Corrected Transcript

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OHA Investment Corp. (OHAI)

Q3 2014 Earnings Call

CORPORATE PARTICIPANTS

Robert W. Long
President & Chief Executive Officer

L. Scott Biar
Chief Financial Officer, Secretary & Treasurer

Glenn R. August
Chairman

OTHER PARTICIPANTS

Vikas P. Tandon
Bastogne Capital Management LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, welcome to the OHA Investment Corporation Third Quarter 2014 Earnings Call. At this time, all lines are in a listen-only-mode with the Q&A session to follow. As a reminder, this conversation is being recorded.

I want to remind everyone that OHA Investment Corporation remarks today may include comments, which would be considered or could be considered forward-looking statements, and such statements are subject to many factors that can cause actual results to differ materially from the company's expectations as expressed in those forward-looking statements.

Those factors are described in more detail in OHA Investment Corporation's SEC filings and I refer you to their website or to the SEC's website to review those filings. OHA Investment Corporation undertakes no obligation to publicly update or revise any forward-looking statements, which speak only as of today's date.

Now, I would like to turn the call over to your host, OHA Investment Corporation's President and CEO, Bob Long.

Robert W. Long
President & Chief Executive Officer

Thanks, Amanda. Good morning. As she said, I'm Bob Long, the company's President and CEO, and I'd like to welcome all of you to our company's first earnings call as OHA Investment Corporation. Since this is our first call, I'll share some details of my background.

Prior to joining Oak Hill Advisors, I was the CEO of Conversus, a $3-billion publicly traded fund of private equity funds. Prior to Conversus, I was at Bank of America for 14 years where I ran the Strategic Investments Group, among other positions.

I've known Oak Hill Advisors for about a dozen years through a variety of business relationships, and this role as CEO of an OHA-managed company was a natural evolution of that relationship.

Now, before we go further, I'd like to apologize, we are experiencing some technical difficulties in our building. We've had some fire alarms and an elevator alarm. So if those interrupt or cloud something we said, please do ask us to clarify in the Q&A. I apologize for that. There is nothing we can do about it.

I'm joined today on our call by Scott Biar, our interim Chief Financial Officer, and also by Glenn August, the Chairman of our Board and the CEO and Founder of Oak Hill Advisors.

As an outline of today's call, I'll make some opening remarks, after which Scott will take over and provide the details regarding our financial results for the quarter. Then I will discuss our investment portfolio and investment strategy. Finally, Glenn will wrap up with an overview of the OHA platform. We will then open up the call and take your questions.

This webcast will include both our remarks and materials that will be on your screen and we will be posting the webcast to our website later today under the Events & Presentations heading.

And with that, let's turn to the presentation, starting on slide four.

Starting on slide four, I'll begin by reviewing the recent transactions that resulted in OHA becoming our new manager. This summer, the prior Board of the company concluded an extensive process of exploring strategic alternatives to enhance stockholder value. That process resulted in the board recommending that OHA become the company's new investment advisor.

I believe the Board based this recommendation on OHA's deep credit expertise, its ability to source attractive assets and diversify the portfolio as well as its ability to maximize the value of the existing assets. The appointment of OHA was approved by the stockholders on September 30 and became effective on that day.

In connection with that agreement, the prior board resigned and was replaced by a new board of five directors. Reflecting OHA's commitment to the company, the board includes two of OHA's most senior leaders, Glenn August, the CEO and Founder of OHA, and Robert Okun, OHA's Chief Investment Officer of US Credit.

They are joined by three independent directors – Stuart Oran, former Senior Executive with United Airlines and now a Partner of Liberty Hall Capital, a middle-market private equity firm; Jim Stern, the Chairman of The Cypress Group, a $3.5-billion private equity firm, and former Co-Head of Investment Banking at Lehman Brothers; and Frank Tannura, former CEO of Packaging Dynamics and the former CEO of iVEX Packaging. Each of our directors has held numerous board roles including many on public company boards.

The new board asked Scott Biar to continue as our CFO and Chief Compliance Officer on an interim basis and appointed me as President and CEO. As part of this transaction, an affiliate of OHA made a commitment to purchase $5 million of the company's stock. The affiliates purchased $1 million of the stock on September 30 at $8.53 per share which was the NAV set by the previous board on that date and a 38% premium to the market price at that time.

The same affiliate committed to purchase an additional $4 million of our stock in open market transaction pursuant to a 10b-5-1 plan executed in August. The affiliate has already completed $1.6 million of these purchases.

We at OHA are very excited about the opportunity to serve the company's investment advisor. We are well positioned to both maximize the value of the current portfolio and to deploy capital to increase the earnings of the company over time. We intend to do both.

Now turning to slide five, for the headlines for the third quarter. Our investment income was $5.6 million or $0.27 per share. That was almost completely offset by the expenses of the strategic review which were $5.4 million or $0.26 per share.

Income was further reduced by the other expenses which were $3 million or $0.15 per share, resulting in a net investment loss of $2.8 million or $0.14 per share. In addition, we posted net realized and unrealized losses of $3.3 million or $0.16 per share. Primarily, these were driven by a $3.9 million write-down in our Contour Highwall Mining investment and that was partially offset by $1 million realized gain on Crossroads Energy. Altogether, this created net decrease in net assets of $6.1 million or $0.30 per share and that brings our NAV to $8.11 per share.

So those are the headlines. I'll now turn it over to Scott, who will walk through the details and add some color on our financial results after which I'll come back to talk about the portfolio.

L. Scott Biar

Chief Financial Officer, Secretary & Treasurer

Thank you, Bob, and good morning, everyone. Please turn to page seven of the presentation. For the third quarter of 2014, we reported a net investment loss of $2.8 million or $0.14 per share. As Bob mentioned in his opening remarks, these results included costs incurred in connection with the strategic alternative review process which totaled $5.4 million or $0.26 per share. These costs are described more fully in our 10-Q which we expect to file tomorrow, but primarily included employee retention costs for the former employees of our previous administrator and other transaction costs associated with the process.

The strategic review process is obviously concluded, so costs of this nature will not recur in future periods. For the third quarter of 2014, total investment income was $5.6 million or $0.27 per share compared to $6.0 million or $0.29 per share in the third quarter of 2013 and $5.5 million or $0.27 per share in the second quarter of 2014.

Third quarter investment income included $400,000 of unamortized original issue discount on our Senior Secured Term Loan to Crossroads Energy Development that was recorded as interest income upon the early realization of the Crossroads investment in July.

Other than that, our investment income decreased slightly on a year-over-year and sequential basis, primarily reflecting our lower average portfolio balance resulting from net realizations that have occurred in the portfolio.

Operating expenses before costs related to the strategic alternatives review, which included management fees, other general and administrative costs, and interest expense totaled $3.0 million in the third quarter of 2014, decreasing approximately $300,000 compared to the third quarter of 2013 and decreasing $200,000 (sic) [800,000] compared to the second quarter of 2014, primarily as a result of lower interest expenses and management fees associated with the smaller investment portfolio.

Our net investment loss for the third quarter of 2014 totaled $2.8 million or $0.14 per share compared to net investment income of $2.6 million or $0.13 per share in the third quarter of 2013 and $1.5 million or $0.07 per share during the second quarter of 2014. So, in effect, if you take the $0.14 per share loss for the quarter and add back the $0.26 of strategic review costs, you see that pro forma net investment income would be $0.12 per share for the quarter which is $0.04 below our current quarterly dividend rate of $0.16. Bob will talk more about this a little bit later in the call.

So turning right now to page eight, we recorded realized capital gains of $1.0 million or $0.05 per share during the third quarter of 2014, resulting from the realization of our Crossroads investments which included an overriding royalty interest and warrants in the company, which were repurchased for $1.4 million.

We recorded net unrealized gains – sorry, net unrealized losses of $4.3 million in the third quarter of 2014, primarily as a result of decreases in the estimated fair value of our investments in Contour Highwall Holdings of $3.9 million. We hold a $10.8 million Senior Secured Term Loan in Contour, which we reduced the value to $7.5 million. And we hold an 80% equity position in Contour that we acquired in a December 2012 restructuring, for which we reduced the value from $0.6 million as of June 30 to zero during the third quarter. Bob will discuss this investment later in the call.

Primarily as a result of the cost of our strategic alternatives review and the reduction in value of our Spirit and Contour investments, as you'll see on page nine, our net asset value has declined during the year from $9.20 per share at December 31, 2013 to $8.11 per share at September 30, 2014. That's a decrease of $1.09 per share or 12% since the beginning of the year and I'd like to walk you through the primary components of that decline.

$0.29 per share of the decline in net asset value is the total cost incurred during the year related to our strategic alternatives review process that began in September of last year and concluded on September 30 of this year. $0.31 of the decline is due to the reduction in estimated fair value of our investments in Spirit Resources. We reduced the fair value of our Spirit investments by $6.6 million during the first half of the year as the capital invested in Spirit's oil and gas properties failed to produce significant sustainable increases in oil and gas production. We are currently involved in negotiations to sell Spirit's properties and liquidate our investment.

$0.20 of the decline is attributable to the reduction in estimated fair value of our investments in Contour, almost all of which was recorded during the third quarter. $0.11 of the decline is due to the reduction in the fair value of our limited term overriding royalty interest and the Telemark properties formerly operated by ATP and currently operated by Bennu Oil & Gas. This reduction was recorded in the first quarter of the year. Bob will comment further on the status of this investment later in the call.

And $0.16 of the decline in net asset value per share for the year is the result of our core net investment income for the first nine months of the year, not covering our total dividends declared for the year of $0.48 per share. As we discussed in the past, our ability to originate net investments in the midst of the extended process of reviewing strategic alternatives was hindered during that period. Consequently, through restructurings, sales and net changes in unrealized value, our investment portfolio has declined from a fair value of $213 million at September 2013 to $171 million as of September 30, 2014 and our quarterly investment income has declined accordingly.

Now that the strategic review process has been completed, with the resources and commitment of OHA, we believe that our investment portfolio will grow over time as OHA pursues its investment strategy, deploying available capital in new income producing investments. Portfolio growth will be financed with $8 million of available cash and by bank borrowings, as we have a $72 million bank credit facility that's available to us today and we believe the income we can generate using this availability will increase the overall returns to investors.

With that, I will turn the call back over to Bob.

Robert W. Long
President & Chief Executive Officer

Thanks, Scott. Now, let's talk about our portfolio. We can start on slide 11. At quarter-end, we held in investment or investments in companies with a value of $171 million. The weighted average yield on the portfolio was 10.4%

based on cost and 11.3% based on fair value. We expect to receive a make-whole payment from Castex upon realization. And if we include that expected return, our yield on fair value would be more than 12%.

As you can see on the graph on the left, at quarter-end, the portfolio was concentrated in energy assets with approximately 70% in oil and gas, exploration and production assets, and 4% in coal services. The remaining 26% was spread among three middle market companies in other sectors. Over time, we expect to substantially diversify the portfolio, so that energy assets do not represent such a major concentration.

The right graph on slide 11 shows the various forms taken by our investment portfolio. Today most of our investments are structured as debt, and some have an equity kicker or component.

Turning to slide 12, you can see that the Castex investment constitutes about one-third of the portfolio. Also, most of our portfolio represents deals originated in 2012 and 2013 with no originations completed in 2014. Please note there may be some technical difficulties on the left slide – on the left part of our pages 10 and 11 or 11 and 12 and we will correct those when we get this posted on webcast. Apologies for that.

So with that, I think I'll move on to slide 13. There we can talk about portfolio quality. For this quarter, we've continued to use the rating system employed by the prior manager. That's on one to seven rating scale, with one being the highest credit quality.

Over the next few months, we will determine whether to maintain the same system or introduce a new one. Applying the same methodology, at the end of the quarter, our average portfolio rating on a dollar weighted fair market value basis was 3.7 compared to 3.5 at the end of the second quarter. As you would expect, the two primary drivers of this ratings average change were, first, Contour, which was a downgrade, and Crossroads which was highly rated and when it was realized, it came out of the calculation.

I'd like to talk about two specific investments. First, Contour that Scott mentioned. We reduced the value of this Senior Term Loan by $3.3 million to $7.5 million or 70% of face value. We also took the equity from $600,000 to zero. We reduced the value of our Contour investment to reflect current weak market conditions in the highwall coal mining market and their impact on Contour's operations, cash flow and the underlying value of its assets.

As the most senior debt in the capital structure and the majority equity owner, we plan to work proactively with management to improve results and maximize value. We've already sent a senior team of OHA professionals to meet with management and advance this process.

Now to ATP. We know that our investors are interested in an update on this ATP/Bennu situation and we understand from an investors' perspective how the uncertainty and wide range of potential outcomes in this matter may impact one's assessment of the overall value of our company.

With regard to the status of the litigation and the court proceedings, we do not believe it would be appropriate for us to comment in detail beyond the information that will be included in our 10-Q that we file tomorrow. As you may recall from our September 16 press release, Bennu, the party that purchased the Telemark assets, to which our royalty interest attaches, filed a motion to dismiss certain claims on September 3.

Bennu stated that it does not desire to pursue affirmative claims against us for recharacterization of our royalty interests or for disgorgement of amounts that we have received. However, Bennu's motion would not prevent Bennu or a successor to Bennu from pursuing their claim at a later date and it would not determine the outcome of any other claims including those of ATP's bankruptcy trustee who asserts that the estate owns a portion of the disgorgement claim and finally it would not resolve the mechanic's liens.

We would like to see a final resolution of all these claims, but we objected to Bennu's motion to dismiss because it fails to provide a comprehensive and binding resolution to the litigation. In a status conference on October 23, the court required Bennu to file a motion to determine the ownership of the re-characterization claims between the ATP estate and Bennu and scheduled another status conference for December 18. Again, please refer to our 10-Q that will be filed tomorrow for a more detailed explanation of the ATP litigation.

With regard to ATP, it is important for investors to realize that OHA brings deep experience in distressed credits and complex litigation, having made over $8 billion of distressed investments over the last 20 years. We believe that OHA's expertise will be helpful in resolving ATP. And to the extent that current or prospective portfolio companies require restructuring expertise, OHA brings that.

Moving on to some realization activity, our Crossroads investment was realized in July when we received full repayment of our $9 million Senior Term Loan. Crossroads also repurchased our overriding royalty interest and warrants in Crossroads for a combined $1.4 million, resulting in a $1 million capital gain. The Crossroads investment was outstanding for a little over a year and generated an internal rate of return of 31%.

Since quarter-end, we've seen one significant realization. Earlier this week, our $18 million Nekoosa Coated Products investment was realized at 102% of par. In addition to this $360,000 prepayment premium, we'll also receive $300,000 of previously unamortized original issue discount in the fourth quarter. The Nekoosa investment was outstanding for about 18 months and produced a 20% IRR and 1.3 times multiple in invested capital.

With that background, let's turn to slide 14 to talk about dividends. First, from a historical perspective, for this year, through the first three quarters, our investment income – our net investment income has totaled $0.03 per share and that's after $0.29 per share of strategic review cost. So you might think of that as $0.32 per share. But we paid dividends of $0.48 per share. Given that history and our current estimates for the fourth quarter, we expect that our dividends for 2014 will include some return on capital.

Now, looking forward, as you know, our ability to pay dividends is driven by the earnings power of our portfolio. Talked about earlier, our net investment income for the most recent quarter before strategic review costs was $0.12 per share in comparison to historical dividends of $0.16 per share.

So, today, we're not earning our dividend. Each quarter, our board will meet to determine the amount of dividends to distribute, typically based on projected estimates of earnings for the full year, and that's based on forecasted income and other factors.

Starting in the fourth quarter, we expect to benefit from lower costs in both the management fees and administrative costs under the new investment advisory contract with OHA. On the other hand, we may see some portfolio companies refinance in the next few quarters, potentially reducing our asset base and our overall yield.

Ultimately, our dividend needs to reflect our earnings. To close the gap between the dividend and our income, we intend to deploy capital into income-producing assets and we have the capital and the capability to do so.

Today, we have about $80 million available to invest composed of $72 million undrawn under our credit facility and $8 million of cash. And we plan to use it over time to expand the portfolio and increase the earnings.

The OHA platform has substantial capabilities to originate attractive assets for the company and we have committed substantial resources toward that goal. We already have two investments under contract and we are expected to close – and those are expected to close in the next 30 days.

These two transactions total $17 million and would largely replace the Nekoosa investment. And we have other high quality deals in the pipeline. More importantly, we believe that the Oak Hill platform is well positioned to grow this portfolio's earning power.

Now, let's turn to the next section, slide 16, to talk more specifically about OHA's ability to originate high quality assets for our portfolio. We call this business direct lending and managing the BDC's portfolio is an extension of our activities in this market.

As shown on this slide, we believe that we can bring to bear substantial competitive advantages in direct lending for the benefit of the BDC. Our origination model is focused on sponsors, intermediaries and other buy side investors. In each of these categories, OHA enjoys substantial, long-term relationships and believes it will facilitate significant origination volume. Further, OHA prides itself on being an experienced investor in the middle market.

All told, we believe that OHA Investment Corporation will benefit significantly from the resources of OHA. And to give you more background on Oak Hill Advisors, I'll now turn it over to Glenn, the CEO of OHA and the Chairman of our board.

Glenn R. August

Chairman

Thank you, Bob, and thank you, Scott. We are pleased to have both of you joining our team and thank you all for joining our call. I'm particularly pleased that Bob joined us. As Bob mentioned, I have known him for a number of years and I worked with him together when he was at Bank of America and at Conversus.

I'm particularly attracted to Bob's experience managing as CEO a $3 billion public vehicle that focused on private equity funds and has – because of that, Bob has substantial relationships which I believe will be helpful in originating new investments for our company. I think that bringing in a CEO of Bob's caliber and experience really indicates our commitment to OHA Investment Corp as well as the quality and caliber of our board members.

So those of you who are not familiar with OHA, I'd like to give you a brief overview of who we are, how we manage our business, and how and why I think we can add meaningful value to the company. If we go to slide 17, you will see that we are a very experienced asset management investor in the leveraged finance space and we have been doing it for more than two decades and we are a skilled market participant. We manage almost $25 billion of capital across the risk spectrum, ranging from bank loans and high yield debts, stressed and distressed credit, direct lending, mortgage product, CLO debt and equity in the US and Europe, and so we bring all these resources to bear for OHA Investment Corp.

And we're believers that having a multi-strategy platform really provides each individual business with substantial competitive advantage. Our roots are, in some respects, private equity style investors in terms of being deep value investors. At the end of the day, we think the two most important things for OHA Investment Corp. are maximizing the value of the existing portfolio and originating attractive new investments to generate income to pay dividends. And we think our experience investing over 20 plus years across the credit spectrum will provide that capability to OHA Investment Corp.

If we turn to the next slide, you'll see that we commit that we have attractive track records across each of our businesses. We believe in each of the businesses. We have distinguished ourselves as some of the best – we built some of the best track records in the business that has, obviously, attracted world-class investors, some of the largest sovereign wealth funds, pension funds, individuals, insurance companies and other institutions have joined as investors, consultants and so on. They have done so after substantial diligence on our track records over the years.

In particular, I'd highlight that we've got a 3-plus-billion-dollar track record and investment record in direct lending that we've been doing since 2002. We also have, as Bob mentioned earlier, substantial experience in distressed investing where we've deployed over $8 billion of capital. As Bob highlighted, distressed investing and restructuring expertise is helpful both for existing portfolio companies like an ATP that may require or like a Contour that require expertise, credibility, experience in working through these transactions, but also to the extent that there are future transactions that may become distressed or, in fact, as an offensive matter where we might participate in rescue financing as origination and new investment opportunity.

So we think again bringing both direct lending and distressed experience as well as our other areas of expertise we think is very, very valuable and relevant. We have a deep team and experienced team who've worked together for many, many years. The senior management team has been together – three of the four senior partners have been together for more than 20 years. We have approximately 200 people in the firm as it says on this slide, 37 in partners and management directors with substantial industry experience as well as a global presence in New York and London in terms of our investment business in the US and Europe.

Finally, as Bob mentioned earlier, in terms of the investment platform, not only do we have a broad diversified investor base, what we really do bring from an origination standpoint is our relationship with all of the major forces of origination in terms of sponsor relationships, intermediaries and other buy side.

We have partnered before with many of other leading players in the middle market and we think that the combination of these capabilities and these relationships have been built over 20 years, and we think will provide a very attractive product for – investment product and investment assets for OHA Investment Corp.

Turning to the next slide, you can see how the OHA Investment platform sets up. We have over $15 billion in leveraged loans and high yield bonds. And those will be the – two of the principal assets, clearly, that would fit in OHA Investment Corp. We have over $3 billion of capital today in our distressed business, both in the US and Europe. And then we have over $5 billion in different structured products, residential mortgage and corporate structured CLO.

And our view again is that having a multi-strategy platform that is integrated, enables each business to help the other business. So we think having a distressed business helps leverage loans and helps direct lending, as well as the restructuring expertise that that will also provide. But we will also look across our platform to generate attractive investment opportunities.

Just to go to the closing slide before we take it over to Q&A, the whole theme from OHA's perspective, and I think why the board chose OHA as the investment manager, investment advisor for the BDC is because they believe that we could and that we would bring the resources of a $25 billion multi-strategy credit manager, who's been in business for 20 years,and I am certainly committed to doing that. We are well-positioned because of our expertise to maximize the value of the existing portfolio, we have worked through assets just like these before, and we feel very confident on our ability to do that.

Thirdly, I would highlight that we are very focused on integrity of valuations. We understand that people, investors look to the company to provide an NAV, which they can then evaluate, how they want to evaluate, and price the equity according to that NAV and we take in all of our businesses a rigorous approach to valuation, and we have done so here, and we'll continue to do so in bringing integrity and ensuring integrity to valuations.

I think the fourth point in terms of broad origination capabilities, as Bob highlighted, and I want to make a specific point here, as you all know, this company has taken on its balance sheet on a quarterly basis, up to $80 million of cash and treasuries to diversify, to meet the requirements of diversification given the size of the Castex position.

Clearly, we are not in the business of investing in cash and treasuries and clearly that is serving as a major drag on the company's earnings power. And it is incredibly important to us as managers of this BDC to ensure that that capital gets deployed. We have capacity today to deploy that capital in other assets. We're doing that already. Bob mentioned that we've made commitments for two transactions. We have a number of different transactions and investments that we are looking at. And as we do that, we will increase the earnings power of this company and make up that dividend gap of earnings that exists today. And again, I believe that was one of the greatest attractions that the board saw, the prior board saw in choosing us to be the new manager.

And the last point, we hope that – at least from your all perspective, and we'll get to Q&A, we're committed to transparency with you, our investors. And we certainly hope that this earnings call represents a good start. We look forward to having an active dialog with investors going forward and we are here to maximize the value of OHA Investment Corp.

So with that, I'll hand it back to Bob and thank you all again for joining us.

Robert W. Long

President & Chief Executive Officer

Great. We look for your questions then.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Vikas Tandon of Bastogne Capital. Your line is open.

Vikas P. Tandon
Bastogne Capital Management LLC
Q

Hi, guys. It's Vikas Tandon, but it's a weird name. No worries. Thanks for having the call and laying out the vision for the future. Couple of quick questions. First, on the ongoing litigation with Bennu and ATP, I saw the filing by Bennu to kind of figure out who is in control, but, obviously, can you just remind me the overwhelming majority of what's marked on the book is the Telemark asset which Bennu is basically saying they don't want to sue us over? Is that correct? Is there any mark left for the Gomez asset or has that basically been marked to zero?

Robert W. Long
President & Chief Executive Officer
A

It's been marked to zero. Of the disgorgement claim, $8 million to $9 million is Gomez, the rest is Telemark.

Vikas P. Tandon
Bastogne Capital Management LLC
Q

Okay. Got you. And so, is your thought process – Bennu has been pretty public that they don't want to pursue this. Is the thought process, though, just try to do one deal and wrap it all up in one as opposed to do a separate settlement with Bennu?

Robert W. Long
President & Chief Executive Officer
A

Well, as you might imagine – I'll begin. This is Bob speaking. We can't really talk about litigation strategy, but I think it is clear. We would like to resolve this over time to maximize value. And we did oppose the motion to dismiss because it didn't wrap it up in a bow, it didn't bring it all together. It didn't deal with the trustee's claim. It didn't deal with the mechanic's liens. We would like to resolve – at least – you can see why that probably wasn't sufficient and it didn't dismiss with prejudice. That's why we opposed it.

Vikas P. Tandon
Bastogne Capital Management LLC
Q

Got you. And then the last question on this, is there any sense at all – and maybe you can't comment on this, but is there any sense at all that resolving this with Bennu might also – Bennu has refinanced some of the other ORRIs, is that something that we could see as a near-term possibility to monetize another asset and bring cash in that you guys can deploy?

Robert W. Long
President & Chief Executive Officer
A

We are aware that it resolved other claims and I can't comment beyond that.

Vikas P. Tandon
Bastogne Capital Management LLC
Q

Okay. And then the other thing I would ask is, obviously, you guys had some monetizations, the portfolio has shrunk. I guess this will be a two-part question. One, you made reference to the Castex make-whole. So I don't know if there's any update there. I know there's been a desire to monetize that for some time.

And then secondly, just as you're looking to put money to work, any thought been given to the company repurchasing shares, looking to put things to work at attractive yield is great, but if the NAV is the NAV and we all believe the NAV is $8.11. Guys are selling your stock at an 80% discount to NAV. That's kind of an immediate 25% rate of return. So any comment there or any thoughts there?

Robert W. Long
President & Chief Executive Officer

A

First off, this is Bob. I'll take your Castex point. There is a make-whole we expect to receive on the back end of Castex. We do – we're not going to really talk about whether we intend to sell that asset or not, but we do expect to receive a make-whole which is meaningful on that asset.

As for buying back stock, appreciate the question. And I'll say that we have talked about it meaningfully here and with the Board. We're committed to maximizing value over the long-term. And we will always evaluate the best use of our capital, whether that's making new investments, buying back stock, repaying debt.

At this point in time, we believe that putting capital to work in new investments serves the best long-term interest of the investors. But we will regularly evaluate all the circumstances including the discount or the premium when that occurs and the quality of the investments available to us, our liquidity and all the relative factors and make judgments around what's the best use of that capital.

Vikas P. Tandon
Bastogne Capital Management LLC

Q

Okay. Got you. And then I'll just sneak one last one in. Just obviously given the discount right now in the market, there's been a long history with this stock and you guys are new to the game, I'm assuming you guys are in here, you want to grow this as a vehicle and that's great and we'd love to see that. But can you just sort of confirm that there's no desire to issue stock at a discount to NAV. I know you need a shareholder vote to do that. But I think speaking for a lot of shareholders and I'm a larger shareholder, we wouldn't want to see that.

Robert W. Long
President & Chief Executive Officer

A

Understood. Well, as you point out, we would have to have shareholder approval. We are focused to issue stock below NAV. Today, we have $80 million. We would have – I'm sorry – anyway, we would have – today, we have $80 million to invest and I probably wasn't clear on this on the call actually. That was not as of September 30. That is now with an undrawn credit facility and $8 million of cash after the Nekoosa repayment. So we are focused on putting that capital to work. We're not addressing whether or not we would issue stock. We don't need to issue stock. We're focused on making investments.

Vikas P. Tandon
Bastogne Capital Management LLC

Q

Perfect. Thank you very much. And look forward to seeing what you guys do with the vehicle. Thank you very much.

Operator: Thank you. [Operator Instructions]

Robert W. Long
President & Chief Executive Officer

A

This is Bob. Let me – one of my colleagues pointed out that – I just stated we have $80 million that we have available to invest and we would, of course, have to have stockholder approval to issue stock below NAV. Thank you.

Operator: Thank you. And at this time, I'm showing no further questions. I would like to turn the call back over to Bob Long for closing remarks.

Robert W. Long
President & Chief Executive Officer

Thank you all. And thanks for joining us on this first call. We're looking forward to speaking with you again after year-end results on a call like this. And as always, we look forward to your feedback on these presentations. Thank you very much.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all now disconnect. Everyone, have a great day.