting the value of our securities. Our portfolio consists of 21% of investments classified as Level 3 based on fair value as of December 31, 2018. This means that our portfolio valuations are based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. Inputs into the determination of fair value of our portfolio investments require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which may include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information.

Because such valuations are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

We adjust quarterly the valuation of our portfolio to reflect our Board of Directors' determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our consolidated statement of operations as net unrealized appreciation (depreciation) on investments.

The lack of liquidity in our investments may adversely affect our business.

A substantial portion of our investments are and will be subject to legal and other restrictions on resale or will otherwise be less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments.

Generally we do not hold controlling equity interests in our portfolio companies, and therefore, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

To the extent we do not hold a controlling equity position in a portfolio company, we are subject to the risk that a portfolio company in which we do not have a controlling interest may make business decisions with which we disagree, and that the management and/or stockholders of such portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be prepaid prior to maturity. We may use the proceeds from such prepayments to reduce our outstanding borrowings or invest such proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments, if any, will typically have substantially lower yields than the debt investment being prepaid, and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may be at lower yields than the debt investment that was prepaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our common stock.

Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity, and rising interests rates may make it more difficult for portfolio companies to make periodic payments on their loans.

Our portfolio companies may be unable to repay or refinance outstanding principal on their loans at or prior to maturity. This risk and the risk of default is increased to the extent that the loan documents do not require the portfolio companies to pay down the outstanding principal of such debt prior to maturity. In addition, if general interest rates rise, there is a risk that our portfolio companies will be unable to pay escalating interest amounts, which could result in a default under our investment. Rising interest rates could also cause portfolio companies to shift cash from other productive uses to the payment of interest, which may have a material adverse effect on their business and operations and could, over time, lead to increased defaults. Any failure of one or more of our portfolio companies to repay or refinance its debt at or prior to maturity or the inability of one or more portfolio companies to make ongoing payments, including as a result of an increase in contractual interest rates, could have a material adverse effect on our business, financial condition and results of operations.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

We structure the debt investments in our portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company's business and its financial condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of our receiving the full amount of future payments of interest or principal and may be accompanied by a deterioration in the value of the underlying collateral, as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay distributions and could adversely affect our business, financial condition, and results of operations.

Our loans could be subject to equitable subordination by a court or we could be subject to lender liability claims.

Courts may apply the doctrine of equitable subordination to subordinate the claim or lien of a lender against a borrower to claims or liens of other creditors of the borrower, when the lender or its affiliates is found to have engaged in unfair, inequitable or fraudulent conduct. The courts have also applied the doctrine of equitable subordination when a lender or its affiliates is found to have exerted inappropriate control over the borrower, including control resulting from the ownership of equity interests in a client. We have in the past made, and from time to time in the future may make, direct equity investments or received warrants in connection with loans. Payments on one or more of our loans, particularly a loan to a borrower in which we also hold an equity interest, may be subject to claims of equitable subordination. If we were deemed to have the ability to control or otherwise exercise influence over the business and affairs of one or more of our portfolio companies (including through the provision of managerial assistance to that portfolio company) resulting in economic hardship to other creditors of that company, this control or influence may constitute grounds for equitable subordination and a court may treat one or more of our secured loans as if it were unsecured or common equity in the portfolio company. In that case, if the portfolio company were to liquidate, we would be entitled to repayment of our loan on a pro-rata basis with other unsecured debt or, if the effect of subordination was to place us at the level of common equity, then on an equal basis with other holders of the portfolio company's common equity only after all of its obligations relating to its debt and preferred securities had been satisfied.

In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower's business or exercise control over a borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken if we render managerial assistance to the borrower.

We make loans that may include PIK interest or dividends or accretion of original issue discount provisions, which could increase the risk of default by our portfolio companies.

Some of the loans we make or acquire provide for the payment by portfolio companies of PIK interest or dividends or accreted original issue discount at maturity. Such loans have the effect of deferring a portfolio company's payment obligation until the end of the term of the loan, which may make it difficult for us to identify and address developing problems with a portfolio company in terms of its ability to repay us. Particularly in a rising interest rate environment, loans containing PIK and original issue discount provisions can give rise to negative amortization on a loan, resulting in a borrower owing more at the end of the term of a loan than what it owed when the loan was originated. Any such developments may increase the risk of default on our loans by borrowers. In addition, loans containing PIK may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral.

In addition, to the extent that we invest in original issue discount instruments and the accretion of original issue discount constitutes a portion of our income, we will be exposed to risks associated with the requirement to include such non-cash income in taxable and accounting income prior to receipt of cash, including that, for accounting purposes, cash distributions to investors representing original issue discount income do not come from paid-in capital, although they may be paid from the offering proceeds. As a result, although a distribution of original issue discount income may come from the cash invested by investors, the 1940 Act does not require that investors be given notice of this fact.

We may incur risk with respect to investments we acquire through assignments or participations of interests.

We have in the past acquired, and may in the future acquire, loans through assignments or participations of interests in such loans. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to such debt obligation. However, where we acquire an assignment or participation interest, our rights may be more restricted than those of the assigning institution, and we may not be able to unilaterally enforce all rights and remedies under an assigned debt obligation and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest, such as a bank or broker-dealer, and not directly with the borrower, and we may not directly benefit from the collateral supporting the debt obligation in which we have purchased the participation. As a result, we will be exposed to the credit risk of both the borrower and the institution selling the participation. Further, in purchasing participations, we may not be able to conduct the same level of due diligence on a borrower or the quality of the loan with respect to which we are buying a participation as we would conduct if we were investing directly in the loan. This difference may result in us being exposed to greater credit risk with respect to such loans than we expected when initially purchasing the participation.

Economic downturns or recessions could impair our portfolio companies' operations and ability to satisfy obligations to their respective lenders, including us, which could negatively impact our ability to pay dividends.

The conditions and overall strength of the international, national and regional economies, including interest rate fluctuations, changes in capital markets and changes in the prices of their primary commodities and products, generally affect our portfolio companies. These factors could adversely impact the results of operations of our portfolio companies.

Our portfolio companies may be susceptible to economic downturns or recessions and may be unable to satisfy financial covenants or to repay our loans during these periods. Adverse economic conditions also may decrease the value of collateral securing our loans and the value of our equity investments. Economic downturns or recessions could lead to financial losses in our portfolio and decreases in revenues, net income and assets. A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on the assets securing such loans, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold and adversely impact the value of any equity securities we own. These events could temporarily or permanently reduce the fair value of certain of our investments, prevent us from making additional investments and harm our operating results or ability to pay dividends.

Risks Relating to Our Business and Structure

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we target. We compete with other BDCs, public and private investment funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Some of our competitors are substantially larger and may have greater financial, technical and marketing resources than we have. 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 than we do, which could allow them to consider a wider variety of investments and establish more portfolio relationships than we do. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act and the Code impose on us as a BDC and a RIC, respectively.

The competitive pressures we face may have a material adverse effect on our business, financial condition and results of operations. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objectives. If we are unable to source attractive investments, we may hold a greater percentage of our assets in cash or operate with less leverage than anticipated, which could impact potential returns on our portfolio.

We do not seek to compete primarily based on the interest rates we will offer, and we believe that some of our competitors may make loans with interest rates that will be comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net investment income and increased risk of credit loss.

We are dependent upon senior management personnel of OHA and on OHA's ability to hire and retain qualified personnel.

We depend on our investment management team, which is provided by OHA, for the identification, final selection, structuring, closing and monitoring of our investments. Our investment team at OHA is integral to our asset management activities and has critical industry experience and relationships that we rely on to implement our business plan. Our future success depends on continued service to OHA of our investment team and/or additional qualified personnel. The departure of any of the members of OHA's investment team could have a material adverse effect on our ability to achieve our investment objective. As a result, we may not be able to operate our business as we expect, and our ability to compete could be harmed, which could cause our operating results to suffer.

Our business model depends to a significant extent upon strong referral relationships with financial sponsors, and the inability of OHA to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We expect that OHA will maintain and develop their relationships with financial sponsors, and we will rely to a significant extent upon these relationships to provide us with potential investment opportunities. If OHA fails to maintain its existing relationships or develop new relationships with other sponsors or sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom OHA has relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us. If OHA is unable to source investment opportunities, we may hold a greater percentage of our assets in cash than anticipated, which could impact potential returns on our portfolio.

There are significant potential conflicts of interest which could adversely impact our investment returns.

Our executive officers and directors, and certain investment professionals of OHA, serve or may serve as officers, directors, principals or investment professionals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. OHA and its affiliates also manage private investment funds, and may manage other funds in the future, that have investment objectives or mandates that are similar, in whole and in part, to ours. Accordingly, such individuals and OHA may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. For example, the principals of OHA may face conflicts of interest in the allocation of investment opportunities to us and such other funds.

OHA has adopted an investment allocation policy that governs the allocation of investment opportunities among the investment funds (including us) that are managed by OHA and its affiliates. To the extent an investment opportunity is appropriate for us or any other investment fund managed by OHA or its affiliates, OHA will adhere to its investment allocation policy in order to determine the allocation of such opportunity among the various investment funds. Although OHA's investment professionals will endeavor to allocate investment opportunities in a fair and equitable manner, we and our stockholders could be adversely affected to the extent investment opportunities are allocated among us and other investment vehicles managed or sponsored by, or affiliated with, investment professionals of OHA, our executive officers and directors.

BDCs generally are not permitted to co-invest on a concurrent basis with certain affiliated entities in the absence of an exemptive order from the U.S. Securities and Exchange Commission, or the SEC. However, BDCs are permitted to and may simultaneously co-invest in transactions where price is the only negotiated point. In an order dated April 25, 2016, the SEC granted exemptive relief permitting us, subject to the satisfaction of certain conditions, to co-invest in certain investment transactions with certain OHA affiliates where terms other than price are negotiated. We believe this relief enhances our ability to further our investment objectives and strategy and may also increase favorable investment opportunities for us, in part, by allowing us to participate in larger investments, together with our co-investment affiliates, than would be available to us if such relief had not been obtained. However, there can be no assurance that such exemptive relief will permit us to fully achieve these goals.

OHA's investment allocation policy is also designed to manage and mitigate conflicts of interest associated with the allocation of investment opportunities if we are able to co-invest, either pursuant to SEC interpretive positions or our exemptive order, with other funds managed by OHA or its affiliates. Under the investment allocation policy, if we are permitted to co-invest pursuant to an exemptive order, co-investments would be allocated pursuant to the conditions of the exemptive order.

Generally, for any initial allocation of a purchase under the investment allocation policy, if we are able to co-invest pursuant to SEC interpretive positions or the SEC exemptive relief, a portion of each opportunity that is appropriate for us and any affiliated fund will be offered to us and such other affiliated fund and other participating portfolios as determined by OHA based on two inputs: (i) available cash (which includes available cash, unfunded capital commitments and, at the discretion of

OHA, leverage) and (ii) maximum issuer sizes (which is determined at the discretion of OHA, taking into consideration account investment guidelines and other factors). Initial trade allocations may be adjusted by OHA in making a final allocation determination, including in cases where OHA is limited in its ability to allocate across all accounts. The outcome of any allocation determination may result in the allocation of all or none of an investment opportunity to us, and there can be no assurance that we will have an opportunity to participate in certain investments that fall within our investment objectives.

Based on the foregoing methodology, accounts with higher available cash than we have will generally have a higher initial allocation percentage to an investment. Likewise, an account with a larger maximum issuer size than we are permitted to have under the 1940 Act or other applicable law will generally have a higher initial allocation percentage to an investment.

OHA seeks to treat all clients fairly and equitably such that none receive preferential treatment over the others over time, in a manner consistent with its fiduciary duty to each of them; however, in some instances, especially in instances of limited liquidity, the factors may not result in allocations or may result in situations where certain funds receive allocations where others do not.

In addition, because we expect to make investments alongside other investment funds, accounts and other investment vehicles managed by OHA, consistent with existing regulatory guidance and OHA's allocation procedures, we may subsequently be prohibited by the 1940 Act from re-negotiating the terms of such co-investments, including with respect to granting loan waivers or concessions or in connection with a restructuring, reorganization or similar transaction involving the portfolio company, to the extent that other investment funds, accounts or other investment vehicles managed by OHA continue to hold such investments at the time. As a result, we may have to sell such investments at such time in order to avoid violating the 1940 Act or otherwise not participate in the re-negotiation of the terms of such co-investments, which may result in investment losses or lost opportunities to generate additional income, or may otherwise negatively impact us.

We may need to raise additional capital to grow because we must distribute most of our income.

We must distribute at least 90% of our investment company taxable income to our stockholders to maintain our RIC status and such distributions will not be available to fund new investments. We may need additional capital to fund growth in our investments. A reduction in the availability of new capital could limit our ability to grow. We expect to borrow from financial institutions and may, if warranted by market conditions and in the best interests of our stockholders, issue additional debt and equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, it could limit our ability to grow, which may have an adverse effect on the value of our securities. In addition, as a BDC, our ability to borrow or issue preferred stock may be restricted if our total assets are less than 200% of our total borrowings and preferred stock (subject to the changes to our asset coverage requirements discussed above).

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The prolonged continuation or worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful, and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

Failure to further extend our Credit Facility could also have a material adverse effect on our results of operations and financial position and our ability to pay expenses and make distributions.

In September 2016 we entered into a Credit Agreement (the "Credit Facility") with Midcap Financial Trust, as administrative agent. The Credit Facility, which was scheduled to mature on March 9, 2018, was subsequently extended to September 9, 2018, as permitted under the existing Credit Agreement. On September 7, 2018 we entered into an amendment to extend the maturity date of the Credit Facility to September 9, 2019, which can be extended for an additional six-month period at the Company's option. If the participating lenders do not renew or further extend the Credit Facility, the outstanding principal balance on that date will be due and payable. If we are unable to further extend our current Credit Facility or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding under the current Credit Facility through one or more of the following: (1) available cash balances, (2) principal collections on our securities pledged under the facility, (3) at our option, interest collections on our securities pledged under the facility, or (4) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position and may force us to decrease or stop paying certain expenses and/or making distributions to stockholders until amounts outstanding under the Credit Facility are repaid. In addition, our stock price could decline significantly, we would be restricted in our ability to acquire new investments and our independent registered public accounting firm could raise an issue as to our ability to continue as a going concern.

Any failure on our part to maintain our status as a BDC would reduce our operating flexibility.

The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs may not acquire any "non-qualifying asset" unless at the time of such acquisition at least 70% of their total assets are invested in specified types of qualifying assets, primarily in private companies or small U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. Any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, if we fail to maintain our qualification as a BDC, we may be subject to substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with such regulations would significantly decrease our operating flexibility, and could significantly increase our costs of doing business.

Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise, additional capital. As a BDC, the necessity of raising additional capital may expose us to risks, including the typical risks associated with leverage.

Under the provisions of the 1940 Act, we are currently permitted, as a BDC, to issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. Under the Small Business Credit Availability Act, subject to certain approval and disclosure requirements, we will be able to issue senior securities in amounts such that this asset coverage equals 150%. For discussion regarding the increased leverage available to us, effective April 11, 2019, pursuant to the Small Business Credit Availability Act, see “- Our Board of Directors has approved our ability to incur additional leverage as permitted by recent legislation.” If the value of our assets declines, we may be unable to satisfy the relevant asset coverage requirements and, as a result, we will be limited in our ability to use debt capital to finance our operations. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. Furthermore, as a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. As of December 31, 2018, we had $29.0 million outstanding and $7.0 million availability for borrowing under the Credit Facility.

If we issue preferred stock, the preferred stock would rank “senior” to common stock in our capital structure, preferred stockholders would generally vote together with common stockholders but would have separate voting rights on certain matters and might have other rights, preferences, or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest.

As a BDC, we are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock at a price below the then-current net asset value per share of our common stock if our Board of Directors determines that such sale is in the best interests of OHAI and its stockholders, and our stockholders approve such sale. 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 (less any distributing commission or discount). If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution. This dilution would occur as a result of a proportionately greater decrease in a stockholder’s interest in our earnings and assets and voting interest in us than the increase in our assets resulting from such issuance. Because the number of future shares of common stock that may be issued below our net asset value per share and the price and timing of such issuances are not currently known, we cannot predict the actual dilutive effect of any such issuance. We cannot determine the resulting reduction in our net asset value per share of any such issuance. We also cannot predict whether shares of our common stock will trade above, at or below our net asset value in the future.

We also may make rights offerings to our stockholders at prices less than net asset value, subject to applicable requirements of the 1940 Act. If we raise additional funds by issuing more shares of our common stock or issuing senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders may decline at that time and such stockholders may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on terms favorable to us or at all.

Our Board of Directors has approved our ability to incur additional leverage as permitted by legislation.

The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our total assets). However, the Small Business Credit Availability Act, which was signed into law in March 2018, modifies this section of the 1940 Act and decreases this percentage from 200% to 150% (subject to either stockholder approval or approval of both a majority of the board of directors and a majority of directors who are not interested persons). On April 11, 2018, our Board of Directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act. As a result, the Company's asset coverage requirements for senior securities will be changed from 200% to 150%, effective one year after the date of the Board of Directors' approval, or April 11, 2019. Under the current 200% asset coverage standard, we may borrow debt or issue senior securities in the amount of $1.00 for every $1.00 of equity in the Company. Starting from April 11, 2019, under the 150% asset coverage standard, we may borrow debt or issue senior securities in the amount of $2.00 for every $1.00 of equity in the Company. Notwithstanding the modified asset coverage requirement under the 1940 Act described above, we are separately subject to a Debt to Tangible Net Worth Ratio of not more than 0.80:1.00 (225% minimum asset coverage) with respect to certain provisions of our Credit Facility. As a result, subject to the additional limitations imposed by the Credit Facility, effective April 11, 2019, we are able to incur additional indebtedness and therefore your risk of an investment in us may increase. In addition, since our management fee is calculated as a percentage of the value of our gross assets, which includes any borrowings for investment purposes, the management fee expenses will increase if we incur additional indebtedness.

We borrow money, which magnifies the potential for loss on amounts invested and may increase the risk of investing in us.

The use of leverage magnifies the potential for loss on amounts invested and, therefore, increases the risks associated with investing in our securities. As of December 31, 2018, we had $29.0 million outstanding under the Credit Facility. We may borrow from and issue senior debt securities to banks, insurance companies and other lenders in the future. Lenders of these senior securities, including the Credit Facility, will have fixed dollar claims on our assets that are superior to the claims of our stockholders, and we would expect such lenders to seek recovery against our assets in the event of a default. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could also negatively affect our ability to make distribution payments on our common stock. Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the management fee payable to OHA is payable based on our gross assets, including those assets acquired through the use of leverage, OHA has a financial incentive to incur leverage which may not be consistent with our stockholders' interests. In addition, our stockholders bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to OHA. The amount of leverage that we employ depends on OHA's and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

As a BDC, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200% (or 150% beginning on April 11, 2019, subject to the additional limitations imposed by the Credit Facility). Notwithstanding the modified asset coverage requirement under the 1940 Act described above, we are separately subject to a Debt to Tangible Net Worth Ratio of not more than 1.00:1.00 (200% minimum asset coverage) with respect to certain provisions of our Credit Facility. If our asset coverage declines below our then-applicable asset coverage ratio, we will not be able to incur additional debt and could be required to sell a portion of our investments to repay some debt when it is otherwise disadvantageous for us to do so. This could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on OHA's and our Board of Directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

The following table illustrates the effect of leverage on returns from an investment in our common stock as of December 31, 2018, assuming various annual returns, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

Assumed Return on Our Portfolio (Net of Expenses)[1]	**-10%**	**-5%**	**0**	**5%**	**10%**
Corresponding return to common stockholder [2]	-35%	-26%	-17%	-8%	1%

(1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of December 31, 2018. As a result, it has not been updated to take into account any changes in assets or leverage since December 31, 2018.

(2) Assumes $84.8 million in total assets, $29.0 million in debt outstanding and $35.9 million in net assets as of as of December 31, 2018 and a weighted average interest rate of 7.20% as of December 31, 2018. The returns to common stockholder assume we do not reinvest $3.1 million of cash and cash equivalents on our balance sheet as of December 31, 2018.

Based on our outstanding indebtedness of $29.0 million as of December 31, 2018 and the weighted average interest rate of 7.20% as of that date, our investment portfolio would have been required to experience an annual return of at least 3.2% to cover annual interest payments on the outstanding debt.

Substantially all of our assets are subject to security interests under the Credit Facility, and if we default on our obligations under the Credit Facility, we may suffer adverse consequences, including foreclosure on our assets.

As of December 31, 2018, substantially all of our assets were pledged as collateral under the Credit Facility. If we default on our obligations under this facility, the lenders may have the right to foreclose upon and sell, or otherwise transfer, the collateral subject to their security interests or their superior claim. In such event, we may be forced to sell our investments to raise funds to repay our outstanding borrowings in order to avoid foreclosure and these forced sales may be at times and at prices we would not consider advantageous. Moreover, such deleveraging of our company could significantly impair our ability to effectively operate our business in the manner in which we have historically operated. As a result, we could be forced to curtail or cease new investment activities and lower or eliminate the dividends that we have historically paid to our stockholders.

It is likely that the terms of any current or future long-term credit facility we may enter into in the future could constrain our ability to grow our business.

Under the Credit Facility and our other borrowings, current lenders have, and any future lender or lenders may have, fixed dollar claims on our assets that are senior to the claims of our stockholders and, thus, will have a preference over our stockholders with respect to our assets in the collateral pool.

Our Credit Facility and borrowings also subject us to various financial and operating covenants. For example, the Credit Facility requires us to maintain debt to tangible net worth ratio, as defined in the credit agreement, of not more than 1:00 to 1.00 as determined on the last day of the month. If this ratio exceeds 1:00 to 1.00, we may not be able to incur additional debt, which could have a material adverse effect on our operations, and we may not be able to make distributions to our stockholders. Future credit facilities and borrowings will likely subject us to similar or additional covenants.

The Credit Facility generally contains customary default provisions such as a debt to tangible net worth ratio, debt to fair market value ratio and a restriction on changing our business. An event of default under the Credit Facility would likely result in, among other things, termination of the availability of further funds under the Credit Facility and accelerated maturity dates for all amounts outstanding under the Credit Facility, which would likely disrupt our business and, potentially, the business of the portfolio companies whose loans we finance through the Credit Facility. This could reduce our investment income and, by delaying any cash payment allowed to us under the Credit Facility until the lenders have been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business and maintain our status as a RIC.

We are exposed to risks associated with changes in interest rates.

Since we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, a significant change in market interest rates may have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase, except to the extent we issue fixed rate debt or preferred stock, which could reduce our net investment income. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

In addition, a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments over time. Interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments or a reduction in the spread between the interest rates on our investments and the interest rates payable on our borrowings could have an adverse impact on our net investment income. In addition, a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments over time. There is a risk that the portfolio companies in which we hold floating rate debt investments will be unable to pay escalating interest amounts if general interest rates rise, resulting in a default under our investment. In addition, increasing payment obligations under floating rate loans may cause our portfolio companies to refinance or otherwise repay our loans prior to maturity. An increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to OHA with respect to our pre-incentive fee net investment income. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the market value of our common stock.

Our fee arrangement may create incentives for OHA that are not fully aligned with the interests of our stockholders and may induce OHA to pursue speculative investments.

Pursuant to the terms of the Investment Advisory Agreement, we pay base management and incentive fees to OHA. The base management fee is based on our average adjusted gross assets and the incentive fee is computed and paid on income, both of which include leverage. As a result, investors in our common stock will invest on a "gross" basis and receive distributions on a "net" basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because the base management fee is based on our average adjusted gross assets, OHA benefits when we incur debt or use leverage. In addition, the incentive fee payable to OHA is calculated based on a percentage of our return on invested capital. This may encourage OHA to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would impair the value of our common stock and the amount of distributions we make to stockholders.

In addition, OHA receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, OHA may have a tendency to invest more of our capital in investments that are likely to result in capital gains as compared to income producing securities. Moreover, for the purpose of calculating OHA's capital gains incentive fee, any gains and losses associated with our investment portfolio as of September 30, 2014 are excluded. As the capital gains fee is not payable by us to OHA with respect to any legacy investments, OHA may be incented to dispose of those investments with the aim of substituting them with assets for which a capital gains fee would be payable. These incentives could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns or result in us exiting an investment sooner than that which would have otherwise been optimal for us.

The incentive fee payable by us to OHA also may induce OHA to invest on our behalf in instruments that have a deferred interest feature, even if such deferred payments would not provide cash necessary to enable us to pay current distributions to our stockholders. Under these investments, we would accrue interest over the life of the investment but would not receive the cash income from the investment until the end of the term. Our net investment income used to calculate the income portion of the incentive fee, however, includes accrued interest. Thus, a portion of this incentive fee would be based on income that we have not yet received in cash. In addition, the "catch-up" portion of the incentive fee may encourage OHA to accelerate or defer interest payable by portfolio companies from one calendar quarter to another, potentially resulting in fluctuations in timing and distribution amounts.

On November 10, 2017, we entered into an Incentive Fee Waiver Agreement with OHA whereby OHA agreed to waive any incentive fees earned relating to fiscal years 2017 and 2018. Under the Incentive Fee Waiver Agreement, any capitalized gains fees that would have been earned and accrued during 2017 and 2018, which under our investment advisory agreement would not have been paid until 2018 and 2019, respectively, will be waived. For the year ended December 31, 2018, there were no capital gains incentive fees that would have been earned. For the year ended December 31, 2017, OHA waived $89,000 of capital gains incentive fee that would have been earned in 2017 and paid in 2018.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, and, to the extent we so invest, will bear our ratable share of any such investment company's expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to OHA with respect to the assets invested in the securities and instruments of other investment companies. With respect to each of these investments, each of our stockholders will bear his or her share of the management and incentive fee of OHA as well as indirectly bearing the management and performance fees and other expenses of any investment companies in which we invest.

We may be obligated to pay OHA an incentive fee based on income even if we incur a loss.

OHA is entitled to an incentive fee based on income for each fiscal quarter in an amount equal to a percentage of the excess of our pre-incentive fee net investment income for that quarter (before deducting incentive compensation) above a performance threshold for that quarter. Since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value reduce the performance threshold required for OHA to earn an incentive fee based on income. Our pre-incentive fee net investment income for purposes of calculating the incentive fee excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay OHA an incentive fee for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

On November 10, 2017, we entered into an Incentive Fee Waiver Agreement with OHA whereby OHA agreed to waive any incentive fees earned relating to fiscal years 2017 and 2018.

Under the terms of the Investment Advisory Agreement, we may have to pay capital gain incentive fees to OHA in periods in which we have incurred a net realized loss on the sale of our investments.

Pursuant to the terms of the Investment Advisory Agreement, any gains and losses associated with our investment portfolio as of September 30, 2014, or the legacy portfolio, are excluded from the capital gains fee calculation. As a result, we may have to pay OHA a capital gains incentive fee in periods in which we have incurred a net realized loss on the sale of our investments to the extent that some or all of the realized losses relate to the legacy portfolio.

On November 10, 2017, we entered into an Incentive Fee Waiver Agreement with OHA whereby OHA agreed to waive any incentive fees earned relating to fiscal years 2017 and 2018. Under the Incentive Fee Waiver Agreement, any capitalized gains fees that would have been earned and accrued during 2017 and 2018, which under our investment advisory agreement would not have been paid until 2018 and 2019, respectively, will be waived. For the year ended December 31, 2018, there were no capital gains incentive fees that would have been earned. For the year ended December 31, 2017, OHA waived $89,000 of capital gains incentive fee that would have been earned in 2017 and paid in 2018.

We will become subject to corporate-level income tax if we are unable to maintain our qualification as a RIC under Subchapter M of the Code.

Although we have elected to be treated as a RIC under Subchapter M of the Code, no assurance can be given that we will be able to maintain our RIC status. To maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements.

- The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under credit agreements, that could, under certain circumstances, restrict us from making distributions necessary to satisfy the distribution requirement. If we are unable to obtain cash from other sources, we could fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.
- The income source requirement will be satisfied if we obtain at least 90% of our income for each year from distributions, interest, gains from the sale of stock or securities or similar sources.
- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet those requirements may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to qualify for RIC tax treatment for any reason and become subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us, the net asset value of our common stock and the total return, if any, obtainable from an investment in our common stock.

We may have difficulty satisfying the annual distribution requirement in order to qualify and maintain RIC status if we recognize income before or without receiving cash representing such income.

In accordance with generally accepted accounting principles, or GAAP, and tax requirements, we include in income certain amounts that we have not yet received in cash, such contractual PIK interest, which represents contractual interest added to a loan balance and due at the end of such loan's term. The increases in loan balances as a result of contractual PIK arrangements are included in income for the period in which such PIK interest was accrued, which is typically in advance of receiving cash payment, and are separately identified on our statements of cash flows. In addition, certain loans may also include any of the following: end-of-term payments, "make whole" interest or dividend provisions, exit fees, balloon payment fees or prepayment fees, which may require us to include certain amounts in income prior to receiving the related cash.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the RIC tax requirement to distribute at least 90% of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. Under such circumstances, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are unable to obtain cash from other sources and are otherwise unable to satisfy such distribution requirements, we may fail to qualify for the federal income tax benefits allowable to RICs and, thus, become subject to a corporate-level income tax on all our income.

The failure in cyber-security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning, could impair our ability to conduct business effectively.

The occurrence of a disaster such as a cyber attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our OHA personnel were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computer systems could be subject to cyber attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay distributions.

Our business is highly dependent on third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. OHA's financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay distributions to our stockholders.

Our Board of Directors may change our investment objectives, operating policies and strategies without prior notice or stockholder approval.

Our Board of Directors has the authority to modify or waive our investment objectives, operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current investment objectives, operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, the effects may adversely affect our business and impact our ability to make distributions.

Changes in laws or regulations governing our operations or the operations of our portfolio companies may adversely affect our business.

Changes in or uncertainty regarding laws or regulations, or the interpretations of the laws and regulations, which govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures, and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, then we may have to incur significant expenses in order to comply or we may have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, then we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business results of operations or financial condition. Similarly changes in or uncertainty regarding laws and regulations (or the interpretation of such laws and regulations) which govern our portfolio companies could adversely affect their operations and cost of doing business which in turn could adversely affect their ability to make payments to us and adversely affect our financial condition and results of operations.

In addition, uncertainty regarding legislation and regulations affecting the financial services industry or taxation could also adversely impact our business or the business of our portfolio companies. In particular, significant tax reform legislation (commonly referred to as the "Tax Cuts and Jobs Act") was signed into law on December 22, 2017. The Tax Cuts and Jobs Act makes significant changes to the United States income tax rules applicable to both individuals and entities, including corporations. The Tax Cuts and Jobs Act, among other things, permanently reduces the maximum federal corporate income tax rate, reduces the maximum individual income tax rate (effective for taxable years 2018 through 2025), restricts the deductibility of business interest expense, changes the rules regarding the calculation of net operating loss deductions that may be used to offset taxable income, expands the circumstances in which a foreign corporation will be treated as a "controlled foreign corporation" and, under certain circumstances, requires accrual method taxpayers to recognize income for U.S. federal income tax purposes no later than the income is taken into account as revenue in an applicable financial statement. We have considered the impact of the Tax Cuts and Jobs Act on us, our stockholders and our portfolio companies and such effects have been taken into consideration and have been reflected within the financial statements.

OHA can resign upon 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

OHA has the right, under both the Investment Advisory Agreement and the Administration Agreement, to resign at any time upon 60 days' written notice, whether we have found a replacement or not. If OHA resigns, we may not be able to find a new investment advisor or new administrator, as applicable, or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected, and the market price of our shares may decline. In addition, the coordination of our internal management and investment or administration activities, as applicable, is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by OHA and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

There can be no assurance that our Board of Directors' review of strategic alternatives will result in a transaction or, if a transaction is consummated, that we will be able to achieve some or all of the benefits anticipated from such transaction.

As initially announced in November 2017, our Board of Directors has elected to explore and evaluate a broad range of strategic alternatives to enhance long-term stockholder value and has engaged an investment banking firm as its financial advisor in connection therewith. There can be no assurance that this strategic alternatives review process will result in a transaction, or if a transaction is undertaken, as to its terms or timing. Our ability to successfully complete any strategic transaction is subject to significant risks, including, among others, the risk that any required regulatory or governmental approvals may not be obtained and the risk that, for this or other reasons, we may be unable to achieve some or all of the benefits that we anticipated from such transaction.

Risks Relating to an Investment in Our Securities

Our shares currently trade at a substantial discount from net asset value and may continue to do so over the long term.

Shares of closed-end investment companies, including BDCs, frequently trade at a market price that is less than the net asset value that is attributable to those shares. The possibility that shares of our common stock will trade at a substantial discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. Although we cannot predict whether shares of our common stock will trade above, at or below our net asset value, our common stock has consistently traded below our net asset value since the fourth quarter of 2008. When our common stock trades below its net asset value, we are generally not able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. Any offering of our common stock that requires stockholder approval must occur, if at all, within one year after receiving such stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease our new lending and investment activities, and our net asset value could decrease and our level of distributions could be impacted.

Our common stock price may be volatile and may decrease substantially.

The trading price of our common stock may fluctuate substantially. The price of our common stock that will prevail in the market may be higher or lower than the price you pay, depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include the following:

- price and volume fluctuations in the overall stock market or in securities of BDCs from time to time;
- investor demand for our shares;
- exclusion of our common stock from certain market indices which could reduce the ability of certain investment funds to own our common stock;
- changes in regulatory policies or tax guidelines with respect to RICs and BDCs;
- the loss of RIC status;
- actual or anticipated changes in our earnings or fluctuations in our operating results;
- any shortfall in revenue or net investment income or any increase in losses from levels expected by stockholders or securities analysts;
- changes in accounting guidelines governing valuation of our investments;
- changes, or perceived changes, in the value of our portfolio investments;
- departures of OHA's key personnel;
- operating performance of companies comparable to us; and
- general economic conditions and trends and other external factors.

In the past, following periods of volatility in the market price of a company's securities or for other reasons, securities class action litigation has been brought against that company. Due to the potential volatility of our stock price or for other reasons, we may become the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

Our stockholders may not receive distributions, our distributions may not grow over time or a portion of our distributions may be a return of capital.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions may be adversely affected by the impact of one or more of the risk factors described in this report. In addition, due to the asset coverage test applicable to us as a BDC, we may be prohibited in our ability to make distributions in certain limited circumstances. We cannot assure you that you will receive distributions at a particular level or at all.

If our distributions exceed our taxable income and capital gains realized during a taxable year, all or a portion of the distributions made in the same taxable year may be characterized as a return of capital to our stockholders. To the extent there is a return of capital, stockholders will be required to reduce their basis in our stock for U.S. federal income tax purposes, resulting in a higher reported capital gain or lower reported capital loss when those shares of our common stock are sold or otherwise disposed of. Under our current Credit Facility, we are limited to distributing no more than 110% of our taxable income for that tax year.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could (if not otherwise exempted) deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. These anti-takeover provisions may inhibit a change of control in circumstances that could give our stockholders the opportunity to realize a premium over the market price for our common stock.

We are subject to the Maryland Business Combination Act, the application of which is subject to any applicable requirements of the 1940 Act. While our Board of Directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person (subject to prior approval of such business combination by our Board of Directors, including approval by a majority of our directors who are not interested persons of the acquiring person), if the resolution exempting business combinations is repealed or our Board of Directors does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we were to amend our bylaws to repeal the exemption from such Act, it would make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such a control attempt.

Our charter provides for classifying our Board of Directors in three classes serving staggered three-year terms, and provisions of our charter authorize our Board of Directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are located in New York, New York, where we share office space with OHA pursuant to our Administration Agreement. We also occupy office space in Fort Worth, Texas. We believe that our office facilities are suitable and adequate for our business as presently conducted.

Item 3. Legal Proceedings

We are involved in various legal proceedings arising in the normal course of business. While we cannot predict the outcome of these proceedings with certainty, we do not believe that an adverse result in any pending legal proceeding, other than those described below, individually or in the aggregate, would be material to our business, financial condition or cash flows.

From time to time, we are involved in various legal proceedings arising in the normal course of business. While we cannot predict the outcome of these proceedings with certainty, we do not believe that an adverse result in any pending legal proceeding, other than those described below, individually or in the aggregate, would be material to our business, financial condition or cash flows.

ATP Litigation.This matter is now concluded in our favor. As discussed extensively in prior reports, we filed a lawsuit against ATP Oil & Gas Corporation styled: OHA Investment Corporation v. ATP Oil and Gas Corporation, Adv. Proc. No. 10-03443, in the U.S. Bankruptcy Court for the Southern District of Texas. The claims asserted by the service companies or Statutory Lien Claimants were resolved in OHAI's favor by the United States Court of Appeals for the Fifth Circuit. The deadline for the Statutory Lien Claimants to file a petition for certiorari with the United States Supreme Court was September 4, 2018. No appeal was filed. Accordingly, we consider the matter concluded and the Fifth Circuit's decision final.

<u>Status of Investment.</u> As of December 31, 2018, our unrecovered investment was $39.7 million, and we had received aggregate royalty payments of $39.2 million since the date of ATP's bankruptcy filing. As of December 31, 2018, we had incurred legal and consulting fees totaling $6.5 million in connection with the enforcement of our rights under the ORRIs. On various occasions, we have provided notice that such legal expenses will be added to our unrecovered investment balance to the extent they are not reimbursed. To date, we have not received any payments on account of legal expenses aside from our receipt of regular monthly production payments. As a result, we add our legal expenses to the unrecovered investment balance in accordance with our transaction documents. As of December 31, 2018, $5.4 million of the $6.5 million in legal and consulting fees have been added to, and are thus included in the unrecovered investment balance under the terms of our transaction documents. No legal expenses have been added to our unrecovered investment balance during the year ended December 31, 2018. Please see our discussion regarding the history of the asset purchase by Bennu Oil & Gas LLC from ATP, and the Bennu Chapter 7 bankruptcy, in the Notes to our December 31, 2017 Consolidated Financial Statements. Production recommenced on the MC941 and MC 942 wells in April 2018. Previously, these wells ceased production in November 2016 as a result of the Bennu Chapter 7 bankruptcy. In August 2017, the bankruptcy court authorized the sale of certain assets including MC 941 and MC 942 to Equinor, formerly known as StatOil USA E&P, Inc. Equinor recommenced production on these wells in April 2018. Equinor disputes that legal fees are eligible to be included in our unrecovered investment balance, but given that current production is not expected to be sufficient to pay the primary sum and notional interest accruing (which Equinor does not dispute), this legal fee issue is not ripe for debate and efforts are not currently ongoing to resolve it. We note that the fair value of our investment in ATP ORRI is $4.8 million as of December 31, 2018.

Through December 31, 2018, we received post-petition royalty payments from the Gomez properties and the Telemark properties in the amount of $8.3 million and $30.9 million, respectively.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity and Related Stockholder Matters

Effective October 1, 2014, our common stock began to trade on the Nasdaq Global Select Market under the symbol “OHAI.” Prior to that date, our common stock traded on the Nasdaq Global Select Market under the symbol “NGPC.” The following table sets forth the range of high and low sales prices of our common stock, as reported on the Nasdaq Global Select Market, and our distributions declared for the periods indicated.

	Net Asset Value(1)	Price Range		Cash Distribution per Share(2)
		High	Low	
Fiscal 2018				
Fourth quarter	$ 1.78	$ 1.58	$ 0.85	$ 0.02
Third quarter	2.15	1.65	1.34	0.02
Second quarter	2.46	1.64	1.31	0.02
First quarter	2.43	1.40	1.12	0.02
Fiscal 2017				
Fourth quarter	$ 2.37	$ 1.68	$ 1.05	$ 0.02
Third quarter	2.34	1.39	0.85	0.02
Second quarter	2.76	1.66	1.16	0.02
First quarter	3.02	1.95	1.43	0.02

(1) We calculate net asset value per share as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low closing sales prices. We calculate net asset value per share based on outstanding shares at the end of each period.

(2) Represents the distribution declared in the specified quarter.

The last reported price for our common stock on March 15, 2019 was $1.34 per share. On March 15, 2019, there were approximately 47 record holders (including Cede & Co.). On March 4, 2019, the most recent record date available, there were 3,239 beneficial holders (held in street name) of our common stock, according to our transfer agent.

Distributions

Since the first full quarter following our initial public offering, we have distributed, and currently intend to continue to distribute in the form of dividends, a minimum of 90% of our investment company taxable income to our stockholders. We may retain long-term capital gains and treat them as deemed distributions for tax purposes. We determine the tax characteristics of our dividend distributions as of the end of the fiscal year, based on the taxable income for the full year and distributions paid during the year. Taxable income available for distribution differs from consolidated net investment income under GAAP due to (i) temporary and permanent differences in income and expense recognition, (ii) capital gains and losses, (iii) activity at taxable subsidiaries, and (iv) the timing and period of recognition regarding dividends declared in December of one year and paid in January of the following year. As a result, net investment income and net realized gain (loss) on investments for a reporting period may differ significantly from distributions during such period. We report the estimated tax characteristics of each distribution when declared, and we (or the applicable withholding agent) report the actual tax characteristics of dividends annually to each stockholder on Form 1099-DIV. There is no assurance that we will achieve investment results or maintain a tax status that will permit any specified level of cash distributions or year-to-year increases in cash distributions.

The tax characteristics of distributions paid in 2018 represented $1.3 million from ordinary income, $0.3 million from return of capital and none from capital gains. For tax purposes, 100% of the $0.4 million distribution paid on January 9, 2019 was treated as arising in 2019.

Our stock transfer agent, registrar and dividend reinvestment plan administrator is American Stock Transfer & Trust Company. You should direct information requests for American Stock Transfer & Trust Company to Operations Center, 6201 15th Avenue, Brooklyn, NY 11219. Our transfer agent’s telephone number for stockholder or dividend reinvestment services is 1-800-937-5449.

We have established an “opt out” dividend reinvestment plan, or DRIP plan, for our stockholders. As a result, if we declare a cash dividend, our plan agent automatically reinvests a stockholder’s cash dividend in additional shares of our common stock unless the stockholder, or his or her broker, specifically “opts out” of the dividend reinvestment plan and elects to receive cash dividends. It is customary practice for many brokers to opt out of dividend reinvestment plans on behalf of their clients unless specifically instructed otherwise. The purpose of the DRIP plan is to provide stockholders with a method of investing cash dividends and distributions in additional shares at the current market price without charges for record-keeping, custodial and reporting services.

We intend, when permitted by the DRIP plan, to primarily use newly issued shares for reinvested dividends under the DRIP plan. However, we reserve the right to purchase shares in the open market in connection with the DRIP plan. The number of newly issued shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the average market price per share of our common stock at the close of regular trading on the exchange or market on which our shares of common stock are listed for the five trading days preceding the valuation date for such dividend.

We may not use newly issued shares to satisfy our obligations under the DRIP plan if the market price of our shares is less than our net asset value per share. In such event, the cash dividends are paid to the plan administrator who purchases shares in the open market for credit to the accounts of plan participants unless the average of the closing sales prices for the shares for the five days immediately preceding the payment date exceeds 110% of the most recently reported net asset value per share. The allocation of shares to the participants' plan accounts is based on the average cost of the shares so purchased, including brokerage commissions.

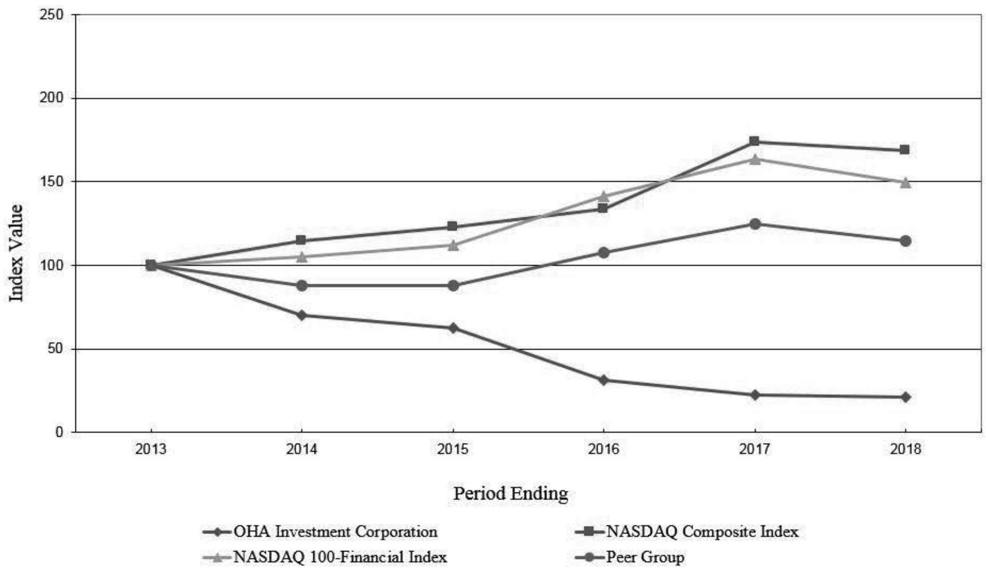
Sale of Unregistered Securities

We did not engage in any sales of unregistered securities during the fiscal year ended December 31, 2018.

Stock Performance Graph

The following line graph compares the cumulative total return on an investment in our common stock against the cumulative total return of the Nasdaq Financial 100 Index, the Nasdaq Index and an index of peer companies (selected by us) for the five years ended December 31, 2018. The graph assumes that $100 was invested in our common stock and each index on December 31, 2011, and that dividends were reinvested. We selected the peer group in good faith and it consists of the following six business development companies: Gladstone Capital Corporation, Gladstone Investment Corporation, KCAP Financial, Inc., CM Finance LLC, THL Credit, Inc. and Stellus Capital Investment Corporation. Our peer group includes BDCs that generally invest in similar types of securities as we do, with market capitalizations between $100 million and $600 million and initial public offering dates in 2010 or earlier. The index of our peer companies index uses beginning of period market capitalization weighting. This historic stock price Performance Graph and the related textual information are not necessarily indicative of future performance.

Stock Performance Graph



The stock performance graph and other information above shall not be deemed to be "soliciting material" or be "filed" with the Securities and Exchange Commission ("SEC") or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act, as amended.

Item 6. Selected Financial Data

The following table contains our selected financial data, as of and for the dates and periods indicated. We derived the selected financial data from our audited financial statements, and you should read it in conjunction with our financial statements and notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K.

	Year ended December 31,				
	2018	2017	2016	2015	2014
	(In Thousands, Except Per Share Data and Other Data)				
Income Statement Data					
Total investment income	$ 8,468	$ 10,272	$ 17,888	$ 22,049	$ 22,119
Total operating expenses, net of incentive fee waiver[(1)(4)]	7,760	9,222	11,378	12,008	18,812
Net investment income, net of tax[(1)(4)]	671	1,028	6,503	9,969	3,198
Net realized capital loss on investments	(55,952)	(10,868)	(27,011)	(218)	(12,430)
Net unrealized appreciation (depreciation) on investments	45,033	(21,268)	(4,938)	(40,973)	(12,999)
Net increase (decrease) in net assets resulting from operations[(1)(4)]	$ (10,248)	$ (31,108)	$ (25,446)	$ (31,222)	$ (22,231)
Per Share Data					
Net investment income[(1)(4)]	$ 0.03	$ 0.05	$ 0.32	$ 0.49	$ 0.16
Net realized and unrealized gain (loss) on investments	(0.54)	(1.59)	(1.58)	(2.03)	(1.24)
Net increase (decrease) in net assets resulting from operations[(1)(4)]	$ (0.51)	$ (1.54)	$ (1.26)	$ (1.54)	$ (1.08)
Dividends declared	$ 0.08	$ 0.08	$ 0.24	$ 0.48	$ 0.64
Net asset value per share	$ 1.78	$ 2.37	$ 3.99	$ 5.49	$ 7.48
Balance Sheet Data					
Total investments	$ 80,595	$ 84,924	$ 145,002	$ 209,707	$ 206,763
Portfolio investments at fair value	65,606	64,930	105,005	174,710	176,163
Cash and cash equivalents	3,124	19,939	16,533	15,554	31,455
Total assets	84,777	106,148	162,898	228,477	242,175
Total debt[(2)]	29,000	36,000	40,500	72,000	52,000
Total net assets	35,909	47,771	80,493	110,780	154,164
Other Data					
Weighted average yield on portfolio investments[(3)], excluding non-yielding investments	10.4%	13.2%	9.7%	10.6%	10.2%
Weighted average yield on portfolio investments[(4)]	5.5%	5.8%	8.1%	9.6%	9.2%
Number of portfolio companies	26	16	14	17	15
Expense ratios (as a percentage of average net assets):					
Interest expense and bank fees	6.4%	6.5%	3.9%	2.4%	1.2%
Management fees	3.2%	3.1%	2.9%	2.1%	2.6%
Incentive fees[(5)]	—%	0.1%	0.3%	0.7%	—%
Costs related to strategic alternatives review	0.2%	—%	—%	—%	3.4%
Other operating expenses including provision for income taxes	6.8%	5.6%	4.4%	3.2%	3.5%
Total operating expenses including provision for income taxes	16.6%	15.3%	11.5%	8.4%	10.7%

(1) Includes $0.1 million and $6.0 million, or $0.00 and $0.29 per share, in 2018 and 2014, respectively, of costs related to our review of strategic alternatives.
(2) Excludes amounts borrowed on a temporary basis to purchase U.S. Treasury Bills and unamortized debt issuance costs.
(3) Calculated on the total cost of the investment portfolio, excluding non-yielding investments, as of the end of the period, based on amortized cost and the expected income on portfolio investment.
(4) Calculated on the total cost of the investment portfolio, including non-yielding investments, as of the end of the period, based on amortized cost and the expected income of the portfolio investment.
(5) Incentive fees waived in 2017 were $89 thousand.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following analysis of our financial condition and results of operations in conjunction with our financial statements and the notes thereto contained elsewhere in this Annual Report on Form 10-K.

Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K that relate to estimates or expectations of our future performance or financial condition may constitute "forward-looking statements." These forward-looking statements are subject to various risks and uncertainties, which could cause actual results and conditions to differ materially from those projected, including, but not limited to:

- uncertainties associated with the timing and likelihood of investment transaction closings;
- changes in interest rates;
- the future operating results of our portfolio companies and their ability to achieve their objectives;
- changes in regional, national or international economic conditions and their impact on the industries in which we invest;
- disruptions in the credit and capital markets;
- changes in the conditions of the industries in which we invest;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of OHA to locate suitable investments for us and to monitor and administer our investments;
- other factors enumerated in our filings with the SEC; and
- effects of current and pending legislation.

We may use words such as "anticipates," "believes," "intends," "plans," "expects," "projects," "estimates," "will," "should," "may" and similar expressions to identify forward-looking statements. These forward-looking statements are subject to various risks and uncertainties. Certain factors could cause actual results and conditions to differ materially from those projected and our historical experience. You should not place undue reliance on such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update our forward-looking statements made herein, unless required by law.

Overview

We are a specialty finance company with an investment objective to generate both current income and capital appreciation primarily through debt investments, some of which include equity components. We focus primarily on providing creative direct lending solutions to middle market private companies across industry sectors. Our investment activities are managed by OHA and supervised by our Board of Directors, the majority of whose members are independent of OHA and its affiliates.

We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. For federal income tax purposes, we operate so as to be treated as a RIC, under Subchapter M of the Code. As a BDC and a RIC, we are required to comply with certain investment diversification and other regulatory requirements.

On September 30, 2014, our stockholders approved the appointment of OHA as our investment advisor, replacing NGP Investment Advisor, LP, which had been our investment advisor since our inception. In connection with this change in investment advisor, we changed our name from NGP Capital Resources Company, to OHA Investment Corporation. OHA is a registered investment adviser under the Advisers Act. OHA acts as our investment advisor and administrator pursuant to the Investment Advisory Agreement and the Administration Agreement.

The aggregate fair value of our investment portfolio at December 31, 2018 was $65.6 million, with such value comprised of 26 active portfolio investments. Under our previous investment advisor, we focused our investments primarily on small and mid-size companies engaged in the upstream sector of the energy industry, which includes businesses that find, develop and extract energy resources, including natural gas, crude oil and coal.

Part of OHA's investment strategy has been to reduce our historical portfolio concentration in the energy industry and to diversify our portfolio with investments in debt securities of U.S. private and small public middle market companies across industry sectors. Since September 30, 2014, we have made a total of 35 new investments with a principal amount of $175.4 million (total cost of $171.1 million) and fully realized 11 of these investments with a principal amount of $99.7 million.

Primarily as a result of these new investments, net of realizations, and write-downs of legacy energy investments, the exposure of our investment portfolio to the energy sector decreased to 7% at December 31, 2018.

Our level of investment activity can and does vary substantially from period to period depending on many factors. Some of these factors are the amount of debt and equity capital available to middle market companies, the level of acquisition and divestiture activity for such companies, the general economic environment and the competitive environment for the types of investments we make, and our own ability to raise capital to fund our investments, both through the issuance of debt and equity securities. If a substantial portion of our investment portfolio were to be realized in the near term, OHA may not be able to source sufficient appropriate investments for us to timely replace the investment income from the realized investments.

Portfolio and 2018 Investment Activity

In January 2018, we purchased $0.7 million of second lien term loan in Safe Fleet Holdings, LLC, or Safe Fleet, a provider of safety products for fleet vehicles worldwide. The Safe Fleet second lien term loan was purchased at a 0.50% discount to par, earns interest payable in cash at a rate of Libor+6.75% with a 1% floor and matures in February 2026.

Also in January 2018, we purchased $0.5 million of second lien term loan in MedRisk, LLC., or MedRisk, a leading provider of managed care services for the workers' compensation industry and related market sectors. The MedRisk second lien term loan was purchased at a 0.50% discount to par, earns interest payable in cash at a rate of Libor+6.75% and matures in December 2025.

In February 2018, our remaining position in Talos of $11.5 million was redeemed at par. This legacy energy investment was initiated in February 2013 and generated a gross unlevered internal rate of return of 9.95% and a return on investment of 1.30x.

In February 2018, we purchased $7.0 million of second lien term loan in CVS Holdings, I, LP., or MyEyeDr., a provider of vision care services, prescription eyeglasses and sunglasses, and contact lenses. The MyEyeDr second lien term loan was purchased at a 0.50% discount to par, earns interest payable in cash at a rate of Libor+6.75% with a 1% floor and matures in February 2026. Subsequently, in February 2018, we sold $2.0 million of the second lien term loan at par resulting in a realized capital gain of $10,000.

Also in February 2018, we purchased $0.3 million of second lien term loan in EaglePicher Technologies, LLC., or EaglePicher, a leading provider of mission-critical power solutions for high-value applications within the defense, aerospace and medical endmarkets. The EaglePicher second lien term loan was purchased at a 0.75% discount to par, earns interest payable in cash at a rate of Libor+7.25% and matures in March 2026.

In March 2018, we purchased $1.3 million of second lien term loan in AlliedUniversal HoldCo LLC., or AlliedUniversal, a provider of contract security services in the United States. The AlliedUniversal second lien term loan was purchased at par, earns interest payable in cash at a rate of Libor+8.50% with a 1% floor and matures in July 2023.

Also in March 2018, we purchased $1.6 million of first lien last out revolver and $0.5 million of first lien last out term loan to ClearChoice (CC Dental Implants Intermediate), or ClearChoice, a provider of full-mouth dental restoration and dental implant services throughout the United States. The ClearChoice first lien last out revolver was purchased at a 1% discount to par, earns interest at a rate of Libor+6.50% on amount drawn, earns 0.75% fee on unfunded portion and matures in January 2023. At December 31, 2018, the funded portion balance of the ClearChoice revolver was $0.4 million. The ClearChoice first lien last out term loan was purchased at a 1% discount to par, earns interest payable in cash at a rate of Libor+6.50% and matures in January 2023. Both the first lien last out revolver and term loan are entitled to skim interest on the first lien first out term loan which will initially increase the interest rate spread by approximately 28 basis points.

In May 2018, Berlin Packaging, or Berlin, repaid its second lien term loan in the amount of $6.7 million. We recorded previously unamortized discount of $0.2 million as additional interest income as a result of this repayment. This investment was initiated in December 2015 and generated a gross unlevered internal rate of return of 11.2% and a return on investment of 1.25x.

Also in May 2018, we purchased $1.7 million of second lien term loan in Ensono, LP., or Ensono, a leading hybrid IT managed service provider focused on mission critical workloads for enterprise customers in the US and Europe. The Ensono second lien term loan was purchased at a 4.0% discount to par, earns interest payable in cash at a rate of Libor+9.25%, and matures in June 2026.

In June 2018, we purchased $6.0 million of second lien term loan in Ministry Brands, LLC., or Ministry Brands, a provider of member management and financial planning software as well as payment processing technology solutions for association and member-based organizations, non-profit organizations, and private schools (K-12). The Ministry Brands second lien term loan was purchased at 1.0% discount to par and earns interest payable in cash at a rate of Libor+8.0% with a 1% floor, and matures in June 2023.

Also in June 2018, we purchased $3.8 million of second lien term loan in PowerSchool, a provider of software solutions catered to K-12 schools in the United States and Canada. The PowerSchool second lien term loan was purchased at a 1.0% discount to par, earns interest payable in cash at a rate of Libor+6.75%, and matures in August 2026.

Also in June 2018, we purchased $0.9 million of second lien term loan in Vertafore, Inc., or Vertafore, a leading provider of software and services for the property and casualty insurance distribution market. The Vertafore second lien term loan was purchased at a 1.0% discount to par, earns interest payable in cash at a rate of Libor+7.25%, and matures in July 2026.

Also in June 2018, we purchased $0.4 million of second lien term loan in FirstLight Fiber, or FirstLight, a leading independent bandwidth infrastructure provider across New York and northern New England. The FirstLight second lien term loan was purchased at a 1.0% discount to par, earns interest payable in cash at a rate of Libor+7.50%, and matures in July 2026.

Also in June 2018, we purchased $0.3 million of second lien term loan in Edelman Financial, or Edelman, a provider of independent, technology-enabled financial advisory services and investment advice to employer-sponsored defined contribution plans and retail investors. The Edelman second lien term loan was purchased at a 0.5% discount to par, earns interest payable in cash at a rate of Libor+6.75%, and matures in July 2026.

In July 2018, we purchased $1.7 million of second lien term loan in Hayward Industries, Inc., or Hayward, adding to our $1.4 million position which was previously acquired in July 2017. The $1.7 million Hayward loan was purchased at a 0.625% premium to par, earns interest payable in cash at a rate of Libor+8.25%, and matures in August 2025.

In August 2018, we purchased $0.4 million of second lien term loan in NAVEX Global, Inc., or NAVEX, a provider of an ethics and compliance software platform. The NAVEX second lien term loan was purchased at a 1.0% discount to par, earns interest payable in cash at a rate of Libor+7.00%, and matures in September 2026.

Also in August 2018, we purchased $2.0 million of second lien term loan in CentralSquare Technologies, or CentralSquare, a leading provider of software and services to public, government, and nonprofit agencies. The CentralSquare second lien term loan was purchased at a 2.57% discount to par, earns interest payable in cash at a rate of Libor+7.50%, and matures in August 2026.

In September 2018, Hayward repaid $0.8 million of its second lien term loan at par plus a 1% call premium. We recorded previously unamortized discount of $13,000 as additional interest income as a result of this repayment.

In November 2018, we purchased $0.6 million of senior secured notes of KIRS Midco3 plc (Ardonagh), or Ardonagh, a leading insurance broker and insurance services provider in the in the United Kingdom serving large corporations, other brokers, third-party MGAs, small and medium enterprises and individual consumers. The Ardonagh senior secured notes were purchased at a 10% discount to par, earns interest payable in cash at a fixed rate of 8.625% per annum and matures in July 2023.

In December 2018, our remaining position in our CLO investment in Gramercy was redeemed. The total initial investment was $7.2 million. This CLO investment was initiated in October 2014 and generated a gross unlevered internal rate of return of 12.8% and a return on investment of 1.23x.

Also in December 2018, we purchased $3.3 million of unsecured term loan in Sedgwick Claims Management Services, Inc., or Sedgwick, the largest third party administrator of insurance claims in the world with a presence in 65 countries. The Sedgwick unsecured term loan was purchased at a 1.5% discount to par, earns interest payable in cash at a fixed rate of 9.0% per annum and matures in December 2026.

Also in December 2018, we committed to a $1.1 million investment which was not scheduled to close until the first quarter of 2019.

The table below shows our portfolio investments by type for the periods indicated. We compute yields on investments using interest rates as of the balance sheet date and include amortization of original issue discount and market premium or discount, royalty income and other similar investment income, weighted by their respective costs when averaged. Such weighted average yields are not necessarily indicative of expected total returns on a portfolio.

	December 31, 2018			December 31, 2017		
	Weighted Average Yields[(1)]	Percentage of Portfolio		Weighted Average Yields[(1)]	Percentage of Portfolio	
		Cost	Fair Value		Cost	Fair Value
First lien secured debt	9.4%	0.5%	0.7%	—%	—%	—%
Second lien debt	10.5%	42.4%	71.3%	9.7%	19.1%	47.2%
Subordinated debt	10.4%	27.9%	15.2%	15.8%	25.2%	52.2%
Revolving loan facility	10.5%	0.3%	0.5%	—%	—%	—%
Unsecured term loan	9.1%	2.9%	5.0%	—%	—%	—%
Limited term royalties	—%	23.8%	7.3%	—%	—%	—%
CLO residual interests [(2)]	—%	—%	—%	13.5%	—%	0.3%
Equity securities						
Membership and partnership units	—%	2.2%	—%	—%	1.6%	0.3%
Total equity securities	—%	2.2%	—%	—%	1.6%	0.3%
Total portfolio investments	10.4%	100.0%	100.0%	13.2%	100.0%	100.0%

(1) Weighted average yield based on cost and excludes non-yielding assets. Yields are based on the most current interest rates in effect at the end of the period.

(2) Yields from investments in CLO residual interests represent the implied internal rate of return calculation expected from future cash flows.

As of December 31, 2018 and December 31, 2017, the total fair value of our portfolio investments was $65.6 million and $64.9 million, respectively. Of those fair value totals, approximately $13.8 million, or 21.0%, as of December 31, 2018, and $18.4 million, or 28.3%, as of December 31, 2017, are determined using significant unobservable (i.e., Level 3) inputs.

Results of Operations

The following sections analyze our results of operations for the year ended December 31, 2018 compared to 2017 and for the year ended December 31, 2017 compared to 2016.

Investment Income

Total investment income includes interest on our investments, dividend income, royalty income and other income. Dividend income is income from redeemable preferred units and certain equity investments. Royalty income is net of amortization that we receive in connection with certain of our investments. Other income includes prepayment fees and modification fees we receive in connection with certain of our investments. These fees are recognized as earned. The table below summarizes the components of our investment income.

Investment Income (in thousands)	For the year ended December 31,		
	2018	2017	2016
Interest income	$ 8,223	$ 10,198	$ 13,382
Dividend income	—	—	4,008
Other income	245	74	498
Total investment income	$ 8,468	$ 10,272	$ 17,888

For the year ended December 31, 2018 total investment income was $8.5 million, a 18% decrease from $10.3 million for the year ended December 31, 2017. The decrease of $1.8 million was primarily due to OCI subordinated notes which were placed on non-accrual status in October 2018 and lower interest income earned on non affiliate investments due to a lower average portfolio balance, partially offset by the increase in other income related money market interest income in 2018 compared to $0 in 2017.

For the year ended December 31, 2017 total investment income was $10.3 million, a 43% decrease from $17.9 million for the year ended December 31, 2016. The decrease of $7.6 million was primarily due to Castex Energy 2005, LP which was placed on non-accrual status in January 2017, lower average portfolio loan balances from December 31, 2016 to December 31, 2017, and a decrease in non-recurring fee income of $0.4 million.

Operating Expenses

Operating expenses include our allocable portion of operating expenses incurred on our behalf by our investment advisor and our administrator. Other general and administrative expenses include our allocated share of employee, facilities, and stockholder services incurred by our administrator. The table below summarizes the components of our operating expenses.

Operating Expenses (in thousands)	**For the year ended December 31, 2018**	**2017**	**2016**
Interest expense and bank fees	$ 2,984	$ 3,926	$ 3,819
Management fees	1,547	1,932	2,939
Incentive fees	—	89	281
Costs related to strategic alternatives review	75	—	—
Professional fees	1,444	1,679	2,442
Other general and administrative expenses	1,465	1,440	1,652
Directors fees	245	245	245
Total operating expenses	7,760	9,311	11,378
Incentive fee waiver	—	(89)	—
Net operating expenses	$ 7,760	$ 9,222	$ 11,378

For the year ended December 31, 2018, total operating expenses decreased by 15.9% to $7.8 million from $9.2 million for the year ended December 31, 2017 primarily due to lower interest expense and bank fees, base management fees and professional fees, partially offset by higher other general and administrative expenses and cost related to strategic alternatives review.

Interest expense and bank fees decreased by 24.0% to $3.0 million for the year ended December 31, 2018 from $3.9 million compared to prior year largely due to a lower total amount outstanding on our Credit Facility partially offset by slightly higher interest rates due to an increase in the Libor . Management fees decreased by 19.9% to $1.5 million from $1.9 million due to lower average asset base subject to the base management fee during 2018. Professional fees decreased by 14.0% to $1.4 million from $1.7 million compared to prior year primarily due to lower legal costs and lower audit fees. There were no incentive fees incurred in 2018 compared to $0.1 million incentive fees in 2017, which were waived. Other general and administrative expenses increased by 1.7% to $1.5 million from $1.4 million primarily due to an increase in employee related expenses in 2018. Costs related to strategic alternatives review increased in 2018 to $0.1 million from zero in 2017.

For the year ended December 31, 2017, total operating expenses decreased by 18.2% to $9.2 million from $11.4 million for the year ended December 31, 2016 primarily due to lower professional fees, base management fees, and waived incentive fees partially offset by higher interest expense and bank fees. Interest expense and bank fees increased by 2.8% to $3.9 million for the year ended December 31, 2017 from $3.8 million compared to prior year largely due to higher interest rates on the Credit Facility. Management fees decreased by 34.3% to $1.9 million from $2.9 million due to lower average asset base subject to the base management fee during 2017. Other general and administrative expenses decreased by 12.8% to $1.4 million from $1.7 million primarily due to a decrease in travel related costs and other employee related expenses in 2017. Additionally, incentive fees of $89,000 were waived for 2017. On November 10, 2017, we entered into an Incentive Fee Waiver Agreement with OHA whereby OHA agreed to waive any incentive fees earned relating to fiscal years 2017 and 2018. Under the Incentive Fee Waiver Agreement, any capital gains fees that would have been earned and accrued during 2017 and 2018, which under our investment advisory agreement would not have been paid until 2018 and 2019, respectively, will be waived.

Under the Investment Advisory Agreement, the investment income incentive fee is calculated quarterly at a rate of 20% of quarterly net investment income above a “hurdle rate” of 1.75% per quarter (7% annualized) with a “catch up” provision. Under our previous investment advisory agreement, the investment income incentive fee was calculated at 20% of net investment income above a “hurdle rate” of 2.0% per quarter (8% annualized) with no “catch up” provision.

Net Investment Income

Net Investment Income (in thousands, except per share data)	**For the year ended December 31,**		
	2018	**2017**	**2016**
Net investment income	$ 671	$ 1,028	$ 6,503
Net investment income per common share	0.03	0.05	0.32

For the year ended December 31, 2018 net investment income decreased $0.4 million due to the $1.8 million decrease in investment income and the $1.5 million decrease in total operating expenses. Net investment income for the year ended December 31, 2018 was $0.7 million compared to net investment income of $1.0 million during the year ended December 31, 2017.

For the year ended December 31, 2017, net investment income decreased $5.5 million due to the $7.6 million decrease in investment income and the $2.2 million decrease in total operating expenses. Net investment income for the year ended December 31, 2017 was $1.0 million compared to net investment income of $6.5 million for the year ended December 31, 2016.

Net Realized Gains and Losses

Net realized gains and losses is the difference between the net proceeds received from dispositions of portfolio investments and their stated costs. Realized losses may also be recorded in connection with our determination that certain investments are considered worthless securities and/or meet the conditions for loss recognition per the applicable tax rules.

Net Realized Capital Gains and Losses (in thousands, except per share data)	**For the year ended December 31,**		
	2018	**2017**	**2016**
Net realized capital gains and losses	$ (55,952)	$ (11,563)	$ (26,949)
Benefit (provision) for taxes on realized losses	—	695	(62)
Total net realized capital losses on investments	$ (55,952)	$ (10,868)	$ (27,011)
Net realized capital losses per common share	(2.77)	(0.54)	(1.34)

For the year ended December 31, 2018, we recognized net realized capital losses totaling $56.0 million, which consisted of a realized capital loss of $56.3 million related to our investment in Castex, partially offset by realized capital gains of $0.4 million including $350 thousand related to a sales price adjustment from the 2011 disposal of our investments in Alden Resources (or Globe BG, LLC).

For the year ended December 31, 2017, we recognized net realized capital losses totaling $10.9 million, which consisted of a $12.7 million in realized capital loss related to the write-off of our investment in Shoreline Energy, LLC. Realized capital losses in 2017 were partially offset by a $1.0 million realized capital gain related to the partial sale of our investment in TIBCO senior unsecured notes. Additionally in 2017, we recognized a tax benefit of $0.7 million related to the repeal of the corporate alternative minimum tax (AMT) under the Tax Cuts and Jobs Act. Under the Tax Cuts and Jobs Act, AMT credits are fully refundable by 2022. The $0.7 million of AMT credits were generated between the years 2008 and 2012 related to the realized losses of certain portfolio investments. $0.5 million of the AMT credit was related to write-off of BioEnergy Holding, LLC in 2012. Prior to the Tax Cuts and Jobs Act, we had a full valuation allowance against these AMT credits.

For the year ended December 31, 2016, we recognized net realized capital losses totaling $27.0 million, which consisted of $27.1 million in realized capital losses related to two portfolio companies: (i) $10.1 million related to the sale of our equity interest in Contour and the extinguishment of the associated senior secured term loans and (ii) $17.0 million realized capital loss on our remaining interests in Spirit Resources, LLC, or Spirit, which consisted of senior secured loans tranche A & B and 80,000 preferred units. Realized capital losses in 2016 were partially offset by a $0.2 million realized capital gain related to the sale of the $5.8 million Hanson second lien term loan.

Unrealized Appreciation or Depreciation on Investments

Net unrealized appreciation or depreciation is the net change in the fair value of our investments during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

Net Unrealized Appreciation (Depreciation) on Investments	**For the year ended December 31,**		
(in thousands, except per share data)	**2018**	**2017**	**2016**
Control investments	$ —	$ —	$ 27,608
Affiliate investments	(18,673)	(2,510)	(2,820)
Non-affiliate investments	63,706	(18,758)	(29,726)
Benefit (provision) for taxes on unrealized appreciation (depreciation) on investments	—	—	—
Net unrealized appreciation (depreciation) on investments	$ 45,033	$ (21,268)	$ (4,938)
Net unrealized appreciation (depreciation) on investments per common share	2.23	(1.05)	(0.24)

Control Investments

For the years ended December 31, 2018 and 2017, we had no unrealized appreciation or depreciation on control investments. In 2016, the increase in net unrealized gains on our control investments was due to the reversal of unrealized depreciation, due to realizations, on our investments in Contour and Spirit of $10.6 million and $17.0 million, respectively.

Affiliate Investments

For the years ended December 31, 2018, 2017 and 2016, the net unrealized depreciation on our affiliate investments was attributable to unrealized depreciation of our investments in OCI.

Non-Affiliate Investments

For the year ended December 31, 2018, the net unrealized appreciation on our non-affiliate investments was primarily attributable to $2.9 million unrealized appreciation in our Talos Production, LLC senior unsecured note upon its maturity and repayment, reversal of $56.3 million unrealized depreciation, due to realization of our investment in Castex, and unrealized appreciation of $4.8 million on our investment in ATP Oil & Gas Corporation.

For the year ended December 31, 2017, the net unrealized depreciation on our non-affiliate investments was primarily due to the $33.5 million decrease in our investment in Castex. This decrease was offset by increases in net unrealized depreciation on our non-affiliate investments from the reversal of unrealized depreciation due to the realization on our investment in Shoreline Energy, LLC in the amount of $12.7 million and the increase in the fair value of our investment in Talos Production, LLC of $2.0 million.

For the year ended December 31, 2016, the net unrealized depreciation on our non-affiliate investments was primarily due to a decrease in the fair value of our investments in Castex of $15.5 million, ATP Oil & Gas Corporation of $12.0 million, Shoreline Energy, LLC of $9.1 million, and other investments of $0.3 million. These decreases were partially offset by increase in the fair value of our investments in Talos Production, LLC of $2.0 million, TIBCO Software, Inc. of $1.6 million, other portfolio companies totaling $2.4 million, and the reversal of net unrealized losses due to realization of $1.1 million.

Net Increase or Decrease in Net Assets Resulting from Operations

The table below summarizes the components of our net increase or decrease in net assets resulting from operations.

Net Increase (Decrease) in Net Assets Resulting from Operations	**For the year ended December 31,**		
(in thousands, except per share data)	**2018**	**2017**	**2016**
Net increase (decrease) in net assets resulting from operations	$ (10,248)	$ (31,108)	$ (25,446)
Net increase (decrease) in net assets resulting from operations per common share	(0.51)	(1.54)	(1.26)

For the year ended December 31, 2018, the net increase in net assets resulting from operations compared to the year ended December 31, 2017 is primarily attributable to the net realized loss and unrealized appreciation on investments totaling $21.2 million.

For the year ended December 31, 2017, the net decrease in net assets resulting from operations compared to the year ended December 31, 2016 is attributable to the $5.5 million decrease in net investment income, $16.3 million increase in unrealized depreciation on our investments, partially offset by a $16.1 million decrease on realized losses. The increase in unrealized depreciation is attributable to a write-down of our investment in Castex, partially offset by the reversal of unrealized depreciation due to realizations related to our investments in Contour and Spirit.

Financial Condition, Liquidity and Capital Resources

We expect to fund our investments and our operations in 2019 from available cash, proceeds from realizations of existing investments and from borrowings under the Credit Facility. In the future, we may also fund a portion of our investments with issuances of equity or senior debt securities. We expect our primary use of funds to be investments in portfolio companies, cash distributions to holders of our common stock and payment of fees, debt service, and other operating expenses.

Cash Flows

At December 31, 2018 and December 31, 2017, we had cash and cash equivalents totaling $3.1 million and $19.9 million, respectively.

Our portfolio may consist of a combination of temporary investments in U.S. Treasury Bills, repurchase agreements, money market funds or repurchase agreement-like treasury securities. These temporary investments with original maturities of 90 days or less are deemed cash equivalents and are included in the Consolidated Schedule of Investments. At the end of each fiscal quarter, we may take proactive steps to preserve investment flexibility for the next quarter by investing in cash equivalents, which is dependent upon the composition of our total assets at quarter-end. We may accomplish this in several ways, including purchasing U.S. Treasury Bills and closing out positions on a net cash basis after quarter-end, or utilizing repurchase agreements or other balance sheet transactions as are deemed appropriate for this purpose. These amounts are excluded from adjusted gross assets for purposes of computing the Investment Adviser's base management fee.

For the year ended December 31, 2018, we experienced a net decrease in cash and cash equivalents in the amount of $16.8 million. During that period, our operating activities used $3.1 million in cash, excluding net proceeds from redemptions of U.S. Treasury Bills of $5.0 million, our operating activities used $8.1 million consisting primarily of purchases of new investments in portfolio securities of $27.5 million, partially offset by proceeds from redemption of investments in portfolio securities of $21.6 million. In addition, financing activities used cash of $13.7 million which primarily related to principal repayments under our Credit Facility of $7.0 million and net repayments under our repurchase agreement of $4.9 million, and cash distributions paid to our stockholders in the amount of $1.6 million.

For the year ended December 31, 2017, we experienced a net increase in cash and cash equivalents in the amount of $3.4 million. During that period, our operating activities used $29.9 million in cash, consisting primarily of proceeds from redemption of investments in portfolio securities of $33.5 million and net proceeds from redemptions of U.S. Treasury Bills of $20.0 million, partially offset by purchases of new investments in portfolio securities of $21.9 million. In addition, financing activities used cash of $26.5 million primarily related to net repayments under our repurchase agreement of $19.6 million, principal repayments under our Credit Facility of $4.5 million and cash distributions paid to our stockholders in the amount of $2.4 million.

For the year ended December 31, 2016, we experienced a net increase in cash and cash equivalents in the amount of $1.0 million. During that period, our operating activities used $35.4 million in cash, consisting primarily of proceeds from redemption of investments in portfolio securities of $50.8 million, partially offset by purchases of new investments in portfolio securities of $7.1 million. In addition, financing activities used cash of $34.4 million primarily related to $80.5 million of principal repayments on our Investment Facility and cash distributions paid to our stockholders in the amount of $6.1 million, partially offset by initial cash proceeds of $40.5 million from our new Credit Facility.

Distributions to Stockholders

For the year ended December 31, 2018, we paid cash distributions totaling $1.6 million, or $0.08 per share, to our common stockholders compared to $2.4 million, or $0.12 per share, during 2017 and $6.1 million, or $0.30 per share, during 2016. In December 2018, we declared a fourth quarter dividend totaling $0.4 million, or $0.02 per share, which was paid in January 2019. We currently intend to continue to distribute, out of assets legally available for distribution and as determined by our Board of Directors, in the form of quarterly distributions, a minimum of 90% of our annual investment company taxable income to our stockholders.

Credit Facility

We are party to the Credit Agreement, which replaced our prior Third Amended and Restated Revolving Credit Agreement as amended with SunTrust Bank, as administrative agent (the "Investment Facility"). The initial amount we could borrow under the Credit Facility was $56.5 million and had a maturity date of March 9, 2018, with an option to extend for a six-month period, subject to certain conditions. The initial proceeds of $40.5 million from the Credit Facility were used to pay off the $38.5 million outstanding balance on the Investment Facility, pay transaction expenses and provide balance sheet cash. The remaining $16.0 million consisted of a delayed draw term loan, which was initially committed for one year, and was available to us to grow our investment portfolio and operate our business.

On November 10, 2017, we entered into an amendment to the Credit Facility whereby we agreed to make a voluntary principal prepayment in the amount of $4.5 million, reducing the total principal amount outstanding to $36.0 million, and the lenders agreed not to test certain covenants at certain determination dates.

On February 2, 2018, we exercised the option to extend the Credit Facility to September 9, 2018, as permitted in our existing Credit Agreement.

On September 7, 2018 we entered into an amendment to extend the maturity date of the Credit Facility to September 9, 2019, which can be extended for an additional six-month period at the Company's option. In connection with the extension, the Company made a repayment of principal of $7.0 million of its Credit Facility, reducing the principal amount outstanding to $29.0 million. The $7.0 million principal repayment is available to the Company to be re-borrowed as a delayed draw term loan, which is committed until September 9, 2019. In addition, the interest rate for the borrowings under the Credit Facility was reduced to Libor plus 4.95% for Eurodollar Loans and prime plus 3.95% for Base Rate Loans. Certain financial covenants were also amended.

As of December 31, 2018, the total amount outstanding under the Credit Facility was $29.0 million with $7.0 million available to draw. The total amount outstanding on the Credit Facility is shown net of unamortized debt issuance costs of $0.1 million on our Consolidated Balance Sheet as of December 31, 2018. Substantially all of our assets, except our investments in U.S. Treasury Bills, are pledged as collateral for the obligations under the Credit Facility. The Credit Facility bears an interest rate of Adjusted LIBOR plus 4.95% for Eurodollar Loans, subject to a 1% LIBOR floor, and Base Rate plus 3.95% for Base Rate Loans. As of December 31, 2018 the interest rate on our outstanding balance of $29.0 million was 7.3%.

The Credit Facility contains affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with these covenants from the date of the new Credit Agreement through December 31, 2018, and had no existing defaults or events of default under the Credit Facility. The financial covenants, with terms as defined in the Credit Agreement, are:

- maintain a Debt to Tangible Net Worth Ratio of not more than 1.00:1.00, as determined on the last day of the calendar month,
- maintain at all times a minimum liquidity in the form of Cash or Cash Equivalents of at least $1.0 million,
- maintain a Debt to Fair Market Value Ratio of not more than 0.50:1.00 at any time, and
- maintain the Fair Market Value of Liquid Portfolio Investments as a percentage of outstanding aggregate principal balance to not be less than 100% through September 9, 2019.

Investment Facility

The Investment Facility initially was a $72.0 million facility and subsequently went through a series of amendments to extend its maturity date prior to its pay-down and extinguishment on September 9, 2016. On May 9, 2016, we amended the Investment Facility to extend the maturity date from May 23, 2016 to July 29, 2016 (the "Extension"), and reduce the size of the Investment Facility from $72.0 million to $54.0 million. Under the Extension, we were required to use cash proceeds from any returns of capital on our portfolio investments to prepay our debt obligations under the Investment Facility. We were also permitted to accrue but were prohibited from paying management or incentive fees (excluding reimbursements to OHA for costs and expenses, or indemnification payments owed to OHA) to OHA under our Investment Advisory Agreement or Administration Agreement.

On July 28, 2016, we amended the Investment Facility to extend its maturity date from July 29, 2016 to September 15, 2016 (the "July Extension"). The July Extension contained substantially identical terms and conditions to the prior extension granted on May 9, 2016, but with the addition of the following: (i) a reduction of the size of the Investment Facility from $54.0 million to approximately $42.3 million, reflecting the outstanding principal balance on July 26, 2016 and (ii) an increase in the margin rate applicable to Eurodollar Loans and Base Rate Loans to 5.25%.

Repurchase Agreements

At the end of each quarter, we may take proactive steps to preserve investment flexibility for the next quarter by investing in cash equivalents, which includes purchasing U.S. Treasury Bills, by utilizing repurchase agreements on a temporary basis. On December 21, 2018, we purchased $15.0 million of U.S. Treasury Bills and contemporaneously entered into a $14.7 million repurchase arrangement with a global financial institution to finance such purchase. Under the repurchase arrangement, we transferred $15.0 million of U.S. Treasury Bills and $0.3 million of cash as collateral under the repurchase agreement. We repaid the $14.7 million borrowed under the repurchase agreement, and was returned the $0.3 million cash collateral, net of a $14 thousand financing fee excluding interest earned in the amount of $11 thousand upon maturity of the U.S. Treasury Bills on January 2, 2019. We account for the transfer of the U.S. Treasury Bills under the repurchase agreement as a secured borrowing in accordance with GAAP. As a result, the U.S. Treasury Bills are recorded on our books as investments in U.S. Treasury Bills, and the amount outstanding under the repurchase agreement is recorded as a current liability at December 31, 2018.

On December 26, 2017, we purchased $20.0 million of U.S. Treasury Bills and contemporaneously entered into a $19.6 million repurchase arrangement with a global financial institution to finance such purchase. Under the repurchase arrangement, we transferred $20.0 million of U.S. Treasury Bills and $0.4 million of cash as collateral under the repurchase agreement. We repaid the $19.6 million borrowed under the repurchase agreement, and was returned the $0.4 million cash collateral, net of a $8 thousand financing fee, upon maturity of the U.S. Treasury Bills on January 4, 2018. We account for the transfer of the U.S. Treasury Bills under the repurchase agreement as a secured borrowing in accordance with GAAP. As a result, the U.S. Treasury Bills are recorded on our books as investments in U.S. Treasury Bills, and the amount outstanding under the repurchase agreement is recorded as a current liability at December 31, 2017.

Distributions

We have elected to operate our business to be taxed as a RIC for federal income tax purposes. As a RIC, we generally are not required to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as distributions. To maintain our RIC status, we must meet specific source-of-income and asset diversification requirements and distribute annually an amount equal to at least 90% of our "investment company taxable income" (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses) and net tax-exempt interest. In order to avoid certain excise taxes imposed on RICs, we generally must distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year (taking into account certain deferrals and elections), (2) 98.2% of our capital gain net income (i.e., realized capital gains in excess of realized capital losses) for the one-year period ended on October 31 of that calendar year, and (3) 100% of any ordinary income or capital gain net income not distributed in prior years and on which we did not pay corporate-level federal income taxes. We currently intend to make sufficient distributions to satisfy the annual distribution requirement and to avoid the excise taxes.

Although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, we may in the future decide to retain such capital gains for investment and designate such retained amount as a deemed distribution.

We determine the tax characteristics of our distributions to stockholders as of the end of the fiscal year, based on the taxable income for the full year and distributions paid during the year. Taxable income available for distribution differs from consolidated net investment income under GAAP due to (i) temporary and permanent differences in income and expense recognition, (ii) capital gains and losses, (iii) activity at taxable subsidiaries, and (iv) the timing and period of recognition regarding distributions declared in December of one year and paid in January of the following year. We (or the applicable withholding agent) report the tax characteristics of distributions paid annually to each stockholder on Form 1099-DIV after the end of the year.

The tax characteristics of distributions paid in 2018 represented $1.3 million from ordinary income, $0.3 million from return of capital and none from capital gains. For tax purposes, 100% of the $0.4 million distribution paid on January 9, 2019 will be treated as arising in 2019.

We may not achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings applicable to us as a BDC under the 1940 Act and due to provisions in our Credit Facility. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our status as a RIC. We cannot assure stockholders that they will receive any distributions or distributions at any specific level. We have established an "opt out" DRIP plan for our stockholders. As a result, if we declare a cash distribution, our plan agent automatically reinvests a stockholder's cash distribution in additional shares of our common stock unless the stockholder, or his or her broker, specifically "opts out" of the distribution reinvestment plan and elects to receive cash distributions. No action is required on the part of a registered stockholder to have the stockholder's dividend reinvested in shares of our common stock. The plan administrator will set up an account for shares acquired through the DRIP plan for each stockholder who has not elected to receive distributions in cash and hold such shares in non-certificated form. A registered stockholder may terminate participation in the DRIP plan at any time and elect to receive distributions in cash by notifying the plan administrator in writing so that such notice is received by the plan administrator no later than 10 days prior to the record date for distributions to stockholders. Participants may terminate participation in 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 their statement and sending it to the plan administrator at American Stock Transfer & Trust Company, Operations Center, 6201 15th Avenue, Brooklyn, NY 11219 or by calling the plan administrator at 1-800-937-5449.

Within 20 days following receipt of a termination notice by the plan administrator and according to a participant's instructions, the plan administrator will either: (a) maintain all shares held by such participant in a plan account designated to receive all future distributions in cash; (b) issue certificates for the whole shares credited to such participant's plan account and issue a check representing the value of any fractional shares to such participant; or (c) sell the shares held in the plan account and remit the proceeds of the sale, less any brokerage commissions that may be incurred and a $15.00 transaction fee, to such participant at his or her address of record at the time of such liquidation. A stockholder who has elected to receive distributions in cash may re-enroll in the DRIP at any time by providing notice to the plan administrator.

Those stockholders whose shares are held by a broker or other financial intermediary may receive distributions in cash by notifying their broker or other financial intermediary of their election. It is customary practice for many brokers to opt out of DRIP plans on behalf of their clients unless specifically instructed otherwise.

We intend, when permitted by the DRIP plan, to primarily use newly issued shares for reinvested distributions under the DRIP plan. However, we reserve the right to purchase shares in the open market in connection with the DRIP plan. The number of newly issued shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the average market price per share of our common stock at the close of regular trading on the exchange or market on which our shares of common stock are listed for the five trading days preceding the valuation date for such distribution. We can not calculate the number of shares of our common stock to be outstanding after giving effect to payment of the distribution until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

We may not use newly issued shares to satisfy our obligations under the DRIP plan if the market price of our shares is less than our net asset value per share. In such event, the cash distributions are paid to the plan administrator who purchases shares in the open market for credit to the accounts of plan participants unless the average of the closing sales prices for the shares for the five days immediately preceding the payment date exceeds 110% of the most recently reported net asset value per share. The allocation of shares to the participants' plan accounts is based on the average cost of the shares so purchased, including brokerage commissions. The plan administrator will reinvest all distributions as soon as practicable, but no later than the next ex-dividend date, except to the extent necessary to comply with applicable provisions of the federal securities laws. The plan will not pay interest on any uninvested cash payment.

As of January 9, 2019, the date of our most recent dividend payment, holders of approximately 97,000 shares, or approximately 0.4% of the 20,172,392 outstanding shares, were participants in the DRIP plan. During 2018, we declared dividends totaling $0.08 per common share. During 2017, we declared dividends totaling $0.08 per common share.

There are no brokerage charges on newly issued shares or other charges to stockholders who participate in the DRIP plan. We pay the plan administrator's fees.

We may terminate the DRIP plan upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any distribution. When a participant withdraws from the DRIP plan or when the DRIP plan is terminated, the participant will receive a cash payment for any fractional shares of our common stock based on the market price on the date of withdrawal or termination. Participants and interested stockholders should direct all correspondence concerning the DRIP plan to the plan administrator by mail at American Stock Transfer & Trust Company, Operations Center, 6201 15th Avenue, Brooklyn, NY 11219.

The automatic reinvestment of distributions will not relieve a participant of any income tax liability associated with such dividend or distribution. A U.S. stockholder participating in the DRIP plan will be treated for U.S. federal income tax purposes as having received a distribution in an equal amount to the cash that the participant could have received instead of shares. The tax basis of such shares will equal the amount of such cash. In the case of newly issued shares under the DRIP plan, the distribution and tax basis will generally be the value of the issued shares. A participant will not realize any taxable income upon receipt of a certificate for whole shares credited to the participant's account whether upon the participant's request for a specified number of shares or upon termination of enrollment in the DRIP plan. Each participant will receive each year from us (or the applicable withholding agent) a Form 1099- DIV with respect to the U.S. federal income tax status of all distributions during the previous year.

A copy of our DRIP plan is available on our corporate website, www.ohainvestmentcorporation.com, in the investor relations section.

Portfolio Credit Quality

At December 31, 2018, a meaningful portion of our portfolio investments were being negotiated, and often illiquid, securities of middle market businesses. As of December 31, 2018, we had certain investments related to two portfolio companies on non-accrual status with an aggregate cost and fair value of $50 million and $7 million, respectively. Our investment in OCI Holdings, LLC subordinated notes was placed on non-accrual on October 1, 2018. Our investment in Castex was placed on non-accrual during the first quarter of 2017 and subsequently written off in the second quarter of 2018. Effective July 1, 2015, ATP was placed on non-accrual status based on estimated future production payments and income is recognized to the extent cash received. Beginning in April 2018 all future production payments received will be applied to ATP's cost basis. Our portfolio investments at fair value were approximately 58.9% and 41.7% of the related cost basis as of December 31, 2018 and December 31, 2017, respectively.

Non-accruing and non-income producing investments	**December 31, 2018**		**December 31, 2017**	
(in thousands)	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Non-accruing investments				
ATP Oil & Gas Corporation/Bennu Oil & Gas, LLC (non-accrual cash basis July 2015; full non-accrual April 2018)	$ 26,450	$ 4,778	$ 27,845	$ —
Castex Energy 2005, LP (non-accrual January 2017)	—	—	56,315	—
OCI Holdings, LLC (non-accrual October 2018)	23,528	2,271	—	—
Total non-accruing investments	$ 49,978	$ 7,049	$ 84,160	$ —
Non-income producing investments				
OHA/OCI Investments, LLC Class A Units	$ —	$ —	$ 2,500	$ 164
Total non-income producing investments	$ —	$ —	$ 2,500	$ 164
Total non-accruing and non-income producing investments	$ 49,978	$ 7,049	$ 86,660	$ 164

Critical Accounting Policies

Valuation of Investments

The 1940 Act requires the separate identification of investments according to the percentage ownership in a portfolio company’s outstanding voting securities. The percentages and categories are as follows:

- Control investments — we own more than 25% of a portfolio company’s outstanding voting securities
- Affiliate investments — we own 5% or more but not more than 25% of a portfolio company’s outstanding voting securities
- Non-affiliate investments — we own less than 5% of a portfolio company’s outstanding voting securities

We account for all of the assets in our investment portfolio at fair value, following the provisions ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

On a quarterly basis, the investment team of our investment advisor prepares fair value recommendations for all of the assets in our portfolio in accordance with ASC 820 and presents them to the Audit Committee of our Board of Directors. The Audit Committee recommends fair values of each asset to our Board of Directors, which in good faith determines the final fair value for each investment.

- *Investment Team Valuation.* The investment professionals of our investment advisor prepare fair value recommendations for each investment.

- *Investment Team Valuation Documentation.* The investment team documents and discusses its preliminary fair value recommendations with the investment committee and senior management of our investment advisor.

- *Third Party Valuation Activity.* We may, at our discretion, retain an independent valuation firm to review any or all of the valuation analyses and fair value recommendations provided by the investment team of our investment advisor. Since December 31, 2014, our general practice is that we have an independent valuation firm review all Level 3 investments (those whose value is determined using significant unobservable inputs) with recommended fair values in excess of $10 million on a quarterly basis, and review all Level 3 investments with recommended fair values greater than zero at least annually to provide positive assurance on our valuations. With respect to our valuations as of December 31, 2018 and 2017, an independent valuation firm reviewed and assisted in valuations representing 21% and 28%, respectively, of the total fair value of our portfolio investments.

- *Presentation to Audit Committee*. Our investment advisor and senior management present the valuation analyses and fair value recommendations to the Audit Committee of our Board of Directors.

- *Board of Directors and Audit Committee.* The Board of Directors and the Audit Committee review and discuss the valuation analyses and fair value recommendations provided by the investment team of our investment advisor and the independent valuation firm, if applicable.

- *Final Valuation Determination.* Our Board of Directors discusses the fair values recommended by the Audit Committee and determines the fair value of each investment in our portfolio, in good faith, based on the input of the investment team of our investment advisor, our Audit Committee and the independent valuation firm, if applicable.

We record investments in securities for which market quotations are readily available at such market quotations in our financial statements as of the valuation date. For investments in securities for which market quotations are unavailable, or which have various degrees of trading restrictions, the investment team of our investment advisor prepares valuation analyses and fair value estimates, using the most recently available financial statements, forecasts and, when applicable, comparable transaction data. These valuation analyses rely on estimates of the asset values and enterprise values of portfolio companies issuing securities.

The methodologies for determining asset valuations include estimates based on: the liquidation or sale value of a portfolio company's assets, the discounted value of expected future net cash flows from the assets and third party valuations of a portfolio company's assets, such as asset appraisal reports. The investment team of our investment advisor considers some or all of the above valuation methods to determine the estimated asset value of a portfolio company.

The methodologies for determining enterprise valuations include estimates based on: valuations of comparable companies, recent sales of comparable companies, the value of recent investments in the equity securities of a portfolio company and on the methodologies used for asset valuations. The investment team of our investment advisor considers some or all of the above valuation methods to determine the estimated enterprise value of a portfolio company.

The methodologies for determining estimated current market values of comparable securities include estimates based on: recent initial offerings of comparable securities of public and private companies; recent secondary market sales of comparable securities of public and private companies; current market implied interest rates for comparable securities in general; and current market implied interest rates for non-comparable securities in general, with adjustments for such elements as size of issue, terms, and liquidity. The investment team of our investment advisor considers some or all of the above valuation methods to determine the estimated current market value of a comparable security.

For some of our securities, quoted prices in active markets for identical assets (Level 1 valuation inputs) or other significant observable inputs, including quoted prices of similar securities, interest rates, prepayments, credit risk, etc. (Level 2 valuation inputs) are readily available from independent sources and are used to value such securities. For other securities, there will be no readily available Level 1 or Level 2 pricing information, and therefore significant unobservable inputs (Level 3 valuation inputs), including the assumptions of OHA, must be relied upon in determining fair value for these securities.

If prices or quotes for securities are either not readily available, or a price or quote is deemed not reflective of the security's fair market value, we employ a fair valuation technique for that security. In determining the fair value of a security, we may take into consideration (either individually or in combination) the financial condition and operating results of the underlying portfolio company, nature of the investment, restrictions on marketability, liquidity, market conditions, earnings multiple analyses using comparable companies, discounted cash flow analyses, appraisals, and other factors we deem appropriate.

We had a contingent earn-out investment which resulted from the sale of our investment in Alden Resources, LLC to Globe BG, LLC in July 2011. The amount of the payment, up to $6.8 million, is based on a formula involving the number of clean tons of coal produced multiplied by the difference between the company's cost of production in 2010 and the cost of production during the optimal consecutive twelve-month period during the three-year period ended July 2014. The reporting and review mechanism to determine the ultimate value of the earn-out has not yet been completed. Globe has informally advised us that the company's relative cost of production has not improved since July 2011, so we have recorded the value of the earn-out at zero. Our investment in Globe BG, LLC was written off our Schedule of Investments in 2018.

We record all derivative instruments at fair value. Quoted market prices are the best evidence of fair value. We determine the fair value of the crude oil and natural gas options using a market-based valuation methodology based upon forward commodity price and volatility curves. Independent pricing services provide the curves, which reflect broker market quotes. We consider these investments as Level 2 on the valuation hierarchy, as the values represent quoted prices for similar instruments in active markets. We have not held any commodity derivative instruments since September 30, 2013.

Securities Transactions, Interest and Dividend Income Recognition

We account for all securities transactions on a trade-date basis, and we accrete premiums and discounts into interest or dividend income using the effective interest method. In conjunction with the acquisition of debt securities, we may receive detachable warrants, other equity securities or property interests such as overriding royalty interests. We record these interests separately from the debt securities at their initial fair value, with a corresponding amount recorded as a discount to the associated debt security. These original issue discounts, as well as market discounts or premiums, are capitalized and amortized into interest income over the life of the respective security using the effective interest method. The amortized cost of investments represents the original cost adjusted for the amortization of discounts and premiums and upfront loan origination fees.

We record interest income, adjusted for amortization of premiums or discounts, on an accrual basis to the extent that we expect to collect such amounts. We recognize dividend income on the ex-dividend date. When collectability of interest or dividends is no longer probable, we place the investment on non-accrual status and evaluate any existing interest or dividend receivable balances to determine if a reserve or write-off is necessary. We assess the collectability of the interest and dividends on many factors, including the portfolio company's ability to service its debt based on current and projected cash flows as well as the current valuation of the portfolio company's assets.

We defer the recognition of upfront loan origination fees, and amortize them into interest income over the life of the security using the effective interest method. Upon the prepayment of a loan or debt security, we record any unamortized loan origination fees as interest income and we record any unamortized market premium or discount as a realized gain or loss on the investment. We record prepayment premiums on loans and securities as other income when we receive such amounts.

We record interest income from investments in CLO residual interests based upon an estimate of an effective yield to expected maturity using anticipated cash flows with any remaining amount recorded to the cost basis of the investment. We monitor the anticipated cash flows from our CLO residual interest investments and adjust our effective yield periodically as needed on a prospective basis.

We recognize income from overriding royalty interests as received, and we amortize the cost of the recorded assets using the units of production method.

Payment-in-Kind Interest and Dividends

We have investments in our portfolio that contain payment-in-kind, or PIK, interest or dividend provisions. We compute PIK interest income or PIK dividend income at the contractual rate specified in each investment agreement, and we add that amount to the principal balance of the investment. For investments with PIK interest or PIK dividends, we calculate our income accruals on the principal balance plus any PIK amounts. If the portfolio company's projected cash flows, further supported by estimated total enterprise value, are not sufficient to cover the contractual principal and interest or dividend amounts, as applicable, we do not accrue PIK interest income or PIK dividend income on the investment. To maintain our RIC status, we must pay out this non-cash income to stockholders in the form of distributions, even though we have not yet collected the cash. We recorded net PIK interest income of $2.7 million, $3.5 million, and $1.0 million in 2018, 2017 and 2016, respectively primarily from our instrument in OCI's subordinated notes. We recorded PIK dividend income of $0.0 million, $0.7 million, and $4.4 million in 2018, 2017 and 2016, respectively from our investment in Castex Energy 2005, LP.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

We measure realized gains on a security as the excess of the net amount realized from the sale or other disposition of such security over the amortized cost for the security. We measure realized losses on a security as the amount by which the net amount realized from the sale or other disposition of such security is less than the amortized cost of such security. We consider unamortized upfront fees and investments charged off during the year, net of recoveries, and we do not include previously recognized unrealized appreciation or depreciation.

We measure unrealized appreciation or depreciation on a security as the amount by which the fair value of such security exceeds or is less than the amortized cost of such security, as applicable. Net unrealized appreciation or depreciation for the period reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when we realize the settled gains or losses upon redemption.

We do not account for our commodity derivative instruments, if any, as hedging instruments for financial accounting purposes. Net unrealized appreciation or depreciation reflects the change in fair values during the reporting period including the reversal of previously recorded unrealized appreciation or depreciation when we realize the settled gains or losses.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes our contractual payment obligations at December 31, 2018 (in thousands):

Credit facilities[(1)]	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Credit Facility[(2)]	$ 29,000	$ —	$ 29,000	$ —	$ —
Repurchase Agreement[(3)]	14,689	14,689	—	—	—
Total	$ 43,689	$ 14,689	$ 29,000	$ —	$ —

(1) Excludes accrued interest amounts.
(2) Maturity date is September 9, 2019 with an option to extend an additional six months.
(3) Amount outstanding under the Repurchase Agreement was repaid on January 2, 2019.

From time to time we could have unused commitments to extend credit to our portfolio companies. Generally, these commitments have fixed expiration dates, and we do not expect to fund the entire amounts before they expire. Therefore, these commitment amounts do not necessarily represent future cash requirements, and we do not report the unused portions of these commitments on our Consolidated Balance Sheets. At December 31, 2018 we had $1.2 million unused credit commitment of our ClearChoice revolver investment and commitment to fund a $1.1 million investment expected to close in the first quarter of 2019. We did not have any unused credit commitments as of December 31, 2017.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our business activities contain elements of risk. We consider the principal market risks to be: credit risk, illiquidity of individual investments in our investment portfolio, leverage risk, risks related to fluctuations in interest rates and commodity price risk.

Credit risk is the principal market risk associated with our business. Credit risk originates from the fact that some of our portfolio companies may become unable or unwilling to fulfill their contractual payment obligations to us and may eventually default on those obligations. These contractual payment obligations arise under the debt securities and other investments that we hold. They include payment of interest, principal, dividends, royalties, fees and payments under guarantees and similar instruments. Our investment advisor endeavors to mitigate and manage credit risk through the analysis, structure and requirements of our investments. Prior to making an investment, our investment advisor evaluates it under a variety of scenarios to understand its sensitivity to changes in critical variables and assumptions and to assess its potential credit risk. Our investment advisor attempts to structure our investments to mitigate credit risk, and generally requires routine reporting, periodic appraisal of asset values, and financial covenants designed to minimize and detect developing credit issues. However, we cannot be assured that our investment advisor's efforts to mitigate and manage credit risk will successfully insulate us from any and all losses, either at the level of individual portfolio companies or, more broadly, for our entire investment portfolio.

We primarily invest in illiquid debt and other securities of small and mid-sized private companies. In some cases these investments include additional equity components. Our investments may have no established trading market or are generally subject to restrictions on resale. The illiquidity of our investments may adversely affect our ability to dispose of debt and equity securities at times when it may be otherwise advantageous for us to liquidate such investments (for example, for management of the various diversification requirements we are subject to as a BDC and as a RIC, or for management of liquidity or credit risk). The proceeds realized from such liquidation would likely be significantly less than the long-term value of the liquidated investments.

We use borrowings to supplement our equity capital to finance our investing activities. These borrowings rank senior in our capital structure to interests of our stockholders and, thus, have a senior claim on earnings and cash flows generated by our investment portfolio. To the extent that we are able to invest borrowed money at rates in excess of the cost of borrowing, we will generate greater returns on our equity capital than would have been the case without leverage. However, if we have losses in our investment portfolio, we must first service or repay the borrowings. This would potentially subject our stockholders to the risk of greater loss than would have been the case without leverage. Elaboration of the risks associated with the issue of senior securities is provided in "Item 1A. Risk Factors."

Another facet of utilizing borrowed money to make investments is that our net investment income is dependent upon the difference, or spread, between the rate at which we borrow funds and the interest rate or effective yield at which we invest those funds. Our Credit Facility bears a variable interest rate with a 1% one-month LIBOR interest rate floor, so any increase in interest rates above 1% will increase the cost of our borrowed funds. As of December 31, 2018 and 2017, excluding investments in U.S. Treasury Bills, approximately 76% and 25%, respectively, of our portfolio investments at fair value in our portfolio were at fixed rates, while approximately 24% and 75%, respectively, were at variable rates, generally with an interest rate floor. Thus, interest income from our portfolio investments will increase at a slower rate than the cost of our borrowed funds with an increase in interest rates until the interest rate floor are met, if at all. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

Assuming that our consolidated balance sheet as of December 31, 2018 were to remain constant and that no actions were taken to alter our current interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

Change in interest rates	**Increase/(decrease) in interest income**	**Increase/(decrease) in interest expense**	**Net increase/ (decrease) in net investment income**
Down 25 basis points	$ (121)	$ (73)	$ (48)
Up 50 basis points	243	145	98
Up 100 basis points	486	290	196
Up 150 basis points	729	435	294
Up 200 basis points	971	580	391

Although we believe that this analysis is indicative of our existing sensitivity to interest rate changes, it does not adjust for changes in credit markets, the composition of our investment portfolio or other business developments (including borrowings under the Credit Facility), that affect net interest income.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of OHA Investment Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of OHA Investment Corporation (the Company), including the schedules of investments, as of December 31, 2018 and 2017, 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, 2018, and the related notes and financial statement schedules listed in the Index at Item 15(a) (collectively referred to as the consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations, changes in its net assets, and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 and 2017, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received.

Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

Dallas, Texas
March 21, 2019

OHA INVESTMENT CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2018	December 31, 2017
Assets		
Investments in portfolio securities at fair value		
Affiliate investments (cost: $26,028 and $23,263, respectively)	$ 2,271	$ 18,179
Non-affiliate investments (cost: $85,306 and $132,429, respectively)	63,335	46,751
Total portfolio investments (cost: $111,334 and $155,692, respectively)	65,606	64,930
Investments in U.S. Treasury Bills at fair value (cost: $14,989 and $19,994, respectively)	14,989	19,994
Total investments	80,595	84,924
Cash and cash equivalents	3,124	19,939
Accounts receivable and other current assets	499	—
Interest receivable	224	632
Other prepaid assets	19	21
Deferred tax asset (Note 6)	316	632
Total other assets	4,182	21,224
Total assets	$ 84,777	$ 106,148
Liabilities		
Current liabilities		
Due to broker	$ 3,251	$ —
Distributions payable	403	403
Accounts payable and accrued expenses	683	1,585
Due to affiliate (Note 5)	571	562
Management and incentive fees payable (Note 5)	366	426
Income taxes payable	39	24
Repurchase agreement	14,689	19,592
Short-term debt, net of debt issuance cost of $0 and $215, respectively	—	35,785
Total current liabilities	20,002	58,377
Long-term debt, net of debt issuance costs of $134 and $0, respectively	28,866	—
Total liabilities	48,868	58,377
Commitments and contingencies (Note 7)		
Net assets		
Common stock, $.001 par value, 250,000,000 shares authorized; 20,172,392 and 20,172,392 shares issued and outstanding, respectively	20	20
Paid-in capital in excess of par	211,907	234,553
Distributable earnings (loss)[1]	(176,018)	(186,802)
Total net assets	35,909	47,771
Total liabilities and net assets	$ 84,777	$ 106,148
Net asset value per share	$ 1.78	$ 2.37

[1] See Note 2. Significant Accounting Policies.

(See accompanying notes to consolidated financial statements)

OHA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	For the year ended December 31, 2018	2017	2016
Investment income:			
Interest income:			
Affiliate investments	$ 43	$ 444	$ 1,903
Payment-in-kind from affiliate investments	2,722	3,476	1,020
Non-affiliate investments	5,458	6,278	10,444
Payment-in-kind from non-affiliate investments	—	—	15
Dividend income:			
Payment-in-kind from non-affiliate investments	—	—	4,008
Money market interest	202	—	—
Other income	43	74	498
Total investment income	8,468	10,272	17,888
Operating expenses:			
Interest expense and bank fees	2,984	3,926	3,819
Management fees (Note 5)	1,547	1,932	2,939
Incentive fees (Note 5)	—	89	281
Costs related to strategic alternatives review	75	—	—
Professional fees	1,444	1,679	2,442
Other general and administrative expenses	1,465	1,440	1,652
Directors' fees	245	245	245
Total operating expenses	7,760	9,311	11,378
Waived incentive fees (Note 5)	—	(89)	—
Net operating expenses	7,760	9,222	11,378
Income tax provision, net	37	22	7
Net investment income	671	1,028	6,503
Realized and unrealized gain (loss) on investments:			
Net realized capital gain (loss) on investments			
Control investments	—	—	(27,172)
Non-affiliate investments	(55,952)	(11,563)	223
Benefit (provision) for taxes	—	695	(62)
Total net realized capital loss on investments	(55,952)	(10,868)	(27,011)
Net unrealized appreciation (depreciation) on investments			
Control investments	—	—	27,608
Affiliate investments	(18,673)	(2,510)	(2,820)
Non-affiliate investments	63,706	(18,758)	(29,726)
Total net unrealized appreciation (depreciation) on investments	$ 45,033	$ (21,268)	$ (4,938)
Net decrease in net assets resulting from operations	$ (10,248)	$ (31,108)	$ (25,446)
Net decrease in net assets resulting from operations per common share	$ (0.51)	$ (1.54)	$ (1.26)
Distributions declared per common share	$ 0.08	$ 0.08	$ 0.24
Weighted average shares outstanding - basic and diluted	20,172	20,172	20,172

(See accompanying notes to consolidated financial statements)

OHA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(in thousands, except per share data)

	For the year ended December 31,		
	2018	**2017**	**2016**
Increase (decrease) in net assets from operations			
Net investment income	$ 671	$ 1,028	$ 6,503
Net realized capital gain (loss) on investments	(55,952)	(10,868)	(27,011)
Net unrealized appreciation (depreciation) on investments	45,033	(21,268)	(4,938)
Net increase (decrease) in net assets resulting from operations	(10,248)	(31,108)	(25,446)
Distributions to common stockholders			
Distributions from distributable earnings[(1)]	(1,322)	(469)	(4,841)
Return of capital	(292)	(1,145)	—
Net decrease in net assets from distributions	(1,614)	(1,614)	(4,841)
Net increase (decrease) in net assets	(11,862)	(32,722)	(30,287)
Net assets, beginning of year	47,771	80,493	110,780
Net assets, end of year	$ 35,909	$ 47,771	$ 80,493
Net asset value per common share at end of period	$ 1.78	$ 2.37	$ 3.99
Common shares outstanding at end of period	20,172	20,172	20,172

(1) See Note 2. Significant Accounting Policies.

(See accompanying notes to consolidated financial statements)

OHA INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the year ended December 31,		
	2018	**2017**	**2016**
Cash flows from operating activities:			
Net decrease in net assets resulting from operations	$ (10,248)	$ (31,108)	$ (25,446)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by (used in) operating activities:			
Payment-in-kind interest and dividend	(4,905)	(4,128)	(5,432)
Net amortization of premiums, discounts and fees	(396)	(204)	(472)
Net realized capital loss on investments	55,952	11,563	26,949
Net unrealized (appreciation) depreciation on investments	(45,033)	21,268	4,938
Purchase of investments in portfolio securities	(27,498)	(21,941)	(7,091)
Proceeds from redemption of investments in portfolio securities	21,565	33,517	50,813
Proceeds from (fundings of) revolving loans, net	(359)	—	—
Purchase of investments in U.S. Treasury Bills	(67,000)	(140,000)	(130,000)
Proceeds from redemption of investments in U.S. Treasury Bills	72,005	160,003	125,000
Amortization of debt issuance costs on Credit Facility	255	1,172	362
Effects of changes in operating assets and liabilities:			
Accounts receivable and other current assets	(500)	33	484
Interest receivable	408	681	935
Other prepaid assets	2	(4)	434
Payables and accrued expenses	(948)	(627)	(867)
Deferred tax asset	316	(632)	—
Due to broker	3,251	—	(5,226)
Due to affiliate	9	342	(1)
Net cash provided by (used in) operating activities	(3,124)	29,935	35,380
Cash flows from financing activities:			
Borrowings under revolving credit facilities	—	—	49,000
Borrowings under repurchase agreement	65,631	137,185	127,400
Debt issuance costs paid	(174)	—	(1,749)
Repayments on credit facilities	(7,000)	(4,500)	(80,500)
Repayments on repurchase agreement	(70,534)	(156,793)	(122,500)
Distributions to stockholders	(1,614)	(2,421)	(6,052)
Net cash provided by (used in) financing activities	(13,691)	(26,529)	(34,401)
Net increase (decrease) in cash and cash equivalents	(16,815)	3,406	979
Cash and cash equivalents, beginning of period	19,939	16,533	15,554
Cash and cash equivalents, end of period	$ 3,124	$ 19,939	$ 16,533
Supplemental Disclosures:			
Cash paid for interest	$ 2,496	$ 2,665	$ 2,854
Net cash paid (received) for taxes (refunds)	$ 23	$ (67)	$ 150

(See accompanying notes to consolidated financial statements)

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2018
(in thousands, except share amounts and percentages)

Portfolio Company	Industry Segment	Investment(1)	Principal	Cost	Fair Value
Affiliate Investments - (5% to 25% owned)					
OCI Holdings, LLC	Home Health Services	Subordinated Note (LIBOR+ 12.0% cash with a 1.0% floor plus 3.0% PIK), 21.51%, due 8/31/2019(2)(6)(11)	$ 25,711	$ 23,528	$ 2,271
OCI Holdings, LLC	Home Health Services	100% of Class A Units in OHA/OCI Investments, LLC representing 20.8% diluted ownership of OCI Holdings, LLC(2)(8)		2,500	—
Subtotal Affiliate Investments - (5% to 25% owned)				**$ 26,028**	**$ 2,271**
Non-affiliate Investments - (Less than 5% owned)					
Equinox Holdings, Inc.	Leisure Goods, Activities, Movies	Second Lien Term Loan (LIBOR+7.0% with a 1.0% floor), 9.52%, due 9/6/2024(3)	$ 7,000	$ 6,957	$ 7,018
PAE Holding Corporation	Aerospace and Defense	Second Lien Term Loan (LIBOR+9.50% with a 1.0% floor), 12.12%, due 10/20/2023(3)	6,888	6,749	6,785
Ministry Brands, LLC	Business Services	Second Lien Term Loan (LIBOR+8.00% with a 1.0% floor), 10.52%, due 6/2/2023(2)	6,000	5,945	5,880
Avantor Performance Materials, Inc.	Chemicals	Senior Unsecured Notes, 9.0%, due 10/1/2025(3)	5,000	5,000	5,000
ATP Oil & Gas Corporation/ Bennu Oil & Gas, LLC	Oil & Natural Gas Production and Development	Limited Term Royalty Interest (notional rate of 13.2%)(2)(7)(11)	—	26,450	4,778
CVS Holdings I, LP (MyEyeDr)	Retail	Second Lien Term Loan (LIBOR+6.75% with a 1.0% floor), 9.28%, due 2/6/2026(3)	5,000	4,977	4,725
PowerSchool	Business Services	Second Lien Term Loan (LIBOR+6.75%), 9.13%, due 8/01/2026(3)	3,800	3,763	3,762
WASH Multifamily Acquisition, Inc.	Industrials - Laundry Equipment	Second Lien Term Loan (LIBOR+7.0% with a 1.0% floor), 9.52%, due 5/14/2023(3)	3,404	3,388	3,293
Sedgwick	Healthcare	Unsecured Term Loan, 9.0%, due 12/31/2026(3)	3,300	3,251	3,251
DexKo Global, Inc.	Automotive	Second Lien Term Loan (LIBOR+8.25% with a 1.0% floor), 11.05%, due 7/24/2025(3)	3,000	2,979	3,000
TIBCO Software, Inc.	Software	Senior Unsecured Notes, 11.38%, due 12/1/2021(3)	2,100	1,995	2,200

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued
December 31, 2018
(in thousands, except share amounts and percentages)

Portfolio Company	Industry Segment	Investment[1]	Principal	Cost	Fair Value
Non-affiliate Investments - (Less than 5% owned) - Continued					
Hayward Industries, Inc.	Consumer Goods	Second Lien Term Loan (LIBOR+8.25%), 10.77%, due 8/4/2025[3]	$ 2,159	$ 2,163	$ 2,127
CentralSquare Technologies	Software	Second Lien Term Loan (LIBOR+7.50%), 10.02%, due 8/31/2026[3]	2,000	1,950	2,000
Ensono	Telecommunications	Second Lien Term Loan (LIBOR+9.25%), 11.77%, due 6/27/2026[3]	1,700	1,635	1,653
MWI Industries (Helix Acquisition)	Industrials	Second Lien Term Loan (LIBOR+8.00%), 10.8%, due 9/29/2025[3]	1,400	1,388	1,379
Allied Universal Holdco, LLC	Business Services	Second Lien Term Loan (LIBOR+8.50% with a 1.0% floor), 11.02%, due 7/28/2023[3]	1,250	1,250	1,191
Vertafore, Inc.	Business Services	Second Lien Term Loan (LIBOR+7.25%), 10.05%, due 7/2/2026[3]	900	891	865
Safe Fleet Holdings, LLC	Industrials	Second Lien Term Loan (LIBOR+6.75% with a 1.0% floor), 9.13%, due 2/1/2026[3]	700	697	665
Coinamatic Canada, Inc.[5]	Industrials - Laundry Equipment	Second Lien Term Loan (LIBOR+7.0% with a 1.0% floor), 9.52%, due 5/14/2023[3]	596	593	577
Ardonagh[5]	Insurance	Senior Secured Notes, 8.625%, due 7/15/2023[3]	600	541	513
MedRisk, LLC	Healthcare	Second Lien Term Loan (LIBOR+6.75%), 9.27%, due 12/28/2025[3]	500	498	491
ClearChoice (CC Dental Implants Intermediate)	Healthcare	First Lien Term Loan (Last Out) (LIBOR+6.50% with a 1.0% floor), 9.13%, due 1/2/2023[2][10]	500	496	487
FirstLight Fiber	Telecommunications	Second Lien Term Loan (LIBOR+7.50%), 10.02%, due 7/23/2026[3]	400	396	393
NAVEX	Software	Second Lien Term Loan (LIBOR+7.00%), 9.53%, due 9/5/2026[3]	400	396	386
ClearChoice (CC Dental Implants Intermediate)	Healthcare	First Lien Revolver (Last Out) (Funded: Libor+6.50% with a 1.0% floor), 9.29%, due 1/2/2023[2][9][10]	375	361	336
EaglePicher Technologies, LLC	Aerospace and Defense	Second Lien Term Loan (LIBOR+7.25%), 9.77%, due 3/9/2026[3]	300	298	294

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued
December 31, 2018
(in thousands, except share amounts and percentages)

Portfolio Company	Industry Segment	Investment[1]	Principal	Cost	Fair Value
Non-affiliate Investments - (Less than 5% owned) - Continued					
Edelman Financial Services, LLC	Financial Services	Second Lien Term Loan (LIBOR+6.75%), 9.19%, due 7/20/2026[3]	300	299	286
Subtotal Non-affiliate Investments - (Less than 5% owned)				**$ 85,306**	**$ 63,335**
Subtotal Portfolio Investments (81.4% of total investments)				**$ 111,334**	**$ 65,606**
GOVERNMENT SECURITIES					
U.S. Treasury Bills[4]			$ 15,000	$ 14,989	$ 14,989
Subtotal Government Securities (18.6% of total investments)				**$ 14,989**	**$ 14,989**
TOTAL INVESTMENTS				**$ 126,323**	**$ 80,595**

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS

(1) We pledged all of our portfolio investments, except our investments in U.S. Treasury Bills, as collateral for obligations under our Credit Facility. See Note 3 of Notes to Consolidated Financial Statements. Percentages represent interest rates in effect as of December 31, 2018, and due dates represent the contractual maturity dates. Common stock and units are non-income producing securities, unless otherwise stated.

(2) The Audit Committee recommends fair values of each asset to our Board of Directors, which in good faith determines the final fair value for each investment. Fair value is determined using unobservable inputs (Level 3 hierarchy), unless otherwise stated. See Note 10 to the Consolidated Financial Statements.

(3) Fair value is determined using prices with observable market inputs (Level 2 hierarchy). See Note 10 to the Consolidated Financial Statements.

(4) Fair value is determined using prices for identical securities in active markets (Level 1 hierarchy). See Note 10 to the Consolidated Financial Statements.

(5) We have determined that this investment is not a “qualifying asset” under Section 55(a) of the Investment Company Act of 1940, or the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. We monitor the status of these assets on an ongoing basis. As of December 31, 2018, 1.4% of our investment portfolio was deemed not to be "qualifying assets" under Section 55(a) of the 1940 Act.

(6) During the fourth quarter of 2016, we executed a series of amendments to our note purchase and security agreement with OCI Holdings, LLC, or OCI, to allow the company to PIK its Libor+12% cash interest for November and December 2016. Also, default interest of $0.1 million and current unpaid interest of $0.4 million was added to the principal balance in the fourth quarter 2016. OCI remains in financial covenant default. During 2017, we executed a number of amendments to our note purchase and security agreement with OCI that allows the company to continue to PIK its Libor+12% cash interest during 2017. Through June 30, 2018, we have allowed the company to continue to PIK its 12% cash interest while paying the 2% default interest in cash. In June 2018, we executed an amendment to our note purchase and security agreement with OCI to extend its maturity date to August 31, 2019. In September 2018, we executed an amendment to our note purchase and security agreement whereby we exchanged $217,625 of cash default interest previously paid to us by the company in 2018 for PIK interest, which was added to the principal outstanding balance of the note, on and as of the date the default interest payment was originally made. This amendment also allows the company to PIK its default interest through December 31, 2018. Beginning in the 4th quarter of 2018, OCI subordinated note was placed on non-accrual status.

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued

(7) Effective April 1, 2018, we discontinued income recognition on this investment and it remains on non-accrual status. All production payments received after April 1, 2018 are being applied to our cost basis and and considered return of capital. Previously, ATP was on nonaccrual status where income was recognized to the extent production payments were received. For more information on ATP, refer to the discussion of the ATP litigation in Note 7 to the Consolidated Financial Statements.

(8) Non-income producing equity security.

(9) Represents a revolving line of credit of which $1.2 million of the $1.6 million total commitment is unfunded at December 31, 2018. The revolving line of credit includes a 0.75% unused fee applied to the unfunded amount.

(10) Investment is entitled to skim interest which results in a higher interest rate spread of approximately 28 basis points.

(11) Investment on non-accrual status and therefore non-income producing.

(See accompanying notes to consolidated financial statements)

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
December 31, 2017
(in thousands, except share amounts and percentages)

Portfolio Company	Industry Segment	Investment[1]	Principal	Cost	Fair Value[2]
Affiliate Investments - (5% to 25% owned)					
OCI Holdings, LLC	Home Health Services	Subordinated Note (LIBOR+ 12.0% cash with a 1.0% floor plus 3.0% PIK)[7], 20.56%, due 8/15/2018	$ 20,806	$ 20,763	$ 18,015
OCI Holdings, LLC	Home Health Services	100% of Class A Units in OHA/OCI Investments, LLC representing 20.8% diluted ownership of OCI Holdings, LLC[11]		2,500	164
Subtotal Affiliate Investments - (5% to 25% owned)				**$ 23,263**	**$ 18,179**
Non-affiliate Investments - (Less than 5% owned)					
Talos Production, LLC	Oil & Natural Gas Production and Development	Senior Unsecured Notes, 9.75%, due 2/15/2018[3]	$ 11,536	$ 11,534	$ 8,652
Equinox Holdings, Inc.	Leisure Goods, Activities, Movies	Second Lien Term Loan (LIBOR+7.0% with a 1.0% floor), 8.57%, due 9/6/2024[3]	7,000	6,951	7,245
PAE Holding Corporation	Aerospace and Defense	Second Lien Term Loan (LIBOR+9.50% with a 1.0% floor), 11.12%, due 10/20/2023[3]	6,888	6,729	6,931
Berlin Packaging	Packaging	Second Lien Term Loan (LIBOR+6.75% with a 1.0% floor), 8.12%, due 10/1/2022[3]	6,705	6,447	6,780
Avantor Performance Materials, Inc.	Chemicals	Senior Unsecured Notes, 9.0%, due 10/1/2025[3]	5,000	5,000	4,925
WASH Multifamily Acquisition, Inc.	Industrials - Laundry Equipment	Second Lien Term Loan (LIBOR+7.0% with a 1.0% floor), 8.57%, due 5/14/2023[3]	3,404	3,385	3,387
DexKo Global, Inc.	Automotive	Second Lien Term Loan (LIBOR+8.25% with a 1.0% floor), 9.94%, due 7/24/2025[3]	3,000	2,977	3,038
TIBCO Software, Inc.	Software	Senior Unsecured Notes, 11.38%, due 12/1/2021[3]	2,100	1,968	2,286
MW Industries, Inc. (Helix Acquisition)	Industrials	Second Lien Term Loan (LIBOR+8.0%), 9.69%, due 9/27/2025[3]	1,400	1,386	1,409
Hayward Industries, Inc.	Consumer Goods	Second Lien Term Loan (LIBOR+8.25%), 9.82%, due 8/4/2025[3]	1,302	1,280	1,296
Coinamatic Canada, Inc.[5]	Industrials - Laundry Equipment	Second Lien Term Loan (LIBOR+7.0% with a 1.0% floor), 8.57%, due 5/14/2023[3]	596	593	593

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued
December 31, 2017
(in thousands, except share amounts and percentages)

Portfolio Company	Industry Segment	Investment[1]	Principal		Cost		Fair Value[2]	
Non-affiliate Investments - (Less than 5% owned) - Continued								
Gramercy Park CLO Ltd.[5]	Financial Services	Subordinated Notes, Residual Interest, 13.46% based on cost, due 7/17/2023	$	9,000	$	19	$	209
Castex Energy 2005, LP	Oil & Natural Gas Production and Development	Redeemable Preferred LP Units (current pay 8.0% cash or 10.0% PIK)[6][8]		62,529		56,315		—
ATP Oil & Gas Corporation/ Bennu Oil & Gas, LLC	Oil & Natural Gas Production and Development	Limited Term Royalty Interest (notional rate of 13.2%)[9]		—		27,845		—
Globe BG, LLC	Coal Production	Contingent earn-out related to July 2011 sale of royalty interests in Alden Resources, LLC[10]		—		—		—
Subtotal Non-affiliate Investments - (Less than 5% owned)					**$**	**132,429**	**$**	**46,751**
Subtotal Portfolio Investments (76.5% of total investments)					**$**	**155,692**	**$**	**64,930**
GOVERNMENT SECURITIES								
U.S. Treasury Bills[4]			$	20,000	$	19,994	$	19,994
Subtotal Government Securities (23.5% of total investments)					**$**	**19,994**	**$**	**19,994**
TOTAL INVESTMENTS					**$**	**175,686**	**$**	**84,924**

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS

(1) We pledged all of our portfolio investments, except our investments in U.S. Treasury Bills, as collateral for obligations under our Credit Facility. See Note 3 of Notes to Consolidated Financial Statements. Percentages represent interest rates in effect as of December 31, 2017, and due dates represent the contractual maturity dates. Common stock, units and earn-outs are non-income producing securities, unless otherwise stated.

(2) The Audit Committee recommends fair values of each asset to our Board of Directors, which in good faith determines the final fair value for each investment. Fair value is determined using unobservable inputs (Level 3 hierarchy), unless otherwise stated. See Note 10 to the Consolidated Financial Statements.

(3) Fair value is determined using prices with observable market inputs (Level 2 hierarchy). See Note 10 to the Consolidated Financial Statements.

(4) Fair value is determined using prices for identical securities in active markets (Level 1 hierarchy). See Note 10 to the Consolidated Financial Statements.

(5) We have determined that this investment is not a “qualifying asset” under Section 55(a) of the Investment Company Act of 1940, or the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. We monitor the status of these assets on an ongoing basis.

(6) Investment on non-accrual status and therefore non-income producing.

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued

(7) During the fourth quarter of 2016, we executed a series of amendments to our note purchase and security agreement with OCI Holdings, LLC, or OCI, to allow the company to PIK its LIBOR+12% cash interest for November and December 2016. Also, default interest of $0.1 million and current unpaid interest of $0.4 million was added to the principal balance in the fourth quarter of 2016. OCI remains in financial covenant default and while in default, we are earning an additional 2% cash interest and 2% PIK interest. In 2017, we have executed a number of amendments to our note purchase and security agreement with OCI that allows the company to continue to PIK its LIBOR +12% cash interest through December 31, 2017.

(8) By the terms of our original investment, upon redemption, we were due the outstanding face amount of $50 million, any unpaid and accrued dividends, plus an option to elect to receive either: a) a cash payment resulting in a total 12% return or make-whole (inclusive of the 8% cash distributions even if not paid), or b) our pro rata share of 2% of the outstanding regular limited partner interests in Castex Energy 2005, LP, or Castex (0.67% net to us). Amounts shown for principal and cost include PIK dividends that have been added to the principal balance. Please refer to footnote 8 in the December 31, 2016 Consolidated Schedule of Investments for additional information our about our investment in Castex and the put process.

During the first quarter of 2017, we placed our investment in Castex on non-accrual status based on our March 31, 2017 valuation, which reflected a determination that future payments received from this investment would no longer be sufficient to cover all of the contractual principal and dividend amounts on this investment. On October 16, 2017, Castex announced that it (together with certain affiliates) has filed bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. According to the filing, Castex and its affiliates in bankruptcy entered into a restructuring support agreement ("RSA") with pre-petition lenders holding approximately 86% in principal amount of claims under the pre-petition credit facility. On February 26, 2018, we agreed to a settlement and agreed to withdraw our confirmation objections to the Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy code in exchange for the potential to receive some amount of cash and warrants in the reorganized company. This agreement was approved on February 27, 2018. At this time we are unable to determine the value of a recovery, if any, resulting from the settlement which will be dependent upon the ultimate pool of unsecured claims. Therefore, until we are in a position to determine the value and likelihood of a recovery, we are estimating $0 fair market value of our investment in Castex at December 31, 2017 for financial statement purposes.

(9) Effective July 1, 2015, ATP was placed on non-accrual status based on estimated future production payments and income is recognized to the extent cash received. For more information on ATP, refer to the discussion of the ATP litigation in Note 7 to the Consolidated Financial Statements.

(10) Contingent payment of up to $6.8 million is dependent upon Alden Resources, LLC’s achievement of certain sales volume and operating efficiency levels during the three-year period ended July 2014. The reporting and review mechanism to conclude the ultimate value of the earn-out has not yet been completed. Globe BG, LLC has informally advised us that the company’s relative cost of production has not improved since July 2011.

(11) Non-income producing equity security.

(See accompanying notes to consolidated financial statements)

Note 1: Organization

These consolidated financial statements present the financial position, results of operations and cash flows of OHA Investment Corporation and its consolidated subsidiaries (collectively “we,” “us,” “our” and “OHAI”). We are a specialty finance company that was organized in July 2004 as a Maryland corporation. Our investment objective is to generate both current income and capital appreciation primarily through debt investments, some of which include equity components. We are an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a business development company, or a BDC, under the 1940 Act. For federal income tax purposes we operate so as to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, or the Code. We have several direct and indirect subsidiaries that are single-member limited liability companies and wholly-owned limited partnerships established to hold certain portfolio investments or provide services to us in accordance with specific rules prescribed for a company operating as a RIC. We consolidate the financial results of our wholly-owned subsidiaries for financial reporting purposes, and we do not consolidate the financial results of our portfolio companies.

On September 30, 2014, our stockholders approved the appointment of Oak Hill Advisors, L.P., or OHA, as our investment advisor, replacing NGP Investment Advisor, LP, which had been our investment advisor since our inception. In connection with this change in investment advisor, we changed our name from NGP Capital Resources Company to OHA Investment Corporation. OHA is a registered investment adviser under the Investment Advisers Act of 1940, or the Advisers Act. OHA acts as our investment advisor and administrator pursuant to an investment advisory agreement and an administration agreement, respectively, each dated as of September 30, 2014, which we refer to as the Investment Advisory Agreement and the Administration Agreement, respectively. See Note 5.

Note 2: Accounting Policies

Basis of Presentation

These consolidated financial statements include the accounts of OHAI and its wholly-owned subsidiaries. The effects of all intercompany transactions between OHAI and its subsidiaries have been eliminated in consolidation. We prepare our consolidated financial statements in accordance with accounting principles generally accepted in United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The Company is an investment company following the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services - Investment Companies* ("ASC 946"). Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X and ASC 946, the Company is precluded from consolidating portfolio company investments, including those in which it has a controlling interest, unless the portfolio company is another investment company. An exception to this general principle occurs if the Company holds a controlling interest in an operating company that provides all or substantially all of its services directly to the Company or to its portfolio companies. None of the portfolio investments made by the Company qualify for this exception. Therefore, the Company's investment portfolio is carried on the Consolidated Balance Sheet at fair value.

Going Concern

Our consolidated financial statements have been prepared assuming OHAI will continue as a going concern. Under that assumption, we expect that assets will be realized and liabilities will be satisfied in the normal course of business.

Use of Estimates

Preparing consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes to the consolidated financial statements. Although we believe our estimates and assumptions are reasonable, actual results could differ materially from these estimates.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current-period presentation.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments with an original maturity of three months or less in accounts such as demand deposit accounts, money market accounts, certain overnight investment sweep accounts and money market fund accounts. We record cash and cash equivalents at cost, which approximates fair value.

Deferred Loan Costs and Other Prepaid Assets

Deferred loan costs include up-front bank fees and related legal fees associated with the establishment of our credit facilities (see Note 3). Deferred loan costs are amortized to interest expense on a straight-line basis over the term of the related credit facility. Prepaid assets consist of premiums paid for directors' and officers' liability insurance with policy terms of one year and broker fees and commissions associated with the establishment of such policies. We amortize such premiums and fees on a straight-line basis over the term of the policy.

Concentration of Credit Risk

We place our cash and cash equivalents with financial institutions and, at times, cash held in checking or money market accounts may exceed the Federal Deposit Insurance Corporation insured limit.

Valuation of Investments

The 1940 Act requires the separate identification of investments according to the percentage ownership in a portfolio company's outstanding voting securities. The percentages and categories are generally as follows:

- Control investments — we own more than 25% of a portfolio company's outstanding voting securities
- Affiliate investments — we own 5% or more but not more than 25% of a portfolio company's outstanding voting securities
- Non-affiliate investments — we own less than 5% of a portfolio company's outstanding voting securities

We account for all of the assets in our investment portfolio at fair value, following the provisions of the FASB ASC Topic 820, *Fair Value Measurements and Disclosures ("ASC 820")*. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

On a quarterly basis, the investment team of our investment advisor prepares fair value recommendations for all of the assets in our portfolio in accordance with ASC 820 and presents them to the Audit Committee of our Board of Directors. The Audit Committee recommends a fair value of each portfolio investment to our Board of Directors, which in good faith determines the final fair value for each portfolio investment.

- *Investment Team Valuation.* The investment professionals of our investment advisor prepare fair value recommendations for each investment.
- *Investment Team Valuation Documentation.* The investment team documents and discusses its preliminary fair value recommendations with the investment committee and senior management of our investment advisor.
- *Third Party Valuation Activity.* We may, at our discretion, retain an independent valuation firm to review any or all of the valuation analyses and fair value recommendations provided by the investment team of our investment advisor. Since December 31, 2014, our general practice is that we have an independent valuation firm review all Level 3 investments (those whose value is determined using significant unobservable inputs) with recommended fair values in excess of $10 million on a quarterly basis, and review all Level 3 investments with recommended fair values greater than zero at least annually to provide positive assurance on our valuations. With respect to our valuations as of December 31, 2018 and 2017, an independent valuation firm reviewed and assisted in valuations representing 21% and 28%, respectively, of the total fair value of our portfolio investments.
- *Presentation to Audit Committee*. Our investment advisor and senior management present the valuation analyses and fair value recommendations to the Audit Committee of our Board of Directors.
- *Board of Directors and Audit Committee.* The Board of Directors and the Audit Committee review and discuss the valuation analyses and fair value recommendations provided by the investment team of our investment advisor and the independent valuation firm, if applicable.
- *Final Valuation Determination.* Our Board of Directors discusses the fair values recommended by the Audit Committee and determines the fair value of each investment in our portfolio, in good faith, based on the input of the investment team of our investment advisor, our Audit Committee and the independent valuation firm, if applicable.

We record investments in securities for which market quotations are readily available at such market quotations in our financial statements as of the valuation date. For investments in securities for which market quotations are unavailable, or which have various degrees of trading restrictions, the investment team of our investment advisor prepares valuation analyses and fair value estimates, using the most recently available financial statements, forecasts and, when applicable, comparable transaction data. These valuation analyses rely on estimates of the asset values and enterprise values of portfolio companies issuing securities.

The methodologies for determining asset valuations include estimates based on: the liquidation or sale value of a portfolio company's assets, the discounted value of expected future net cash flows from the assets and third party valuations of a portfolio company's assets, such as asset appraisal reports, futures prices and engineering reserve reports of oil and natural gas properties. The investment team of our investment advisor considers some or all of the above valuation methods to determine the estimated asset value of a portfolio company.

The methodologies for determining enterprise valuations include estimates based on: valuations of comparable companies, recent sales of comparable companies, the value of recent investments in the equity securities of a portfolio company and on the methodologies used for asset valuations. The investment team of our investment advisor considers some or all of the above valuation methods to determine the estimated enterprise value of a portfolio company.

The methodologies for determining estimated current market values of comparable securities include estimates based on: recent initial offerings of comparable securities of public and private companies; recent secondary market sales of comparable securities of public and private companies; current market implied interest rates for comparable securities in general; and current market implied interest rates for non-comparable securities in general, with adjustments for such elements as size of issue, terms, and liquidity. The investment team of our investment advisor considers some or all of the above valuation methods to determine the estimated current market value of a comparable security.

For some of our securities, quoted prices (unadjusted) in active markets for identical assets (Level 1 valuation inputs) or other significant observable inputs, including quoted prices of similar securities, interest rates, prepayments, credit risk, etc. (Level 2 valuation inputs) are readily available from independent sources and are used to value such securities. For other securities, there will be no readily available Level 1 or Level 2 pricing information, and therefore significant unobservable inputs (Level 3 valuation inputs), including the assumptions of OHA, must be relied upon in determining fair value for these securities.

If prices or quotes for securities are either not readily available, or a price or quote is deemed not reflective of the security's fair market value, we employ a fair valuation technique for that security. In determining the fair value of a security, we may take into consideration (either individually or in combination) the financial condition and operating results of the underlying portfolio company, nature of the investment, restrictions on marketability, liquidity, market conditions, earnings multiple analyses using comparable companies, discounted cash flow analyses, appraisals, and other factors we deem appropriate.

Securities Transactions, Interest and Dividend Income Recognition

We account for all securities transactions on a trade-date basis, and we accrete premiums and discounts into interest or dividend income using the effective interest method. In conjunction with the acquisition of debt securities, we may receive detachable warrants, other equity securities or property interests such as overriding royalty interests. We record these interests separately from the debt securities at their initial fair value, with a corresponding amount recorded as a discount to the associated debt security. These original issue discounts, as well as market discounts or premiums, are capitalized and amortized into interest income over the life of the respective security using the effective interest method. The amortized cost of investments represents the original cost adjusted for the amortization of discounts and premiums and upfront loan origination fees.

We record interest income, adjusted for amortization of premiums or discounts, on an accrual basis to the extent that we expect to collect such amounts. We recognize dividend income on the ex-dividend date. When collectability of interest or dividends is no longer probable, we place the investment on non-accrual status and evaluate any existing interest or dividend receivable balances to determine if a reserve or write-off is necessary. We assess the collectability of the interest and dividends on many factors, including the portfolio company's ability to service its debt based on current and projected cash flows as well as the current valuation of the portfolio company's assets.

We defer the recognition of upfront loan origination fees, and amortize them into interest income over the life of the security using the effective interest method. Upon the prepayment of a loan or debt security, we record any unamortized loan origination fees as interest income and we record any unamortized market premium or discount as a realized gain or loss on the investment. We record prepayment premiums on loans and securities as other income when we receive such amounts.

We record interest income from investments in CLO residual interests based upon an estimate of an effective yield to expected maturity using anticipated cash flows with any remaining amount recorded to the cost basis of the investment. We monitor the anticipated cash flows from our CLO residual interest investments and adjust our effective yield periodically as needed on a prospective basis.

Payment-in-Kind Interest and Dividends

We have investments in our portfolio that contain payment-in-kind, or PIK, interest or dividend provisions. We compute PIK interest income or PIK dividend income at the contractual rate specified in each investment agreement, and we add that amount to the principal balance of the investment. For investments with PIK interest or PIK dividends, we calculate our income accruals on the principal balance plus any PIK amounts. If the portfolio company's projected cash flows, further supported by estimated total enterprise value, are not sufficient to cover the contractual principal and interest or dividend amounts, as applicable, we do not accrue PIK interest income or PIK dividend income on the investment. To maintain our RIC status, we must pay out this non-cash income to stockholders in the form of distributions, even though we have not yet collected the cash. We recorded net PIK interest income of $2.7 million, $3.5 million, and $1.0 million in 2018, 2017 and 2016, respectively primarily related to our investment in OCI's subordinated notes. Beginning in October 2018, we discontinued recognizing any PIK interest income on our investment in OCI's subordinated notes from a tax and GAAP perspective. We recorded PIK dividend income of $0.0 million, $0.7 million, and $4.4 million in 2018, 2017, and 2016, respectively from our investment in Castex.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

We measure realized gains on a security as the excess of the net amount realized from the sale or other disposition of such security over the amortized cost for the security. We measure realized losses on a security as the amount by which the net amount realized from the sale or other disposition of such security is less than the amortized cost of such security. We consider unamortized upfront fees and investments charged off during the year, net of recoveries, and we do not include previously recognized unrealized appreciation or depreciation.

We measure unrealized appreciation or depreciation on a security as the amount by which the fair value of such security exceeds or is less than the amortized cost of such security, as applicable. Net unrealized appreciation or depreciation for the period reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when we realize the settled gains or losses upon redemption.

Fee Income Recognition

Fees primarily include financial advisory, transaction structuring, loan administration, commitment, amendment and prepayment fees. Financial advisory fees represent amounts received for providing advice and analysis to companies, and we recognize these fees as earned when we perform such services, provided collection is probable. Transaction structuring fees, which are non-recurring represent amounts received for structuring, financing and executing transactions and are generally payable only if the transaction closes. We defer such fees and accrete them into interest income over the life of the loan using the effective interest method. Commitment fees represent amounts received for committed funding and are generally payable whether the transaction closes or not. We defer commitment fees on transactions that close within the commitment period and accrete these fees into interest income over the life of the loan using the effective interest method. We record commitment fees on transactions that do not close in the month the commitment period expires. We recognize prepayment and loan administration fees when we receive them. During the years ended December 31, 2018, 2017, and 2016 we recorded the following amounts of fee income (in thousands):

	2018	2017	2016
Prepayment, amendment and loan administration fees	$ 43	$ 74	$ 498
Commitment fees and discounts accreted and premiums amortized into interest income	397	367	472
Total fee income	$ 440	$ 441	$ 970

Distributions

We record distributions to stockholders on the ex-dividend date. We currently intend that our distributions each year will be sufficient to maintain our status as a RIC for federal income tax purposes and to eliminate federal excise tax liability. We currently intend to make distributions to stockholders on a quarterly basis so that substantially all of our net taxable income is distributed on an annual basis. We also intend to make distributions of net realized capital gains, if any, at least annually. However, we may in the future decide to retain such capital gains for investment and designate such retained amounts as deemed distributions. Each quarter, we estimate our annual taxable earnings. The Board of Directors considers this estimate and determines the distribution amount, if any. We generally declare our distributions each quarter and pay them shortly thereafter. The following table summarizes our recent distribution history:

Declaration Date	Per Share Amount	Record Date	Payment Date
March 14, 2017	$ 0.02	March 31, 2017	April 7, 2017
June 16, 2017	0.02	June 30, 2017	July 10, 2017
September 18, 2017	0.02	September 30, 2017	October 9, 2017
December 12, 2017	0.02	December 31, 2017	January 9, 2018
March 14, 2018	0.02	March 31, 2018	April 9, 2018
May 8, 2018	0.02	June 30, 2018	July 9, 2018
September 13, 2018	0.02	September 30, 2018	October 9, 2018
December 12, 2018	0.02	December 31, 2018	January 9, 2019

We determine the tax characteristics of our dividend distributions as of the end of the fiscal year, based on the taxable income for the full year and distributions paid during the year. Taxable income available for distribution differs from consolidated net investment income under GAAP due to (i) temporary and permanent differences in income and expense recognition, (ii) capital gains and losses, (iii) activity at taxable subsidiaries, and (iv) the timing and period of recognition regarding dividends declared in December of one year and paid in January of the following year. The tax characteristics of distributions paid in 2018 represented $1.3 million from ordinary income, $0.3 million from return of capital and none from capital gains. For tax purposes, 100% of the $0.4 million dividend declared in December 2018 and paid on January 9, 2019 will be applied to 2019. For tax purposes, 100% of the $0.4 million dividend paid on January 9, 2018 was applied to 2018 taxable income.

We have established an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a cash dividend, our plan agent automatically reinvests a stockholder’s cash dividend in additional shares of our common stock unless the stockholder, or his or her broker, specifically “opts out” of the dividend reinvestment plan and elects to receive cash dividends. It is customary practice for many brokers to “opt out” of dividend reinvestment plans on behalf of their clients unless specifically instructed otherwise.

The purpose of the plan is to provide stockholders with a method of investing cash dividends and distributions in additional shares at the current market price without charges for record-keeping, custodial and reporting services. Any stockholder of record may elect to partially participate in the plan, or begin or resume participation at any time, by providing the plan agent with written notice.

The plan agent of our dividend reinvestment plan purchases shares in the open market for credit to the accounts of plan participants unless the average of the closing sales prices for the shares for the five days immediately preceding the payment date exceeds 110% of the most recently reported net asset value per share.

The table below summarizes recent participation in our dividend reinvestment plan (in thousands, except percentages, shares and price per share):

					Common Stock Dividends	
Dividend	Participating Shares	Percentage of Outstanding Shares	Total Distribution	Cash Dividends	Purchased in Open Market	Price per Share
March 2017	115,000	0.5%	$ 403	$ 401	$ 2	$ 1.63
June 2017	111,000	0.5%	403	401	2	1.32
September 2017	107,000	0.5%	403	401	2	1.33
December 2017	89,000	0.4%	403	401	2	1.20
March 2018	93,000	0.4%	403	401	2	1.47
June 2018	127,000	0.6%	403	401	2	1.62
September 2018	125,000	0.6%	403	401	2	1.57
December 2018	97,000	0.4%	403	401	2	1.29

Income Taxes

For federal income tax purposes, we operate so as to qualify as a RIC under Subchapter M of Chapter 1 of the Code. As a RIC, we are generally not subject to corporate-level U.S. federal income taxes on the portion of our investment company taxable income and net capital gain (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) that we distribute to our stockholders. We have distributed and intend to distribute sufficient dividends to eliminate taxable income. We may also be subject to federal excise tax if we do not distribute an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year (taking into account certain deferrals and elections), (2) 98.2% of our capital gain net income, computed for the one year period ended October 31 of that calendar year, and (3) 100% of any ordinary income or capital gain net income not distributed or taxed in prior years. Dividends to stockholders are recorded on the ex-dividend date. We currently intend to make sufficient distributions each year to maintain our status as a RIC for federal income tax purposes and to avoid excise taxes.

Certain of our wholly owned subsidiaries, or Taxable Subsidiaries, have elected to be taxed as corporations for federal income tax purposes. The Taxable Subsidiaries hold certain of our portfolio investments and are consolidated for financial reporting purposes, but not for income tax reporting purposes. These Taxable Subsidiaries permit us to hold equity investments in portfolio companies that are “pass through” entities for tax purposes, in order to comply with the “source-of-income” requirements that must be satisfied to maintain our qualification as a RIC. The Taxable Subsidiaries may generate net income tax expense or benefit, which is reflected on our Consolidated Statements of Operations.

We record any tax interest and penalties in other general and administrative expenses on our Consolidated Statement of Operations. Tax interest and penalties were immaterial for all periods presented.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 - *Revenue from Contracts with Customers* ("ASU 2014-09"). This guidance in this ASU supersedes the revenue recognition requirements in *Revenue Recognition* ("Topic 605"). Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 31, 2017, including interim periods within that period. The application of this guidance did not have a material impact on our consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08 - *Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08"). This guidance amends the amortization period for certain purchased callable debt securities held at a premium. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those years. The application of this guidance will not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure *Framework — Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies disclosure requirements pertaining to fair value measurement of Level 3 securities for public companies. Under the new standard, reporting entities can remove the disclosures no longer required and amend the disclosures immediately with retrospective application. The effective date for the additional disclosures for all public and nonpublic companies is for fiscal years, and interim periods within those years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures immediately and delay adoption of the additional disclosures until their effective date. The Company has elected to early adopt ASU 2018-13 in the current annual period. No significant changes were made to the Company’s fair value disclosures in the Notes to the Consolidated Financial Statements in order to comply with ASU 2018-13.

Securities Exchange Commission ("SEC") Disclosure Update and Simplification: In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification (the "SEC Release"), amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. The amendments are intended to facilitate the disclosure of information to investors and simplify compliance. The final rule is effective for all filings on or after November 5, 2018, therefore, the Company adopted the SEC Release in the current annual period. The SEC Release requires presentation changes to the Company's Consolidated Statements of Financial Condition and Consolidated Statements of Changes in Net Assets. Prior to adoption, the Company presented, in accordance with previous SEC rules, distributable earnings on the Consolidated Statements of Financial Condition, as three components: 1) undistributed net investment income; 2) net unrealized appreciation (depreciation) on investments and secured borrowings; and 3) net realized gain (loss) on investments and presented distributions from distributable earnings on the Consolidated Statements of Changes in Net Assets as two components: 1) distributions from net investment income; and 2) distributions from realized gain. In accordance with the SEC Release, distributable earnings and distributions from distributable earnings are shown in total on the Consolidated Statements of Financial Condition and Consolidated Statements of Changes in Net Assets, respectively. The changes in presentation have been retrospectively applied to the Consolidated Statement of Financial Condition as of December 31, 2017 and to the Consolidated Statements of Changes in Net Assets for the years ended December 31, 2017 and 2016. The following tables provide reconciliations of retrospective changes applied to prior periods.

Consolidated Statement of Financial Condition - The table below provides a reconciliation for previously disclosed components of distributable earnings on the Consolidated Statement of Financial Condition as of December 31, 2017 to total distributable earnings as of December 31, 2017 as disclosed in the current filing.

	December 31, 2017
Undistributed net investment income (loss)	$ (2,113)
Net unrealized appreciation (depreciation) on investments	(87,646)
Net realized gain (loss) on investments	(97,043)
Distributable earnings (loss)	$ (186,802)

Consolidated Statements of Changes in Net Assets - Below is a reconciliation representing previously disclosed distributions from net investment income and realized gain for the years ended December 31, 2017 and 2016 to distributions from distributable earnings as disclosed in the current filing.

	Years ended December 31,	
	2017	2016
Distribution to stockholders:		
Distributions from net investment income	$ (469)	$ (4,841)
Distribution from realized gains	—	—
Distribution from distributable earnings	$ (469)	$ (4,841)

Note 3: Credit Facility and Borrowings

Credit Facility

We are party to a Credit Agreement (the "Credit Facility"), dated September 9, 2016, with MidCap Financial Trust, as administrative agent, which replaced our prior Third Amended and Restated Revolving Credit Agreement, as amended, with SunTrust Bank, as administrative agent (the "Investment Facility"). The initial size of the Credit Facility was $56.5 million with a maturity date of March 9, 2018, with an option to extend for a six-month period, subject to certain conditions. The initial proceeds of $40.5 million from the Credit Facility were used to pay off the $38.5 million outstanding balance on the Investment Facility, pay transaction expenses and provide balance sheet cash. The remaining $16.0 million consisted of a delayed draw term loan and was committed for one year.

On November 10, 2017, we entered into an amendment to the Credit Facility whereby we agreed to make a voluntary principal prepayment in the amount of $4.5 million, reducing the total principal amount outstanding to $36.0 million, and the lenders agreed not to test certain covenants at certain determination dates.

On February 2, 2018, we exercised the option to extend the Credit Facility through September 9, 2018.

On September 7, 2018 we entered into an amendment to extend the maturity date of the Credit Facility to September 9, 2019, which can be extended for an additional six-month period at the Company's option. In connection with the extension, the Company made a repayment of principal of $7.0 million of its Credit Facility, reducing the principal amount outstanding to $29.0 million. The $7.0 million principal repayment is available to the Company to be re-borrowed as a delayed draw term loan, which is committed until September 9, 2019. In addition, the interest rate for the borrowings under the Credit Facility was reduced to Libor plus 4.95% for Eurodollar Loans and prime plus 3.95% for Base Rate Loans. Certain financial covenants were also amended.

As of December 31, 2018, the total amount outstanding under the Credit Facility was $29.0 million with $7.0 million available to draw. The total amount outstanding on the Credit Facility is shown net of unamortized debt issuance costs of $0.1 million on our Consolidated Balance Sheet as of December 31, 2018. Substantially all of our assets, except our investments in U.S. Treasury Bills, are pledged as collateral for the obligations under the Credit Facility. The Credit Facility bears an interest rate of Adjusted LIBOR plus 4.95% for Eurodollar Loans, subject to a 1% LIBOR floor, and Base Rate plus 3.95% for Base Rate Loans. As of December 31, 2018 the interest rate on our outstanding balance of $29.0 million was 7.3%.

The Credit Facility contains affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with these covenants from the date of the Credit Agreement through December 31, 2018, and had no existing defaults or events of default under the Credit Facility. The financial covenants, with terms as defined in the Credit Agreement, are:

- maintain a Debt to Tangible Net Worth Ratio of not more than 1.00:1.00 as determined on the last day of each calendar month,
- maintain at all times a minimum liquidity in the form of Cash or Cash Equivalents of at least $1.0 million,
- maintain a Debt to Fair Market Value Ratio of not more than 0.50:1.00 at any time, and
- maintain the Fair Market Value of Liquid Portfolio Investments as a percentage of outstanding aggregate principal balance to not be less than 100% through September 9, 2019.

Repurchase Agreements

At the end of each quarter, we may take proactive steps to preserve investment flexibility for the next quarter by investing in cash equivalents, which includes purchasing U.S. Treasury Bills, by utilizing repurchase agreements on a temporary basis. On December 21, 2018, we purchased $15.0 million of U.S. Treasury Bills and contemporaneously entered into a $14.7 million repurchase arrangement with a global financial institution to finance such purchase. Under the repurchase arrangement, we transferred $15.0 million of U.S. Treasury Bills and $0.3 million of cash as collateral under the repurchase agreement. We repaid the $14.7 million borrowed under the repurchase agreement, and was returned the $0.3 million cash collateral, net of a $14.0 thousand financing fee, upon maturity of the U.S. Treasury Bills on January 2, 2019. We account for the transfer of the U.S. Treasury Bills under the repurchase agreement as a secured borrowing in accordance with GAAP. As a result, the U.S. Treasury Bills are recorded on our books as investments in U.S. Treasury Bills, and the amount outstanding under the repurchase agreement is recorded as a current liability December 31, 2018.

On December 26, 2017, we purchased $20.0 million of U.S. Treasury Bills and contemporaneously entered into a $19.6 million repurchase arrangement with a global financial institution to finance such purchase. Under the repurchase arrangement, we transferred $20.0 million of U.S. Treasury Bills and $0.4 million of cash as collateral under the repurchase agreement. We repaid the amount borrowed under the repurchase agreement, and was returned the $0.4 million cash collateral, net of a $7.8 thousand financing fee, upon maturity of the U.S. Treasury Bills on January 4, 2018. We account for the transfer of the U.S. Treasury Bills under the repurchase agreement as a secured borrowing in accordance with GAAP. As a result, the U.S. Treasury Bills are recorded on our books as investments in U.S. Treasury Bills, and the amount outstanding under the repurchase agreement is recorded as a current liability at December 31, 2017.

Our average amount of debt outstanding during 2018 was $33.8 million and the average interest rate was 7.2%. During the years ended December 31, 2018, 2017 and 2016, interest expense and bank fees included the following (in thousands):

	2018	2017	2016
Interest expense on borrowed amounts	$ 2,496	$ 2,664	$ 2,816
Commitment fees on unborrowed amounts	11	56	39
Amortization of deferred loan and debt issuance costs	435	1,172	928
Bank service charges	42	34	36
Interest expense and bank fees	$ 2,984	$ 3,926	$ 3,819

Note 4: Common Stock

During the years ended December 31, 2018 and December 31, 2017 there were no share repurchases.

Under the Credit Facility, we are prohibited from repurchasing shares of our common stock.

Note 5: Investment Management

Investment Advisory Agreement

On September 30, 2014, we entered into the Investment Advisory Agreement with OHA, an investment adviser registered under the Advisers Act pursuant to which OHA replaced NGP Investment Advisor, LP as our investment advisor. The Investment Advisory Agreement was most recently approved by our Board of Directors, a majority of whom are not “interested” persons (as defined in the 1940 Act) of us, on August 2, 2018. Pursuant to the Investment Advisory Agreement, OHA implements our business strategy on a day-to-day basis and performs certain services for us, subject to the supervision of our Board of Directors. Under the Investment Advisory Agreement, we pay OHA a fee consisting of two components — a base management fee and an incentive fee.

Base Management Fee: The base management fee is paid quarterly in arrears, and is calculated by multiplying the average value of our total assets (excluding cash, cash equivalents and U.S. Treasury Bills that are purchased with borrowed funds solely for the purpose of satisfying quarter-end diversification requirements related to our election to be taxed as a RIC under the Code), as of the end of the two immediately prior fiscal quarters, by a rate of 1.75% per annum, with a 0.25% reduction in this 1.75% annual rate for the first year following September 30, 2014. For the years ended December 31, 2018 and December 31, 2017, we incurred $1.5 million and $1.9 million in base management fees, respectively.

Incentive Fee: The incentive fee consists of two parts. The first part, the investment income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the fiscal quarter for which the fee is being calculated. Pre-incentive fee net investment income means interest income, dividend income, royalty payments, net profits interest payments, and any other income (including any other fees, such as commitment, origination, syndication, structuring, diligence, monitoring and consulting fees or other fees that we receive from portfolio companies) accrued during the fiscal quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, and any interest expense and distributions paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Accordingly, we may pay an incentive fee based partly on accrued investment income, the collection of which is uncertain or deferred. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses, or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less liabilities at the end of the immediately preceding fiscal quarter) is compared to a “hurdle rate” of 1.75% per quarter (7% annualized). OHA receives no incentive fee for any fiscal quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate. OHA receives an incentive fee equal to 100% of our pre-incentive fee net investment income for any fiscal quarter in which our pre-incentive fee net investment income exceeds the hurdle rate but is less than 2.1875% (8.75% annualized) of net assets (also referred to as the “catch up” provision) plus 20% of our pre-incentive fee net investment income for such fiscal quarter greater than 2.1875% (8.75% annualized) of net assets. For the years ended December 31, 2018 and December 31, 2017 we did not incur any investment income incentive fees. For the year ended December 31, 2016 we incurred $0.3 million in investment income incentive fees, respectively.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each fiscal year (or, upon termination of the Investment Advisory Agreement, as of the termination date). The capital gains incentive fee is equal to 20% of our cumulative aggregate realized capital gains from September 30, 2014 through the end of that fiscal year, computed net of our cumulative aggregate realized capital losses and cumulative aggregate unrealized depreciation on investments for the same time period. The aggregate amount of any previously paid capital gains incentive fees to OHA is subtracted from the capital gains incentive fee calculated. If such amount is negative, then there is no capital gains fee for such year. For the purposes of the capital gains incentive fee, any gains and losses associated with our investment portfolio as of September 30, 2014 shall be excluded from the capital gains incentive fee calculation.

On November 10, 2017, we entered into an Incentive Fee Waiver Agreement with OHA whereby OHA agreed to waive any incentive fees earned relating to fiscal years 2017 and 2018. Under the Incentive Fee Waiver Agreement, any capitalized gains fees that would have been earned and accrued during 2017 and 2018, which under the Investment Advisory Agreement would not have been paid until 2018 and 2019, respectively, will be waived. For the year ended December 31, 2018 there were no capital gains incentive fees that would have been earned. For the year ended December 31, 2017, OHA waived $89,000 of capital gains incentive fee that would have been earned in 2017 and paid in 2018.

The Investment Advisory Agreement may be terminated at any time, without the payment of any penalty, by a vote of our Board of Directors or a vote of the holders of at least a majority of our outstanding voting securities (within the meaning of the

1940 Act) on 60 days' written notice to OHA, and would automatically terminate in the event of its "assignment" (within the meaning of the 1940 Act). OHA may terminate the Investment Advisory Agreement without penalty by providing us at least than 60 days' written notice. Pursuant to the Investment Advisory Agreement, OHA pays the compensation expense of its investment professionals, who provide management and investment advisory services to us. We bear all other costs and expenses of our operations and transactions.

Administration Agreement

Under the Administration Agreement, OHA furnishes us with certain administrative services, personnel and facilities. The Administration Agreement was most recently approved by our Board of Directors on August 2, 2018. Payments under the Administration Agreement are equal to our allocable portion of OHA's overhead in performing its obligations under the Administration Agreement, including all administrative services necessary for our operation and the conduct of our business. The aggregate amount of certain costs and expenses payable by us under the Investment Advisory Agreement and the Administration Agreement for the period from October 1, 2014 to September 30, 2015 shall not exceed $2.5 million, or the Cap; provided that interest expense and bank fees, management and incentive fees, legal and professional fees, insurance expenses, taxes and costs related to the change in investment advisor are not subject to the Cap. Following the expiration of the Cap period, we completed the reconciliation of the related costs and expenses which resulted in approximately $0.5 million credit from OHA and was reflected in general and administrative expenses as of December 31, 2015. The Administration Agreement may be terminated at any time, without penalty, by a vote of our Board of Directors or by OHA upon 60 days' written notice to the other party.

We owed $0.6 million and $0.6 million to OHA under the Administration Agreement as of December 31, 2018 and December 31, 2017, respectively, for expenses incurred on our behalf for the final month of the respective quarterly period. We include these amounts in accounts payable and accrued expenses on our Consolidated Balance Sheets.

Note 6: Income Taxes

We operate so as to qualify, for tax purposes, as a RIC under Subchapter M of Chapter 1 of the Code. As a RIC, we are generally not subject to corporate-level U.S. federal income taxes on the portion of our investment company taxable income and net capital gain (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) that we distribute to our stockholders. To qualify as a RIC, we are required, among other things, to distribute to our stockholders each year at least 90% of investment company taxable income, as defined by the Code, and to meet certain asset-diversification requirements.

The Taxable Subsidiaries have elected to be taxed as corporations for federal income tax purposes. The Taxable Subsidiaries hold certain of our portfolio investments and are consolidated for financial reporting purposes, but not for income tax reporting purposes. These Taxable Subsidiaries permit us to hold equity investments in portfolio companies that are "pass through" entities for tax purposes, in order to comply with the "source-of-income" requirements that must be satisfied to maintain our qualification as a RIC. The Taxable Subsidiaries may generate net income tax expense or benefit, which is reflected on our Consolidated Statements of Operations.

On December 22, 2017, the U.S. government enacted significant tax legislation commonly referred to as the Tax Act and Job Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including but not limited to, (1) reducing the U.S. federal corporate income tax rate from 35 percent to 21 percent, (2) repealing the Corporate Alternative Minimum Tax (AMT), (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries, (4) creating a new limitation on deductible interest expense, (5) changing rules related to the use and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017 and; (6) the requirement to pay a one-time transition tax on all undistributed earnings of foreign subsidiaries.

Recently, the SEC staff also issued Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimated in the financial statements. If we cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with our initial analysis of the impact of the Tax Act, we have recorded a net tax expense of approximately $12.2 million in the period ending December 31, 2017 which consists of a reduction of deferred tax assets previously valued at 34%. The reduction in the statutory U.S. federal rate is expected to positively impact our future U.S. after tax earnings.

In addition, due to the Tax Act, we are eligible for a full refund of our AMT credit carryforward. Accordingly, the valuation allowance related to this AMT credit carryforward has been released in the amount of $632,000, or $0.03 per share. The valuation allowance related to other net deferred tax assets remains. Therefore, the associated valuation allowance has been released for the full AMT credit carryforward at this time. This provisional amount of $0.7 million is based on our current understanding of the impact of the Tax Act, which may change in the near future as notices and regulations regarding the Tax Act are issued. We need more time and further guidance to more accurately account for the tax law changes under ASC 740. While we feel confident we have accounted for the other material changes in the tax law correctly, any future notices or regulations further clarifying the law could alter our analysis.

Our estimate of the impact of the Tax Act is based upon our analysis and interpretations of currently available information. Uncertainties remain regarding the impact of the Tax Act due to future regulatory and rule-making processes, prospects of additional corrective or supplemental legislation, and potential trade or other litigation. These uncertainties, along with our completion of the calculations and potential changes in our initial assumptions as new information becomes available, could cause the actual charge to ultimately differ materially from the provisional amount recorded in 2017 related to the enactment of the Tax Act.

Tax years 2014 through 2017 with respect to the Company and our Taxable Subsidiaries are open to future IRS examination. Our Taxable Subsidiaries have federal net operating loss carryforwards of $87.9 million that expire in various years through 2037. Federal and state laws impose limitations on the utilization of capital losses and NOLs in the event of an "ownership" change for tax purposes, as defined by Sections 382 and 383 of the Internal Revenue Code. An ownership change at either the RIC entity or Taxable Subsidiary level, if one were to occur, would limit our ability to use pre-ownership change NOLs to offset post-ownership change taxable income. An ownership change would also limit our ability to use pre-ownership change capital losses to offset post-ownership change capital gains.

Deferred income tax expense (benefit) results from temporary differences in the recognition of income and expenses for financial reporting purposes and for income tax purposes. The significant components of the income tax effects of these temporary differences, representing deferred income tax assets and liabilities are as follows (in thousands):

	December 31, 2018	December 31, 2017
Deferred tax assets		
Net operating loss carryforwards	$ 18,455	$ 8,429
Unrealized losses, net	35	12,339
AMT credit carryforward	316	632
Capital loss carryforward	3,912	180
Total gross deferred tax assets	22,718	21,580
Less valuation allowance	(21,751)	(20,459)
Net deferred tax assets	967	1,121
Deferred tax liabilities		
Investment in partnerships-Federal	(651)	(489)
Unrealized gains, net	—	—
Total gross deferred tax liabilities	(651)	(489)
Net deferred tax assets (liabilities)	$ 316	$ 632

Federal and state income tax provisions (benefits) on net investment income, capital gains (losses) and unrealized appreciation (depreciation) on investments are as follows (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Current:			
U.S. federal – capital (AMT)	$ —	$ —	$ 62
U.S. federal - capital loss on investment	(316)	(62)	—
State – net investment income	15	22	7
	$ (301)	$ (40)	$ 69
Deferred:			
U.S federal - realized loss on investment	$ 316	$ (632)	$ —
U.S. federal – unrealized	—	—	—
	$ 316	$ (632)	$ —
Total	$ 15	$ (672)	$ 69

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate rate of 21% to net investment income before provision for income taxes. These differences and the differences between the statutory federal tax rate and the effective income tax rate were as follows (in thousands, except percentages):

	Year Ended December 31,					
	2018		2017		2016	
Net income (loss) before taxes	$ (4,206)		$(31,775)		$(25,376)	
Provision (benefit) at the statutory rate	(883)	21 %	(10,803)	34 %	(8,628)	34 %
Increase (decrease) in provision resulting from:						
RIC loss (income) not subject to income taxes	816	(19)%	(1,809)	6 %	3,335	(13)%
State income taxes	15	— %	22	— %	7	— %
Return to provision	—	—	(1,023)	3 %	—	— %
Effect of rate change	—	— %	12,239	(39)%	—	— %
Valuation allowance	84	(2)%	714	(2)%	5,361	(21)%
Other	(17)	— %	(12)	— %	(6)	— %
Total income tax provision (benefit), net	$ 15	— %	$ (672)	2 %	$ 69	— %
Effective tax rate		— %		2 %		— %

Note 7: Commitments and Contingencies

As of December 31, 2018, we had investments in 26 active portfolio companies totaling $111.3 million. Of these 26 active portfolio companies, the Company had already funded investments in the amount of $108.1 million and there were outstanding unfunded commitments of $1.2 million related to our investment in ClearChoice revolving credit facility, $1.1 million related to an investment we committed to in December of 2018, and $3.3 million due to broker for unsettled trades. As of December 31, 2017, we had investments in 14 active portfolio companies totaling $155.7 million. Of these 14 active portfolio companies, the Company had already funded investments in the amount of $155.7 million and there were no remaining outstanding unfunded commitments.

We have continuing obligations under the Investment Advisory Agreement and the Administration Agreement with OHA. See Note 5. The agreements provide that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or the reckless disregard of its duties and obligations, OHA and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with OHA will be entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of services under the agreements or otherwise as our investment advisor or administrator. The agreements also provide that OHA and its affiliates will not be liable to us or any stockholder for any error of judgment, mistake of law, any loss or damage with respect to any of our investments or any action taken or omitted to be taken by OHA in connection with the performance of any of its duties or obligations under the agreements or otherwise as investment advisor or administrator to us, except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services. In the normal course of business, we enter into a variety of undertakings containing a variety of representations that may expose us to some risk of loss. We do not expect significant losses, if any, from such undertakings.

In the second quarter ended June 30, 2018, we wrote off our investment in Castex Energy 2005, L.P., or Castex. Previously, Castex filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code on October 16, 2017. According to the filing, Castex and its affiliates in bankruptcy entered into a restructuring support agreement with pre-petition lenders holding approximately 86% in principal amount of claims under the pre-petition credit facility. On February 26, 2018, we agreed to a settlement and agreed to withdraw our confirmation objections to the Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy code in exchange for the potential to receive some amount of cash and warrants in the reorganized company. This agreement was approved by the Bankruptcy court on February 27, 2018. At this time we are unable to determine the value of a recovery, if any, resulting from the settlement which will be dependent upon the ultimate pool of unsecured claims.

Legal Proceedings

From time to time, we are involved in various legal proceedings arising in the normal course of business. While we cannot predict the outcome of these proceedings with certainty, we do not believe that an adverse result in any pending legal proceeding, other than those described below, individually or in the aggregate, would be material to our business, financial condition or cash flows.

ATP Litigation.This matter is now concluded in our favor. As discussed extensively in prior reports, we filed a lawsuit against ATP Oil & Gas Corporation styled: OHA Investment Corporation v. ATP Oil and Gas Corporation, Adv. Proc. No. 10-03443, in the U.S. Bankruptcy Court for the Southern District of Texas. The claims asserted by the service companies or Statutory Lien Claimants were resolved in OHAI's favor by the United States Court of Appeals for the Fifth Circuit. The deadline for the Statutory Lien Claimants to file a petition for certiorari with the United States Supreme Court was September 4, 2018. No appeal was filed. Accordingly, we consider the matter concluded and the Fifth Circuit's decision final.

Status of Investment. As of December 31, 2018, our unrecovered investment was $39.7 million, and we had received aggregate royalty payments of $39.2 million since the date of ATP's bankruptcy filing. As of December 31, 2018, we had incurred legal and consulting fees totaling $6.5 million in connection with the enforcement of our rights under the ORRIs. On various occasions, we have provided notice that such legal expenses will be added to our unrecovered investment balance to the extent they are not reimbursed. To date, we have not received any payments on account of legal expenses aside from our receipt of regular monthly production payments. As a result, we add our legal expenses to the unrecovered investment balance in accordance with our transaction documents. As of December 31, 2018, $5.4 million of the $6.5 million in legal and consulting fees have been added to, and are thus included in the unrecovered investment balance under the terms of our transaction documents. No legal expenses have been added to our unrecovered investment balance during the year ended December 31, 2018. Please see our discussion regarding the history of the asset purchase by Bennu Oil & Gas LLC from ATP, and the Bennu Chapter 7 bankruptcy, in the Notes to our December 31, 2017 Consolidated Financial Statements. Production recommenced on the MC941 and MC 942 wells in April 2018. Previously, these wells ceased production in November 2016 as a result of the Bennu Chapter 7 bankruptcy. In August 2017, the bankruptcy court authorized the sale of certain assets including MC 941 and MC 942 to Equinor, formerly known as StatOil USA E&P, Inc. Equinor recommenced production on these wells in April 2018. Equinor disputes that legal fees are eligible to be included in our unrecovered investment balance, but given that current production is not expected to be sufficient to pay the primary sum and notional interest accruing (which Equinor does not dispute), this legal fee issue is not ripe for debate and efforts are not currently ongoing to resolve it. We note that the fair value of our investment in ATP ORRI is $4.8 million as of December 31, 2018.

Through December 31, 2018, we received post-petition royalty payments from the Gomez properties and the Telemark properties in the amount of $8.3 million and $30.9 million, respectively.

Note 8: Dividends and Distributions

We declared dividends for the years ended December 31, 2018 and December 31, 2017 totaling $1.6 million, or $0.08 per share, and $1.6 million, or $0.08 per share, respectively. The tax characteristics of deemed distributions for 2018 represented

$1.3 million from ordinary income, $0.3 million from return of capital and none from capital gains. The tax characteristics of deemed distributions in 2017 represented $1.2 million from ordinary income, $1.1 million from return of capital and none from capital gains. For tax purposes, 100% of the $0.4 million distribution paid on January 9, 2019 was deemed to be distributed in 2019. Also, 100% of the $0.4 million distribution paid on January 9, 2018 was deemed to be distributed in 2018 for tax purposes.

The following table summarizes the differences between financial statement net increase in net assets resulting from operations and taxable income available for distribution to stockholders for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Net increase (decrease) in net assets resulting from operations	$ (10,248)	$ (31,108)	$ (25,446)
Adjustments:			
Net change in unrealized (appreciation) depreciation, net of income tax (benefit) provision	(45,033)	21,268	4,938
Net revenue, income and expenses from Taxable Subsidiaries	(37)	276	(328)
Realized (gain) loss of Taxable Subsidiaries	—	—	6,626
Realized (gain) loss offset by capital loss carryforwards	55,952	10,869	20,385
Defaulted loan interest	828	—	196
Costs related to strategic alternatives review	(179)	(179)	(542)
Income from investment in Passive Foreign Investment Company	—	—	—
State taxes, tax penalty, interest and fees	37	22	(19)
Income tax (benefit) provision	—	—	3
Other	2	6	1
Taxable income available for distribution to stockholders	1,322	1,154	5,814
Less:			
Dividends declared	1,614	1,614	4,841
Dividends payable at prior year end	403	1,210	2,421
Dividends payable at current year end	(403)	(403)	(1,210)
Current year IRC Section 852(b)(7) dividend payable	—	—	121
Prior year IRC Section 852(b)(7) dividend payable	—	(121)	(359)
Current year deemed distributions	1,614	2,300	5,814
Over distribution	$ (292)	$ (1,146)	$ —

As of December 31, 2018, the components of net assets (excluding paid in capital) on a tax basis consisted of net unrealized depreciation on portfolio investments of $43.9 million and other temporary differences of $2.8 million. As of December 31, 2018, we had long-term and short-term capital loss carryforwards of $128.2 million and $1.2 million, respectively, which do not expire. In addition, we have a $22.4 million remaining capital loss carryforward balance generated in the year ended December 31, 2010, that expired in 2018, for a total remaining capital loss carryforward of $129.4 million at December 31, 2018. At December 31, 2018, the aggregate cost of total portfolio investments for federal income tax purposes was $124.5 million, resulting in gross unrealized appreciation of $0.4 million and gross unrealized depreciation of $44.3 million. The difference between cost of investments for book and tax amounts for federal income tax purposes was due primarily to timing differences in recognizing certain gains and losses on investment transactions.

Note 9: Reclassifications

GAAP requires adjustments to certain components of net assets to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on total net assets or net asset value per share. These reclassifications are primarily due to non-deductible meal expenses, and expired capital loss carryforwards. The table below summarizes the reclassifications from undistributed net investment income (loss), undistributed net realized capital gain (loss), and paid-in capital in excess of par for the years ended December 31, 2018, 2017, and 2016 (in thousands):

Year	Undistributed Net Investment Income (Loss)	Undistributed Net Realized Capital Gain (Loss)	Paid-in Capital in Excess of Par
2018	$ 2	$ 22,351	$ (22,353)
2017	201	(196)	(5)
2016	1,413	4,869	(6,282)

Note 10: Fair Value

Our investments consisted of the following as of December 31, 2018 and 2017:

	December 31, 2018				December 31, 2017			
(Dollar amounts in thousands)	**Cost**	**% of total**	**Fair Value**	**% of total**	**Cost**	**% of total**	**Fair Value**	**% of total**
Portfolio investments								
First lien secured debt	$ 496	0.4%	$ 487	0.6%	$ —	—%	$ —	—%
Revolving loan facility	361	0.3%	336	0.4%	—	—%	—	—%
Unsecured term loan	3,251	2.5%	3,251	4.0%	—	—%	—	—%
Second lien debt	47,212	37.4%	46,770	58.0%	29,748	16.9%	30,679	36.2%
Subordinated debt	31,064	24.6%	9,984	12.4%	39,265	22.4%	33,878	39.9%
Limited term royalties	26,450	20.9%	4,778	6.0%	27,845	15.8%	—	—%
Redeemable preferred units	—	—%	—	—%	56,315	32.1%	—	—%
CLO residual interests	—	—%	—	—%	19	—%	209	0.2%
Equity securities	2,500	2.0%	—	—%	2,500	1.4%	164	0.2%
Total portfolio investments	111,334	88.1%	65,606	81.4%	155,692	88.6%	64,930	76.5%
Government securities								
U.S. Treasury Bills	14,989	11.9%	14,989	18.6%	19,994	11.4%	19,994	23.5%
Total investments	$ 126,323	100.0%	$ 80,595	100.0%	$ 175,686	100.0%	$ 84,924	100.0%

ASC 820 defines fair value as the price that a seller would receive for an asset or pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date. The fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes the use of observable market inputs over unobservable entity-specific inputs. In accordance with ASC 820, we categorize our investments based on the inputs to our valuation methodologies as follows:

- *Level 1* — Quoted unadjusted prices for identical instruments in active markets to which we have access at the date of measurement.

- *Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

- *Level 3* — Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect our own assumptions regarding what market participants would use to price the asset or liability based on the best available information.

Fair value accounting classifies financial assets and liabilities in their entirety based on the lowest level of input that is significant to the estimated fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment that may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. We did not have any liabilities carried at fair value at December 31, 2018 or December 31, 2017. Amounts outstanding under our Credit Facility are carried at amortized cost in the Consolidated Balance Sheets. As of December 31, 2018, the estimated fair value of our Credit Facility approximated its carry value of $28.9 million. As of December 31, 2017, the fair value of our Credit Facility approximated its carry value of $35.8 million. The estimated fair value of the Credit Facility is determined by discounting projected remaining payments using market interest rates for borrowings of the Company.

During 2018 or 2017, there were no transfers between Levels 3, 2 or 1 categories. During 2018 and 2017, none of our investments in portfolio companies changed between the categories of Control Investments, Affiliate Investments and Non-Affiliate Investments.

The following tables set forth our financial assets by level within the fair value hierarchy that we accounted for at fair value as of December 31, 2018 and 2017 (in thousands):

December 31, 2018	**Total**	**Level 1**	**Level 2**	**Level 3**
Portfolio investments				
Affiliate investments				
Subordinated debt	$ 2,271	$ —	$ —	$ 2,271
Total affiliate investments	2,271	—	—	2,271
Non-affiliate investments				
First lien secured debt	487	—	—	487
Second lien debt	46,770	—	40,890	5,880
Subordinated debt	7,713	—	7,713	—
Limited term royalties	4,778	—	—	4,778
Revolving loan facility	336	—	—	336
Unsecured term loan	3,251	—	3,251	—
Total non-affiliate investments	63,335	—	51,854	11,481
Total portfolio investments	65,606	—	51,854	13,752
Government securities				
U.S. Treasury Bills	14,989	14,989	—	—
Total investments	$ 80,595	$ 14,989	$ 51,854	$ 13,752

December 31, 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
Portfolio investments				
Affiliate investments				
Subordinated debt	$ 18,015	$ —	$ —	$ 18,015
Equity securities	164	—	—	164
Total affiliate investments	18,179	—	—	18,179
Non-affiliate investments				
Second lien debt	30,679	—	30,679	—
Subordinated debt	15,863	—	15,863	—
CLO residual interests	209	—	—	209
Total non-affiliate investments	46,751	—	46,542	209
Total portfolio investments	64,930	—	46,542	18,388
Government securities				
U.S. Treasury Bills	19,994	19,994	—	—
Total investments	$ 84,924	$ 19,994	$ 46,542	$ 18,388

The following table presents a roll-forward of the changes in fair value during the years ended December 31, 2018 and 2017 for all investments for which we determine fair value using unobservable (Level 3) factors (in thousands):

	First Lien Secured Debt and Limited Term Royalties	Revolving Loan Facility	Second Lien Debt	Subordinated Debt and Redeemable Preferred Units	Equity Securities	CLO Residual Interests	Total Investments
Fair value at December 31, 2016	$ —	$ —	$ 9,137	$ 49,340	$ 686	$ 1,773	$ 60,936
Total gains, (losses) and amortization:							
Net realized gains (losses)	—	—	(12,659)	—	—	—	(12,659)
Net unrealized gains (losses)	—	—	12,739	(35,517)	(522)	(53)	(23,353)
Net amortization of premiums, discounts and fees	—	—	18	63	—	—	81
New investments, repayments and settlements, net:							
New investments	—	—	—	—	—	—	—
Payment-in-kind	—	—	—	4,129	—	—	4,129
Repayments and settlements	—	—	(9,235)	—	—	(1,511)	(10,746)
Transfers into Level 3	—	—	—	—	—	—	—
Fair value at December 31, 2017	$ —	$ —	$ —	$ 18,015	$ 164	$ 209	$ 18,388
Total gains, (losses) and amortization:							
Net realized gains (losses)	—		—	(56,315)	—	—	(56,315)
Net unrealized gains (losses)	6,165	(26)	(65)	37,806	(164)	(190)	43,526
Net amortization of premiums, discounts and fees	(1,400)	(13)	(55)	(2,140)	—	(19)	(3,627)
New investments, repayments and settlements, net:							
New investments	500	2,875	6,000	—	—	—	9,375
Payment-in-kind	—		—	4,905	—	—	4,905
Repayments and settlements	—	(2,500)	—	—	—	—	(2,500)
Transfers into Level 3	—		—	—	—	—	—
Fair value at December 31, 2018	$ 5,265	$ 336	$ 5,880	$ 2,271	$ —	$ —	$ 13,752

We present net unrealized gains (losses) on our Consolidated Statements of Operations as “Net unrealized appreciation (depreciation) on investments.”

The following table summarizes the significant unobservable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of December 31, 2018 (fair value in thousands):

Type of Investment	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted Average
Non-Energy Investments:					
First lien debt	$ 487	Private transaction comparables	Market yield	9.0% - 10.0%	9.5%
Second lien debt	5,880	Private transaction comparables	Market yield	9.5% - 12.0%	11.7%
Subordinated debt	2,271	Market comparables	EBITDA multiples	4.0x - 6.0x	5.0x
Revolving loan facility	336	Private transaction comparables	Market yield	9.0% - 10.0%	9.5%
	8,974				
Energy Investments:					
Limited term royalties	4,778	Discounted cash flow[1]	Discount rate	10.0% - 20.0%	15.0%
	4,778				
Total Level 3 investments	$ 13,752				

[1] Cash flows are based on Proved Developed Producing reserves only. Estimated production volumes are based on a January 1, 2019 engineer's reserve report.

As noted above, the income and market approaches were used in the determination of fair value of certain Level 3 assets as of December 31, 2018. The significant unobservable inputs used in the income approach are the discount rate or market yield used to discount the estimated future cash flows expected to be received from the underlying investment, which include future principal and interest payments. An increase in the discount rate or market yield would result in a decrease in the fair value. The significant unobservable inputs used in the market approach are based on market comparable transactions and market multiples of publicly traded comparable companies. Increases or decreases in market multiples would result in an increase or decrease, respectively in the fair value.

Note 11: Financial Highlights

	Year Ended December 31,				
Per Share Data(1)	**2018**	**2017**	**2016**	**2015**	**2014**
Net asset value, beginning of period	$ 2.37	$ 3.99	$ 5.49	$ 7.48	$ 9.20
Net investment income	0.03	0.05	0.32	0.49	0.16
Net realized and unrealized gain (loss) on investments(2)	(0.54)	(1.59)	(1.58)	(2.03)	(1.24)
Net increase (decrease) in net assets resulting from operations	(0.51)	(1.54)	(1.26)	(1.54)	(1.08)
Distributions to common stockholders					
Distributions from net investment income	(0.07)	(0.02)	(0.24)	(0.48)	(0.47)
Return of capital	(0.01)	(0.06)	—	—	(0.17)
Net decrease in net assets from distributions	(0.08)	(0.08)	(0.24)	(0.48)	(0.64)
Effect of shares repurchased, gross	—	—	—	0.03	—
Net asset value, end of period	$ 1.78	$ 2.37	$ 3.99	$ 5.49	$ 7.48
Market value, beginning of period	$ 1.15	$ 1.72	$ 3.80	$ 4.69	$ 7.47
Market value, end of period	$ 1.01	$ 1.15	$ 1.72	$ 3.80	$ 4.69
Market value return(3)	(7.2)%	(29.0)%	(50.2)%	(10.7)%	(30.2)%
Net asset value return(4)	(20.6)%	(36.9)%	(20.0)%	(19.1)%	(9.7)%
Ratios and Supplemental Data					
($ and shares in thousands)					
Net assets, end of period	$ 35,909	$ 47,771	$ 80,493	$ 110,780	$ 154,164
Average net assets	$ 46,690	$ 60,411	$ 99,220	$ 143,394	$ 176,556
Common shares outstanding, end of period	20,172	20,172	20,172	20,172	20,616
Total operating expenses/average net assets, before waived incentive fees(5)	16.7 %	15.4 %	11.5 %	8.3 %	10.7 %
Total operating expenses/average net assets, net of waived incentive fees(5)	16.7 %	15.3 %	11.5 %	8.3 %	10.7 %
Net investment income/average net assets, before waived incentive fees(5)(7)	1.4 %	1.6 %	6.6 %	7.0 %	1.8 %
Net investment income/average net assets, net of waived incentive fees(5)(7)	1.4 %	1.7 %	6.6 %	7.0 %	1.8 %
Portfolio turnover rate	33.2 %	25.7 %	4.8 %	26.7 %	34.2 %
Expense Ratios (as a percentage of average net assets)(4)					
Interest expense and bank fees	6.4 %	6.5 %	3.9 %	2.4 %	1.2 %
Management fees(6)	3.2 %	3.1 %	2.9 %	2.1 %	2.6 %
Incentive fees(6)	— %	0.1 %	0.3 %	0.7 %	— %
Incentive fees, net of waived incentive fees(6)	— %	— %	0.3 %	0.7 %	— %
Costs related to strategic alternatives review	0.2 %	— %	— %	— %	3.4 %
Other operating expenses including provision for income taxes(5)(7)	6.8 %	5.6 %	4.4 %	3.2 %	3.5 %
Total operating expenses including provision for income taxes, before waived incentive fees(5)(7)	16.6 %	15.3 %	11.5 %	8.4 %	10.7 %
Total operating expenses including provision for income taxes, net of waived incentive fees(5)(7)	16.6 %	15.2 %	11.5 %	8.4 %	10.7 %

(1) Per Share Data is based on weighted average number of common shares outstanding for the period.

(2) May include a balancing amount necessary to reconcile the change in net asset value per share with other per share information presented. This amount may not agree with the aggregate gains and losses for the period because the difference in the net asset value at the beginning and end of the period may not equal the per share changes of the line items disclosed.

(3) Total return based on market value is calculated as the change in market value per share during the respective periods, assuming dividends and distributions, if any, are reinvested in accordance with our dividend reinvestment plan.

(4) Total return based on net asset value is calculated as the change in net asset value per share during the respective periods, assuming dividends and distributions, if any, are reinvested in accordance with dividend reinvestment plan.

(5) Net of legal fee reimbursements of $0.5 million, $1.6 million and $3.2 million in 2015, 2014 and 2013, respectively. Excluding these legal fee reimbursements, other operating expense ratio and total operating expense ratios would have been 3.7% and 8.9%, respectively, for the year ended December 31, 2015, 4.4% and 11.6%, respectively, for the year ended December 31, 2014 and 4.8% and 9.6%, respectively, for the year ended December 31, 2013.

(6) On September 30, 2014, OHA replaced NGP Investment Advisor, LP as our investment advisor. Also, on November 10, 2017, we entered into an Incentive Fee Waiver Agreement with OHA whereby OHA agreed to waive any incentive fees earned relating to fiscal years 2017 and 2018. Under the Incentive Fee Waiver Agreement, any capital gains incentive fees that would have been earned and accrued during 2017 and 2018, which under our investment advisory agreement would not have been paid until 2018 and 2019, respectively, will be waived. For the year ended December 31, 2017, OHA waived $89,000 of capital gains incentive fee that would have been earned in 2017 and paid in 2018.

(7) For the year ended December 31, 2015, we applied a credit to our expenses of $0.5 million from OHA related to expenses in excess of the cap under the Investment Advisory Agreement and the Administration Agreement. Excluding this credit, the net investment ratio would have been 6.6%, the net decrease in net assets resulting from operations ratio would have been (22.1)%, the other operating expenses ratio would have been 3.5% and the total operating expenses ratio would have been 8.7%.

Note 12: Selected Quarterly Financial Data (unaudited)

	Investment Income		Net Investment Income (Loss)		Net Realized and Unrealized Gain (Loss) on Investments		Net Increase (Decrease) in Net Assets Resulting from Operations	
Quarter Ended	**Total**	**Per Share**	**Total**	**Per Share**	**Total**	**Per Share**	**Total**	**Per Share**
	(In thousands, except per share amounts)							
March 31, 2017	$ 2,455	$ 0.12	$ 193	$ 0.01	$ (19,284)	$ (0.96)	$ (19,091)	$ (0.95)
June 30, 2017	2,475	0.12	145	0.01	(5,041)	(0.25)	(4,896)	(0.24)
September 30, 2017	2,751	0.14	323	0.02	(8,508)	(0.42)	(8,185)	(0.41)
December 31, 2017	2,591	0.13	367	0.02	697	0.03	1,064	0.05
March 31, 2018	2,283	0.11	(95)	(0.01)	1,827	0.09	1,732	0.09
June 30, 2018	2,627	0.13	667	0.03	341	0.02	1,008	0.05
September 30, 2018	1,886	0.09	56	0.00	(6,005)	(0.29)	(5,949)	(0.29)
December 31, 2018	1,672	0.08	43	0.00	(7,082)	(0.35)	(7,039)	0.35

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act), designed to ensure that information required to be disclosed in our reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Annual Report on Form 10-K, as of the end of the fiscal period covered by this Annual Report on Form 10-K (December 31, 2018), we performed an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2018, our disclosure controls and procedures were effective in providing reasonable assurance (i) that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (ii) that such information is accumulated and communicated to management in a manner that allows timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that we record transactions as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are in accordance with authorizations of management and our Board of Directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent misstatements or detect misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2018. In making its assessment of internal control over financial reporting, management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) in *Internal Control — Integrated Framework*. Based on the results of this evaluation, management has determined that, as of December 31, 2018, our internal control over financial reporting is effective based on the criteria in *Internal Control — Integrated Framework* issued by COSO.

Changes in Internal Control Over Financial Reporting

No changes to our internal control over financial reporting occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act).

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We hereby incorporate by reference the information required by Item 10 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2019 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

Code of Ethics

We have adopted a code of business conduct and ethics applicable to our directors, officers (including our principal executive officer, principal compliance officer and principal financial officer) and employees of OHA performing regular functions or duties for us. In addition, we have 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 such 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. Copies of our code of business conduct and ethics and our code of ethics will be provided to any person, without charge, upon request. Contact our Chief Compliance Officer at 212-852-1900 to request a copy or send the request to OHA Investment Corporation, Attn: Chief Compliance Officer, 1114 Avenue of the Americas, 27th Floor, New York, New York, 10036. Additionally, our code of business conduct and ethics is available on our corporate website, *www.ohainvestmentcorporation.com*, on the Corporate Governance page in the Investor Relations section. If any substantive amendments are made to our code of business conduct and ethics or if we grant any waiver, including any implicit waiver, from a provision of the code to any of our executive officers and directors, we will disclose the nature of such amendment or waiver in a report on Form 8-K.

Item 11. Executive Compensation

We hereby incorporate by reference the information required by Item 11 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2019 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We hereby incorporate by reference the information required by Item 12 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2019 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

Item 13. Certain Relationships and Related Transactions

We hereby incorporate by reference the information required by Item 13 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2019 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

Item 14. Principal Accountant Fees and Services

We hereby incorporate by reference the information required by Item 14 of Form 10-K from the information appearing in our definitive Proxy Statement relating to our 2019 annual meeting of stockholders, which will be filed pursuant to Regulation 14A within 120 days after our fiscal year ended December 31, 2018.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) We are filing the following documents as a part of this Annual Report on Form 10-K:

(1) Financial Statements

Report of Independent Registered Public Accounting Firm	49
Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017	50
Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016	51
Consolidated Statements of Changes in Net Assets for the years ended December 31, 2018, 2017 and 2016	52
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016	53
Consolidated Schedules of Investments as of December 31, 2018 and 2017	54
Notes to Consolidated Financial Statements	61

(2) Financial Statement Schedules

Schedule 12 – 14 Investments in and Advances to Affiliates	84

(b) Exhibits required to be filed by Item 601 of Regulation S-K

Schedule 12 – 14

OHA INVESTMENT CORPORATION
SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES[1]
December 31, 2018
(In Thousands)

Portfolio Company	Investment[2]	Year Ended December 31, 2018 Amount of Interest Credited to Income[3]	December 31, 2017 Fair Value	Gross Additions[4]	Gross Reductions[5]	December 31, 2018 Fair Value
Control Investments						
		$ —	$ —	$ —	$ —	$ —
Subtotal Control Investments		$ —	$ —	$ —	$ —	$ —
Affiliate Investments						
OCI Holdings, LLC	Subordinated Note	$ 2,765	$ 18,015	$ 4,948	$ (20,692)	$ 2,271
	OHA/OCI Investments, LLC Units [6]	—	164	—	$ (164)	—
Subtotal Affiliate Investments		$ 2,765	$ 18,179	$ 4,948	$ (20,856)	$ 2,271
Total Control Investments and Affiliate Investments		$ 2,765	$ 18,179	$ 4,948	$ (20,856)	$ 2,271

(1) This schedule should be read in conjunction with our Consolidated Financial Statements for the year ended December 31, 2018.

(2) Units and common stock are generally non-income producing and restricted. The principal amount for debt, number of shares of common stock or number, or percentage of, units is shown in the Consolidated Schedule of Investments as of December 31, 2018.

(3) Represents the total amount of interest and discount accretion credited to income for the portion of the year an investment was included in our Control Investments or Affiliate Investments categories, as applicable.

(4) Gross additions include increases in investments resulting from new portfolio company investments, payment-in-kind interest and the amortization of discounts or fees. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.

(5) Gross reductions include increases in net unrealized depreciation and payment-in-kind reserve.

(6) Non-income producing equity security.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OHA INVESTMENT CORPORATION

By: /s/ STEVEN T. WAYNE

Steven T. Wayne
President and Chief Executive Officer

Date: March 21, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. This document may be executed by the signatories hereto on any number of counterparts, all of which constitute one and the same instrument.

Signature	Title	Date
/s/ STEVEN T. WAYNE Steven T. Wayne	President and Chief Executive Officer (Principal Executive Officer)	March 21, 2019
/s/ CORY E. GILBERT Cory E. Gilbert	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 21, 2019
/s/ GLENN R. AUGUST Glenn R. August	Director and Chairman of the Board	March 21, 2019
/s/ ALAN M. SCHRAGER Alan M. Schrager	Director	March 21, 2019
/s/ STUART I. ORAN Stuart I. Oran	Director	March 21, 2019
/s/ JAMES A. STERN James A. Stern	Director	March 21, 2019
/s/ FRANK V. TANNURA Frank V. Tannura	Director	March 21, 2019

INDEX TO EXHIBITS

The following exhibits are filed as part of this Annual Report on Form 10-K or hereby incorporated by reference to exhibits previously filed with the SEC.

Exhibit No.	Exhibit
3.1	Articles of Incorporation (filed as Exhibit (a)(1) to our Registration Statement on Form N-2 filed on August 16, 2004 (Registration No. 333-118279) and incorporated herein by reference)
3.2	Articles of Amendment and Restatement (filed as Exhibit 3.2 to our Annual Report on Form 10-K filed on April 12, 2005 and incorporated herein by reference)
3.3	Second Amended and Restated Bylaws (filed as Exhibit 3.3 to our Annual Report on Form 10-K filed on March 15, 2016 and incorporated herein by reference)
4.1	Form of Stock Certificate (filed as Exhibit 4.1 to our Annual Report on Form 10-K filed on March 12, 2015 and incorporated herein by reference)
4.2	Dividend Reinvestment Plan (filed as Exhibit 4.2 to our Annual Report on Form 10-K filed on March 12, 2015 and incorporated herein by reference)
10.1	Stock Purchase and Transaction Agreement dated as of July 21, 2014 by and among Registrant, OHA BDC Investor, LLC and Oak Hill Advisors, L.P. (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 21, 2014, and incorporated herein by reference)
10.2	Investment Advisory Agreement, dated September 30, 2014, between the Registrant and Oak Hill Advisors, L.P. (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on October 2, 2014, and incorporated herein by reference)
10.3	Administration Agreement dated September 30, 2014, between the Registrant and Oak Hill Advisors, L.P. (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on October 2, 2014, and incorporated herein by reference)
10.4	Form of Indemnity Agreement between the Registrant and the directors and officers of the Registrant (filed as Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on November 7, 2014 and incorporated herein by reference)
10.5	Security Procedure Agreement, dated January 23, 2015, by and between the Registrant and Wells Fargo Bank, National Association (filed as Exhibit 10.18 to our Quarterly Report on Form 10-Q filed on August 6, 2015 and incorporated herein by reference)
10.6	Amendment to Security Procedure Agreement, dated June 18, 2015, by and between the Registrant and Wells Fargo Bank, National Association (filed as Exhibit 10.19 to our Quarterly Report on From 10-Q filed on August 6, 2015 and incorporated herein by reference)
10.7	Credit Agreement dated September 9, 2016, by and among the Registrant, the lenders from time to time thereto and MidCap Financial Trust as administrative agent (filed as Exhibit 10.20 to our Current Report on Form 8-K filed on September 12, 2016 and incorporated herein by reference)
10.8	Security Agreement, dated September 9, 2016, by and among the Registrant, the subsidiary guarantors party thereto and MidCap Financial Trust, as administrative agent (filed as Exhibit 10.21 to our Current Report on Form 8-K filed on September 12, 2016 and incorporated herein by reference)
10.9	Guaranty Agreement, dated September 9, 2016, by and among the subsidiary guarantors and MidCap Financial Trust, as administrative agent (filed as Exhibit 10.22 to our Current Report on Form 8-K filed on September 12, 2016 and incorporated herein by reference)
10.1	Custodial Agreement dated September 26, 2016, between the Registrant and Wells Fargo Bank, National Association (filed as Exhibit 10.22 to our Quarterly Report on Form 10-Q filed on November 14, 2016 and incorporated herein by reference)
10.11	Amendment No. 1 to Credit Agreement dated September 9, 2016, between the Registrant, the lenders and from time to time party thereto and MidCap Financial Trust, as administrative agent (filed as Exhibit 10.11 to our Quarterly Report on Form 10-Q filed on November 13, 2017 and incorporated herein by reference)
10.12	Incentive Fee Waiver in connection with the Investment Advisory Agreement between the Registrant and Oak Hill Advisors, L.P., as advisor (filed as Exhibit 10.12 to our Quarterly Report on Form 10-Q filed on November 13, 2017 and incorporated herein by reference)
10.13	Amendment No. 2 to Credit Agreement dated September 7, 2018, between the Registrant, the lenders and from time to time party thereto and MidCap Financial Trust, as administrative agent (filed as Exhibit 10.23 to our Current Report on Form 8-K filed on September 7, 2018 and incorporated herein by reference)
14.1*	Code of Business Conduct and Ethics

14.2*	Code of Ethics and Personal Trading Policy adopted October 15, 2018
21.1*	Subsidiaries
31.1*	Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Executive Officer
31.2*	Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Financial Officer
32.1*	Section 1350 Certification by the Chief Executive Officer
32.2*	Section 1350 Certification by the Chief Financial Officer
*	Filed herewith.

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