

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

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
(State or other jurisdiction of
incorporation or organization)

20-1371499
(I.R.S. Employer
Identification No.)

1114 Avenue of the Americas,
27th Floor
New York, New York
(Address of principal executive
offices)

10036
(Zip Code)

(212) 852-1900

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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(Do not check if smaller reporting 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 May 14, 2019, there were 20,172,392 shares of the registrant's common stock outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Investments in portfolio securities at fair value		
Affiliate investments (cost: \$26,028 and \$26,028, respectively)	\$ 2,331	\$ 2,271
Non-affiliate investments (cost: \$81,571 and \$85,306, respectively)	61,011	63,335
Total portfolio investments (cost: \$107,599 and \$111,334, respectively)	63,342	65,606
Investments in U.S. Treasury Bills at fair value (cost: \$9,996 and \$14,989, respectively)	9,996	14,989
Total investments	73,338	80,595
Cash and cash equivalents	4,556	3,124
Accounts receivable and other current assets	487	499
Interest receivable	281	224
Other prepaid assets	32	19
Deferred tax asset	158	316
Total current assets	5,514	4,182
Total assets	\$ 78,852	\$ 84,777
Liabilities		
Current liabilities		
Due to broker	\$ —	\$ 3,251
Distributions payable	403	403
Accounts payable and accrued expenses	1,121	683
Due to affiliate (Note 4)	231	571
Management and incentive fees payable (Note 4)	316	366
Income taxes payable	39	39
Repurchase agreement	9,796	14,689
Short-term debt, net of debt issuance costs	29,893	—
Total current liabilities	41,799	20,002
Long-term debt, net of debt issuance costs	—	28,866
Total liabilities	41,799	48,868
Commitments and contingencies (Note 6)		
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	211,907
Total distributable earnings (loss)	(174,874)	(176,018)
Total net assets	37,053	35,909
Total liabilities and net assets	\$ 78,852	\$ 84,777
Net asset value per share	\$ 1.84	\$ 1.78

(See accompanying notes to consolidated financial statements)

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

	For the three months ended March 31,	
	2019	2018
Investment income:		
Interest income:		
Affiliate investments	\$ —	\$ 122
Payment-in-kind from affiliate investments	—	988
Non-affiliate investments	1,503	1,118
Money market interest	15	49
Other income	11	6
Total investment income	1,529	2,283
Operating expenses:		
Interest expense and bank fees	629	823
Management fees (Note 4)	316	400
Incentive fees (Note 4)	—	1
Costs related to strategic alternatives review	27	75
Professional fees	253	643
Other general and administrative expenses	388	370
Directors' fees	61	61
Total operating expenses	1,674	2,373
Waived incentive fees (Note 4)	—	(1)
Income tax provision, net	—	6
Net investment loss	(145)	(95)
Realized and unrealized gain (loss) on investments:		
Net realized capital gain (loss) on investments		
Non-affiliate investments	220	13
Provision for taxes	—	(42)
Total net realized capital gain (loss) on investments	220	(29)
Net unrealized appreciation (depreciation) on investments		
Affiliate investments	60	(1,006)
Non-affiliate investments	1,412	2,862
Total net unrealized appreciation on investments	1,472	1,856
Net increase in net assets resulting from operations	\$ 1,547	\$ 1,732
Net increase in net assets resulting from operations per common share	\$ 0.08	\$ 0.08
Distributions declared per common share	\$ 0.02	\$ 0.02
Weighted average shares outstanding - basic and diluted	20,172	20,172

(See accompanying notes to consolidated financial statements)

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

	<u>Common Stock</u>		<u>Paid in Capital in Excess of Par</u>	<u>Distributable Earnings (Loss)</u>	<u>Total Net Assets</u>
	<u>Shares</u>	<u>Par Amount</u>			
Balance at December 31, 2018	20,172,392	\$ 20	\$ 211,907	\$ (176,018)	\$ 35,909
Net investment loss	—	—	—	(145)	(145)
Net realized and unrealized gain	—	—	—	1,692	1,692
Distributions to common stockholders	—	—	—	(403)	(403)
Balance at March 31, 2019	<u>20,172,392</u>	<u>\$ 20</u>	<u>\$ 211,907</u>	<u>\$ (174,874)</u>	<u>\$ 37,053</u>

	<u>Common Stock</u>		<u>Paid in Capital in Excess of Par</u>	<u>Distributable Earnings (Loss)</u>	<u>Total Net Assets</u>
	<u>Shares</u>	<u>Par Amount</u>			
Balance at December 31, 2017	20,172,392	\$ 20	\$ 234,553	\$ (186,802)	\$ 47,771
Net investment loss	—	—	—	(95)	(95)
Net realized and unrealized gain	—	—	—	1,827	1,827
Distributions to common stockholders	—	—	—	(403)	(403)
Balance at March 31, 2018	<u>20,172,392</u>	<u>\$ 20</u>	<u>\$ 234,553</u>	<u>\$ (185,473)</u>	<u>\$ 49,100</u>

(See accompanying notes to consolidated financial statements)

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

	For the three months ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 1,547	\$ 1,732
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by (used in) operating activities:		
Payment-in-kind interest	—	(988)
Net amortization of premiums, discounts and fees	(30)	(44)
Net realized capital loss on investments	(220)	(13)
Net unrealized depreciation (appreciation) on investments	(1,472)	(1,856)
Purchase of investments in portfolio securities	(2,345)	(10,858)
Proceeds from redemption or sale of investments in portfolio securities	5,720	13,649
Proceeds from revolving loans, net of draws	—	—
Purchase of investments in U.S. Treasury Bills	(10,000)	(15,000)
Proceeds from redemption of investments in U.S. Treasury Bills	14,993	19,998
Proceeds from ATP production payments applied to cost basis	611	—
Amortization of debt issuance costs on Credit Facility	27	178
Effects of changes in operating assets and liabilities:		
Accounts receivable and other current assets	12	(6)
Interest receivable	(57)	175
Prepaid assets	(13)	10
Payables and accrued expenses	388	77
Deferred tax asset	158	41
Due from broker	—	(103)
Due to broker	(3,251)	1,250
Due to affiliate	(340)	(466)
Net cash provided by operating activities	<u>5,728</u>	<u>7,776</u>
Cash flows from financing activities:		
Borrowings under credit facilities	3,000	—
Borrowings under repurchase agreement	9,796	14,695
Debt issuance cost paid	—	(180)
Repayments on Credit Facility	(2,000)	—
Repayments on repurchase agreement	(14,689)	(19,592)
Distributions to common stockholders	(403)	(403)
Net cash used in financing activities	<u>(4,296)</u>	<u>(5,480)</u>
Net change in cash and cash equivalents	<u>1,432</u>	<u>2,296</u>
Cash and cash equivalents, beginning of period	<u>3,124</u>	<u>19,939</u>
Cash and cash equivalents, end of period	<u>\$ 4,556</u>	<u>\$ 22,235</u>

(See accompanying notes to consolidated financial statements)

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS
March 31, 2019
(in thousands, except share amounts and percentages)
(unaudited)

Portfolio Company	Industry Segment	Investment ⁽¹⁾	Principal	Cost	Fair Value
<u>Affiliate Investments - (5% to 25% owned)</u>					
OCI Holdings, LLC	Home Health Services	Subordinated Note (LIBOR+ 12.0% cash with a 1.0% floor plus 3.0% PIK), 21.49%, due 8/31/2019 ⁽²⁾⁽⁶⁾⁽¹¹⁾	\$ 27,117	\$ 23,528	\$ 2,331
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	\$ 2,331
<u>Non-affiliate Investments - (Less than 5% owned)</u>					
Equinox Holdings, Inc.	Leisure Goods, Activities, Movies	Second Lien Term Loan (LIBOR+7.00% with a 1.0% floor), 9.50%, due 9/6/2024 ⁽³⁾	\$ 7,000	\$ 6,959	\$ 7,044
PAE Holding Corporation	Aerospace and Defense	Second Lien Term Loan (LIBOR+9.50% with a 1.0% floor), 12.00%, due 10/20/2023 ⁽³⁾	6,888	6,755	6,819
Ministry Brands, LLC	Business Services	Second Lien Term Loan (LIBOR+8.00% with a 1.0% floor), 10.63%, due 6/2/2023 ⁽²⁾	6,000	5,948	6,000
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⁾		25,839	5,052
CVS Holdings I, LP (MyEyeDr)	Retail	Second Lien Term Loan (LIBOR+6.75% with a 1.0% floor), 9.25%, due 2/6/2026 ⁽³⁾	5,000	4,978	4,913
PowerSchool	Business Services	Second Lien Term Loan (LIBOR+6.75%), 9.49%, due 8/1/2026 ⁽³⁾	3,800	3,764	3,743
Sedgwick	Healthcare	Unsecured Term Loan, 9.00%, due 12/31/2026 ⁽³⁾	3,300	3,251	3,300
DexKo Global, Inc.	Automotive	Second Lien Term Loan (LIBOR+8.25% with a 1.0% floor), 10.85%, due 7/24/2025 ⁽³⁾	3,000	2,980	2,985
WASH Multifamily Acquisition, Inc.	Industrials - Laundry Equipment	Second Lien Term Loan (LIBOR+7.00% with a 1.0% floor), 9.50%, due 5/14/2023 ⁽³⁾	2,978	2,965	2,881
TIBCO Software, Inc.	Software	Senior Unsecured Notes, 11.38%, due 12/1/2021 ⁽³⁾	2,100	2,003	2,234
Hayward Industries, Inc.	Consumer Goods	Second Lien Term Loan (LIBOR+8.25%), 10.75%, due 8/4/2025 ⁽³⁾	2,159	2,162	2,127
CentralSquare Technologies	Software	Second Lien Term Loan (LIBOR+7.50%), 10.00%, due 8/31/2026 ⁽³⁾	2,000	1,951	1,980
Ensono	Telecommunications	Second Lien Term Loan (LIBOR+9.25%), 11.75%, due 6/27/2026 ⁽³⁾	1,700	1,636	1,657

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued
March 31, 2019
(in thousands, except share amounts and percentages)
(unaudited)

Portfolio Company	Industry Segment	Investment ⁽¹⁾	Principal	Cost	Fair Value
Non-affiliate Investments - (Less than 5% owned) - Continued					
MW Industries (Helix Acquisition)	Industrials	Second Lien Term Loan (LIBOR+8.00%), 10.60%, due 9/29/2025 ⁽³⁾	\$ 1,400	\$ 1,388	\$ 1,365
Allied Universal Holdco, LLC	Business Services	Second Lien Term Loan (LIBOR+8.50% with a 1.0% floor), 11.00%, due 7/28/2023 ⁽³⁾	1,250	1,250	1,223
PharMerica	Healthcare	Second Lien Term Loan (LIBOR+8.50% with a 1.0% floor), 10.98%, due 3/5/2027 ⁽³⁾	1,200	1,170	1,182
Caliber Collision	Automotive	Second Lien Term Loan (LIBOR+7.25%), 9.73%, due 2/5/2027 ⁽³⁾	1,100	1,081	1,100
Vertafore, Inc.	Business Services	Second Lien Term Loan (LIBOR+7.25%), 9.75%, due 7/2/2026 ⁽³⁾	900	892	891
Safe Fleet Holdings, LLC	Industrials	Second Lien Term Loan (LIBOR+6.75% with a 1.0% floor), 9.24%, due 2/1/2026 ⁽³⁾	700	697	674
Ardonagh ⁽⁵⁾	Insurance	Senior Secured Notes 8.63%, due 7/15/2023 ⁽³⁾	600	544	513
Coinamatic Canada, Inc. ⁽⁵⁾	Industrials - Laundry Equipment	Second Lien Term Loan (LIBOR+7.00% with a 1.0% floor), 9.50%, due 5/14/2023 ⁽³⁾	522	519	505
ClearChoice (CC Dental Implants Intermediate)	Healthcare	First Lien Term Loan (Last Out) (LIBOR+6.50% with a 1.0% floor), 9.28%, due 1/2/2023 ⁽²⁾⁽¹⁰⁾	500	496	495
MedRisk, LLC	Healthcare	Second Lien Term Loan (LIBOR+6.75%), 9.25%, due 12/28/2025 ⁽³⁾	500	498	492
NAVEX	Software	Second Lien Term Loan (LIBOR+7.00%), 9.50%, due 9/5/2026 ⁽³⁾	400	396	394
FirstLight Fiber	Telecommunications	Second Lien Term Loan (LIBOR+7.50%), 10.00%, due 7/23/2026 ⁽³⁾	400	396	392
EaglePicher Technologies, LLC	Aerospace and Defense	Second Lien Term Loan (LIBOR+7.25%), 9.75% due 3/9/2026 ⁽³⁾	400	392	390
ClearChoice (CC Dental Implants Intermediate)	Healthcare	First Lien Revolver (Last Out) (Funded: LIBOR+6.50% with a 1.0% floor), 9.27%, due 1/2/2023 ⁽²⁾⁽⁹⁾⁽¹⁰⁾	375	362	358

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued
March 31, 2019
(in thousands, except share amounts and percentages)
(unaudited)

Portfolio Company	Industry Segment	Investment ⁽¹⁾	Principal	Cost	Fair Value
<u>Non-affiliate Investments - (Less than 5% owned) - Continued</u>					
Edelman Financial Services, LLC	Financial Services	Second Lien Term Loan (LIBOR+6.75%), 9.54%, due 7/20/2026 ⁽³⁾	\$ 300	\$ 299	\$ 302
Subtotal Non-affiliate Investments - (Less than 5% owned)				\$ 81,571	\$ 61,011
Subtotal Portfolio Investments (86.4% of total investments)				\$ 107,599	\$ 63,342
<u>GOVERNMENT SECURITIES</u>					
U.S. Treasury Bills ⁽⁴⁾			\$ 10,000	\$ 9,996	\$ 9,996
Subtotal Government Securities (13.6% of total investments)				\$ 9,996	\$ 9,996
TOTAL INVESTMENTS				\$ 117,595	\$ 73,338

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 to Consolidated Financial Statements. Percentages represent interest rates in effect as of March 31, 2019, 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 7 to the Consolidated Financial Statements.
- (3) Fair value is determined using prices with observable market inputs (Level 2 hierarchy). See Note 7 to the Consolidated Financial Statements.
- (4) Fair value is determined using prices for identical securities in active markets (Level 1 hierarchy). See Note 7 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 March 31, 2019, 1.6% 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. In 2019, OCI continues to be in default and continues to PIK all of its interest, including default interest. Beginning in the 4th quarter of 2018, OCI subordinated note was placed on non-accrual status.

OHA INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued
March 31, 2019
(in thousands, except share amounts and percentages)

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 considered return of capital. Previously, ATP was on non-accrual 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 6 to the Consolidated Financial Statements.
- (8) Non-income producing equity security.
- (9) Represents a revolving line of credit of which \$1.3 million of the \$1.7 million total commitment is unfunded at March 31, 2019. The revolving line of credit includes a 0.75% unused fee applied to the unfunded amount. In February 2019, ClearChoice executed an amendment to the financing agreement which increased the amount committed by OHAI under the revolving line of credit from \$1.6 million to \$1.7 million and modified certain other loan covenants.
- (10) Investment is entitled to skim interest which results in a higher interest rate spread of approximately 31 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, 2018
(in thousands, except share amounts and percentages)

Portfolio Company	Industry Segment	Investment ⁽¹⁾	Principal	Cost	Fair Value
<u>Affiliate Investments - (5% to 25% owned)</u>					
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
<u>Non-affiliate Investments - (Less than 5% owned)</u>					
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+ 8.0% 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, 9.00%, 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 8/1/2026 ⁽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, 9.00%, 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

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

Portfolio Company	Industry Segment	Investment ⁽¹⁾	Principal	Cost	Fair Value
<u>Non-affiliate Investments - (Less than 5% owned) - Continued</u>					
TIBCO Software, Inc.	Software	Senior Unsecured Notes, 11.38%, due 12/1/2021 ⁽³⁾	\$ 2,100	\$ 1,995	\$ 2,200
Hayward Industries, Inc.	Consumer Goods	Second Lien Term Loan (LIBOR+8.25%), 10.77%, due 8/04/2025 ⁽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
MW Industries (Helix Acquisition)	Industrials	Second Lien Term Loan (LIBOR+8.0%), 10.80%, 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

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

<u>Portfolio Company</u>	<u>Industry Segment</u>	<u>Investment⁽¹⁾</u>	<u>Principal</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Non-affiliate Investments - (Less than 5% owned) - Continued</u>					
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
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
<u>GOVERNMENT SECURITIES</u>					
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 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.

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

NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS - Continued

- (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.
- (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 considered return of capital. Previously, ATP was on non-accrual 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 FINANCIAL HIGHLIGHTS
(unaudited)

Per Share Data⁽¹⁾	For the three months ended March 31,	
	2019	2018
Net asset value, beginning of period	\$ 1.78	\$ 2.37
Net investment income, net of tax	(0.01)	(0.01)
Net realized and unrealized gain (loss) on investments	0.08	0.09
Net increase in net assets resulting from operations	0.08	0.08
Distributions to common stockholders		
Distributions from distributable earnings	—	(0.02)
Return of capital	(0.02)	—
Net decrease in net assets from distributions	(0.02)	(0.02)
Net asset value, end of period	\$ 1.84	\$ 2.43
Market value, beginning of period	\$ 1.01	\$ 1.15
Market value, end of period	\$ 1.20	\$ 1.40
Market value return ⁽²⁾⁽³⁾	21.2 %	23.8 %
Ratios and Supplemental Data		
(\$ and shares in thousands)		
Net assets, end of period	\$ 37,053	\$ 49,100
Average net assets	\$ 36,669	\$ 48,516
Common shares outstanding, end of period	20,172	20,172
Total operating expenses and taxes/average net assets, before waived incentive fees ⁽⁴⁾	18.5 %	19.9 %
Total operating expenses and taxes/average net assets, net of waived incentive fees ⁽⁴⁾	18.5 %	19.9 %
Net investment loss/average net assets, before waived incentive fees ⁽⁴⁾	(1.6)%	(0.8)%
Net investment loss/average net assets, net of waived incentive fees ⁽⁴⁾	(1.6)%	(0.8)%
Portfolio turnover rate	3.6 %	16.7 %
Expense Ratios (as a percentage of average net assets)⁽⁴⁾		
Interest expense and bank fees	7.0 %	6.9 %
Management fees	3.4 %	3.3 %
Incentive fees	— %	— %
Incentive fees, net of waived incentive fees	— %	— %
Costs related to strategic alternatives review	0.3 %	0.6 %
Other operating expenses, including provision for income taxes	7.8 %	9.1 %
Total operating expenses, including provision for income taxes, before waived incentive fees	18.5 %	19.9 %
Total operating expenses, including provision for income taxes, net of waived incentive fees	18.5 %	19.9 %

(1) Per share data is based on weighted average number of common shares outstanding for the period. Per share data may not total due to rounding.

(2) 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.

(3) Not annualized.

(4) Annualized.

(See accompanying notes to consolidated financial statements)

OHA INVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019
(unaudited)

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 4.

Note 2: Basis of Presentation

These interim unaudited consolidated financial statements include the accounts of OHAI and its consolidated subsidiaries. The effects of all intercompany transactions between OHAI and its subsidiaries have been eliminated in consolidation. We prepare the interim consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). OHAI 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 Company* (“ASC 946”). Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X and ASC 946, we are 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 the general principle occurs if OHAI holds a controlling interest in an operating company that provides all or substantially all of its services directly to us or to our portfolio companies. None of the portfolio investments made by OHAI qualify for this exception. Therefore, our investment portfolio is carried on the Consolidated Balance Sheets at fair value.

We omit certain information and footnote disclosures normally included in audited financial statements prepared in accordance with GAAP pursuant to such rules and regulations. We believe we include all adjustments which are of a normal recurring nature, so that these financial statements fairly present our financial position, results of operations and cash flows. Interim results are not necessarily indicative of results for a full year or any other interim period. You should read these unaudited consolidated financial statements in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Preparing interim 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 thereto, including the estimated fair values of our investment portfolio discussed in Note 7. Although we believe our estimates and assumptions are reasonable, actual results could differ materially from these estimates.

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. As of March 31, 2019, OHAI held \$0.9 million in bank demand deposits and \$3.7 million in money market funds.

OHA INVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
March 31, 2019
(unaudited)

Payment-in-Kind Interest and Dividends

We have investments in our portfolio that contain payment-in-kind, or PIK, interest provisions. We compute PIK interest 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, 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, as applicable, we do not accrue PIK interest 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 did not record any PIK interest income for the three months ended March 31, 2019 and we recorded \$1.0 million for the three months ended March 31, 2018 related to our investment in OCI 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.

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, 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
March 13, 2019	0.02	March 28, 2019	April 9, 2019

Note 3: Credit Facilities and Borrowings

We are party to a Credit Agreement (the "Credit Facility"), dated September 9, 2016, with MidCap Financial Trust, as administrative agent. 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 of our previous credit facility with SunTrust Bank, 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, 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 our option. In connection with the extension, we 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 was available to us 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.

On January 7, 2019 we borrowed an additional \$3.0 million under the Credit Facility as a delayed draw term loan. On February 11, 2019 we repaid \$2.0 million on our delayed draw term loan leaving \$4.0 million available to draw.

OHA INVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
March 31, 2019
(unaudited)

As of March 31, 2019, the total amount outstanding under the Credit Facility was \$30.0 million with \$4.0 million available to draw. 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 and \$0.1 million on our Consolidated Balance Sheet as of March 31, 2019 and December 31, 2018, respectively. 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 March 31, 2019, the interest rate on our outstanding principal balance of \$30.0 million was 7.44%.

The Credit Facility contains affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with the covenants from the date of the Credit Agreement through March 31, 2019, 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%.

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 March 27, 2019, we purchased \$10.0 million of U.S. Treasury Bills and contemporaneously entered into a \$9.8 million repurchase arrangement with a global financial institution to finance such purchase. Under the repurchase arrangement, we transferred \$10.0 million of U.S. Treasury Bills and \$0.2 million of cash as collateral under the repurchase agreement. We repaid the \$9.8 million borrowed under the repurchase agreement, and was returned the \$0.2 million cash collateral, net of a \$5 thousand financing fee, upon maturity of the U.S. Treasury Bills on April 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 March 31, 2019.

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, 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.

Note 4: 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 three months ended March 31, 2019 and 2018, we incurred \$0.3 million and \$0.4 million, respectively, in base management fees.

OHA INVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
March 31, 2019
(unaudited)

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.

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. For the three months ended March 31, 2019 and 2018, we did not accrue any capital gains incentive fees for the three months ended March 31, 2019. For the three months ended March 31, 2018 we estimated \$1 thousand in capital gain fees which was subject to the Incentive Fee Waiver Agreement discussed in the following paragraph.

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, has been waived. The Incentive Fee Waiver Agreement with OHA expired on December 31, 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 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 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 \$0.2 million and \$0.6 million to OHA under the Administration Agreement as of March 31, 2019 and December 31, 2018, respectively, for expenses incurred on our behalf for the final month of the respective quarterly period. We include these amounts in accounts payable and due to affiliate on our Consolidated Balance Sheets.

OHA INVESTMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
March 31, 2019
(unaudited)

Note 5: Federal 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.

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.

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.

In connection with our analysis of the impact of the Tax Act, we recorded a net tax expense of approximately \$12.2 million in the period ending December 31, 2017 which consisted of a reduction of deferred tax assets previously valued at 34%. This tax expense and reduction in deferred tax assets was fully offset by a simultaneous reduction in our valuation allowance. The reduction in the 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.

Tax years from 2014 forward remain open to examination by the major taxing jurisdictions to which OHAI is subject; however, net operating losses originating in prior years are subject to examination when utilized. Our taxable subsidiaries have federal net operating loss carryforwards of \$87.9 million of which \$79.7 million expire in various years through 2037 and the remaining \$8.2 million may be carried forward indefinitely as per the Tax Act. 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.

Note 6: Commitments and Contingencies

As of March 31, 2019, we had investments in 27 active portfolio companies totaling \$107.6 million (cost basis). Of these 27 active portfolio companies, OHAI had already funded investments in the amount of \$107.6 million and there were outstanding unfunded commitments of \$1.3 million related to our investment in the ClearChoice revolving credit facility, \$2.9 million related to two new portfolio investments we committed to in the first quarter of 2019 that are not yet closed, and zero due to broker for unsettled trades. In February 2019, ClearChoice executed an amendment to the financing agreement which increased the amount committed by OHAI under the revolving line of credit from \$1.6 million to \$1.7 million and modified certain other loan covenants. As of December 31, 2018, we had investments in 26 active portfolio companies totaling \$111.3 million. Of these 26 active portfolio companies, we 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.

We have continuing obligations under the Investment Advisory Agreement and the Administration Agreement with OHA. See Note 4. 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

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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 OHA'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 March 31, 2019, our unrecovered investment was \$41.7 million, and we had received aggregate royalty payments of \$39.8 million since the date of ATP's bankruptcy filing. As of March 31, 2019, 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 March 31, 2019, \$6.5 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. \$1.2 million in legal expenses have been added to our unrecovered investment balance during the three months ended March 31, 2019. 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 \$5.1 million as of March 31, 2019.

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Note 7: Fair Value

Our investments consisted of the following as of March 31, 2019 and December 31, 2018:

(Dollar amounts in thousands)	March 31, 2019				December 31, 2018			
	Cost	% of total	Fair Value	% of total	Cost	% of total	Fair Value	% of total
Portfolio investments								
First lien secured debt	\$ 496	0.4%	\$ 495	0.7%	\$ 496	0.4%	\$ 487	0.6%
Revolving loan facility	362	0.3%	358	0.5%	361	0.3%	336	0.4%
Unsecured term loan	3,251	2.8%	3,300	4.5%	3,251	2.5%	3,251	4.0%
Second lien debt	49,076	41.7%	49,059	66.9%	47,212	37.4%	46,770	58.0%
Subordinated debt	26,075	22.2%	5,078	6.9%	31,064	24.6%	9,984	12.4%
Limited term royalties	25,839	22.0%	5,052	6.9%	26,450	20.9%	4,778	6.0%
Equity securities	2,500	2.1%	—	—%	2,500	2.0%	—	—%
Total portfolio investments	107,599	91.5%	63,342	86.4%	111,334	88.1%	65,606	81.4%
Government securities								
U.S. Treasury Bills	9,996	8.5%	9,996	13.6%	14,989	11.9%	14,989	18.6%
Total investments	\$ 117,595	100.0%	\$ 73,338	100.0%	\$ 126,323	100.0%	\$ 80,595	100.0%

We account for all of the assets in our investment portfolio at fair value, following the provisions of the FASB ASC *Fair Value Measurements*, or 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 for which market quotations are not readily available 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. 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.
- *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 for which market quotations are not readily available, 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.

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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 measured at fair value at March 31, 2019 or December 31, 2018. Amounts outstanding under our Credit Facility are carried at amortized cost in the Consolidated Balance Sheets. As of March 31, 2019, the estimated fair value of our Credit Facility approximated its carrying value of \$29.9 million. As of December 31, 2018, the fair value of our Credit Facility approximated its carrying value of \$28.9 million. The estimated fair value of the Credit Facility is determined by discounting projected remaining payments using market interest rates for borrowings of OHAI.

The following tables set forth the fair value of our investments by level within the fair value hierarchy as of March 31, 2019 and December 31, 2018 (in thousands):

March 31, 2019	Total	Level 1	Level 2	Level 3
Portfolio investments				
Affiliate investments				
Subordinated debt	\$ 2,331	\$ —	\$ —	\$ 2,331
Total affiliate investments	2,331	—	—	2,331
Non-affiliate investments				
First lien secured debt	495	—	—	495
Second lien debt	49,059	—	43,059	6,000
Subordinated debt	2,747	—	2,747	—
Limited term royalties	5,052	—	—	5,052
Revolving loan facility	358	—	—	358
Unsecured term loan	3,300	—	3,300	—
Total non-affiliate investments	61,011	—	49,106	11,905
Total portfolio investments	63,342	—	49,106	14,236
Government securities				
U.S. Treasury Bills	9,996	9,996	—	—
Total investments	\$ 73,338	\$ 9,996	\$ 49,106	\$ 14,236

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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

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The following tables present roll-forwards of the changes in fair value for all investments for which we determine fair value using unobservable (Level 3) factors for the periods indicated (in thousands):

	First Lien Secured Debt and Limited Term Royalties	Revolving Loan Facility	Second Lien Debt	Subordinated Debt and Redeemable Preferred Units	Total Investments
For the three months ended March 31, 2019					
Fair value at December 31, 2018	\$ 5,265	\$ 336	\$ 5,880	\$ 2,271	\$ 13,752
Total gains, (losses) and amortization:					
Net realized gains (losses)	—	—	—	—	—
Net unrealized gains (losses)	893	21	118	60	1,092
Net amortization of premiums, discounts and fees	—	1	2	—	3
New investments, repayments and settlements, net:					
New investments	—	—	—	—	—
Payment-in-kind	—	—	—	—	—
Repayments and settlements	(611)	—	—	—	(611)
Fair value at March 31, 2019	<u>\$ 5,547</u>	<u>\$ 358</u>	<u>\$ 6,000</u>	<u>\$ 2,331</u>	<u>\$ 14,236</u>

	First Lien Secured Debt and Limited Term Royalties	Revolving Loan Facility	Subordinated Debt and Redeemable Preferred Units	Equity Securities	CLO Residual Interests	Total Investments
For the three months ended March 31, 2018						
Fair value at December 31, 2017	\$ —	\$ —	\$ 18,015	\$ 164	\$ 209	\$ 18,388
Total gains, (losses) and amortization:						
Net realized gains (losses)	—	—	—	—	—	—
Net unrealized gains (losses)	—	—	(1,004)	(2)	(27)	(1,033)
Net amortization of premiums, discounts and fees	(5)	(16)	16	—	—	(5)
New investments, repayments and settlements, net:						
New investments	500	563	—	—	—	1,063
Payment-in-kind	—	—	988	—	—	988
Repayments and settlements	—	—	—	—	—	—
Fair value at March 31, 2018	<u>\$ 495</u>	<u>\$ 547</u>	<u>\$ 18,015</u>	<u>\$ 162</u>	<u>\$ 182</u>	<u>\$ 19,401</u>

During the three months ended March 31, 2019 and 2018, none of our investments in portfolio companies changed among the categories of Control Investments, Affiliate Investments and Non-Affiliate Investments, and there were no transfers among Levels 3, 2 or 1.

We present net unrealized gains (losses) on our consolidated statements of operations as “Net unrealized appreciation (depreciation) on investments.”

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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 March 31, 2019 (dollars in thousands):

Type of Investment	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range of Inputs	Weighted Average
<u>Non-Energy Investments:</u>					
First lien debt	\$ 495	Private transaction comparables	Market yield	9.0% - 10.0%	9.6%
Second lien debt	6,000	Private transaction comparables	Market Yield	9.2% - 12.0%	10.9%
Subordinated debt	2,331	Market comparables	EBITDA multiples	4.0x - 6.0x	5.0x
Revolving loan facility	358	Market comparables	Market yield	9.0% - 10.0%	9.6%
	<u>9,184</u>				
<u>Energy Investments:</u>					
Limited term royalties	\$ 5,052	Discounted cash flow ⁽¹⁾	Discount rate	10.0% - 20.0%	15.0%
	<u>5,052</u>				
Total Level 3 investments	\$ 14,236				

⁽¹⁾ Cash flows are based on Proved Developed Producing reserves only. Estimated production volumes are based on 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 March 31, 2019. 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 8: Common Stock

On October 31, 2011, our Board of Directors approved a stock repurchase plan, pursuant to which we may, from time to time, repurchase up to \$10.0 million of our common stock in the open market at prices not to exceed the net asset value of our shares. During 2012 and 2013, we repurchased an aggregate of 1,129,014 shares of our common stock in the open market at an average price of \$6.71 per share, totaling \$7.6 million, in accordance with the stock repurchase plan. These repurchases were made at approximate discounts to our most recently published net asset value of 30%, 26% and 28% in May and November 2012 and May 2013, respectively.

In March 2015, our Board of Directors authorized OHAI to repurchase up to the remaining \$2.4 million available to be repurchased under this plan. As of July 14, 2015, we completed the stock repurchases under the stock repurchase plan. During 2015, we repurchased a total of 444,030 shares for \$2.4 million at a weighted average price of \$5.46 per share, a 27% discount to net asset

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value at December 31, 2014. Repurchases initiated after March 31, 2015 were made pursuant to a plan executed in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. Our Credit Facility does not allow us to repurchase common stock.

Item 2. 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 management's discussion and analysis contained in our 2018 Annual Report on Form 10-K, as well as our consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q. The terms "we," "us," "our" and "OHA" refer to OHA Investment Corporation and its consolidated subsidiaries. The term "OHA" refers to Oak Hill Advisors, L.P., our investment adviser.

Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q 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 March 31, 2019 was \$63.3 million, with such value comprised of 27 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. The exposure of our investment portfolio to the energy sector was 8% at March 31, 2019 compared to 74% at September 30, 2014, on a fair value basis.

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.

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, OHAI’s asset coverage requirements for senior securities was changed from 200% to 150% effective one year after the date of the Board of Directors’ approval, or April 11, 2019. 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 OHAI. 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 (225% minimum asset coverage) with respect to certain provisions of our Credit Facility.

Portfolio and 2019 Investment Activity

In January 2019, we purchased \$0.1 million of EaglePicher Technologies, or EaglePicher, adding to our \$0.3 million position which was previously acquired in February 2018. The \$0.1 million EaglePicher second lien term loan add-on was purchased at a 6% discount to par, earns interest payable in cash at a rate of LIBOR+7.25%, and matures in March 2026.

Also in January 2019, we sold \$2.0 million of our senior unsecured notes of Avantor Performance Materials, Inc., or Avantor, at a price of 102.5% of par, resulting in a realized capital gain of \$50,000 or \$0.00 per share. In February 2019, we sold \$3.0 million of our remaining Avantor investment at a price of 105.75% of par, resulting in a realized capital gain of \$117,500 or \$0.01 per share. This investment was initiated in September 2017 and generated a gross unlevered internal rate of return of 12.5% and a return on investment of 1.17x.

In February 2019, we purchased \$1.1 million of second lien term loan in Caliber Collision, or Caliber, a leading provider of automobile collision repair. The Caliber second lien term loan was purchased at a 1.75% discount to par, earns interest payable in cash at a rate of LIBOR+7.25% and matures in February 2027.

Also in February 2019, we purchased \$1.2 million of second lien term loan in PharMerica, a leading provider of health and pharmacy services to assisted living, skilled nursing, public health, long-term care, and post-acute care settings. The PharMerica second lien term loan was purchased at a 2.5% discount to par, earns interest payable in cash at a rate of LIBOR+8.5% with a 1% LIBOR floor and matures in March 2027.

In March 2019, we sold \$0.4 million of our second lien term loan in WASH Multifamily Laundry, or WASH, at a price of 99.0% of par.

In March 2019, we sold \$0.1 million of our second lien term loan in Coinamatic Canada, Inc., or Coinamatic, at a price of 99.0% of par.

In the first quarter of 2019, we committed to \$2.9 million for two new portfolio investments which were not scheduled to close until the second 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.

	March 31, 2019			December 31, 2018		
	Weighted Average Yields ⁽¹⁾	Percentage of Portfolio		Weighted Average Yields ⁽¹⁾	Percentage of Portfolio	
		Cost	Fair Value		Cost	Fair Value
First lien secured debt	9.5%	0.5%	0.8%	9.4%	0.5%	0.7%
Second lien debt	10.6%	45.6%	77.4%	10.5%	42.4%	71.3%
Subordinated debt	13.0%	24.2%	8.0%	10.4%	27.9%	15.2%
Revolving loan facility	10.4%	0.4%	0.6%	10.5%	0.3%	0.5%
Unsecured term loan	9.3%	3.0%	5.2%	9.1%	2.9%	5.0%
Limited term royalties	—%	24.0%	8.0%	—%	23.8%	7.3%
Equity securities						
Membership and partnership units	—%	2.3%	—%	—%	2.2%	—%
Total equity securities	—%	2.3%	—%	—%	2.2%	—%
Total portfolio investments	10.6%	100.0%	100.0%	10.4%	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.

As of March 31, 2019 and December 31, 2018, the total fair value of our portfolio investments was \$63.3 million and \$65.6 million, respectively. Of those fair value totals, approximately \$14.2 million, or 22.5%, as of March 31, 2019, and \$13.8 million, or 21.0%, as of December 31, 2018 are determined using significant unobservable (i.e., Level 3) inputs.

Results of Operations

Investment Income

Investment income includes interest on our investments and dividend income. Dividend income is income we receive from certain of our equity investments. Other income includes prepayment fees and modification fees we receive in connection with certain of our investments. These fees are recognized as earned.

Investment Income (in thousands)	For the three months ended March 31,	
	2019	2018
Interest income	\$ 1,503	\$ 2,228
Other income	26	55
Total investment income	\$ 1,529	\$ 2,283

For the three months ended March 31, 2019, total investment income was \$1.5 million, a 33% decrease from \$2.3 million of total investment income for the three months ended March 31, 2018. The decrease in investment income was primarily attributable to placing our investment in OCI subordinated notes on full non-accrual in the fourth quarter of 2018. This decrease was partially offset by an increase of \$0.4 million in non-affiliate investment interest income.

Operating Expenses

Operating expenses include interest expense and 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.

Operating Expenses (in thousands)	For the three months ended March 31,	
	2019	2018
Interest expense and bank fees	\$ 629	\$ 823
Management fees	316	400
Incentive fees	—	1
Costs related to strategic alternatives review	27	75
Professional fees	253	643
Other general and administrative expenses	388	370
Directors fees	61	61
Operating expenses before incentive fee waiver	\$ 1,674	\$ 2,373
Incentive fee waiver	—	(1)
Total operating expenses, net of incentive fee waiver	\$ 1,674	\$ 2,372

For the three months ended March 31, 2019, operating expenses decreased by 29.5% to \$1.7 million from \$2.4 million compared to the three months ended March 31, 2018. The decrease in operating expenses is due to lower interest expense and bank fees by 23.6% to \$0.6 million from \$0.8 million compared to the same period in the prior year largely due to lower amount outstanding on our Credit Facility, as well as lower amortization of debt issuance cost. Management fees decreased by 21.0% to \$0.3 million from \$0.4 million due to lower average asset base subject to the base management fee. Professional fees decreased by 60.7% to \$0.3 million from \$0.6 million primarily due to lower legal costs.

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. For the three months ended March 31, 2019 and March 31, 2018, we did not incur any investment income incentive fees.

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 fee, any gains and losses associated with our investment portfolio as of September 30, 2014 shall be excluded from the capital gains fee calculation. For the three months ended March 31, 2019 and 2018, we accrued \$0 and \$1,000, respectively, in capital gains incentive fees.

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, has been waived.

Net Investment Income (Loss) (in thousands, except per share data)	For the three months ended March 31,	
	2019	2018
Net investment loss	\$ (145)	\$ (95)
Net investment loss per common share	\$ (0.01)	\$ (0.01)

During the three month period ended March 31, 2019, the increase in net investment loss compared to the three month period ended March 31, 2018 was driven by a decrease in lower investment income partially offset by lower operating expenses.

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 Gains and Losses (in thousands, except per share data)	For the three months ended March 31,	
	2019	2018
Net realized capital gain (loss) on investments	\$ 220	\$ 13
Provision for taxes on realized loss	—	(42)
Net realized capital gains (losses)	\$ 220	\$ (29)
Net realized capital gains (losses) per common share	\$ 0.01	\$ —

For the three months ended March 31, 2019, we realized a capital gain of \$0.2 million on our investment in Avantor.

Net 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 (in thousands, except per share data)	For the three months ended March 31,	
	2019	2018
Affiliate investments	\$ 60	\$ (1,006)
Non-affiliate investments	1,412	2,862
Net unrealized appreciation (depreciation) on investments	\$ 1,472	\$ 1,856
Net unrealized appreciation (depreciation) on investments per common share	\$ 0.07	\$ 0.09

Affiliate Investments

For the three months ended March 31, 2019, the net unrealized appreciation on our affiliate investments was attributable to unrealized appreciation of our investments in OCI. For the three months ended March 31, 2018, the net unrealized depreciation on our affiliate investments was attributable to unrealized depreciation of our investments in OCI.

Non-Affiliate Investments

For the three months ended March 31, 2019, the net unrealized appreciation on our non-affiliate investments was primarily attributable to the unrealized appreciation on our investments for \$0.9 million in ATP Oil & Gas Corporation, \$0.2 million in MyEyeDr, \$0.1 million in Ministry Brands, and \$49 thousand in Sedgwick partially offset in unrealized depreciation in other various investments. For the three months ended March 31, 2018, the net unrealized appreciation on our non-affiliate investments was primarily attributable to \$2.9 million unrealized appreciation in Talos Production, LLC, senior unsecured note upon its maturity and repayment.

Net Increase in Net Assets Resulting from Operations (in thousands, except per share data)	For the three months ended March 31,	
	2019	2018
Net increase in net assets resulting from operations	\$ 1,547	\$ 1,732
Net increase in net assets resulting from operations per common share	\$ 0.08	\$ 0.08

For the three months ended March 31, 2019, the net decrease in net assets resulting from operations compared to the three months ended March 31, 2018 is attributable to a decrease in unrealized depreciation on investments totaling \$0.4 million and a decrease in net investment income of \$0.1 million, partially offset by an increase in net realized gain of \$0.3 million.

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 March 31, 2019 and March 31, 2018, we had cash and cash equivalents totaling \$4.6 million and \$22.2 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.

During the three months ended March 31, 2019, we experienced a net increase in cash and cash equivalents in the amount of \$1.4 million. During the period, our operating activities provided \$5.7 million in cash. Excluding net proceeds from redemptions of U.S. Treasury Bills in the amount of \$5.0 million, our operating activities provided \$0.7 million consisting of \$5.7 million provided by proceeds from redemption or sale of investments in portfolio securities, partially offset by \$3.3 million used in due to broker, \$2.3 million in purchases of new investments in portfolio securities, and \$1.5 million used in net unrealized depreciation on investments. In addition, financing activities used cash of \$4.3 million which primarily related to net repayments under our repurchase agreement of \$4.9 million, net borrowings under credit facilities of \$1.0 million, and cash distributions paid to our stockholders in the amount of \$0.4 million.

During three months ended March 31, 2018, we experienced a net increase in cash and cash equivalents in the amount of \$2.3 million. During the period, our operating activities provided \$7.8 million in cash. Excluding net proceeds from redemptions of U.S. Treasury Bills in the amount of \$5.0 million, our operating activities provided \$0.7 million consisting of \$13.6 million provided by proceeds from redemption or sale of investments in portfolio securities, partially offset by \$10.9 million used in purchases of new investments in portfolio securities of which \$1.1 million was not yet settled at March 31, 2018. Financing activities used cash of \$5.5 million, consisting of net borrowings under repurchase agreement of \$4.9 million, cash distributions paid to our stockholders in the amount of \$0.4 million, and debt issuance cost paid in the amount of \$0.2 million.

Distributions to Stockholders

For the three months ended March 31, 2019, we paid cash distributions totaling \$0.4 million, or \$0.02 per share, to our common stockholders compared to \$0.4 million, or \$0.02 per share, during the three months ended March 31, 2018. 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 a Credit Agreement (the "Credit Facility"), dated September 9, 2016, with MidCap Financial Trust, as administrative agent. 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 of our previous credit facility with SunTrust Bank, 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 to September 9, 2018, as permitted in our existing Credit Agreement.

On September 7, 2018 OHAI 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 our option. In connection with the extension, we 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 us 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.

On January 7, 2019 we borrowed an additional \$3.0 million under the Credit Facility as a delayed draw term loan. On February 11, 2019 we repaid \$2.0 million on our delayed draw term loan leaving \$4.0 million available to draw.

As of March 31, 2019, the total amount outstanding under the Credit Facility was \$30.0 million with \$4.0 million available to draw. 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 and \$0.1 million on our Consolidated Balance Sheet as of March 31, 2019 and December 31, 2018, respectively. 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 March 31, 2019, the interest rate on our outstanding principal balance of \$30.0 million was 7.44%.

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 March 31, 2019, 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%.

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 March 27, 2019, we purchased \$10.0 million of U.S. Treasury Bills and contemporaneously entered into a \$9.8 million repurchase arrangement with a global financial institution to finance such purchase. Under the repurchase arrangement, we transferred \$10.0 million of U.S. Treasury Bills and \$0.2 million of cash as collateral under the repurchase agreement. We repaid the \$9.8 million borrowed under the repurchase agreement, and was returned the \$0.2 million cash collateral, net of a \$5 thousand financing fee excluding interest earned in the amount of \$4 thousand upon maturity of the U.S. Treasury Bills on April 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 March 31, 2019.

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.

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 was 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 April 9, 2019, the date of our most recent distribution payment, holders of approximately 89,000 shares, or approximately 0.4% of the 20,172,392 outstanding shares, were participants in the DRIP plan. During 2018, we declared distributions 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 March 31, 2019, a meaningful portion of our portfolio investments were being negotiated, and often illiquid, securities of middle market businesses. As of March 31, 2019, we had certain investments related to two portfolio companies on non-accrual status with an aggregate cost and fair value of \$51.9 million and \$7.4 million, respectively. Our investment in OCI Holdings, LLC subordinated notes was placed on non-accrual on October 1, 2018. Effective July 1, 2015, ATP was placed on non-accrual status based on estimated future production payments additionally, income is recognized to the extent cash is 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 58.9% of the related cost basis as of March 31, 2019 and December 31, 2018, respectively.

Non-accruing and non-income producing investments (in thousands)	March 31, 2019		December 31, 2018	
	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)	\$ 25,839	\$ 5,052	\$ 26,450	\$ 4,778
OCI Holdings, LLC (non-accrual October 2018)	23,528	2,331	23,528	2,271
Total non-accruing investments	\$ 49,367	\$ 7,383	\$ 49,978	\$ 7,049
Non-income producing investments				
OHA/OCI Investments, LLC Class A Units	\$ 2,500	\$ —	\$ 2,500	\$ —
Total non-income producing investments	\$ 2,500	\$ —	\$ 2,500	\$ —
Total non-accruing and non-income producing investments	\$ 51,867	\$ 7,383	\$ 52,478	\$ 7,049

Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes our contractual payment obligations at March 31, 2019 (in thousands):

Credit facilities ⁽¹⁾	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Credit Facility	\$ 30,000	\$ 30,000	\$ —	\$ —	\$ —
Repurchase Agreement ⁽²⁾	9,796	9,796	—	—	—
Total	\$ 39,796	\$ 39,796	\$ —	\$ —	\$ —

⁽¹⁾ Excludes accrued interest amounts.

⁽²⁾ Amount outstanding under the Repurchase Agreement was repaid on April 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 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 March 31, 2019 we had \$1.3 million unused credit commitment of our ClearChoice revolver investment.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes from the information provided in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure 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 Quarterly Report on Form 10-Q, as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q (March 31, 2019), 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 March 31, 2019, 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.

Changes in Internal Control over Financial Reporting

No changes in internal control over financial reporting occurred during the quarter ended March 31, 2019 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).

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth under the heading “Legal Proceedings” in Note 6 to our interim consolidated financial statements is incorporated herein by reference.

Item 1A. Risk Factors

During the three months ended March 31, 2019, there were no material changes to the risk factors disclosed under Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The information set forth in Note 8 to our interim consolidated financial statements is incorporated herein by reference. There were no shares of common stock repurchased during the three months ended March 31, 2019.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See “Index to Exhibits” following the signature page for a description of the exhibits furnished as part of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements 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

Date: May 14, 2019

By: /s/ STEVEN T. WAYNE
Steven T. Wayne
President and Chief Executive Officer

Date: May 14, 2019

By: /s/ CORY E. GILBERT
Cory E. Gilbert
Chief Financial Officer and Treasurer

Index to Exhibits

<u>Exhibit No.</u>	<u>Exhibit</u>
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

**Certification Required by Rule 13a-14(a)
or Rule 15d-14(a)**

I, Steven T. Wayne, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OHA Investment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2019

/s/ Steven T. Wayne

Steven T. Wayne

President and Chief Executive Officer

**Certification Required by Rule 13a-14(a)
or Rule 15d-14(a)**

I, Cory E. Gilbert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OHA Investment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2019

/s/ Cory E. Gilbert

Cory E. Gilbert

Chief Financial Officer and Treasurer

**Certification required by Rule 13a-14(b) or
Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code**

In connection with the Quarterly Report of OHA Investment Corporation (the "Company") on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven T. Wayne, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2019

/s/ Steven T. Wayne

Steven T. Wayne

President and Chief Executive Officer

**Certification required by Rule 13a-14(b) or
Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code**

In connection with the Quarterly Report of OHA Investment Corporation (the "Company") on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cory E. Gilbert, Chief Financial Officer and Treasurer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2019

/s/ Cory E. Gilbert

Cory E. Gilbert

Chief Financial Officer and Treasurer