

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, 2016

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  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if smaller reporting company)

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 9, 2016, there were 20,172,392 shares of the registrant's common stock outstanding.

## Table of Contents

|  |           |
|--|-----------|
| <u>PART I – FINANCIAL INFORMATION</u>  |           |
| <u>Item 1. Financial Statements</u>  | <u>1</u>  |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>28</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>36</u> |
| <u>Item 4. Controls and Procedures</u>   | <u>36</u> |
| <u>PART II – OTHER INFORMATION</u>   |           |
| <u>Item 1. Legal Proceedings</u>   | <u>37</u> |
| <u>Item 1A. Risk Factors</u>   | <u>37</u> |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>37</u> |
| <u>Item 3. Defaults Upon Senior Securities</u>   | <u>37</u> |
| <u>Item 4. Mine Safety Disclosures</u>   | <u>37</u> |
| <u>Item 5. Other information</u>   | <u>37</u> |
| <u>Item 6. Exhibits</u>  | <u>37</u> |
| <u>SIGNATURES</u>  | <u>38</u> |

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

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

|  | <u>March 31, 2016</u> | <u>December 31, 2015</u> |
|--|-----------------------|--------------------------|
|  | <u>(unaudited)</u>    |                          |
| <b>Assets</b>  |                       |                          |
| Investments in portfolio securities at fair value  |                       |                          |
| Control investments (cost: \$28,608 and \$28,608, respectively)  | \$ 1,000              | \$ 1,000                 |
| Affiliate investments (cost: \$18,784 and \$18,647, respectively)  | 18,995                | 18,893                   |
| Non-affiliate investments (cost: \$194,531 and \$192,012, respectively)  | 143,851               | 154,817                  |
| Total portfolio investments (cost: \$241,923 and \$239,267, respectively)  | 163,846               | 174,710                  |
| Investments in U.S. Treasury Bills at fair value (cost: \$35,000 and \$34,997, respectively)                             | 35,000                | 34,997                   |
| Total investments  | 198,846               | 209,707                  |
| Cash and cash equivalents  | 2,276                 | 15,554                   |
| Accounts receivable and other current assets   | 10                    | 517                      |
| Interest receivable  | 1,909                 | 2,248                    |
| Due from broker  | 437                   | —                        |
| Deferred loan costs and other prepaid assets   | 259                   | 451                      |
| Total current assets   | 4,891                 | 18,770                   |
| <b>Total assets</b>  | <b>\$ 203,737</b>     | <b>\$ 228,477</b>        |
| <b>Liabilities</b>   |                       |                          |
| Current liabilities  |                       |                          |
| Due to broker  | \$ —                  | \$ 5,226                 |
| Distributions payable  | 1,210                 | 2,421                    |
| Accounts payable and accrued expenses  | 1,799                 | 1,962                    |
| Management and incentive fees payable  | 930                   | 1,713                    |
| Income taxes payable   | 92                    | 75                       |
| Repurchase agreement   | 34,300                | 34,300                   |
| Short-term debt  | 67,500                | 72,000                   |
| Total current liabilities  | 105,831               | 117,697                  |
| <b>Total liabilities</b>   | <b>105,831</b>        | <b>117,697</b>           |
| Commitments and contingencies (Note 6)   |                       |                          |
| <b>Net assets</b>  |                       |                          |
| Common stock, \$.001 par value, 250,000,000 shares authorized; 20,172,392 shares issued and outstanding for both periods | 20                    | 20                       |
| Paid-in capital in excess of par   | 241,985               | 241,985                  |
| Undistributed net investment loss  | (5,322)               | (5,947)                  |
| Undistributed net realized capital loss  | (63,814)              | (63,838)                 |
| Net unrealized depreciation on investments   | (74,963)              | (61,440)                 |
| <b>Total net assets</b>  | <b>97,906</b>         | <b>110,780</b>           |
| <b>Total liabilities and net assets</b>  | <b>\$ 203,737</b>     | <b>\$ 228,477</b>        |
| <b>Net asset value per share</b>   | <b>\$ 4.85</b>        | <b>\$ 5.49</b>           |

*(See accompanying notes to consolidated financial statements)*

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

|   | <b>For the three months ended March 31,</b> |                   |
|---|---|-------------------|
|   | <b>2016</b>                                 | <b>2015</b>       |
| <b>Investment income:</b>   |   |                   |
| Interest income:  |   |                   |
| Affiliate investments   | \$ 675                                      | \$ 602            |
| Non-affiliate investments   | 3,138                                       | 3,175             |
| Dividend income:  |   |                   |
| Non-affiliate investments   | 1,313                                       | 988               |
| Royalty income, net of amortization:  |   |                   |
| Control investments   | —   | 13                |
| Other income  | 31  | 38                |
| <b>Total investment income</b>  | <b>5,157</b>                                | <b>4,816</b>      |
| <b>Operating expenses:</b>  |   |                   |
| Interest expense and bank fees  | 1,088                                       | 663               |
| Management and incentive fees   | 930   | 678               |
| Professional fees, net of legal fees of \$0 and \$287, respectively, related to ATP bankruptcy (See Note 6) | 720   | 563               |
| Other general and administrative expenses   | 567   | 721               |
| <b>Total operating expenses</b>   | <b>3,305</b>                                | <b>2,625</b>      |
| Income tax provision, net   | 17  | 22                |
| <b>Net investment income</b>  | <b>1,835</b>                                | <b>2,169</b>      |
| <b>Realized and unrealized gain (loss) on investments:</b>  |   |                   |
| Net realized capital gain (loss) on investments   |   |                   |
| Control investments   | —   | (21)              |
| Non-affiliate investments   | 24  | —                 |
| <b>Total net realized capital gain (loss) on investments</b>  | <b>24</b>                                   | <b>(21)</b>       |
| Net unrealized appreciation (depreciation) on investments   |   |                   |
| Control investments   | —   | (1,224)           |
| Affiliate investments   | (35)  | 368               |
| Non-affiliate investments   | (13,488)                                    | (3,177)           |
| <b>Total net unrealized depreciation on investments</b>   | <b>(13,523)</b>                             | <b>(4,033)</b>    |
| <b>Net decrease in net assets resulting from operations</b>   | <b>\$ (11,664)</b>                          | <b>\$ (1,885)</b> |
| Net decrease in net assets resulting from operations per common share                                       | \$ (0.58)                                   | \$ (0.09)         |
| Distributions declared per common share   | \$ 0.06                                     | \$ 0.12           |
| Weighted average shares outstanding - basic and diluted   | 20,172                                      | 20,612            |

*(See accompanying notes to consolidated financial statements)*

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

|  | For the three months ended March<br>31, |            |
|--|---|------------|
|  | 2016                                    | 2015       |
| <b>Increase (decrease) in net assets from operations</b> |   |            |
| Net investment income                                    | \$ 1,835                                | \$ 2,169   |
| Net realized capital gain (loss) on investments          | 24                                      | (21)       |
| Net unrealized depreciation on investments               | (13,523)                                | (4,033)    |
| Net decrease in net assets resulting from operations     | (11,664)                                | (1,885)    |
| <b>Distributions to common stockholders</b>              |   |            |
| Distributions from net investment income                 | (1,210)                                 | (2,465)    |
| Return of capital  | —                                       | —          |
| Net decrease in net assets from distributions            | (1,210)                                 | (2,465)    |
| <b>Capital transactions</b>                              |   |            |
| Acquisition of common stock under repurchase plan        | —                                       | (374)      |
| Net decrease in net assets from capital transactions     | —                                       | (374)      |
| Net decrease in net assets                               | (12,874)                                | (4,724)    |
| Net assets, beginning of period                          | 110,780                                 | 154,164    |
| Net assets, end of period                                | \$ 97,906                               | \$ 149,440 |
| <b>Net asset value per common share at end of period</b> | \$ 4.85                                 | \$ 7.27    |
| <b>Common shares outstanding at end of period</b>        | 20,172                                  | 20,544     |

*(See accompanying notes to consolidated financial statements)*

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

|   | For the three months ended March<br>31, |                  |
|---|---|------------------|
|   | 2016                                    | 2015             |
| <b>Cash flows from operating activities:</b>  |   |                  |
| Net decrease in net assets resulting from operations  | \$ (11,664)                             | \$ (1,885)       |
| Adjustments to reconcile net decrease in net assets resulting from operations to net cash attributable to operating activities: |   |                  |
| Payment-in-kind interest  | (1,439)                                 | (118)            |
| Net amortization of premiums, discounts and fees  | (62)                                    | (106)            |
| Net realized capital (gain) loss on investments   | (24)                                    | 21               |
| Net unrealized depreciation on investments  | 13,523                                  | 4,033            |
| Amortization of deferred loan costs   | 258                                     | 283              |
| Purchase of investments in portfolio securities   | (1,571)                                 | (21,108)         |
| Proceeds from redemption or sale of investments in portfolio securities   | 437                                     | 873              |
| Purchase of investments in U.S. Treasury Bills  | 35,000                                  | (30,601)         |
| Proceeds from redemption of investments in U.S. Treasury Bills  | (35,003)                                | 30,600           |
| Effects of changes in operating assets and liabilities:   |   |                  |
| Accounts receivable and other current assets  | 70                                      | 10               |
| Interest receivable   | 339                                     | (45)             |
| Prepaid assets  | (66)                                    | 1                |
| Payables and accrued expenses   | (6,155)                                 | 220              |
| Net cash attributable to operating activities   | <u>(6,357)</u>                          | <u>(17,822)</u>  |
| <b>Cash flows from financing activities:</b>  |   |                  |
| Borrowings under revolving credit facilities  | 8,500                                   | 80,000           |
| Borrowings under repurchase agreement   | 34,300                                  | —                |
| Repayments on revolving credit facilities   | (13,000)                                | (60,000)         |
| Repayments on repurchase agreement  | (34,300)                                | —                |
| Acquisition of common stock under repurchase plan   | —                                       | (374)            |
| Distributions to stockholders   | (2,421)                                 | (3,299)          |
| Net cash attributable to financing activities   | <u>(6,921)</u>                          | <u>16,327</u>    |
| <b>Net change in cash and cash equivalents</b>  | <u>(13,278)</u>                         | <u>(1,495)</u>   |
| <b>Cash and cash equivalents, beginning of period</b>   | 15,554                                  | 31,455           |
| <b>Cash and cash equivalents, end of period</b>   | <u>\$ 2,276</u>                         | <u>\$ 29,960</u> |

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**March 31, 2016**  
(in thousands, except share amounts and percentages)  
**(unaudited)**

| Portfolio Company   | Industry Segment                             | Investment <sup>(1)</sup>   | Principal | Cost             | Fair Value <sup>(2)</sup> |
|---|--|---|-----------|------------------|---------------------------|
| <b>Control Investments - (More than 25% owned)</b>          |  |   |           |                  |                           |
| Contour Highwall Holdings, LLC                              | Coal Mining                                  | Senior Secured Term Loan (12%, due 10/14/2015) <sup>(6)</sup>   | \$ 10,757 | \$ 10,778        | \$ 1,000                  |
| Contour Highwall Holdings, LLC                              | Coal Mining                                  | Unsecured Promissory Note (6%, due 4/11/2016) <sup>(6)</sup>  | 800       | 800              | —                         |
| Contour Highwall Holdings, LLC                              | Coal Mining                                  | 800 Membership Units representing 80% of the common equity <sup>(7)</sup>                               |           | —                | —                         |
| Spirit Resources, LLC                                       | Oil & Natural Gas Production and Development | Tranche A - Senior Secured Term Loan (greater of 8% or LIBOR+4.0%, due 4/28/2015) <sup>(6)</sup>        | 4,657     | 4,621            | —                         |
| Spirit Resources, LLC                                       | Oil & Natural Gas Production and Development | Tranche B - Senior Secured Term Loan (greater of 15% PIK or LIBOR+11.0%, due 10/28/2015) <sup>(6)</sup> | 4,409     | 4,409            | —                         |
| Spirit Resources, LLC                                       | Oil & Natural Gas Production and Development | 80,000 Preferred Units representing 100% of the outstanding equity                                      |           | 8,000            | —                         |
| <b>Subtotal Control Investments - (More than 25% owned)</b> |  |   |           | <b>\$ 28,608</b> | <b>\$ 1,000</b>           |
| <b>Affiliate Investments - (5% to 25% owned)</b>            |  |   |           |                  |                           |
| OCI Holdings, LLC   | Home Health Services                         | Subordinated Note (LIBOR+ 12.0% cash with a 1% floor plus 3% PIK, due 8/15/2018) <sup>(8)</sup>         | \$ 16,434 | \$ 16,284        | \$ 16,434                 |
| OCI Holdings, LLC   | Home Health Services                         | OHA/OCI Investments, LLC Class A Units representing 20.8% diluted ownership of OCI Holdings, LLC        |           | 2,500            | 2,561                     |
| <b>Subtotal Affiliate Investments - (5% to 25% owned)</b>   |  |   |           | <b>\$ 18,784</b> | <b>\$ 18,995</b>          |
| <b>Non-affiliate Investments - (Less than 5% owned)</b>     |  |   |           |                  |                           |
| Castex Energy 2005, LP                                      | Oil & Natural Gas Production and Development | Redeemable Preferred LP Units (current pay 8% cash or 10% PIK, due 7/1/2016) <sup>(9)</sup>             | \$ 52,565 | \$ 52,569        | \$ 39,215                 |
| Appriss Holdings, Inc.                                      | Information Services                         | Second Lien Term Loan (LIBOR+8.25% with a 1% floor, due 5/21/2021)                                      | 13,100    | 12,931           | 12,314                    |
| Kronos Incorporated   | Software                                     | Second Lien Term Loan (LIBOR+8.50% with a 1.25% floor, due 4/30/2020) <sup>(3)</sup>                    | \$ 12,000 | \$ 12,138        | \$ 11,985                 |
| ATP Oil & Gas Corporation/Bennu Oil & Gas, LLC              | Oil & Natural Gas Production and Development | Limited Term Royalty Interest (notional rate of 13.2%) <sup>(10)(11)</sup>                              |           | 27,845           | 11,950                    |

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**March 31, 2016**  
(In thousands, except share amounts and percentages)  
(Unaudited — Continued)

| Portfolio Company  | Industry Segment                                | Investment <sup>(1)</sup>   | Principal | Cost              | Fair Value <sup>(2)</sup> |
|--|---|---|-----------|-------------------|---------------------------|
| <b><u>Non-affiliate Investments - (Less than 5% owned) - Continued</u></b> |   |   |           |                   |                           |
| WP Mustang (Electronic Funds Services, LLC)                                | Financial Services                              | Second Lien Term Loan (LIBOR+7.5% with a 1% floor, due 5/29/2022) <sup>(3)</sup>  | 10,000    | 9,848             | 9,875                     |
| Royal Holdings, Inc.   | Chemicals                                       | Second Lien Term Loan (LIBOR+7.5% with a 1% floor, due 6/19/23) <sup>(3)</sup>  | \$ 10,000 | \$ 9,927          | \$ 9,550                  |
| KOVA International, Inc.   | Medical Supplies Manufacturing and Distribution | Senior Subordinated Notes (12.75%, due 8/15/2018)   | 9,000     | 8,906             | 9,000                     |
| TIBCO Software, Inc.   | Software  | Senior Unsecured Notes (11.38% due 12/1/2021) <sup>(3)</sup>  | 10,100    | 9,718             | 8,838                     |
| Stardust Financial Holdings (Hanson)                                       | Building Materials                              | Second Lien Term Loan (LIBOR+9.5% with a 1% floor, due 3/13/2023) <sup>(3)</sup>  | 7,050     | 6,709             | 6,874                     |
| Berlin Packaging   | Packaging                                       | Second Lien Term Loan (LIBOR+6.75% with a 1% floor, due 10/1/2022) <sup>(3)</sup>   | 7,205     | 6,855             | 6,809                     |
| Gramercy Park CLO Ltd. <sup>(5)</sup>                                      | Financial Services                              | Subordinated Notes, Residual Interest (11.95%, based on cost, due 7/17/2023) <sup>(3)</sup>                                       | 9,000     | 6,142             | 4,455                     |
| Talos Production, LLC  | Oil & Natural Gas Production and Development    | Senior Unsecured Notes (9.75%, due 2/15/2018) <sup>(3)</sup>  | 12,000    | 11,968            | 3,600                     |
| Shoreline Energy, LLC  | Oil & Natural Gas Production and Development    | Second Lien Term Loan (greater of LIBOR+9.25% with a 1.25% floor plus 2.0% PIK, or prime+8.25%, due 3/30/2019) <sup>(6)(12)</sup> | 12,983    | 12,659            | 3,246                     |
| WASH Multifamily Acquisition, Inc.   | Industrials - Laundry Equipment                 | Second Lien Term Loan (LIBOR+7.0% with a 1% floor, due 5/14/23) <sup>(3)</sup>  | 3,404     | 3,380             | 3,234                     |
| Synarc-BioCore Holdings, LLC   | Healthcare                                      | First Lien Senior Secured Notes (7.75% due 3/10/2021)   | 2,400     | 2,344             | 2,340                     |
| Coinamatic Canada, Inc. <sup>(5)</sup>                                     | Industrials - Laundry Equipment                 | Second Lien Term Loan (LIBOR+7.0% with a 1% floor, due 5/14/23) <sup>(3)</sup>  | 596       | 592               | 566                       |
| Globe BG, LLC  | Coal Production                                 | Contingent earn-out related to July 2011 sale of royalty interests in Alden Resources, LLC <sup>(13)</sup>                        |           | —                 | —                         |
| <b>Subtotal Non-affiliate Investments - (Less than 5% owned)</b>           |   |   |           | <b>\$ 194,531</b> | <b>\$ 143,851</b>         |
| <b>Subtotal Portfolio Investments (82.4% of total investments)</b>         |   |   |           | <b>\$ 241,923</b> | <b>\$ 163,846</b>         |
| <b><u>GOVERNMENT SECURITIES</u></b>  |   |   |           |                   |                           |
| U.S. Treasury Bills <sup>(4)</sup>   |   |   | 35,000    | 35,000            | 35,000                    |
| <b>Subtotal Government Securities (17.6% of total investments)</b>         |   |   |           | <b>\$ 35,000</b>  | <b>\$ 35,000</b>          |
| <b>TOTAL INVESTMENTS</b>   |   |   |           | <b>\$ 276,923</b> | <b>\$ 198,846</b>         |

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**March 31, 2016**  
**(In thousands, except share amounts and percentages)**  
**(Unaudited — Continued)**

**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 Investment Facility. See Note 3 of Notes to Consolidated Financial Statements. Percentages represent interest rates in effect as of March 31, 2016, and due dates represent the contractual maturity dates. Warrants, common stock, units and earn-outs are non-income producing securities, unless otherwise stated.
- (2) 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. Fair value is determined using unobservable inputs (Level 3 hierarchy), unless otherwise stated. See Note 7 of Notes to Consolidated Financial Statements.
- (3) Fair value is determined using prices with observable market inputs (Level 2 hierarchy). See Note 7 of Notes to Consolidated Financial Statements.
- (4) Fair value is determined using prices for identical securities in active markets (Level 1 hierarchy). See Note 7 of Notes to 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 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. We monitor the status of these assets on an ongoing basis.
- (6) Investment on non-accrual status.
- (7) The fair value of our Contour Highwall Holdings, LLC, or Contour, membership units also includes any value attributable to our ownership of 8,000 shares of common stock of Bundy Auger Mining, Inc., an affiliate of Contour.
- (8) Effective December 31, 2015, we executed a fourth amendment to our note purchase and security agreement with OCI Holdings, LLC, or OCI, to waive several defaults and amend covenant limits in exchange for increases in OCI's interest to LIBOR+12% cash with a 1% floor, plus 3% PIK. Also, default interest of \$0.1 million was added to the principal balance.
- (9) Preferred unit holders have a put right starting on July 1, 2016 and Castex has 90 days from the receipt of a put notice to redeem. Upon redemption, we are due the outstanding face amount of \$50 million, any unpaid and accrued dividends, plus an option to elect to receive either: a) a cash payment resulting in a total 12% return or make-whole (inclusive of the 8% cash distributions), or b) our pro rata share of 2% of the outstanding regular limited partner interests in Castex Energy 2005, LP, or Castex (0.67% net to us). If not redeemed within 90 days of the receipt of a put notice, the make-whole steps up to 16.5% since inception, OHAI will be granted board observation rights and other covenants would apply. Further, if the preferred unit holders are not redeemed within one year from the originally scheduled put closing date (90 days after our notice), Castex and the limited partners must use commonly reasonable efforts to enter into a 12% dollar denominated production payment with a 3 year term. If such production payment is not granted within 90 days, Castex must use all available resources to repay preferred interests and the preferred return steps up to 25% from that point forward. Amounts shown for principal and cost include PIK dividends that have been added to the principal balance.
- (10) Effective July 1, 2015, ATP was placed on non-accrual status based on estimated future production payments and income is recognized to the extent cash received.
- (11) For more information on ATP, refer to the discussion of the ATP litigation in Note 6 to the Consolidated Financial Statements.
- (12) Effective June 24, 2015, we executed a third amendment to our credit agreement with Shoreline Energy, LLC, or Shoreline, to amend certain covenant limits in exchange for increases in Shoreline's interest to the greater of LIBOR+9.25% with a 1.25% floor or prime+8.25% with a 1.25% floor, effective after March 31, 2015. The third amendment also included the addition of 0.50% payment-in-kind, or PIK, interest effective after June 30, 2015. Effective September 23, 2015, we executed a fourth amendment to our credit agreement with Shoreline to increase PIK interest to 1.75%. Effective October 22, 2015, we executed a fifth amendment to our credit agreement with Shoreline which included an addition of 0.25% PIK, four quarters of deferred amortization beginning in Q4 2015, and amendments to the leverage and minimum interest coverage ratios.

<sup>(13)</sup> Contingent payment of up to \$6.8 million is dependent upon Alden Resources, LLC's achievement of certain sales volume and operating efficiency levels during the three-year period ended July 2014. The reporting and review mechanism to conclude the ultimate value of the earn-out has not yet been completed. Globe BG, LLC has informally advised us that the company's relative cost of production has not improved since July 2011.

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**December 31, 2015**  
(In thousands, except share amounts and percentages)  
(Unaudited)

| Portfolio Company   | Industry Segment                             | Investment <sup>(1)</sup>   | Principal | Cost             | Fair Value <sup>(2)</sup> |
|---|--|---|-----------|------------------|---------------------------|
| <b>Control Investments - (More than 25% owned)</b>          |  |   |           |                  |                           |
| Contour Highwall Holdings, LLC                              | Coal Mining                                  | Senior Secured Term Loan (12%, due 10/14/2015) <sup>(6)</sup>   | \$ 10,757 | \$ 10,778        | \$ 1,000                  |
| Contour Highwall Holdings, LLC                              | Coal Mining                                  | Unsecured Promissory Note (6%, due 4/11/2016) <sup>(6)</sup>  | 800       | 800              | —                         |
| Contour Highwall Holdings, LLC                              | Coal Mining                                  | 800 Membership Units representing 80% of the common equity <sup>(7)</sup>                               |           | —                | —                         |
| Spirit Resources, LLC                                       | Oil & Natural Gas Production and Development | Tranche A - Senior Secured Term Loan (greater of 8% or LIBOR+4.0%, due 4/28/2015) <sup>(6)</sup>        | 4,657     | 4,621            | —                         |
| Spirit Resources, LLC                                       | Oil & Natural Gas Production and Development | Tranche B - Senior Secured Term Loan (greater of 15% PIK or LIBOR+11.0%, due 10/28/2015) <sup>(6)</sup> | 4,409     | 4,409            | —                         |
| Spirit Resources, LLC                                       | Oil & Natural Gas Production and Development | 80,000 Preferred Units representing 100% of the outstanding equity                                      |           | 8,000            | —                         |
| <b>Subtotal Control Investments - (More than 25% owned)</b> |  |   |           | <b>\$ 28,608</b> | <b>\$ 1,000</b>           |
| <b>Affiliate Investments - (5% to 25% owned)</b>            |  |   |           |                  |                           |
| OCI Holdings, LLC   | Home Health Services                         | Subordinated Note (LIBOR+ 12.0% cash with a 1% floor plus 3% PIK, due 8/15/2018) <sup>(8)(9)</sup>      | \$ 16,310 | \$ 16,147        | \$ 16,310                 |
| OCI Holdings, LLC   | Home Health Services                         | OHA/OCI Investments, LLC Class A Units representing 20.8% diluted ownership of OCI Holdings, LLC        |           | 2,500            | 2,583                     |
| <b>Subtotal Affiliate Investments - (5% to 25% owned)</b>   |  |   |           | <b>\$ 18,647</b> | <b>\$ 18,893</b>          |
| <b>Non-affiliate Investments - (Less than 5% owned)</b>     |  |   |           |                  |                           |
| Castex Energy 2005, LP                                      | Oil & Natural Gas Production and Development | Redeemable Preferred LP Units (current pay 8% cash or 10% PIK, due 7/1/2016) <sup>(10)</sup>            | \$ 51,265 | \$ 51,273        | \$ 43,939                 |
| Appriss Holdings, Inc.                                      | Information Services                         | Second Lien Term Loan (LIBOR+8.25% with a 1% floor, due 5/21/2021)                                      | 13,100    | 12,925           | 12,314                    |
| Kronos Incorporated   | Software                                     | Second Lien Term Loan (LIBOR+8.50% with a 1.25% floor, due 4/30/2020) <sup>(3)</sup>                    | \$ 12,000 | \$ 12,145        | \$ 11,985                 |
| ATP Oil & Gas Corporation/Bennu Oil & Gas, LLC              | Oil & Natural Gas Production and Development | Limited Term Royalty Interest (notional rate of 13.2%) <sup>(11)(12)</sup>                              |           | 27,709           | 11,845                    |
| WP Mustang (Electronic Funds Services, LLC)                 | Financial Services                           | Second Lien Term Loan (LIBOR+7.5% with a 1% floor, due 5/29/2022) <sup>(3)</sup>                        | 10,000    | 9,843            | 10,038                    |

*(See accompanying notes to consolidated financial statements)*

**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**December 31, 2015**  
(In Thousands, Except Share Amounts and Percentages)  
(Continued)

| Portfolio Company   | Industry Segment                                | Investment <sup>(1)</sup>  | Principal | Cost    | Fair Value <sup>(2)</sup> |
|---|---|--|-----------|---------|---------------------------|
| <b>Non-affiliate Investments - (Less than 5% owned) - Continued</b> |   |  |           |         |                           |
| Royal Holdings, Inc.  | Chemicals                                       | Second Lien Term Loan (LIBOR+7.5% with a 1% floor, due 6/19/23) <sup>(3)</sup>   | 10,000    | 9,926   | 9,850                     |
| Shoreline Energy, LLC   | Oil & Natural Gas Production and Development    | Second Lien Term Loan (greater of LIBOR+9.25% with a 1.25% floor plus 2.0% PIK, or prime+8.25%, due 3/30/2019) <sup>(13)</sup> | 12,918    | 12,640  | 9,040                     |
| TIBCO Software, Inc.  | Software  | Senior Unsecured Notes (11.38% due 12/1/2021) <sup>(3)</sup>   | 10,100    | 9,707   | 8,446                     |
| KOVA International, Inc.  | Medical Supplies Manufacturing and Distribution | Senior Subordinated Notes (12.75%, due 8/15/2018)  | 9,000     | 8,898   | 7,920                     |
| Stardust Financial Holdings (Hanson)                                | Building Materials                              | Second Lien Term Loan (LIBOR+9.5% with a 1% floor, due 3/13/2023) <sup>(3)</sup>   | 7,500     | 7,114   | 7,238                     |
| Gramercy Park CLO Ltd. <sup>(5)</sup>                               | Financial Services                              | Subordinated Notes, Residual Interest (11.95%, based on cost, due 7/17/2023) <sup>(3)</sup>                                    | 9,000     | 6,327   | 5,659                     |
| Berlin Packaging  | Packaging                                       | Second Lien Term Loan (LIBOR+6.75% with a 1% floor, due 10/1/2022) <sup>(3)</sup>  | 5,500     | 5,226   | 5,253                     |
| Talos Production, LLC   | Oil & Natural Gas Production and Development    | Senior Unsecured Notes (9.75%, due 2/15/2018) <sup>(3)</sup>   | 12,000    | 11,965  | 5,160                     |
| WASH Multifamily Acquisition, Inc.                                  | Industrials - Laundry Equipment                 | Second Lien Term Loan (LIBOR+7.0% with a 1% floor, due 5/14/23) <sup>(3)</sup>   | 3,404     | 3,380   | 3,225                     |
| Synarc-BioCore Holdings, LLC  | Healthcare                                      | First Lien Senior Secured Notes (7.75% due 3/10/2021)  | 2,400     | 2,342   | 2,340                     |
| Coinamatic Canada, Inc. <sup>(5)</sup>                              | Industrials - Laundry Equipment                 | Second Lien Term Loan (LIBOR+7.0% with a 1% floor, due 5/14/23) <sup>(3)</sup>   | 596       | 592     | 565                       |
| Globe BG, LLC   | Coal Production                                 | Contingent earn-out related to July 2011 sale of royalty interests in Alden Resources, LLC <sup>(14)</sup>                     |           | —       | —                         |
| <b>Subtotal Non-affiliate Investments - (Less than 5% owned)</b>    |   |  |           | 192,012 | 154,817                   |
| <b>Subtotal Portfolio Investments (83.3% of total investments)</b>  |   |  |           | 239,267 | 174,710                   |
| <b>GOVERNMENT SECURITIES</b>  |   |  |           |         |                           |
| U.S. Treasury Bills <sup>(4)</sup>                                  |   |  | 35,000    | 34,997  | 34,997                    |
| <b>Subtotal Government Securities (16.7% of total investments)</b>  |   |  |           | 34,997  | 34,997                    |
| <b>TOTAL INVESTMENTS</b>  |   |  |           | 274,264 | 209,707                   |

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**December 31, 2015**  
**(Continued)**

**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 Investment Facility. See Note 3 of Notes to Consolidated Financial Statements. Percentages represent interest rates in effect as of December 31, 2015, and due dates represent the contractual maturity dates. Warrants, common stock, units and earn-outs are non-income producing securities, unless otherwise stated.
- (2) The Audit Committee recommends fair values of each asset to our Board of Directors, which in good faith determines the final fair value for each investment. Fair value is determined using unobservable inputs (Level 3 hierarchy), unless otherwise stated. See Note 7 of Notes to Consolidated Financial Statements.
- (3) Fair value is determined using prices with observable market inputs (Level 2 hierarchy). See Note 7 of Notes to Consolidated Financial Statements.
- (4) Fair value is determined using prices for identical securities in active markets (Level 1 hierarchy). See Note 7 of Notes to 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 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. We monitor the status of these assets on an ongoing basis.
- (6) Investment on non-accrual status.
- (7) The fair value of our Contour Highwall Holdings, LLC, or Contour, membership units also includes any value attributable to our ownership of 8,000 shares of common stock of Bundy Auger Mining, Inc., an affiliate of Contour.
- (8) Effective July 9, 2014, we executed a third amendment to our note purchase and security agreement with OCI Holdings, LLC, or OCI, to amend certain covenant limits in exchange for increases in OCI’s interest to LIBOR+11% cash with a 1% floor, plus 3% payment-in-kind, or PIK.
- (9) Effective December 31, 2015, we executed a fourth amendment to our note purchase and security agreement with OCI Holdings, LLC, or OCI, to waive several defaults and amend covenant limits in exchange for increases in OCI’s interest to LIBOR+12% cash with a 1% floor, plus 3% PIK. Also, default interest of \$0.1 million was added to the principal balance.
- (10) Preferred unit holders have a put right starting on July 1, 2016 and Castex has 90 days from the receipt of a put notice to redeem. Upon redemption, we are due the outstanding face amount of \$50 million, any unpaid and accrued dividends, plus an option to elect to receive either: a) a cash payment resulting in a total 12% return or make-whole (inclusive of the 8% cash distributions), or b) our pro rata share of 2% of the outstanding regular limited partner interests in Castex Energy 2005, LP, or Castex (0.67% net to us). If not redeemed within 90 days of the receipt of a put notice, the make-whole steps up to 16.5% since inception, OHA will be granted board observation rights and other covenants would apply. Further, if the preferred unit holders are not redeemed within one year from the originally scheduled put closing date (90 days after our notice), Castex and the limited partners must use commonly reasonable efforts to enter into a 12% dollar denominated production payment with a 3 year term. If such production payment is not granted within 90 days, Castex must use all available resources to repay preferred interests and the preferred return steps up to 25% from that point forward. Amounts shown for principal and cost include PIK dividends that have been added to the principal balance.
- (11) Effective July 1, 2015, ATP was placed on non-accrual status based on estimated future production payments and income is recognized to the extent cash received.
- (12) For more information on ATP, refer to the discussion of the ATP litigation in Note 6 to the Consolidated Financial Statements.
- (13) Effective June 24, 2015, we executed a third amendment to our credit agreement with Shoreline Energy, LLC, or Shoreline, to amend certain covenant limits in exchange for increases in Shoreline’s interest to the greater of LIBOR+9.25% with a 1.25% floor or prime+8.25% with a 1.25% floor, effective after March 31, 2015. The third amendment also included the addition of 0.50% payment-in-kind, or PIK, interest effective after June 30, 2015. Effective September 23, 2015, we executed a fourth amendment to our credit agreement with Shoreline to increase PIK interest to 1.75%. Effective October 22, 2015, we executed a fifth amendment to our credit agreement with Shoreline which included an addition of 0.25% PIK, four quarters of deferred amortization beginning in Q4 2015, and amendments to the leverage and minimum interest coverage ratios.

<sup>(14)</sup> Contingent payment of up to \$6.8 million is dependent upon Alden Resources, LLC's achievement of certain sales volume and operating efficiency levels during the three-year period ended July 2014. The reporting and review mechanism to conclude the ultimate value of the earn-out has not yet been completed. Globe BG, LLC has informally advised us that the company's relative cost of production has not improved since July 2011.

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**  
**CONSOLIDATED FINANCIAL HIGHLIGHTS**  
(unaudited)

| <b>Per Share Data<sup>(1)</sup></b>  | <b>For the three months ended March 31,</b> |             |
|--|---|-------------|
|  | <b>2016</b>                                 | <b>2015</b> |
| Net asset value, beginning of period   | \$ 5.49                                     | \$ 7.48     |
| Net investment income  | 0.09  | 0.11        |
| Net realized and unrealized loss on investments <sup>(2)</sup>                         | (0.67)                                      | (0.20)      |
| Net decrease in net assets resulting from operations                                   | (0.58)                                      | (0.09)      |
| Distributions to common stockholders   |   |             |
| Distributions from net investment income   | (0.06)                                      | (0.12)      |
| Net decrease in net assets from distributions  | (0.06)                                      | (0.12)      |
| Net asset value, end of period   | \$ 4.85                                     | \$ 7.27     |
| Market value, beginning of period  | \$ 3.80                                     | \$ 4.69     |
| Market value, end of period  | \$ 3.39                                     | \$ 5.27     |
| Market value return <sup>(3)</sup>   | 0.2 %                                       | 14.9 %      |
| Net asset value return <sup>(3)</sup>  | (0.8)%                                      | (0.6)%      |
| <b>Ratios and Supplemental Data</b>  |   |             |
| (\$ and shares in thousands)   |   |             |
| Net assets, end of period  | \$ 97,906                                   | \$ 149,440  |
| Average net assets   | \$ 107,679                                  | \$ 153,219  |
| Common shares outstanding, end of period   | 20,172                                      | 20,544      |
| Total operating expenses/average net assets <sup>(4)(5)</sup>                          | 12.3 %                                      | 6.8 %       |
| Net investment income/average net assets <sup>(4)</sup>                                | 6.9 %                                       | 5.7 %       |
| Portfolio turnover rate  | 0.4 %                                       | 0.5 %       |
| Net decrease in net assets resulting from operations/average net assets <sup>(4)</sup> | (43.6)%                                     | (5.0)%      |
| <b>Expense Ratios (as a percentage of average net assets)<sup>(4)</sup></b>            |   |             |
| Interest expense and bank fees   | 4.1 %                                       | 1.7 %       |
| Management and incentive fees  | 3.5 %                                       | 1.7 %       |
| Other operating expenses <sup>(5)</sup>  | 4.7 %                                       | 3.4 %       |
| Total operating expenses <sup>(5)</sup>  | 12.3 %                                      | 6.8 %       |

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

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

(3) Return calculations assume reinvestment of distributions and are not annualized.

(4) Annualized.

(5) Net of legal fee reimbursements of \$0 million and \$0.3 million for the three months ended March 31, 2016 and 2015, respectively. Excluding these legal fee reimbursements, other operating expenses and total operating expenses ratios would have been 4.7% and 12.3% and 4.3% and 7.7%, respectively, for the three months ended March 31, 2016 and 2015. See Note 6 of Notes to Consolidated Financial Statements.

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2016**  
**(unaudited)**

**Note 1: Organization and Recent Developments**

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 with certain 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 Investment Company Act of 1940, or the 1940 Act. For federal income tax purposes we operate so as to be treated as a regulated investment company, or 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 new 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, as amended, 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. We eliminate all significant intercompany accounts and transactions upon consolidation. Certain prior period amounts have been reclassified to conform to current period presentation.

We prepare the interim consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. We omit certain information and footnote disclosures normally included in audited financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or 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, 2015.

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.

***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:

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

| <b>Declaration Date</b> | <b>Per Share Amount</b> | <b>Record Date</b> | <b>Payment Date</b> |
|-------------------------|-------------------------|--------------------|---------------------|
| March 18, 2014          | \$ 0.16                 | March 31, 2014     | April 7, 2014       |
| June 10, 2014           | 0.16                    | June 30, 2014      | July 7, 2014        |
| September 11, 2014      | 0.16                    | September 30, 2014 | October 7, 2014     |
| December 17, 2014       | 0.16                    | December 31, 2014  | January 9, 2015     |
| March 3, 2015           | 0.12                    | March 31, 2015     | April 8, 2015       |
| June 10, 2015           | 0.12                    | June 30, 2015      | July 9, 2015        |
| September 17, 2015      | 0.12                    | September 30, 2015 | October 7, 2015     |
| December 11, 2015       | 0.12                    | December 31, 2015  | January 8, 2016     |
| March 15, 2016          | 0.06                    | March 31, 2016     | April 8, 2016       |

**Note 3: Credit Facilities and Borrowings**

We are party to the Third Amended and Restated Revolving Credit Agreement (the "Investment Facility"), dated May 23, 2013, as amended. On September 29, 2014, we amended the Investment Facility to permit the appointment of OHA as our investment advisor. On May 9, 2016, we amended the Investment Facility to extend its maturity date from May 23, 2016 to July 29, 2016 (the "Extension"). As of March 31, 2016, the size of the Investment Facility was \$72.0 million and the outstanding principal balance was \$67.5 million. The Extension reduced the size of the Investment Facility from \$72.0 million to \$54.0 million, reflecting the outstanding principal balance on May 9, 2016.

As of March 31, 2016 and December 31, 2015, the total amount outstanding under the Investment Facility was \$67.5 million and \$72.0 million, respectively. Substantially all of our assets, except our investments in U.S. Treasury Bills, are pledged as collateral for the obligations under the Investment Facility. The Investment Facility bears interest, at our option, at either (i) LIBOR plus 325 to 475 basis points, or (ii) the base rate plus 225 to 375 basis points, both based on our amounts outstanding. As of March 31, 2016, the average interest rate on our outstanding balance of \$67.5 million was 5.19%, and an additional \$4.5 million was available for borrowing under the Investment Facility. Under the Extension, there are no amounts currently available for future borrowing. The Extension requires that we use cash proceeds from any returns of capital on our portfolio investments (net of commissions and other transaction costs, fees and expenses and taxes) to prepay our debt obligations under the Investment Facility (excluding returns of capital in an amount that we determine to be necessary for us to distribute in order to maintain our status as a regulated investment company under the Internal Revenue Code), and those amounts cannot be re-borrowed under the Investment Facility.

Under the Extension, we are permitted to accrue but are prohibited from paying management or incentive fees (excluding reimbursements to OHA for costs and expenses, or indemnification payments owed to OHA) to OHA under our Investment Advisory Agreement or Administration Agreement.

The total outstanding principal amount of our debt obligations under our Investment Facility will be due and payable on July 29, 2016. We are currently in the process of negotiating a new investment facility, which we expect to have in place prior to that date. However, if we do not have a new investment facility in place prior to that date, or if we are unable to further extend our existing Investment Facility, we will consider a number of actions in order to increase our liquidity to levels sufficient to meet our debt obligations under the existing Investment Facility and any other anticipated cash needs through December 31, 2016. These actions include: refinancing our debt obligations with other lenders, disposing of certain portfolio investments, and reducing other controllable cash outflows.

We believe we are able to take such actions in a manner that would enable us to meet our debt obligations and other cash needs through December 31, 2016. However, failure to successfully execute our liquidity plans or otherwise address our liquidity needs may have a material adverse effect on our business and financial position, and may materially affect our ability to continue as a going concern.

We were party to a \$30.0 million Treasury Secured Revolving Credit Agreement, or the Treasury Facility, dated March 31, 2011, as amended, with SunTrust Bank as administrative agent, that could only be used to purchase U.S. Treasury Bills. Proceeds from the Treasury Facility facilitated the growth of our investment portfolio and provided flexibility in the sizing of our portfolio investments. On September 24, 2014, we entered into a fifth amendment to the Treasury Facility, reduced the size

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

of the Treasury Facility to \$30.0 million and permitted the appointment of OHA as our investment advisor. Borrowings under the Treasury Facility bear interest, at our option, at either (i) LIBOR plus 150 basis points or (ii) the base rate plus 50 basis points. The Treasury Facility matured on September 24, 2015 and was not renewed.

The Investment Facility contains and the Treasury Facility did contain affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with these covenants throughout 2015 and the three months ended March 31, 2016, and had no existing defaults or events of default under either facility. The most restrictive covenants, with terms as defined in the credit agreements, are (these restrictive covenants apply to both the Investment Facility and the Treasury Facility, unless otherwise noted):

- maintaining a ratio of net asset value to consolidated total indebtedness (excluding net hedging liabilities) of not less than 2.25:1.0,
- maintaining a ratio of net asset value to consolidated total indebtedness (including net hedging liabilities) of not less than 2.0:1.0,
- maintaining a ratio of EBITDA (excluding revenue from cash collateral) to interest expense (excluding interest on loans under the Treasury Facility) of not less than 3.0:1.0, and
- maintaining a ratio of collateral to the aggregate principal amount of loans under the Treasury Facility of not less than 1.02:1.0.

On March 30, 2016, we purchased \$35.0 million of U.S. Treasury bills and contemporaneously entered into a repurchase arrangement with Wells Fargo Securities, LLC, or WFS, to finance such purchase. Under the repurchase arrangement, we transferred \$35.0 million of U.S. Treasury bills and \$0.7 million of cash to WFS as collateral under the repurchase agreement. We repaid the amount borrowed under the repurchase agreement, and WFS returned to us the \$0.7 million cash collateral, net of a \$3,700 financing fee, upon maturity of the U.S. Treasury bills on April 4, 2016. We account for the transfer of the U.S. Treasury bills under the repurchase agreement as a secured borrowing. As a result, the U.S. Treasury bills are recorded on our books as investments in U.S. Treasury bills, and the amount borrowed under the repurchase agreement is recorded as short-term debt at March 31, 2016.

**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 initial term of the Investment Advisory Agreement is until September 30, 2016, and subsequently for successive one-year renewals, provided such continuation is annually approved by our Board of Directors, a majority of whom are not “interested” persons (as defined in the 1940 Act) of us. 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, 2016 and 2015, we incurred \$0.8 million and \$0.7 million, respectively, in management fees.

*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

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Accordingly, we may pay an incentive fee based partly on accrued investment income, the collection of which is uncertain or deferred. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses, or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less liabilities at the end of the immediately preceding fiscal quarter) is compared to a “hurdle rate” of 1.75% per quarter (7% annualized). OHA receives no incentive fee for any fiscal quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate. OHA receives an incentive fee equal to 100% of our pre-incentive fee net investment income for any fiscal quarter in which our pre-incentive fee net investment income exceeds the hurdle rate but is less than 2.1875% (8.75% annualized) of net assets (also referred to as the “catch up” provision) plus 20% of our pre-incentive fee net investment income for such fiscal quarter greater than 2.1875% (8.75% annualized) of net assets. For the three months ended March 31, 2016, we incurred \$0.1 million of incentive fees and did not incur any incentive fees for the three months ended March 31, 2015.

The second part of the incentive fee, the capital gains fee, is determined and payable in arrears as of the end of each fiscal year (or, upon termination of the Investment Advisory Agreement, as of the termination date). The capital gains 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. We have not incurred any capital gains fees since the Investment Advisory Agreement went into effect on September 30, 2014.

The Investment Advisory Agreement may be terminated at any time, without the payment of any penalty, by a vote of our Board of Directors or a vote of the holders of at least a majority of our outstanding voting securities (within the meaning of the 1940 Act) on 60 days’ written notice to OHA, and would automatically terminate in the event of its “assignment” (within the meaning of the 1940 Act). OHA may terminate the Investment Advisory Agreement without penalty by providing us at least than 60 days’ written notice.

***Administration Agreement***

On September 30, 2014, we entered into the Administration Agreement with OHA pursuant to which OHA replaced NGP Administration, LLC as our administrator and furnishes us with certain administrative services, personnel and facilities. The Administration Agreement has an initial term ending on September 30, 2016. Payments under the Administration Agreement are equal to our allocable portion of OHA’s overhead in performing its obligations under the Administration Agreement, including all administrative services necessary for our operation and the conduct of our business. The aggregate amount of certain costs and expenses payable by us under the Investment Advisory Agreement and the Administration Agreement for the period from October 1, 2014 to September 30, 2015 shall not exceed \$2.5 million, or the Cap; provided that interest expense and bank fees, management and incentive fees, legal and professional fees, insurance expenses, taxes and costs related to the change in investment advisor are not subject to the Cap. 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.

Prior to the September 30, 2014 appointment of OHA as our administrator, we had a similar administration agreement with our previous administrator, NGP Administration, LLC, with similar provisions as the Administration Agreement, except that under the previous administration agreement, (i) there was no Cap on expenses payable by us, and (ii) a portion of compensation costs of investment professionals and certain other costs were allocated to us that are not allocable to us under the Administration Agreement.

We owed \$0.05 million and \$0.2 million to OHA under the Administration Agreement as of March 31, 2016 and December 31, 2015, respectively, for expenses incurred on our behalf for the final month of the respective quarterly period. We include these amounts in accounts payable and accrued expenses on our consolidated balance sheets.

**Note 5: Federal Income Taxes**

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

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.

**Note 6: Commitments and Contingencies**

As of March 31, 2016, we had investments in, or commitments to fund investments to, 19 portfolio company totaling \$241.9 million. As of December 31, 2015, we had investments in or commitments to fund investments to 19 portfolio company totaling \$239.3 million.

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 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.

**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.* On August 17, 2012, ATP Oil & Gas Corporation, or ATP, filed a petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas. Prior to the bankruptcy filing, we purchased limited term overriding royalty interests, or ORRIs, in certain offshore oil and gas producing properties operated by ATP (generally, the Gomez and Telemark properties). Credit Suisse, AG, or CS, and The Bank of New York Mellon Trust Company, N.A., or BONY, which held mortgages on ATP’s interests in the Gomez and Telemark properties at the time of the conveyances, executed certain Acts of Subordination of their liens in favor of OHA. On August 23, 2012, on a motion filed by ATP, the bankruptcy judge presiding over ATP’s case signed an order (Bankr. Dkt. No. 191) requiring ATP to pay amounts received after August 17, 2012 to those parties it believes are entitled to receive them, including the ORRI holders, provided that the ORRI holders execute a disgorgement agreement providing for the repayment of any amounts that the bankruptcy court later finds to have been inappropriately paid. We executed the disgorgement agreement and began receiving monthly distributions in September 2012 from ATP of our share of production proceeds received by ATP after August 17, 2012.

On October 17, 2012, we filed a lawsuit against ATP styled: *OHA Investment Corporation v. ATP Oil & Gas Corporation*, Adv. Proc. No. 12-03443, in the U.S. Bankruptcy Court for the Southern District of Texas, seeking a declaration

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

that the ORRIs are our property and not property of ATP and that the conveyance and purchase and sale documents are not executory contracts that may be rejected in order to remove or recharacterize our interests in the properties (the "Adversary Proceeding"). ATP filed an answer and counterclaim in which it claimed, among other things, that the ORRIs were a financing agreement and not a real property interest and that ATP was entitled to disgorge from us any and all royalties paid since the date of ATP's bankruptcy filing. The United States, on behalf of the Department of the Interior, intervened arguing that the underlying leases are unexpired leases of real property or executory contracts (and not real property conveyances) and are subject to rejection by ATP. BONY, the secondary lien holder, intervened, arguing, among other things, that the ORRIs are a financing agreement and not a real property interest. Also, certain service companies claiming statutory liens or privileges intervened for the purpose of establishing that their alleged statutory liens and privileges are superior to our rights in the ORRIs and asserting related claims for disgorgement of royalties paid to us by ATP. The issues in the Adversary Proceeding were bifurcated such that the issues of (i) whether the conveyances and transactions between us and ATP constituted outright transfers of ownership and (ii) whether the conveyances are executory contracts or leases that ATP may reject, would be tried first as "Phase 1" of the proceeding. And, any additional claims, including the service company statutory lien claims and related issues, would be decided later in "Phase 2." Phase 1 of the litigation proceeded into the discovery stage and dispositive motion practice.

In connection with an auction and various proceedings in the bankruptcy case, CS, as administrative and collateral agent to those lenders who are parties to that certain Senior Secured Super Priority Priming Debtor in Possession Credit Agreement dated August 29, 2012, or the DIP Lenders, submitted a Credit Bid - or bid based on a reduction in the amount of ATP's outstanding indebtedness to CS - to purchase the Telemark properties and certain other assets. On October 17, 2013, the bankruptcy court entered its Final Sale Order approving the sale (Bankr. Dkt. No. 2706) to Benu Oil & Gas, LLC, or Benu, a newly formed company owned by the DIP Lenders. The assets purchased included claims asserted by ATP in our pending Adversary Proceeding.

On May 20, 2014, Benu substituted into the Adversary Proceeding for ATP with respect to any claims that relate to assets purchased from ATP. And, on June 26, 2014, the bankruptcy court entered an order converting ATP's bankruptcy case to a case under Chapter 7 of the U.S. Bankruptcy Code. Rodney D. Tow was appointed as Chapter 7 Trustee of ATP's bankruptcy estate.

Subsequently, a series of disputes arose in the main bankruptcy case and the Adversary Proceeding between us, Benu, and the Trustee regarding who owned and/or held the right to prosecute and finally resolve the claims that were asserted by ATP against us. Based on certain rulings of the bankruptcy court in connection with those disputes (*see*, Adv. Dkt. No. 236) and a settlement with Benu, we and Benu filed, on April 30, 2015, an Expedited Joint Motion to Enter Agreed Judgment (Adv. Dkt. No. 251), seeking entry of an Agreed Judgment determining that, among other things, the ORRIs are a real property interest and a "production payment" within the meaning of Sections 101(42A) and 541(b) of the United States Bankruptcy Code, and that the ORRIs are not and never were property of ATP's bankruptcy estate. In connection with the Joint Motion, we entered into a Settlement and Release Agreement with Benu pursuant to which, in exchange for the Agreed Judgment, we agreed to withdraw and/or release Benu from certain claims primarily relating to our claim for breach of the Acts of Subordination which were executed by CS in connection with the conveyance of the ORRIs. Based on an Objection filed by the Trustee to the Joint Motion to Enter Agreed Judgment (Adv. Dkt. No. 253), the Court abated the Motion, pending further submission by us and Benu.

On October 14, 2015, we entered into a Stipulation of Settlement and Release with the Trustee, Benu and CS, as agent to the DIP Lenders (Adv. Dkt. No. 270, 271). Pursuant to the Stipulation, in exchange for a cash payment of \$335,000 and a \$3.0 million reduction/credit on the outstanding indebtedness owed by ATP to CS, the Trustee agreed (i) to dismiss any and all claims against us with prejudice, (ii) to release us from any and all claims of any nature; and (iii), among other things, that he shall not contest that the ORRIs are a real property interest and a "production payment" within the meaning of Sections 101(42A) and 541(b) of the United States Bankruptcy Code, and that the ORRIs are not and never were property of ATP's bankruptcy estate. The Trustee is deemed to have transferred to CS any rights he holds in claims arising under section 549 of the Bankruptcy Code, and CS and the DIP Lenders, in turn, released us from such claims. In exchange for the agreements of the Trustee and CS, we agreed to prosecute a motion to dismiss our claims against the Trustee without prejudice. Our separate Settlement and Release Agreement with Benu remains in effect, and we released CS and the DIP Lenders from any claims relating to the ORRIs and our transaction documents, including the Acts of Subordination. On December 14, 2015, the Court entered its order approving the Stipulation, and it dismissed the Trustee's claims with prejudice. On December 16, 2015, we filed a Motion to Dismiss Claims Against ATP Without Prejudice, and our Joint Motion for Agreed Judgment was reset for

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

hearing. On February 4, 2016, our Motion for Agreed Judgment was granted, and an Agreed Final Judgment [Adv. Dkt. No. 276] was entered determining that, among other things, the ORRIs are a real property interest and a “production payment” within the meaning of Sections 101(42A) and 541(b) of the United States Bankruptcy Code. Likewise, our Motion to Dismiss Claims Against ATP Without Prejudice was granted. The Agreed Judgment resolved Phase 1 of the Adversary Proceeding. It does not address any disputes between us and Bennu with respect to the proper calculation of the investment balance under the terms of the ORRIs, including our legal fees, default interest, or the claims asserted by the statutory lien claimants.

On February 3, 2016, we filed our Amended Motion to Dismiss the Complaints in Intervention Filed by the Statutory Lien Claimants [Adv. Dkt. No. 274]. And, the court entered a related Case Management Order on February 4, 2016 [Adv. Dkt. No. 277]. The Amended Motion to Dismiss asserts, among other things, that under the terms of the applicable Louisiana Oil Well Lien Statute, the alleged privileges/statutory liens of the intervenors cannot attach to hydrocarbons owned by or amounts due to holders of overriding royalty interests. We also filed a Motion to Withdraw the Reference of the Phase II Claims from the Bankruptcy Court to the District Court [Adv. Dkt. No. 278]. The statutory lien claimants filed responses to the Amended Motion to Dismiss and the Motion to Withdraw the Reference. On March 24, 2016, the court conducted a hearing on our Amended Motion to Dismiss and Motion to Withdraw the Reference. At the conclusion of the hearing, the court estimated that it would take approximately six weeks for the court to issue a ruling.

The lawsuit is pending and is in the initial stages of Phase II. As of March 31, 2016, our unrecovered investment was \$29.3 million, and we had received aggregate royalty payments of \$35.9 million since the date of ATP’s bankruptcy filing. As of March 31, 2016, we had incurred legal and consulting fees totaling \$5.5 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, 2016, \$5.3 million of the \$5.5 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. The remaining amounts of legal and consulting fees, totaling \$25 thousand and \$261 thousand as of March 31, 2016 and December 31, 2015, respectively, are included in accounts receivable and other current assets on our consolidated balance sheets and are, thus, not included in the unrecovered investment balance as of such dates.

Through March 31, 2016, we received post-petition royalty payments from the Gomez properties and the Telemark properties in the amount of \$8.3 million and \$27.6 million, respectively. It is estimated that the statutory lien claims asserted by the intervenors in the Adversary Proceeding against our ORRIs are in the principal amount of approximately \$35.2 million. At this time, we estimate that there are potential statutory lien claims (including the claims of the intervenors in the Adversary Proceeding, without regard to the validity of such claims) in the principal amount of approximately \$54.2 million. We have or will assert that we have viable defenses with respect to all of the claims of the statutory lien claimants or any other claim which seeks to avoid or disgorge any pre-petition or post-petition royalty payment which we received in respect of the Telemark or Gomez properties. In the event we do not prevail on our defenses to the statutory lien claims or any other claim seeking to avoid or disgorge pre-petition or post-petition royalty payments, we contend that, pursuant to the terms of our transaction documents, we are entitled to include any amounts disgorged on account of any such claims into the unrecovered investment balance of our ORRIs. Moreover, to the extent we do not prevail on our defenses to any action brought by the holder of a statutory lien claim, we contend that we would be permitted to seek contribution from other ORRI and net profits interest holders with respect to any disgorged amounts.

However, in the event our defenses to the claims of the statutory lien claimants are unsuccessful or we otherwise become liable for disgorgement of any pre-petition or post-petition royalty payments which we have received from either the Gomez or Telemark properties, the remaining oil and gas reserves associated with the Telemark properties may be insufficient to provide for a full recovery on our investment. In the event that it is determined that we are not entitled to include amounts disgorged on account of statutory lien claims or other claims, if any, into the unrecovered investment balance of our ORRIs, any disgorged amounts will result in a failure to achieve our anticipated return and/or a loss on our investment.

While we intend to vigorously defend our legal positions in the Adversary Proceeding, there can be no assurance that we will ultimately prevail in any or all of these matters.

**Note 7: Fair Value**

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

Our investments consisted of the following as of March 31, 2016 and December 31, 2015:

| (Dollar amounts in thousands)    | March 31, 2016 |            |            |            | December 31, 2015 |            |            |            |
|----------------------------------|----------------|------------|------------|------------|-------------------|------------|------------|------------|
|                                  | Cost           | % of total | Fair Value | % of total | Cost              | % of total | Fair Value | % of total |
| <b>Portfolio investments</b>     |                |            |            |            |                   |            |            |            |
| First lien secured debt          | \$ 22,152      | 8.0%       | \$ 3,340   | 1.8%       | \$ 22,150         | 8.1%       | \$ 3,340   | 1.7%       |
| Second lien debt                 | 75,039         | 27.1%      | 64,453     | 32.4%      | 73,791            | 26.9%      | 69,508     | 33.1%      |
| Subordinated debt                | 47,676         | 17.2%      | 37,872     | 19.0%      | 47,517            | 17.3%      | 37,836     | 18.0%      |
| Limited term royalties           | 27,845         | 10.1%      | 11,950     | 6.0%       | 27,709            | 10.1%      | 11,845     | 5.6%       |
| Redeemable preferred units       | 52,569         | 19.0%      | 39,215     | 19.7%      | 51,273            | 18.7%      | 43,939     | 21.0%      |
| CLO residual interests           | 6,142          | 2.2%       | 4,455      | 2.2%       | 6,327             | 2.3%       | 5,659      | 2.7%       |
| Equity securities                |                |            |            |            |                   |            |            |            |
| Membership and partnership units | 10,500         | 3.8%       | 2,561      | 1.3%       | 10,500            | 3.8%       | 2,583      | 1.2%       |
| Total equity securities          | 10,500         | 3.8%       | 2,561      | 1.3%       | 10,500            | 3.8%       | 2,583      | 1.2%       |
| Total portfolio investments      | 241,923        | 87.4%      | 163,846    | 82.4%      | 239,267           | 87.2%      | 174,710    | 83.3%      |
| Government securities            |                |            |            |            |                   |            |            |            |
| U.S. Treasury Bills              | 35,000         | 12.6%      | 35,000     | 17.6%      | 34,997            | 12.8%      | 34,997     | 16.7%      |
| Total investments                | \$ 276,923     | 100.0%     | \$ 198,846 | 100.0%     | \$ 274,264        | 100.0%     | \$ 209,707 | 100.0%     |

We account for all of the assets in our investment portfolio at fair value, following the provisions of the Financial Accounting Standards Board Accounting Standards Codification *Fair Value Measurements and Disclosures*, 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. Since December 31, 2014, our general practice is that we have an independent valuation firm review all Level 3 investments (those whose value is determined using significant unobservable inputs) with recommended fair values in excess of \$10 million on a quarterly basis, and review all Level 3 investments with recommended fair values greater than zero at least annually to provide positive assurance on our valuations.
- *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.

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

- *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.

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, 2016 or December 31, 2015.

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

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

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

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

For some of our securities, quoted prices in active markets for identical assets (Level 1 valuation inputs) or other significant observable inputs, including quoted prices of similar securities, interest rates, prepayments, credit risk, etc. (Level 2 valuation inputs) are readily available from independent sources and are used to value such securities. For other securities, there

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

will be no readily available Level 1 or Level 2 pricing information, and therefore significant unobservable inputs (Level 3 valuation inputs), including the assumptions of OHA, must be relied upon in determining fair value for these securities.

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

Due to the inherent uncertainty in the valuation process, the fair values of our investments may differ materially from the values that would have been used had a ready market for the securities existed. Additionally, changes in the market environment, portfolio company performance and other events that may occur over the lives of the investments may cause the gains or losses ultimately realized on our investments to be materially different than the valuations currently assigned.

We occasionally have investments in our portfolio that contain payment-in-kind, or PIK, interest or dividend provisions. We compute PIK interest income or PIK dividend income at the contractual rate specified in each investment agreement, and we add that amount to the principal balance of the investment. For investments with PIK interest or PIK dividends, we calculate our income accruals on the principal balance plus any PIK amounts. If the portfolio company's projected cash flows, further supported by estimated total enterprise value, are not sufficient to cover the contractual principal and interest or dividend amounts, as applicable, we do not accrue PIK interest income or PIK dividend income on the investment. To maintain our RIC status, we must pay out this non-cash income to stockholders in the form of distributions, even though we have not yet collected the cash. We recorded net PIK interest income of \$0.1 million and \$0.1 million in the three months ended March 31, 2016 and 2015, respectively. We recorded PIK dividend income from our investment in Castex Energy 2005, LP, of \$1.3 million for the three months ended March 31, 2016, and did not record any PIK dividend income in the three months ended March 31, 2015.

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

The following tables set forth the fair value of our investments by level within the fair value hierarchy as of March 31, 2016 and December 31, 2015 (in thousands):

| <b>March 31, 2016</b>            | <b>Total</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|----------------------------------|--------------|----------------|----------------|----------------|
| <b>Portfolio investments</b>     |              |                |                |                |
| <b>Control investments</b>       |              |                |                |                |
| First lien secured debt          | \$ 1,000     | \$ —           | \$ —           | \$ 1,000       |
| Total control investments        | 1,000        | —              | —              | 1,000          |
| <b>Affiliate investments</b>     |              |                |                |                |
| Subordinated debt                | 16,434       | —              | —              | 16,434         |
| Equity securities                | 2,561        | —              | —              | 2,561          |
| Total affiliate investments      | 18,995       | —              | —              | 18,995         |
| <b>Non-affiliate investments</b> |              |                |                |                |
| First lien secured debt          | 2,340        | —              | —              | 2,340          |
| Second lien debt                 | 64,453       | —              | 48,893         | 15,560         |
| Subordinated debt                | 21,438       | —              | 12,438         | 9,000          |
| Limited term royalties           | 11,950       | —              | —              | 11,950         |
| Redeemable preferred units       | 39,215       | —              | —              | 39,215         |
| CLO residual interests           | 4,455        | —              | 4,455          | —              |
| Total non-affiliate investments  | 143,851      | —              | 65,786         | 78,065         |
| Total portfolio investments      | 163,846      | —              | 65,786         | 98,060         |
| <b>Government securities</b>     |              |                |                |                |
| U.S. Treasury Bills              | 35,000       | 35,000         | —              | —              |
| Total investments                | \$ 198,846   | \$ 35,000      | \$ 65,786      | \$ 98,060      |
| <b>December 31, 2015</b>         |              |                |                |                |
| <b>Portfolio investments</b>     |              |                |                |                |
| <b>Control investments</b>       |              |                |                |                |
| First lien secured debt          | \$ 1,000     | \$ —           | \$ —           | \$ 1,000       |
| Total control investments        | 1,000        | —              | —              | 1,000          |
| <b>Affiliate investments</b>     |              |                |                |                |
| Subordinated debt                | 16,310       | —              | —              | 16,310         |
| Equity securities                | 2,583        | —              | —              | 2,583          |
| Total affiliate investments      | 18,893       | —              | —              | 18,893         |
| <b>Non-affiliate investments</b> |              |                |                |                |
| First lien secured debt          | 2,340        | —              | —              | 2,340          |
| Second lien debt                 | 69,508       | —              | 48,154         | 21,354         |
| Subordinated debt                | 21,526       | —              | 13,606         | 7,920          |
| Limited term royalties           | 11,845       | —              | —              | 11,845         |
| Redeemable preferred units       | 43,939       | —              | —              | 43,939         |
| CLO residual interests           | 5,659        | —              | 5,659          | —              |
| Total non-affiliate investments  | 154,817      | —              | 67,419         | 87,398         |
| Total portfolio investments      | 174,710      | —              | 67,419         | 107,291        |
| <b>Government securities</b>     |              |                |                |                |
| U.S. Treasury Bills              | 34,997       | 34,997         | —              | —              |
| Total investments                | \$ 209,707   | \$ 34,997      | \$ 67,419      | \$ 107,291     |

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

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):

|   | <b>First<br/>Lien Secured<br/>Debt and<br/>Limited Term<br/>Royalties</b> | <b>Second<br/>Lien Debt</b> | <b>Subordinated<br/>Debt and<br/>Redeemable<br/>Preferred Units</b> | <b>Equity<br/>Securities</b> | <b>Total<br/>Investments</b> |
|---|---|-----------------------------|---|------------------------------|------------------------------|
| <b>For the three months ended March 31, 2016</b>  |   |                             |   |                              |                              |
| Fair value at December 31, 2015   | \$ 15,185   | \$ 21,354                   | \$ 68,169   | \$ 2,583                     | \$ 107,291                   |
| Total gains, (losses) and amortization:   |   |                             |   |                              |                              |
| Net unrealized gains (losses)   | (33)  | (5,819)                     | (4,961)   | (22)                         | (10,835)                     |
| Net amortization of premiums, discounts and fees  | 2   | 10                          | 17  | —                            | 29                           |
| New investments, repayments and settlements, net:   |   |                             |   |                              |                              |
| PIK   | 136   | 15                          | 1,424   | —                            | 1,575                        |
| Fair value at March 31, 2016  | <u>\$ 15,290</u>  | <u>\$ 15,560</u>            | <u>\$ 64,649</u>  | <u>\$ 2,561</u>              | <u>\$ 98,060</u>             |
| Net change in unrealized gains (losses) from investments still held as of reporting date: |   |                             |   |                              |                              |
| March 31, 2016  | \$ (33)   | \$ (5,819)                  | \$ (4,961)  | \$ (22)                      | \$ (10,835)                  |
| March 31, 2015  | (3,098)   | 55                          | 113   | 380                          | (2,550)                      |

|   | <b>First<br/>Lien Secured<br/>Debt and<br/>Limited Term<br/>Royalties</b> | <b>Second<br/>Lien Debt</b> | <b>Subordinated<br/>Debt and<br/>Redeemable<br/>Preferred Units</b> | <b>Equity<br/>Securities</b> | <b>Total<br/>Investments</b> |
|---|---|-----------------------------|---|------------------------------|------------------------------|
| <b>For the three months ended March 31, 2015</b>  |   |                             |   |                              |                              |
| Fair value at December 31, 2014                   | \$ 34,970   | \$ 21,835                   | \$ 79,606   | \$ 2,147                     | \$ 138,558                   |
| Total gains, (losses) and amortization:           |   |                             |   |                              |                              |
| Net unrealized gains (losses)                     | (3,109)   | 54                          | 113   | 322                          | (2,620)                      |
| Net amortization of premiums, discounts and fees  | 57  | 22                          | 16  | —                            | 95                           |
| New investments, repayments and settlements, net: |   |                             |   |                              |                              |
| New investments                                   | —   | 18,513                      | 440   | —                            | 18,953                       |
| PIK   | —   | —                           | 118   | —                            | 118                          |
| Repayments and settlements                        | (700)   | (195)                       | —   | —                            | (895)                        |
| Fair value at March 31, 2015                      | <u>\$ 31,218</u>  | <u>\$ 40,229</u>            | <u>\$ 80,293</u>  | <u>\$ 2,469</u>              | <u>\$ 154,209</u>            |

During both the three month periods ended March 31, 2016 and 2015, 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.”

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

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, 2016 (dollars in thousands):

| Type of Investment                                 | Fair Value       | Valuation Technique  | Significant Unobservable Inputs | Range of Inputs                | Weighted Average |
|--|------------------|----------------------|---------------------------------|--------------------------------|------------------|
| <b><u>Non-Energy Investments:</u></b>              |                  |                      |                                 |                                |                  |
| First lien secured debt                            | \$ 2,340         | Market comparables   | Market yields                   | 8.3%                           | 8.3%             |
| Second lien debt                                   | 12,314           | Market comparables   | Market yields                   | 11.2%                          | 11.2%            |
| Subordinated Debt                                  | 25,434           | Market comparables   | Market yields                   | 13.4% - 17.2%                  | 15.9%            |
| Equity securities                                  | 2,561            | Market comparables   | EBITDA multiples                | 5.25x                          | 5.25x            |
|  | <u>42,649</u>    |                      |                                 |                                |                  |
| <b><u>Energy Investments:</u></b>                  |                  |                      |                                 |                                |                  |
| First lien secured debt and limited term royalties | 12,950           | Discounted cash flow | Discount rate                   | 31.9%                          | 31.9%            |
| Second lien debt                                   | 3,246            | Market comparables   | Market yields                   | N/A                            | N/A              |
|  |                  |                      | Reserve multiples               | \$6.60-\$9.00 <sup>(1)</sup>   | \$7.80           |
|  |                  |                      | Production multiples            | \$24.00-\$36.00 <sup>(2)</sup> | \$30.00          |
| Redeemable preferred units                         | 39,215           | Discounted cash flow | Discount rate                   | 165.7%                         | 165.7%           |
|  | <u>55,411</u>    |                      |                                 |                                |                  |
| <b>Total Level 3 investments</b>                   | <u>\$ 98,060</u> |                      |                                 |                                |                  |

(1) Based on recent comparable transactions involving similar assets, expressed as price per unit of equivalent barrel of oil in proved reserves.

(2) Based on recent comparable transactions involving similar assets, expressed as price per daily production of equivalent barrel of oil in proved reserves.

**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 the Company 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

**OHA INVESTMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)**  
**March 31, 2016**  
**(unaudited)**

per share, a 27% discount to net asset 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.

## 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 2015 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;
- the negotiation of a new credit facility to replace our investment facility;
- other factors enumerated in our filings with the Securities and Exchange Commission, or the SEC;
- further decrease in oil and gas prices for an extended period causing further losses in E&P holdings; 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 designed to provide our investors with current income and capital appreciation. We focus primarily on providing creative direct lending solutions to middle market private companies across industry sectors. Our investment objective is to generate both current income and capital appreciation primarily through debt investments, some of which include equity components. 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.

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

OHA expects that most of our new investments will be in senior and junior secured, unsecured and subordinated debt securities in U.S. private and small public middle market companies with maturities ranging from three to seven years. However, OHA seeks to identify attractive investments throughout the capital structure and thus may invest in equity, distressed debt, residual interests of collateralized loan obligation funds, or CLOs, and other assets. We may invest in newly issued securities and acquire investments in the secondary market. We do not currently intend to invest in mortgage-related structured products.

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

The aggregate fair value of our investment portfolio at March 31, 2016 was \$163.8 million, with such value comprised of 17 active portfolio investments compared to 10 active portfolio investments at September 30, 2014. 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, such as natural gas, crude oil and coal. Consequently, a significant portion of our current investment portfolio value is comprised of debt securities and other investments in upstream exploration and production companies engaged in the acquisition, development and production of oil and natural gas properties in and along the Gulf Coast, and in the state and federal waters of the Gulf of Mexico.

Part of our current investment approach is to reduce our 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 various industry sectors. The concentration of our investment portfolio in the energy sector decreased to 36% at March 31, 2016 from 74% at September 30, 2014, on a fair value basis.

Our historical focus and current concentration in the energy sector causes our portfolio to be particularly influenced by commodity prices for oil and natural gas, which declined dramatically during the fourth quarter of 2014 and remain significantly lower than they have been in recent years. Further decline in commodity prices or increased volatility in the energy markets, particularly in North America, may further significantly affect the business, financial condition, results of operations and cash flows of our energy-related portfolio companies and their ability to meet financial commitments, which would negatively impact the fair values of our energy-related investments in such companies and, in turn, our net asset value. These factors may also extend the holding period for such investments, thus impacting our ability to reduce the concentration of energy investments in our portfolio.

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, no assurance can be given that OHA will be able to source sufficient appropriate investments for us to timely replace the investment income from the realized investments.

#### **Portfolio and Investment Activity**

In January 2016, we purchased a \$1.7 million second lien term loan to Berlin Packaging, or Berlin, adding to our \$5.5 million position that was previously acquired in December 2015. The \$1.7 million Berlin loan was purchased at a 5.0% discount, earns interest payable in cash at a rate of 7.75% per annum (LIBOR+6.75% with a 1.0% floor) and matures in October 2022.

In March 2016, we sold \$0.5 million of the second lien term loan of Stardust Financial Holdings, Inc., an affiliate of Hanson Building Products, at a price of 97.0 price, resulting in a realized capital gain of \$24 thousand or \$0.00 per share.

In 2011 and 2012, we purchased from ATP Oil & Gas Corporation, or ATP, limited-term overriding royalty interests, or ORRIs, in certain offshore oil and gas producing properties operated by ATP in the Gulf of Mexico, including \$25.0 million paid on July 3, 2012. Under this arrangement, we purchased the right to portions (ranging from 5.0% to 10.8%) of the monthly production proceeds from the various oil and gas properties subject to the ORRIs in ATP's Gomez and Telemark properties.

The terms of the ORRIs provide that they will terminate after we receive production payments that equal a defined sum calculated (generally) based on our investment in the ORRIs plus a time-value factor at a rate of 13.2% per annum. On August 17, 2012, ATP filed for protection under Chapter 11 of the U.S. Bankruptcy Code. For more information, please refer to the discussion of the ATP Litigation under the heading “Legal Proceedings” in Note 6 to our interim consolidated financial statements. As of March 31, 2016, our unrecovered investment was \$29.3 million, and we had received aggregate production payments of \$35.9 million subject to a disgorgement agreement. In addition, as of March 31, 2016, we had incurred legal and consulting fees totaling \$5.5 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. We add our legal expenses to the unrecovered investment balance in accordance with our transaction documents. As of March 31, 2016, \$5.3 million of the \$5.5 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. The remaining amounts of legal and consulting fees, totaling \$25 thousand and \$261 thousand as of March 31, 2016 and December 31, 2015, respectively, are included in accounts receivable and other current assets on our consolidated balance sheets and are, thus, not included in the unrecovered investment balance as of such dates.

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, 2016          |                         |            | December 31, 2015       |                         |            |
|---------------------------------------|-------------------------|-------------------------|------------|-------------------------|-------------------------|------------|
|                                       | Weighted Average Yields | Percentage of Portfolio |            | Weighted Average Yields | Percentage of Portfolio |            |
|                                       |                         | Cost                    | Fair Value |                         | Cost                    | Fair Value |
| First lien secured debt               | 8.4%                    | 9.3%                    | 2.1%       | 8.3%                    | 9.3%                    | 1.9%       |
| Second lien debt                      | 9.2%                    | 31.0%                   | 39.3%      | 10.0%                   | 30.8%                   | 39.8%      |
| Subordinated debt                     | 13.3%                   | 19.7%                   | 23.1%      | 13.3%                   | 19.9%                   | 21.7%      |
| Limited term royalties                | 7.8%                    | 11.5%                   | 7.3%       | 11.8%                   | 11.6%                   | 6.8%       |
| Redeemable preferred units            | 10.0%                   | 21.7%                   | 23.9%      | 10.0%                   | 21.4%                   | 25.1%      |
| CLO residual interests <sup>(1)</sup> | 13.6%                   | 2.5%                    | 2.7%       | 13.3%                   | 2.6%                    | 3.2%       |
| Equity securities                     |                         |                         |            |                         |                         |            |
| Membership and partnership units      | —%                      | 4.3%                    | 1.6%       | —%                      | 4.4%                    | 1.5%       |
| Total equity securities               | —%                      | 4.3%                    | 1.6%       | —%                      | 4.4%                    | 1.5%       |
| Total portfolio investments           | 10.3%                   | 100.0%                  | 100.0%     | 11.0%                   | 100.0%                  | 100.0%     |

<sup>(1)</sup> Yields from investments in CLO residual interests represent the implied internal rate of return calculation expected from cash flows.

As of March 31, 2016 and December 31, 2015, the total fair value of our portfolio investments was \$163.8 million and \$174.7 million, respectively. Of those fair value totals, approximately \$98.1 million, or 59.8%, as of March 31, 2016, and \$107.3 million, or 61.4%, as of December 31, 2015 are determined using significant unobservable (i.e., Level 3) inputs.

## Results of Operations

### Investment Income

Investment income includes interest on our investments, dividend income and royalty income. Dividend income is income we from certain of our equity investments. Royalty income is net of amortization that we receive in connection with certain of our investments. These fees are recognized as earned.

| Investment Income<br>(in thousands)            | For the three months ended March 31, |          |
|--|--------------------------------------|----------|
|  | 2016                                 | 2015     |
| Interest income                                | \$ 3,813                             | \$ 3,777 |
| Dividend income                                | 1,313                                | 988      |
| Royalty income, net of amortization, and other | 31                                   | 51       |
| Total investment income                        | \$ 5,157                             | \$ 4,816 |

For the three months ended March 31, 2016, investment income increased by \$0.3 million compared to the same period of prior year, primarily as a result of an increase in average portfolio investment balance of \$35.2 million, partially offset by a decline in the weighted average investment income yield of 8.1% in the 2016 period from 9.3% in the 2015 period.

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<br>(in thousands)      | For the three months ended March 31, |          |
|---|--------------------------------------|----------|
|   | 2016                                 | 2015     |
| Interest expense and bank fees            | \$ 1,088                             | \$ 663   |
| Management and incentive fees             | 930                                  | 678      |
| Professional fees                         | 720                                  | 563      |
| Other general and administrative expenses | 567                                  | 721      |
| Total operating expenses                  | \$ 3,305                             | \$ 2,625 |

For the three months ended March 31, 2016, operating expenses increased from the comparable prior period. Interest expense and bank fees increased during the 2016 period compared to the same period in 2015, primarily due to an increase in weighted average debt outstanding on our investment facility of \$37.9 million and higher interest rates in the 2016 period compared to 2015. Management fees were higher in the current period primarily as a result of higher total assets subject to base management fee under the Investment Advisory Agreement with OHA and expiration of the 0.25% reduction in the base management fee rate through September 30, 2015. Professional fees increased during the 2016 period compared to the same period in 2015, primarily due to higher legal and audit fees. Other general and administrative expenses decreased during the 2016 period as compared to the same period in 2015, primarily due to a decrease in employee related expenses.

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, 2016 we incurred \$100,000 and did not incur any incentives fees for the three months ended March 31, 2015.

| Net Investment Income<br>(in thousands) | For the three months ended March 31, |          |
|---|--------------------------------------|----------|
|   | 2016                                 | 2015     |
| Net investment income                   | \$ 1,835                             | \$ 2,169 |
| Net investment income per common share  | \$ 0.09                              | \$ 0.11  |

During the three month period ended March 31, 2016, the decrease in net investment income compared to the three month period ended March 31, 2015 was driven by higher operating expenses, partially offset by an increase in investment income in 2016.

#### Net Realized Gains and Losses

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

| Net Realized Gains and Losses<br>(in thousands) | For the three months ended March 31, |         |
|---|--------------------------------------|---------|
|   | 2016                                 | 2015    |
| Net realized gains and losses                   | \$ 24                                | \$ (21) |
| Net realized gains and losses per common share  | \$ —                                 | \$ —    |

For the three months ended March 31, 2016, we realized capital gains related to the sale of a \$0.5 million principal amount of our Hanson investment. In the comparable 2015 period, we realized capital losses related to our investment in DeanLake LP equity units.

#### Net Unrealized Appreciation (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<br>(in thousands) | For the three months ended March 31, |            |
|---|--------------------------------------|------------|
|   | 2016                                 | 2015       |
| Control investments   | \$ —                                 | \$ (1,224) |
| Affiliate investments   | (35)                                 | 368        |
| Non-affiliate investments   | (13,488)                             | (3,177)    |
| Net unrealized appreciation (depreciation) on investments                   | \$ (13,523)                          | \$ (4,033) |
| Net unrealized appreciation (depreciation) on investments per common share  | \$ (0.67)                            | \$ (0.20)  |

#### Control Investments

For the three months ended March 31, 2016, there was no change in value of our control investments. In the comparable 2015 period, we recognized net unrealized depreciation of \$1.2 million which was primarily due to a decrease in the fair value of our Contour and Spirit investments of \$0.4 million and \$0.8 million, respectively.

#### Affiliate Investments

For the three months ended March 31, 2016, the increase in net unrealized depreciation on our affiliate investments was attributable to a decrease in the fair value of our investment in OCI. In the comparable 2015 period, we recognized net unrealized appreciation of \$0.4 million, primarily due to an increase in the estimated fair value of our investment in OCI.

#### Non-Affiliate Investments

For the three months ended March 31, 2016, the increase in net unrealized depreciation on our non-affiliate investments was primarily due to a decrease in the fair value of our investments in Castex of \$6.0 million, Shoreline of \$5.8 million, Talos of \$1.6 million, Gramercy of \$1.0 million and other investments totaling a net \$0.1 million. This was partially offset by an increase in fair value of our investment in KOVA of \$1.1 million. In the comparable 2015 period, we recognized net unrealized depreciation of \$3.2 million primarily due to a decrease in the estimated fair value of our investments in the ATP of \$2.4 million and Talos of \$2.5 million. This was partially offset by increases in fair value of our investments in Castex of \$0.6 million, Gramercy of \$0.6 million and a net increase of \$0.5 million in other investments.

**Net Decrease in Net Assets Resulting from Operations**

(in thousands)

**For the three months ended March 31,****2016****2015**

|   |             |            |
|---|-------------|------------|
| Net decrease in net assets resulting from operations                  | \$ (11,664) | \$ (1,885) |
| Net decrease in net assets resulting from operations per common share | \$ (0.58)   | \$ (0.09)  |

For the three months ended March 31, 2016, the net decrease in net assets results from operations compared to the three months ended March 31, 2015 is primarily attributable to the \$9.5 million decrease in unrealized losses on our investments, which is described above.

**Financial Condition, Liquidity and Capital Resources**

At March 31, 2016, we had cash and cash equivalents totaling \$2.3 million.

During the three months ended March 31, 2016, our increase of net cash used in operating activities is primarily due to higher net purchases of portfolio investments. Purchases of portfolio investments totaled \$1.6 million as compared to \$21.1 million in the comparable 2015 period.

Proceeds from the realization of portfolio investments totaled \$0.4 million during the three months ended March 31, 2016, compared to \$0.9 million during the comparable 2015 period.

During the three months ended March 31, 2016, we had net cash outflows from operations of \$5.2 million, excluding net purchases and redemptions of portfolio investments, compared to \$2.4 million net cash inflows during the comparable period of 2015. The lower amount of cash generated from operations during the three months ended March 31, 2016 was primarily attributable to timing differences involving normal operational activity between the two periods and fluctuations in realized and unrealized gains (losses) on our portfolio investments.

Our increase of net cash used by financing activities is primarily due to borrowing and distribution activity. At March 31, 2016, the amount outstanding under our \$72.0 million Third Amended and Restated Revolving Credit Agreement, or the Investment Facility, was \$67.5 million, and there was \$4.5 million available for borrowing. On March 30, 2016, we purchased \$35.0 million of U.S. Treasury bills and contemporaneously entered into a repurchase arrangement with Wells Fargo to finance such purchase. Under the repurchase arrangement, we transferred \$35.0 million of U.S. Treasury bills and \$0.7 million of cash to Wells Fargo as collateral under the repurchase agreement. See Note 3 to our interim consolidated financial statements.

During the three months ended March 31, 2016, we paid cash distributions totaling \$2.4 million, or \$0.12 share, to our common stockholders. In March 2016, we declared a first quarter distribution totaling \$1.2 million, or \$0.06 per share, which was paid in April 2016. 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 Facilities and Borrowings**

We are party to the Third Amended and Restated Revolving Credit Agreement (the "Investment Facility"), dated May 23, 2013, as amended. On September 29, 2014, we amended the Investment Facility to permit the appointment of OHA as our investment advisor. On May 9, 2016, we amended the Investment Facility to extend its maturity date from May 23, 2016 to July 29, 2016 (the "Extension"). As of March 31, 2016, the size of the Investment Facility was \$72.0 million and the outstanding principal balance was \$67.5 million. The Extension reduced the size of the Investment Facility from \$72.0 million to \$54.0 million, reflecting the outstanding principal balance on May 9, 2016.

As of March 31, 2016 and December 31, 2015, the total amount outstanding under the Investment Facility was \$67.5 million and \$72.0 million, respectively. Substantially all of our assets, except our investments in U.S. Treasury Bills, are pledged as collateral for the obligations under the Investment Facility. The Investment Facility bears interest, at our option, at either (i) LIBOR plus 325 to 475 basis points, or (ii) the base rate plus 225 to 375 basis points, both based on our amounts outstanding. As of March 31, 2016, the average interest rate on our outstanding balance of \$67.5 million was 5.19%, and an additional \$4.5 million was available for borrowing under the Investment Facility. Under the Extension, there are no amounts currently available for future borrowing. The Extension requires that we use cash proceeds from any returns of capital on our portfolio investments (net of commissions and other transaction costs, fees and expenses and taxes) to prepay our debt.

obligations under the Investment Facility (excluding returns of capital in an amount that we determine to be necessary for us to distribute in order to maintain our status as a regulated investment company under the Internal Revenue Code), and those amounts cannot be re-borrowed under the Investment Facility.

Under the Extension, we are permitted to accrue but are prohibited from paying management or incentive fees (excluding reimbursements to OHA for costs and expenses, or indemnification payments owed to OHA) to OHA under our Investment Advisory Agreement or Administration Agreement.

The total outstanding principal amount of our debt obligations under our Investment Facility will be due and payable on July 29, 2016. We are currently in the process of negotiating a new investment facility, which we expect to have in place prior to that date. However, if we do not have a new investment facility in place prior to that date, or if we are unable to further extend our existing Investment Facility, we will consider a number of actions in order to increase our liquidity to levels sufficient to meet our debt obligations under the existing Investment Facility and any other anticipated cash needs through December 31, 2016. These actions include: refinancing our debt obligations with other lenders, disposing of certain portfolio investments, and reducing other controllable cash outflows.

We believe we are able to take such actions in a manner that would enable us to meet our debt obligations and other cash needs through December 31, 2016. However, failure to successfully execute our liquidity plans or otherwise address our liquidity needs may have a material adverse effect on our business and financial position, and may materially affect our ability to continue as a going concern.

On March 30, 2016, we purchased \$35.0 million of U.S. Treasury bills and contemporaneously entered into a repurchase arrangement with Wells Fargo Securities, LLC, or WFS, to finance such purchase. Under the repurchase arrangement, we transferred \$35.0 million of U.S. Treasury bills and \$0.7 million of cash to WFS as collateral under the repurchase agreement. We repaid the amount borrowed under the repurchase agreement, and WFS returned to us the \$0.7 million cash collateral, net of a \$3,700 financing fee, upon maturity of the U.S. Treasury bills on April 4, 2016. We account for the transfer of the U.S. Treasury bills under the repurchase agreement as a secured borrowing. As a result, the U.S. Treasury bills are recorded on our books as investments in U.S. Treasury bills, and the amount borrowed under the repurchase agreement is recorded as short-term debt at March 31, 2016.

We had a \$30.0 million Treasury Facility that could only be used to purchase U.S. Treasury Bills. Proceeds from the Treasury Facility facilitated the growth of our investment portfolio and provided flexibility in the sizing of our portfolio investments. This facility expired on September 24, 2015.

The Investment Facility contains and the Treasury Facility did contain affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with these covenants throughout 2016 and 2015 and had no existing defaults or events of default under either facility. The most restrictive covenants, with terms as defined in the credit agreements, are:

- maintaining a ratio of net asset value to consolidated total indebtedness (excluding net hedging liabilities) of not less than 2.25:1.0,
- maintaining a ratio of net asset value to consolidated total indebtedness (including net hedging liabilities) of not less than 2.0:1.0,
- maintaining a ratio of EBITDA (excluding revenue from cash collateral) to interest expense (excluding interest on loans under the Treasury Facility) of not less than 3.0:1.0, and
- maintaining a ratio of collateral to the aggregate principal amount of borrowings under the Treasury Facility of not less than 1.02:1.0.

#### ***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 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, (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.

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.

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 when applicable to us as a BDC under the 1940 Act and due to provisions in our Investment 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.

### Portfolio Credit Quality

At March 31, 2016, most of our portfolio investments were in negotiated, and often illiquid, securities of middle market businesses, with a concentration in the energy industry. As of March 31, 2016, we had certain investments related to four portfolio companies on non-accrual status with an aggregate cost and fair value of \$69.1 million and \$16.2 million, respectively. Our investments in Contour and Spirit were placed on non-accrual status during the fourth quarter of 2014. Effective July 1, 2015, ATP was placed on non-accrual status based on estimated future production payments and income is recognized to the extent cash received. In March 2016 Shoreline management indicated that they will not be making their April 2016 interest payment and as a result we placed our investment in Shoreline on non-accrual status. Our portfolio investments at fair value were approximately 67.7% and 73.0% of the related cost basis as of March 31, 2016 and December 31, 2015, respectively.

| Non-accruing and non-income producing investments<br>(in thousands)    | March 31, 2016   |                  | December 31, 2015 |                  |
|--|------------------|------------------|-------------------|------------------|
|  | Cost             | Fair Value       | Cost              | Fair Value       |
| <b>Non-accruing investments</b>  |                  |                  |                   |                  |
| ATP Oil & Gas Corporation/Bennu Oil & Gas, LLC (non-accrual July 2015) | \$ 27,845        | \$ 11,950        | \$ 27,709         | \$ 11,845        |
| Shoreline Energy, LLC (non-accrual January 2016)                       | 12,659           | 3,246            | —                 | —                |
| Contour Highwall Holdings, LLC (non-accrual October 2014)              | 11,578           | 1,000            | 11,578            | 1,000            |
| Spirit Resources, LLC - Tranche A (non-accrual November 2014)          | 4,621            | —                | 4,621             | —                |
| Spirit Resources, LLC - Tranche B (non-accrual March 2014)             | 4,409            | —                | 4,409             | —                |
| <b>Total non-accruing investments</b>                                  | <b>61,112</b>    | <b>16,196</b>    | <b>48,317</b>     | <b>12,845</b>    |
| <b>Non-income producing investments</b>                                |                  |                  |                   |                  |
| OHA/OCI Investments, LLC Class A Units                                 | 2,500            | 2,561            | 2,500             | 2,583            |
| Spirit Resources, LLC preferred units                                  | 8,000            | —                | 8,000             | —                |
| <b>Total non-income producing investments</b>                          | <b>10,500</b>    | <b>2,561</b>     | <b>10,500</b>     | <b>2,583</b>     |
| <b>Total non-accruing and non-income producing investments</b>         | <b>\$ 71,612</b> | <b>\$ 18,757</b> | <b>\$ 58,817</b>  | <b>\$ 15,428</b> |

### Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes our contractual payment obligations at March 31, 2016 (in thousands):

| <b>Revolving credit facilities<sup>(1)</sup></b> | <b>Total</b>      | <b>Less than<br/>1 Year</b> | <b>1-3 Years</b> | <b>3-5 Years</b> | <b>More than<br/>5 Years</b> |
|--|-------------------|-----------------------------|------------------|------------------|------------------------------|
| Investment Facility                              | \$ 67,500         | \$ 67,500                   | \$ —             | \$ —             | \$ —                         |
| Repurchase Agreement                             | 34,300            | 34,300                      | —                | —                | —                            |
| <b>Total</b>                                     | <b>\$ 101,800</b> | <b>\$ 101,800</b>           | <b>\$ —</b>      | <b>\$ —</b>      | <b>\$ —</b>                  |

<sup>(1)</sup> Excludes accrued interest amounts.

### 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, 2015.

### 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, 2016), 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, 2016, 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, 2016 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, 2016, 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, 2015.

### 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 first quarter of 2016.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

N/A

### 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 10, 2016

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

Date: May 10, 2016

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

## Index to Exhibits

| Exhibit No. | Exhibit   |
|-------------|---|
| 10.20*      | Second Amendment to the Third Amendment and Restated Revolving Credit Agreement dated as of May 9, 2016, between Registrant, the lenders from time to time party thereto and SunTrust Bank, as administrative agent |
| 31.1*       | Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Executive Officer   |
| 31.2*       | Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Financial Officer   |
| 32.1**      | Section 1350 Certification by the Chief Executive Officer   |
| 32.2**      | Section 1350 Certification by the Chief Financial Officer   |

\*Filed herewith.

\*\*Furnished herewith.

**SECOND AMENDMENT TO THIRD  
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT**

**THIS SECOND AMENDMENT TO THIRD AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT** (this “*Agreement*”), is made and entered into as of May 9, 2016, by and among OHA INVESTMENT CORPORATION (formerly known as NGP Capital Resources Company), a Maryland corporation (the “*Borrower*”), the several banks and other financial institutions from time to time party hereto (collectively, the “*Lenders*”) and SUNTRUST BANK, in its capacity as Administrative Agent for the Lenders (the “*Administrative Agent*”).

**WITNESSETH:**

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to a certain Third Amended and Restated Revolving Credit Agreement, dated as of May 23, 2013 (as amended by that certain First Amendment to Third Amended and Restated Revolving Credit Agreement dated as of September 29, 2014, and as further amended, restated, supplemented or otherwise modified from time to time, the “*Credit Agreement*”; capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement), pursuant to which the Lenders have made certain financial accommodations available to the Borrower;

WHEREAS, the Borrower has requested that the Lenders and the Administrative Agent amend certain provisions of the Credit Agreement, and subject to the terms and conditions hereof, the Lenders are willing to do so;

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of all of which are acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

1. **Amendments.** The amendments set forth in this Section 1 are referred to herein as the “*Amendments*”.

(a) Section 1.1 of the Credit Agreement is hereby amended by replacing the definitions of “*Commitment Termination Date*” and “*Senior Revolving Commitment Amount*” in their entirety with the following definitions:

“*Commitment Termination Date*” shall mean the earliest of (i) July 29, 2016, (ii) the date on which the Aggregate Commitments are terminated pursuant to Section 2.7 and (iii) the date on which all amounts outstanding under this Agreement have been declared or have automatically become due and payable (whether by acceleration or otherwise).

“*Senior Revolving Commitment Amount*” shall mean the aggregate principal amount of the Senior Revolving Commitments from time to time. On the Second Amendment Effective Date, the Senior Revolving Commitment Amount equals \$54,000,000.

(b) Section 1.1 of the Credit Agreement is hereby amended by adding the definitions of “*Extension Period*” and “*Second Amendment Effective Date*” in the appropriate alphabetical order:

“*Extension Period*” shall mean the period commencing on the Second Amendment Effective Date and ending on the Commitment Termination Date.

“*Second Amendment Effective Date*” shall mean May 9, 2016.

(c) Section 2.2 of the Credit Agreement is hereby amended by adding the following sentence at the end thereof:

“Notwithstanding the foregoing to the contrary, during the Extension Period, the Borrower shall not request and the Lenders shall not be required to make any new Senior Revolving Loans.”

(d) Section 2.10 of the Credit Agreement is hereby amended by adding the following clause (c) thereto:

“(c) Immediately upon receipt by the Borrower or any of its Subsidiaries of cash proceeds from any returns of capital as a result of the refinancing, maturity or extinguishment of any portfolio investment, the Borrower shall prepay the Senior Revolving Loans in an amount equal to 100% of such proceeds received at the time of such refinancing, maturity or extinguishment, net of commissions, other reasonable and customary transaction costs, fees and expenses and taxes properly attributable to such transaction and payable by the Borrower in connection therewith (in each case, paid to non-Affiliates). Each prepayment shall be applied ratably to Base Rate Loans to the full extent thereof, and then to Eurodollar Loans to the full extent thereof. Notwithstanding the foregoing, returns of capital required to be applied to the prepayment of the Senior Revolving Loans pursuant to this Section 2.10(c) shall exclude the amounts determined by the Borrower in good faith to be necessary for the Borrower to make all required dividends and distributions to (i) maintain its status as a RIC under the Code and (ii) eliminate any income tax liability or excise tax liability on the Borrower, in each case, with respect to any taxable year or calendar year of the Borrower imposed by Section 4982 of the Code.”

(e) Section 2.12(b) of the Credit Agreement is hereby amended by adding the following sentence at the end thereof:

“For the avoidance of doubt, no commitment fee shall be due and payable by the Borrower pursuant to this Section 2.12(b) during the Extension Period.”

(f) Section 2.20(a) of the Credit Agreement is hereby amended by adding the following sentence at the end thereof:

“Notwithstanding the foregoing to the contrary, during the Extension Period, the Borrower shall not request and the Issuing Lender shall not be required to issue any new Letter of Credit.”

(g) Article VII of the Credit Agreement is hereby amended by adding a new Section 7.13 to the end of such Article as follows:

“**Section 7.13. Returns on Capital.** The Borrower will not, and will not permit any of its Subsidiaries to, receive non-cash returns on capital as a result of the refinancing, maturity or extinguishment of any portfolio investment except in connection with any restructuring, workout or bankruptcy proceeding with respect to any such portfolio investment to the extent the Borrower or such Subsidiary does not reasonably have the option, at the time of receipt of such non-cash return, of receiving cash in an amount equal to at least the par value of its initial investment.”

(h) The Credit Agreement is hereby amended by replacing Schedule II to the Credit Agreement with Schedule II attached hereto as Exhibit A.

2. **Conditions to Effectiveness.** Notwithstanding any other provision of this Agreement and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Agreement shall become effective upon satisfaction of the following conditions: (i) the Administrative Agent shall have received executed counterparts to this Agreement from the Borrower and the Lenders, (ii) the Administrative Agent shall have received from the Borrower a duly executed Compliance Certificate dated as of the Second Amendment Effective Date (the “**Second Amendment Compliance Certificate**”) in form and substance reasonably satisfactory to the Administrative Agent, (iii) the Borrower shall have paid to each Lender consenting to the Amendments (each such Lender, a “**Consenting Lender**”) an upfront fee in an amount equal to 0.10% of such Consenting Lender’s Senior Revolving Commitment as in effect on the Second Amendment Effective Date after giving effect to the Amendments (including, for the avoidance of doubt, the reduction of the Senior Revolving Commitment Amount), (iv) to the extent the Borrower is invoiced prior to the Second Amendment Effective Date, reimbursement or payment of its costs and expenses incurred in connection with this Agreement or the Credit Agreement (including reasonable fees, charges and disbursements of King & Spalding LLP, counsel to the Administrative Agent), and (v) the Administrative Agent shall have received a certificate from an authorized officer of the Borrower in form and substance reasonably satisfactory to the Administrative Agent (a) certifying as to the incumbency of the officers of the Borrower executing this Agreement, (b) attaching resolutions of the board of directors of the Borrower approving this Agreement or confirming that resolutions previously adopted by the board of directors of the Borrower authorizing, among other things, amendments to the Credit Agreement have not been modified or replaced since the date of such resolutions, (c) attaching articles or certificate of incorporation, bylaws or comparable organizational documents of the Borrower and (d) attaching a bring-down good standing certificate of the Borrower from the Secretary of State or comparable office of the jurisdiction of organization of the Borrower.

3. **Additional Covenant.** Notwithstanding anything in the Credit Agreement to the contrary, the Borrower shall not be permitted to pay management or incentive fees (excluding, for the avoidance of doubt, any payments to reimburse (x) the costs and expenses of Oak Hill Advisors, L.P. (the “**External Advisor**”) or (y) any indemnification payments owed to the External Advisor) pursuant to (i) the Investment Advisory Agreement, dated as of September 30, 2014, by and between the Borrower and the External Advisor or (ii) the Administration Agreement, dated as of September

30, 2014 by and between the Borrower and the External Advisor. The failure of the Borrower to comply with this Section 3 shall constitute an immediate Event of Default pursuant to Section 8.1(d) of the Credit Agreement for which there is no cure or remedy.

4. **Interest Determination.** Notwithstanding anything in the Credit Agreement to the contrary, the Borrower, the Administrative Agent and the Lenders acknowledge that as of the Second Amendment Effective Date, the interest rate applicable to the outstanding Senior Revolving Loans or the letter credit fee, as the case may be, shall be calculated with reference to the Applicable Margin based on Level III set forth on Schedule I to the Credit Agreement.

5. **Representations and Warranties.** To induce the Lenders and the Administrative Agent to enter into this Agreement, the Borrower hereby represents and warrants to the Lenders and the Administrative Agent that:

(a) The Borrower and each of its Subsidiaries (other than any Foreclosed Subsidiary) (i) is duly organized, validly existing and in good standing as a corporation, partnership or limited liability company under the laws of the jurisdiction of its organization, (ii) has all requisite power and authority to carry on its business as now conducted, and (iii) is duly qualified to do business, and is in good standing, in each jurisdiction where such qualification is required, except where a failure to be so qualified would not reasonably be expected to result in a Material Adverse Effect;

(b) The execution, delivery and performance by the Borrower of the Loan Documents to which it is a party are within the Borrower's organizational powers and have been duly authorized by all necessary organizational, and if required, shareholder, partner or member, action;

(c) The execution, delivery and performance by the Borrower of this Agreement and of the other Loan Documents to which it is a party (i) do not require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, except those as have been obtained or made and are in full force and effect, (ii) will not violate any Requirements of Law applicable to the Borrower or any of its Subsidiaries or any judgment, order or ruling of any Governmental Authority, (iii) will not violate or result in a default under any indenture, material agreement or other material instrument binding on the Borrower or any of its Subsidiaries or any of its assets or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries and (iv) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries, except Liens (if any) created under the Loan Documents;

(d) This Agreement has been duly executed and delivered for the benefit of or on behalf of the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights and remedies in general; and

(e) After giving effect to this Agreement, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects, and no Default or Event of Default has occurred and is continuing as of the date hereof.

6. **Acknowledgment of Perfection of Security Interest.** The Borrower hereby acknowledges that, as of the date hereof, the security interests and liens granted to the Administrative Agent and the Lenders under the Credit Agreement and the other Loan Documents are in full force and effect, are properly perfected and are enforceable in accordance with the terms of the Credit Agreement and the other Loan Documents.

7. **Effect of Agreement.** Except as set forth expressly herein, on and after the Second Amendment Effective Date, all terms of the Credit Agreement, as amended hereby on the Second Amendment Effective Date, and the other Loan Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Borrower to the Lenders and the Administrative Agent. The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement. This Agreement shall constitute a Loan Document for all purposes of the Credit Agreement.

8. **Governing Law.**

(a) This Agreement shall be construed in accordance with and be governed by the law (without giving effect to the conflict of law principles thereof) of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern District of New York, and of any state court of the State of New York sitting in New York County and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document or the transactions contemplated hereby or thereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by applicable law, such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower irrevocably and unconditionally waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding described in paragraph (b) of Section 10.5 of the Credit Agreement and brought in any court referred to in paragraph (b) of Section 10.5 of the Credit Agreement. Each of the parties hereto irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to the service of process in the manner provided for notices in Section 10.1 of the Credit Agreement. Nothing in this Agreement or in any other Loan Document will affect the right of any party hereto to serve process in any other manner permitted by law.

9. **No Novation.** This Agreement is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement or an accord and satisfaction in regard thereto.

10. **Counterparts.** This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile transmission or by electronic mail in pdf form shall be as effective as delivery of a manually executed counterpart hereof.

11. **Binding Nature.** This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

12. **Entire Understanding.** This Agreement sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

*[Signature Pages To Follow]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, under seal in the case of the Borrower, by its respective authorized officers as of the day and year first above written.

**BORROWER:**

**OHA INVESTMENT CORPORATION**

By: /s/ Steven Wayne

Name: Steven Wayne

Title: President

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[Signature Page to Second Amendment to Third Amended and Restated Revolving Credit Agreement]

**LENDERS:**

**SUNTRUST BANK**, as a Lender and as Administrative Agent

By: /s/ Doug Kennedy  
Name: Doug Kennedy  
Title: Director

**COMERICA BANK**, as a Lender

By: /s/ Brandon M. White  
Name: Brandon M. White  
Title: Vice President

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[Signature Page to Second Amendment to Third Amended and Restated Revolving Credit Agreement]

**SOVEREIGN BANK**, as a Lender

By: /s/ Patrick L. Johnson  
Name: Patrick L. Johnson  
Title: Senior Vice President

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[Signature Page to Second Amendment to Third Amended and Restated Revolving Credit Agreement]

**RAYMOND JAMES BANK, NA., as a Lender**

By: /s/ H. Fred Coble Jr.  
Name: H. Fred Coble Jr.  
Title: Senior Vice President

**Exhibit A**

See attached.  
**Schedule II**

**COMMITMENT AMOUNTS**

|                |              |
|----------------|--------------|
| SunTrust Bank  | \$18,750,000 |
| Comerica Bank  | \$16,500,000 |
| Sovereign Bank | \$11,250,000 |
| Raymond James  | \$7,500,000  |
| Total          | \$54,000,000 |

[Signature Page to Second Amendment to Third Amended and Restated Revolving Credit Agreement]

**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 10, 2016

/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 10, 2016

/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 September 30, 2015, 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 10, 2016

/s/ Steven T. Wayne

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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 September 30, 2015, 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 10, 2016

/s/ Cory E. Gilbert

Cory E. Gilbert

Chief Financial Officer and Treasurer