# OHA INVESTMENT CORP

## FORM 10-Q
(Quarterly Report)

Filed 11/14/16 for the Period Ending 09/30/16

| | |
|---|---|
| Address | 1114 AVENUE OF THE AMERICAS<br>27TH FLOOR<br>NEW YORK, NY 10036 |
| Telephone | (212) 852-1900 |
| CIK | 0001297704 |
| Symbol | OHAI |
| Industry | Closed End Funds |
| Sector | Financials |
| Fiscal Year | 12/31 |

**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 September 30, 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** | **20-1371499** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **1114 Avenue of the Americas, 27th Floor New York, New York** | **10036** |
| **(Address of principal executive offices)** | **(Zip Code)** |

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

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 ☐<br>(Do not check if smaller reporting company) | 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 November 14, 2016, there were 20,172,392 shares of the registrant's common stock outstanding.

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## EXPLANATORY NOTE

The Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016 (the “Third Quarter 10-Q”), as filed on November 14, 2016, was delayed solely as a result of an ongoing evaluation of an auditor independence matter related to its independent registered public accounting firm, Ernst & Young LLP (“EY”), a member of Ernst & Young Global Limited (“EYG”).

On November 7, 2016, EY informed the Company that it would not be able to complete its review of the interim financial statements required by Regulation S-X to be included in the Third Quarter 10-Q by November 9, 2016 (the filing deadline for the Third Quarter 10-Q) because it had discovered that an EY Global Limited ("EYG") member firm's pension plan had invested in a fund managed by a third party, which had in turn invested in an underlying fund managed by the Company's investment advisor.

On November 11, 2016, the EYG member firm pension plan sold its investment in the third party fund, thereby remediating the breach. The Company, its audit committee and EY have assessed the impact of the above matter on EY’s objectivity and impartial judgment in light of all of the relevant facts and circumstances. EY has concluded that this matter did not and will not impair its objectivity or impartial judgment on all issues encompassed within its audit and review engagements. The audit committee has concurred with EY’s conclusion. This Form 10-Q satisfies Rule 10-01(d) of Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended. As a result, this Form 10-Q includes certifications under Section 906 of SOX.

## PART I – FINANCIAL INFORMATION

**Item 1. Financial Statements**

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

| | September 30, 2016 (unaudited) | December 31, 2015 |
|---|---|---|
| **Assets** | | |
| Investments in portfolio securities at fair value | | |
| Control investments (cost: $17,030 and $28,608, respectively) | $ — | $ 1,000 |
| Affiliate investments (cost: $19,065 and $18,647, respectively) | 17,724 | 18,893 |
| Non-affiliate investments (cost: $168,619 and $192,012, respectively) | 113,394 | 154,817 |
| Total portfolio investments (cost: $204,714 and $239,267, respectively) | 131,118 | 174,710 |
| Investments in U.S. Treasury Bills at fair value (cost: $55,000 and $34,997, respectively) | 55,000 | 34,997 |
| Total investments | 186,118 | 209,707 |
| Cash and cash equivalents | 2,857 | 15,554 |
| Accounts receivable and other current assets | 12 | 517 |
| Interest receivable | 1,777 | 2,248 |
| Deferred loan costs and other prepaid assets | 26 | 451 |
| Total current assets | 4,672 | 18,770 |
| **Total assets** | $ 190,790 | $ 228,477 |
| | | |
| **Liabilities** | | |
| Current liabilities | | |
| Due to broker | $ — | $ 5,226 |
| Distributions payable | 1,210 | 2,421 |
| Accounts payable and accrued expenses | 2,944 | 1,962 |
| Management and incentive fees payable | 888 | 1,713 |
| Income taxes payable | 42 | 75 |
| Repurchase agreement | 53,900 | 34,300 |
| Short-term debt | — | 72,000 |
| Total current liabilities | 58,984 | 117,697 |
| Long-term debt, net of debt issuance costs | 38,818 | — |
| **Total liabilities** | 97,802 | 117,697 |
| Commitments and contingencies (Note 6) | | |
| **Net assets** | | |
| 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 | (4,689) | (5,947) |
| Undistributed net realized capital loss | (73,848) | (63,838) |
| Net unrealized depreciation on investments | (70,480) | (61,440) |
| **Total net assets** | 92,988 | 110,780 |
| **Total liabilities and net assets** | $ 190,790 | $ 228,477 |
| **Net asset value per share** | $ 4.61 | $ 5.49 |

*(See accompanying notes to consolidated financial statements)*

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

| | For the three months ended September 30, 2016 | For the three months ended September 30, 2015 | For the nine months ended September 30, 2016 | For the nine months ended September 30, 2015 |
|---|---|---|---|---|
| **Investment income:** | | | | |
| Interest income: | | | | |
| Affiliate investments | $ 693 | $ 625 | $ 2,048 | $ 1,841 |
| Non-affiliate investments | 2,617 | 3,440 | 8,471 | 10,706 |
| Dividend income: | | | | |
| Non-affiliate investments | 897 | 1,010 | 3,180 | 2,997 |
| Royalty income, net of amortization: | | | | |
| Control investments | — | 11 | — | 30 |
| Other income | 114 | 2 | 152 | 244 |
| **Total investment income** | 4,321 | 5,088 | 13,851 | 15,818 |
| **Operating expenses:** | | | | |
| Interest expense and bank fees | 768 | 967 | 2,831 | 2,534 |
| Management and incentive fees | 888 | 758 | 2,585 | 2,290 |
| Professional fees, net of legal fees of $0, $34, $0 and $521, respectively, related to ATP bankruptcy (See Note 6) | 584 | 541 | 1,973 | 1,918 |
| Other general and administrative expenses | 387 | 735 | 1,554 | 2,270 |
| **Total operating expenses** | 2,627 | 3,001 | 8,943 | 9,012 |
| Income tax provision, net | (6) | 6 | 19 | 58 |
| **Net investment income** | 1,700 | 2,081 | 4,889 | 6,748 |
| **Realized and unrealized gain (loss) on investments:** | | | | |
| Net realized capital gain (loss) on investments | | | | |
| Control investments | — | — | (10,142) | 232 |
| Non-affiliate investments | — | (33) | 223 | (33) |
| Provision for taxes on realized gain (loss) | — | — | (91) | — |
| **Total net realized capital gain (loss) on investments** | — | (33) | (10,010) | 199 |
| Net unrealized appreciation (depreciation) on investments | | | | |
| Control investments | — | (1,000) | 10,578 | (4,222) |
| Affiliate investments | (1,254) | 170 | (1,587) | 1,258 |
| Non-affiliate investments | (3,058) | (7,865) | (18,031) | (12,999) |
| **Total net unrealized depreciation on investments** | (4,312) | (8,695) | (9,040) | (15,963) |
| **Net decrease in net assets resulting from operations** | $ (2,612) | $ (6,647) | $ (14,161) | $ (9,016) |
| Net decrease in net assets resulting from operations per common share | $ (0.13) | $ (0.33) | $ (0.70) | $ (0.44) |
| Distributions declared per common share | $ 0.06 | $ 0.12 | $ 0.18 | $ 0.36 |
| Weighted average shares outstanding - basic and diluted | 20,172 | 20,177 | 20,172 | 20,372 |

*(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 nine months ended September 30, | |
|---|---|---|
| | **2016** | **2015** |
| **Increase (decrease) in net assets from operations** | | |
| Net investment income | $ 4,889 | $ 6,748 |
| Net realized capital gain (loss) on investments | (10,010) | 199 |
| Net unrealized depreciation on investments | (9,040) | (15,963) |
| Net decrease in net assets resulting from operations | (14,161) | (9,016) |
| **Distributions to common stockholders** | | |
| Distributions from net investment income | (3,631) | (7,316) |
| Net decrease in net assets from distributions | (3,631) | (7,316) |
| **Capital transactions** | | |
| Acquisition of common stock under repurchase plan | — | (2,426) |
| Net decrease in net assets from capital transactions | — | (2,426) |
| Net decrease in net assets | (17,792) | (18,758) |
| Net assets, beginning of period | 110,780 | 154,164 |
| Net assets, end of period | $ 92,988 | $ 135,406 |
| **Net asset value per common share at end of period** | $ 4.61 | $ 6.71 |
| **Common shares outstanding at end of period** | 20,172 | 20,172 |

*(See accompanying notes to consolidated financial statements)*

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

| | For the nine months ended September 30, | |
|---|---|---|
| | **2016** | **2015** |
| **Cash flows from operating activities:** | | |
| Net decrease in net assets resulting from operations | $ (14,161) | $ (9,016) |
| Adjustments to reconcile net decrease in net assets resulting from operations to net cash attributable to operating activities: | | |
| Payment-in-kind interest | (3,909) | (1,092) |
| Net amortization of premiums, discounts and fees | (117) | (384) |
| Net realized capital loss (gain) on investments | 9,919 | (199) |
| Net unrealized depreciation on investments | 9,040 | 15,963 |
| Amortization of deferred loan costs | 491 | 857 |
| Purchase of investments in portfolio securities | (1,756) | (48,674) |
| Proceeds from redemption or sale of investments in portfolio securities | 30,414 | 17,488 |
| Purchase of investments in U.S. Treasury Bills | (90,000) | (91,801) |
| Proceeds from redemption of investments in U.S. Treasury Bills | 69,997 | 72,400 |
| Effects of changes in operating assets and liabilities: | | |
| Accounts receivable and other current assets | 505 | (202) |
| Interest receivable | 471 | 112 |
| Prepaid assets | (66) | (30) |
| Unamortized debt issuance costs | (1,682) | — |
| Payables and accrued expenses | (5,102) | 258 |
| Net cash attributable to operating activities | 4,044 | (44,320) |
| **Cash flows from financing activities:** | | |
| Borrowings under credit facilities | 49,000 | 166,000 |
| Borrowings under repurchase agreement | 88,200 | 49,000 |
| Repayments on credit facilities | (80,500) | (176,000) |
| Repayments on repurchase agreement | (68,600) | — |
| Acquisition of common stock under repurchase plan | — | (2,426) |
| Distributions to stockholders | (4,841) | (8,193) |
| Net cash attributable to financing activities | (16,741) | 28,381 |
| **Net change in cash and cash equivalents** | (12,697) | (15,939) |
| **Cash and cash equivalents, beginning of period** | 15,554 | 31,455 |
| **Cash and cash equivalents, end of period** | $ 2,857 | $ 15,516 |

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**September 30, 2016**
**(in thousands, except share amounts and percentages)**
**(unaudited)**

| Portfolio Company | Industry Segment | Investment [1] | Principal | Cost | Fair Value [2] |
|---|---|---|---|---|---|
| **<u>Control Investments - (More than 25% owned)</u>** | | | | | |
| Spirit Resources, LLC | Oil & Natural Gas Production and Development | Tranche A - Senior Secured Term Loan (greater of 8.0% or LIBOR+4.0%, due 4/28/2015) [5] | $ 4,657 | $ 4,621 | $ — |
| Spirit Resources, LLC | Oil & Natural Gas Production and Development | Tranche B - Senior Secured Term Loan (greater of 15.0% PIK or LIBOR+11.0%, due 10/28/2015) [5] | 4,409 | 4,409 | — |
| Spirit Resources, LLC | Oil & Natural Gas Production and Development | 80,000 Preferred Units representing 100% of the outstanding equity [6] | | 8,000 | — |
| **Subtotal Control Investments - (More than 25% owned)** | | | | **$ 17,030** | **$ —** |
| | | | | | |
| **<u>Affiliate Investments - (5% to 25% owned)</u>** | | | | | |
| OCI Holdings, LLC | Home Health Services | Subordinated Note (LIBOR+ 12.0% cash with a 1.0% floor plus 3.0% PIK, due 8/15/2018) [7] | $ 16,686 | $ 16,565 | $ 16,686 |
| OCI Holdings, LLC | Home Health Services | 100% of Class A Units in OHA/OCI Investments, LLC representing 20.8% diluted ownership of OCI Holdings, LLC | | 2,500 | 1,038 |
| **Subtotal Affiliate Investments - (5% to 25% owned)** | | | | **$ 19,065** | **$ 17,724** |
| | | | | | |
| **<u>Non-affiliate Investments - (Less than 5% owned)</u>** | | | | | |
| Castex Energy 2005, LP | Oil & Natural Gas Production and Development | Redeemable Preferred LP Units (current pay 8.0% cash or 10.0% PIK) [8] | $ 55,226 | $ 54,783 | $ 34,706 |
| ATP Oil & Gas Corporation/Bennu Oil & Gas, LLC | Oil & Natural Gas Production and Development | Limited Term Royalty Interest (notional rate of 13.2%) [9][10] | | 27,845 | 12,286 |
| Appriss Holdings, Inc. | Information Services | Second Lien Term Loan (LIBOR+9.25% with a 1.0% floor, due 5/21/2021) [13] | 9,323 | 9,212 | 9,137 |
| Kronos Incorporated | Software | Second Lien Term Loan (LIBOR+8.5% with a 1.25% floor, due 4/30/2020) [3] | 12,000 | 12,124 | 12,225 |
| Royal Holdings, Inc. | Chemicals | Second Lien Term Loan (LIBOR+7.5% with a 1.0% floor, due 6/19/2023) [3] | 10,000 | 9,929 | 9,875 |
| TIBCO Software, Inc. | Software | Senior Unsecured Notes (11.38% due 12/1/2021) [3] | 10,100 | 9,742 | 8,989 |

*(See accompanying notes to consolidated financial statements)*

**OHA INVESTMENT CORPORATION**
**CONSOLIDATED SCHEDULE OF INVESTMENTS**
**September 30, 2016**
**(In thousands, except share amounts and percentages)**
**(Unaudited — Continued)**

| Portfolio Company | Industry Segment | Investment [1] | Principal | Cost | Fair Value [2] |
|---|---|---|---|---|---|
| **Non-affiliate Investments - (Less than 5% owned) - Continued** | | | | | |
| Berlin Packaging | Packaging | Second Lien Term Loan (LIBOR+6.75% with a 1.0% floor, due 10/1/2022) [3] | $ 7,205 | $ 6,875 | $ 7,259 |
| Gramercy Park CLO Ltd. [4] | Financial Services | Subordinated Notes, Residual Interest (11.95%, based on cost, due 7/17/2023) [3] | 9,000 | 5,519 | 5,175 |
| Talos Production, LLC | Oil & Natural Gas Production and Development | Senior Unsecured Notes (9.75%, due 2/15/2018) [3] | 12,000 | 11,976 | 5,565 |
| WASH Multifamily Acquisition, Inc. | Industrials - Laundry Equipment | Second Lien Term Loan (LIBOR+7.0% with a 1.0% floor, due 5/14/2023) [3] | 3,404 | 3,382 | 3,378 |
| Synarc-BioCore Holdings, LLC | Healthcare | First Lien Senior Secured Notes (7.75% due 3/10/2021) | 2,400 | 2,349 | 2,520 |
| Stardust Financial Holdings (Hanson) | Building Materials | Second Lien Term Loan (LIBOR+9.5% with a 1.0% floor, due 3/13/2023) [3] | 1,687 | 1,632 | 1,687 |
| Coinamatic Canada, Inc. [4] | Industrials - Laundry Equipment | Second Lien Term Loan (LIBOR+7.0% with a 1.0% floor, due 5/14/2023) [3] | 596 | 592 | 592 |
| 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) [5][11] | 13,115 | 12,659 | — |
| Globe BG, LLC | Coal Production | Contingent earn-out related to July 2011 sale of royalty interests in Alden Resources, LLC [12] | | — | — |
| **Subtotal Non-affiliate Investments - (Less than 5% owned)** | | | | **$ 168,619** | **$ 113,394** |
| **Subtotal Portfolio Investments (70.4% of total investments)** | | | | **$ 204,714** | **$ 131,118** |
| **GOVERNMENT SECURITIES** | | | | | |
| U.S. Treasury Bills [14] | | | 55,000 | 55,000 | 55,000 |
| **Subtotal Government Securities (29.6% of total investments)** | | | | **$ 55,000** | **$ 55,000** |
| **TOTAL INVESTMENTS** | | | | **$ 259,714** | **$ 186,118** |

*(See accompanying notes to consolidated financial statements)*

## NOTES TO CONSOLIDATED SCHEDULE OF INVESTMENTS

(1) We pledged all of our portfolio investments as collateral for obligations under our Credit Facility. See Note 3 of Notes to Consolidated Financial Statements. Percentages represent interest rates in effect as of September 30, 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) 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 asset classifications on an ongoing basis.

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

(6) Non-income producing equity securities.

(7) 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 the interest rate to LIBOR+12% cash with a 1% floor, plus 3% payment-in-kind, or PIK. Also, default interest of $0.1 million was added to the principal balance on January 1, 2016.

(8) By the terms of our original investment, upon redemption, we were due the outstanding face amount of $50 million, any unpaid and accrued dividends, plus an option to elect to receive either: a) a cash payment resulting in a total 12% return or make-whole (inclusive of the 8% cash distributions even if not paid), or b) our pro rata share of 2% of the outstanding regular limited partner interests in Castex (0.67% net to us). Castex elected to pay us in PIK for more than two consecutive quarters, causing the return on the initial make-whole calculation to first increase from 12% to 13.5%. Preferred unit holders had a put right starting on July 1, 2016, which we exercised on that date with respect to all of our preferred units. Castex Energy 2005, LP, or Castex, had 90 days from the receipt of the put notice to redeem. Castex did not redeem the preferred units within 90 days of the receipt of the put notice. As a result, the make-whole of 13.5% further increased by 4.5%, to 18%, we are entitled to board observation rights as a preferred unit holder, and other covenants apply. If the preferred units are not redeemed within one year from the originally scheduled put closing date (which would be September 29, 2017), Castex and the limited partners must use commonly reasonable efforts to enter into, within 90 days, a 12% dollar denominated production payment transaction with the preferred unit holders exercising the put right, with a 3 year term for such production payment. If such production payment transaction is not consummated 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.

(9) Effective July 1, 2015, ATP was placed on non-accrual status based on estimated future production payments, and income is recognized to the extent cash received.

(10) For more information on ATP, refer to the discussion of the ATP litigation in Note 6 to the Consolidated Financial Statements.

(11) 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% 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 the fourth quarter of 2015, and amendments to the leverage and minimum interest coverage ratios. In 2016, Shoreline defaulted and is no longer paying us cash interest. On November 2, 2016, Shoreline filed for Chapter 11 Bankruptcy.

(12) Contingent payment of up to $6.8 million was 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; however, Globe BG, LLC had informally advised us that the company's relative cost of production has not improved between July 2011 and July 2014.

(13) On August 10, 2016 the margin was amended to be increased from LIBOR+8.25% with a 1% floor to LIBOR+9.25% with a 1% floor.

(14) Fair value is determined using prices for identical securities in active markets (Level 1 hierarchy). See Note 7 of Notes to Consolidated Financial Statements.

*(See accompanying notes to consolidated financial statements)*

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

| Portfolio Company | Industry Segment | Investment [1] | Principal | Cost | Fair Value [2] |
|---|---|---|---|---|---|
| **Control Investments - (More than 25% owned)** | | | | | |
| Contour Highwall Holdings, LLC | Coal Mining | Senior Secured Term Loan (12%, due 10/14/2015) [6] | $ 10,757 | $ 10,778 | $ 1,000 |
| Contour Highwall Holdings, LLC | Coal Mining | Unsecured Promissory Note (6%, due 4/11/2016) [6] | 800 | 800 | — |
| Contour Highwall Holdings, LLC | Coal Mining | 800 Membership Units representing 80% of the common equity [7][15] | | — | — |
| 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) [6] | 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) [6] | 4,409 | 4,409 | — |
| Spirit Resources, LLC | Oil & Natural Gas Production and Development | 80,000 Preferred Units representing 100% of the outstanding equity [15] | | 8,000 | — |
| **Subtotal Control Investments - (More than 25% owned)** | | | | **$ 28,608** | **$ 1,000** |
| **Affiliate Investments - (5% to 25% owned)** | | | | | |
| OCI Holdings, LLC | Home Health Services | Subordinated Note (LIBOR+ 12.0% cash with a 1% floor plus 3% PIK, due 8/15/2018) [8][9] | $ 16,310 | $ 16,147 | $ 16,310 |
| OCI Holdings, LLC | Home Health Services | 100% of Class A Units in OHA/OCI Investments, LLC representing 20.8% diluted ownership of OCI Holdings, LLC [15] | | 2,500 | 2,583 |
| | | | | **$ 18,647** | **$ 18,893** |
| **Non-affiliate Investments - (Less than 5% owned)** | | | | | |
| 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) [10] | $ 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) [3] | $ 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%) [11][12] | | 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) [3] | 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 [1] | Principal | Cost | Fair Value [2] |
|---|---|---|---|---|---|
| **Non-affiliate Investments - (Less than 5% owned) - Continued** | | | | | |
| Royal Holdings, Inc. | Chemicals | Second Lien Term Loan (LIBOR+7.5% with a 1% floor, due 6/19/2023) [3] | 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) [13] | 12,918 | 12,640 | 9,040 |
| TIBCO Software, Inc. | Software | Senior Unsecured Notes (11.38% due 12/1/2021) [3] | 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) [3] | 7,500 | 7,114 | 7,238 |
| Gramercy Park CLO Ltd. [5] | Financial Services | Subordinated Notes, Residual Interest (11.95%, based on cost, due 7/17/2023) [3] | 9,000 | 6,327 | 5,659 |
| Berlin Packaging | Packaging | Second Lien Term Loan (LIBOR+6.75% with a 1% floor, due 10/1/2022) [3] | 5,500 | 5,226 | 5,253 |
| Talos Production, LLC | Oil & Natural Gas Production and Development | Senior Unsecured Notes (9.75%, due 2/15/2018) [3] | 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 5/14/2023) [3] | 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 [5] | Industrials - Laundry Equipment | Second Lien Term Loan (LIBOR+7.0% with a 1% floor, due 5/14/2023) [3] | 596 | 592 | 565 |
| Globe BG, LLC | Coal Production | Contingent earn-out related to July 2011 sale of royalty interests in Alden Resources, LLC [14] | | — | — |
| | | | | | |
| **Subtotal Non-affiliate Investments - (Less than 5% owned)** | | | | 192,012 | 154,817 |
| **Subtotal Portfolio Investments (83.3% of total investments)** | | | | 239,267 | 174,710 |
| | | | | | |
| **GOVERNMENT SECURITIES** | | | | | |
| U.S. Treasury Bills [4] | | | 35,000 | 34,997 | 34,997 |
| **Subtotal Government Securities (16.7% of total investments)** | | | | 34,997 | 34,997 |
| | | | | | |
| **TOTAL INVESTMENTS** | | | | 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 asset classifications on an ongoing basis.

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

(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 on January 1, 2016.

(10) By the terms of our original investment, upon redemption, we were due the outstanding face amount of $50 million, any unpaid and accrued dividends, plus an option to elect to receive either: a) a cash payment resulting in a total 12% return or make-whole (inclusive of the 8% cash distributions even if not paid), or b) our pro rata share of 2% of the outstanding regular limited partner interests in Castex (0.67% net to us). Castex elected to pay us in PIK for more than two consecutive quarters, causing the return on the initial make-whole calculation to first increase from 12% to 13.5%. Preferred unit holders had a put right starting on July 1, 2016, which we exercised on that date with respect to all of our preferred units. Castex Energy 2005, LP, or Castex, had 90 days from the receipt of the put notice to redeem. Castex did not redeem the preferred units within 90 days of the receipt of the put notice. As a result, the make-whole of 13.5% further increased by 4.5%, to 18%, we are entitled to board observation rights as a preferred unit holder, and other covenants apply. If the preferred units are not redeemed within one year from the originally scheduled put closing date (which would be September 29, 2017), Castex and the limited partners must use commonly reasonable efforts to enter into, within 90 days, a 12% dollar denominated production payment transaction with the preferred unit holders exercising the put right, with a 3 year term for such production payment. If such production payment transaction is not consummated 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.

(14) Contingent payment of up to $6.8 million was 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; however, Globe BG, LLC had informally advised us that the company's relative cost of production has not improved between July 2011 and July 2014.

(15) Non-income producing equity securities.

*(See accompanying notes to consolidated financial statements)*

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

| **Per Share Data** [1] | **For the nine months ended September 30, 2016** | **2015** |
|---|---|---|
| | | |
| Net asset value, beginning of period | $ 5.49 | $ 7.48 |
| Net investment income, net of tax | 0.24 | 0.33 |
| Net realized and unrealized loss on investments [2] | (0.94) | (0.78) |
| Net decrease in net assets resulting from operations | (0.70) | (0.45) |
| Distributions to common stockholders | | |
| Distributions from net investment income | (0.18) | (0.36) |
| Net decrease in net assets from distributions | (0.18) | (0.36) |
| Effect of shares repurchased, gross | $ — | $ 0.04 |
| Net asset value, end of period | $ 4.61 | $ 6.71 |
| | | |
| Market value, beginning of period | $ 3.80 | $ 4.69 |
| Market value, end of period | $ 3.14 | $ 4.23 |
| Market value return [3][4] | (12.0)% | (3.4)% |
| | | |
| **Ratios and Supplemental Data** | | |
| ($ and shares in thousands) | | |
| Net assets, end of period | $ 92,988 | $ 135,406 |
| Average net assets | $ 102,171 | $ 148,429 |
| Common shares outstanding, end of period | 20,172 | 20,172 |
| Total operating expenses and taxes/average net assets [5][6] | 11.7 % | 8.3 % |
| Net investment income, net of tax/average net assets [5] | 6.4 % | 6.1 % |
| Portfolio turnover rate | 1.1 % | 9.2 % |
| | | |
| **Expense Ratios (as a percentage of average net assets)** [5] | | |
| Interest expense and bank fees | 3.7 % | 2.3 % |
| Management and incentive fees | 3.4 % | 2.1 % |
| Other operating expenses and taxes [6] | 4.6 % | 3.9 % |
| Total operating expenses [6] | 11.7 % | 8.3 % |

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

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

(3) Total return is based on the change in market price per share during the respective periods. Total return calculations take into account distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan and do not reflect brokerage commissions.

(4) Not annualized.

(5) Annualized.

(6) Net of legal fee reimbursements of $0 million and $0.5 million for the nine months ended September 30, 2016 and 2015 , respectively. Excluding these legal fee reimbursements, other operating expenses and total operating expenses ratios would have been 4.3% and 8.6%, respectively, for the nine months ended September 30, 2015 . See Note 6 of Notes to Consolidated Financial Statements.

*(See accompanying notes to consolidated financial statements)*

**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 that at times may have 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 in accordance with accounting principles generally accepted in United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission. The Company is an investment company following the accounting and reporting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, *Financial Services - Investment Company* ("ASC 946"). We omit certain information and footnote disclosures normally included in audited financial statements prepared in accordance with GAAP pursuant to such rules and regulations. We believe we include all adjustments, which are of a normal recurring nature, so that these financial statements fairly present our financial position, results of operations and cash flows. Interim results are not necessarily indicative of results for a full year or any other interim period. You should read these unaudited consolidated financial statements in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 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:

| Declaration Date | Per Share Amount | Record Date | Payment Date |
|---|---|---|---|
| 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 |
| June 7, 2016 | 0.06 | June 30, 2016 | July 8, 2016 |
| September 15, 2016 | 0.06 | September 30, 2016 | October 7, 2016 |

***Recent Accounting Pronouncements***

In April 2015, the FASB issued ASU 2015-03 Interest - Imputation of Interest (“ASU 2015-03”). The pronouncement requires that debt issuance costs related to a recognized debt liability be presented in the consolidated statement of assets and liabilities as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendment becomes effective for financial statements issued for fiscal years that begin after December 15, 2015. This guidance is applicable to the Company as of September 30, 2016 and there are no effects to information presented or disclosed in prior periods.

**Note 3: Credit Facilities and Borrowings**

We are party to a new Credit Agreement, dated September 9, 2016, with MidCap Financial, which replaced our existing Third Amended and Restated Revolving Credit Agreement (the "Investment Facility"), dated May 23, 2013, as amended. As of September 9, 2016, the size of the secured term loan credit facility (the "Credit Facility") was $56.5 million with a maturity date of March 9, 2018, which can be extended for a six-month period at our option. The initial proceeds of $40.5 million from the Credit Facility were used to pay off the $38.5 million outstanding balance on our previous Investment Facility, pay transaction expenses and provide balance sheet cash. The remaining $16.0 million consists of a delayed draw term loan, which is committed for one year, and is available to us to grow our investment portfolio and operate our business.

As of September 30, 2016, the total amount outstanding under the Credit Facility was $40.5 million with $16.0 million available to draw. The total amount outstanding on the Credit Facility is shown net of unamortized debt issuance costs of $1.7 million on our Consolidated Balance Sheet as of September 30, 2016. Substantially all of our assets, except our investments in U.S. Treasury Bills, are pledged as collateral for the obligations under the Credit Facility. The Credit Facility bears an interest rate of LIBOR plus 5.35% for Eurodollar Loans, subject to a 1% LIBOR floor, and Base Rate plus 4.35% for Base Rate Loans. As of September 30, 2016, the average interest rate on our outstanding balance of $40.5 million was 6.35%.

The Credit Facility contains affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with these covenants from the date of the new Credit Agreement through September 30, 2016, and had no existing defaults or events of default under the Credit Facility. The financial covenants, with terms as defined in the Credit Agreement, are:

- maintain a Maximum Debt to Tangible Net Worth Ratio of not more than 0.80:1.00,
- maintain at all times a Minimum Liquidity in the form of Cash or Cash Equivalents of at least $1.0 million,
- maintain a Debt to Fair Market Value Ratio of not more than 0.50:1.00 at any time, and
- maintain the Fair Market Value of Liquid Portfolio Investments as a percentage of outstanding aggregate principal balance to not be less than 80% through March 9, 2017, 90% through September 9, 2017 and 100% through March 9, 2018.

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

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

As of December 31, 2015, the total amount outstanding under the Investment Facility was $72.0 million. Substantially all of our assets, except our investments in U.S. Treasury Bills, were pledged as collateral for the obligations under the Investment Facility. The Investment Facility bore interest, at our option, at either (i) LIBOR plus 3.25% to 4.75%, or (ii) the base rate plus 2.25% to 3.75%, both based on our amounts outstanding.

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 of the Treasury Facility to $30.0 million and permitted the appointment of OHA as our investment advisor. Borrowings under the Treasury Facility bore 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 and the Treasury Facility contained affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with these covenants throughout 2015 and the period ended September 9, 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 September 30, 2016, we purchased $55.0 million of U.S. Treasury bills and contemporaneously entered into a repurchase arrangement with Jefferies LLC, or Jefferies, to finance such purchase. Under the repurchase arrangement, we transferred $55.0 million of U.S. Treasury bills and $1.1 million of cash to Jefferies as collateral under the repurchase agreement. We repaid the amount borrowed under the repurchase agreement, and Jefferies returned to us the $1.1 million cash collateral, net of a $8 thousand financing fee, upon maturity of the U.S. Treasury bills on October 6, 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 September 30, 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. Following an initial two-year term, the term of the Investment Advisory Agreement is for successive one-year periods, 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. Such approval was granted on August 2, 2016. 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 September 30, 2016 and 2015 , we incurred $0.7 million and $0.8 million, respectively, in base management fees. For the nine months ended September 30, 2016 and 2015 , we incurred $2.3 million and $2.2 million, respectively, in base 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 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 September 30, 2016 we incurred $181,000 in investment income incentive fees and for the three months ended September 30, 2015 we did not incur an investment income incentive fee. For the nine months ended September 30, 2016 and 2015 , we incurred $281,000 and $139,000, respectively, of investment income incentive fees.

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 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 had an initial two-year term and, on August 2, 2016, its continuation for an additional one-year period was approved by the Board. 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 was capped at $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 we 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 $0.2 million and $0.2 million to OHA under the Administration Agreement as of September 30, 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**

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 September 30, 2016 , we had investments in 16 portfolio companies totaling $204.7 million . Of these 16 investments, the Company had already funded investments in the amount of $204.7 million and there were no remaining outstanding unfunded commitments. As of December 31, 2015, we had investments in 19 portfolio companies totaling $239.3 million . Of these 19 investments, the Company had already funded investments in the amount of $239.3 million and there were no remaining outstanding unfunded commitments.

We have continuing obligations under the Investment Advisory Agreement and the Administration Agreement with OHA. See Note 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 our favor. 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 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. 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 Bennu Oil & Gas, LLC, or Bennu, 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, Bennu 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, Bennu, 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.

On October 14, 2015, we entered into a Stipulation of Settlement and Release with the Trustee, Bennu 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 We released CS and the DIP Lenders from any claims relating to the ORRIs and our transaction documents, including the Acts of Subordination which were executed by CS in connection with the conveyance of the ORRIs. Prior to entering the Stipulation of Settlement and Release with the Trustee, we entered into a Settlement and Release Agreement with Bennu pursuant to which, in exchange for the entry of an Agreed Judgment, we agreed to withdraw and/or release Bennu from certain claims including our claim for breach of 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 February 4, 2016, 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 claims against ATP were dismissed without prejudice. The Agreed Judgment resolved Phase 1 of the Adversary Proceeding. It did 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], which was subsequently amended pursuant to a briefing schedule set by the Court [Adv. Dkt. No. 284]. The Amended Motion to Dismiss asserted, among other things, that under the terms of the applicable Louisiana Oil Well Lien Statute, the alleged statutory liens of the lien claimants either cannot attach to overriding royalties, or alternatively, that OHA purchased the ORRIs free and clear of the statutory liens because the lien claimants did not provide notice of the liens as required under the statute. 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 lien claimants filed responses to the Amended Motion to Dismiss and the Motion to Withdraw the Reference. On May 13, 2016, the Court entered its order granting in part and denying in part OHA's Motion to Dismiss and Motion to Withdraw Reference [Adv. Dkt. No. 294] and its Report and Recommendation and Memorandum Opinion [Adv. Dkt. No. 293]. Pursuant to the Memorandum Opinion and the order, the Court determined that under the Louisiana statute, if we purchased our ORRIs without notice of the lien claimants liens, in a bona fide transaction, we would take the ORRIs free and clear of the lien claimants' rights [Adv. Dkt. No. 293 at 13]. The Court granted the lien claimants leave to file amended complaints to specifically plead whether we had notice of their alleged privileges at the time we paid the purchase price. To that end, the Court stated that the Amended Motion to Dismiss was denied as to all issues other than the issue of whether we had notice of the lien claimants' liens and that the Court would review the amended complaints (to determine whether they sufficiently pleaded a claim) [Adv. Dkt. No. 294]. Pursuant to the Report and Recommendation and Memorandum Opinion, the Bankruptcy Court recommended that the District Court grant the Motion to Withdraw the Reference, but that the Adversary Proceeding remain in the Bankruptcy Court until the time of trial. After certain clarifying orders were entered by the Bankruptcy Court (in response to our motion [Adv. Dkt. No. 306]) relating to its Report and Recommendation and Memorandum Opinion, the District Court entered an order consistent with the Bankruptcy Court's recommendation on the Motion to Withdraw the Reference.

On May 27, 2016, the Intervenors filed their amended complaints, which made new allegations with respect to the issue of notice. Accordingly, on June 9, 2016, we filed our Motion to Dismiss the amended complaints [Adv. Dkt. No. 310] asserting that the allegations regarding notice are insufficient to state a claim under the statute. On June 30, 2016, the lien claimants filed their Response [Adv. Dkt. No. 316] in opposition to our Motion to Dismiss. On July 18, 2016, we filed our Reply in Support of the Motion to Dismiss [Adv. Dkt. No. 317].

On August 19, 2016, the Bankruptcy Court entered its order [Adv. Dkt. No. 325] and its related Report and Recommendation [Adv. Dkt. No. 326] dismissing, with prejudice, the Intervenors' amended complaints. The Bankruptcy Court's order and the related Report and Recommendation recommends, to the District Court, that Phase II of the lawsuit be fully resolved in our favor. The Report and Recommendation was docketed in the United States District Court for the Southern District of Texas, Case No. 4:16-CV-02556. On September 2, 2016, certain of the Intervenors filed their Objection to Judge Isgur's Report and Recommendation [Dist. Dkt. No. 3] arguing that the Bankruptcy Court's conclusions were erroneous, and that the Intervenors were not required to give notice to OHA in order for their alleged liens to attach. We filed a limited objection to the Report and Recommendation arguing that the Report and Recommendation should be affirmed, but even if notice was not required under the statute, the Intervenors' alleged liens could not have attached to the ORRIs in the first instance. The Intervenors filed a joint response [Dist. Dkt. No. 4] to our limited objection on September 15, 2016 and we filed a response to the Intervenors' objection on September 16, 2016. We also filed a reply in support of our limited objection on September 27, 2016. The District Court has scheduled an oral argument on the parties' objections to the Report and Recommendation to be held on November 29, 2016, at 10:00 a.m.

The dismissal of the lawsuit by the Bankruptcy Court remains subject to the District Court's review. As of September 30, 2016 , our unrecovered investment was $30.3 million , and we had received aggregate royalty payments of $37.1 million since the date of ATP's bankruptcy filing. As of September 30, 2016 , we had incurred legal and consulting fees totaling $5.9 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 September 30, 2016 , $5.4 million of the $5.9 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 have been expensed to legal fees, of which $25,000 and $261,000 as of September 30, 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 September 30, 2016 , we received post-petition royalty payments from the Gomez properties and the Telemark properties in the amount of $8.3 million and $28.8 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.

On August 11, 2016, an involuntary Chapter 11 bankruptcy petition was filed by Beal Bank USA against Bennu Titan LLC (formerly known as ATP Titan LLC), an indirect subsidiary of Bennu Oil & Gas, LLC, and the owner of the floating production platform in the Gulf of Mexico that processes and transports hydrocarbons produced from the Telemark properties, in which OHA owns the ORRI. An order for relief was entered on September 9, 2016, in the case styled In re Bennu Titan LLC (f/k/a ATP Titan LLC), Case No. 16-11870, in the United States Bankruptcy Court for the District of Delaware. We are not a creditor in this bankruptcy case, and it is unknown whether this case will have any effect on OHA's ORRI or the related royalty payments.

**Note 7: Fair Value**

Our investments consisted of the following as of September 30, 2016 and December 31, 2015 :

| | September 30, 2016 | | | | December 31, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| **(Dollar amounts in thousands)** | **Cost** | **% of total** | **Fair Value** | **% of total** | **Cost** | **% of total** | **Fair Value** | **% of total** |
| **Portfolio investments** | | | | | | | | |
| First lien secured debt | $ 11,379 | 4.5% | $ 2,520 | 1.3% | $ 22,150 | 8.1% | $ 3,340 | 1.7% |
| Second lien debt | 56,405 | 21.7% | 44,153 | 23.7% | 73,791 | 26.9% | 69,508 | 33.1% |
| Subordinated debt | 38,283 | 14.7% | 31,240 | 16.8% | 47,517 | 17.3% | 37,836 | 18.0% |
| Limited term royalties | 27,845 | 10.7% | 12,286 | 6.6% | 27,709 | 10.1% | 11,845 | 5.6% |
| Redeemable preferred units | 54,783 | 21.1% | 34,706 | 18.6% | 51,273 | 18.7% | 43,939 | 21.0% |
| CLO residual interests | 5,519 | 2.1% | 5,175 | 2.8% | 6,327 | 2.3% | 5,659 | 2.7% |
| Equity securities | 10,500 | 4.0% | 1,038 | 0.6% | 10,500 | 3.8% | 2,583 | 1.2% |
| Total portfolio investments | 204,714 | 78.8% | 131,118 | 70.4% | 239,267 | 87.2% | 174,710 | 83.3% |
| Government securities | | | | | | | | |
| U.S. Treasury Bills | 55,000 | 21.2% | 55,000 | 29.6% | 34,997 | 12.8% | 34,997 | 16.7% |
| Total investments | $ 259,714 | 100.0% | $ 186,118 | 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 FASB ASC *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. Our general practice is that we have an independent valuation firm review all Level 3 investments (those whose value is determined using significant unobservable inputs) with recommended fair values in excess of $10 million on a quarterly basis, and review all Level 3 investments with recommended fair values greater than zero at least annually to provide positive assurance on our valuations.

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

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

- *Final Valuation Determination.* Our Board of Directors discusses the fair values recommended by the Audit Committee and determines the fair value of each investment in our portfolio for which market quotations are not readily available, in good faith, based on the input of the investment team of our investment advisor, our Audit Committee and the independent valuation firm, if applicable.

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 September 30, 2016 or December 31, 2015. Amounts outstanding under our Credit Facility are carried at amortized cost in the Consolidated Balance Sheets. As of September 30, 2016, the estimated fair value of our Credit Facility approximated its carrying value of $39.3 million. As of December 31, 2015, the carrying value of our Investment Facility was $72.0 million and the estimated fair value was $69.3 million. The estimated fair value of the Credit Facility is determined by discounting projected remaining payments using market interest rates for borrowings of the Company.

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 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 September 30, 2016 and 2015 , respectively, and $0.4 million and $1.1 million in the nine months ended September 30, 2016 and 2015 , respectively. We recorded PIK dividend income from our investment in Castex Energy 2005, LP, of $1.0 million and $3.5 million for the three and nine months ended September 30, 2016 , respectively, and did not record any PIK dividend income in the three and nine months ended September 30, 2015 .

The following tables set forth the fair value of our investments by level within the fair value hierarchy as of September 30, 2016 and December 31, 2015 (in thousands):

| **September 30, 2016** | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| **Portfolio investments** | | | | |
| **Affiliate investments** | | | | |
| Subordinated debt | $ 16,686 | $ — | $ — | $ 16,686 |
| Equity securities | 1,038 | — | — | 1,038 |
| Total affiliate investments | 17,724 | — | — | 17,724 |
| **Non-affiliate investments** | | | | |
| First lien secured debt | 2,520 | — | — | 2,520 |
| Second lien debt | 44,153 | — | 35,016 | 9,137 |
| Subordinated debt | 14,554 | — | 14,554 | — |
| Limited term royalties | 12,286 | — | — | 12,286 |
| Redeemable preferred units | 34,706 | — | — | 34,706 |
| CLO residual interests | 5,175 | — | 5,175 | — |
| Total non-affiliate investments | 113,394 | — | 54,745 | 58,649 |
| Total portfolio investments | 131,118 | — | 54,745 | 76,373 |
| **Government securities** | | | | |
| U.S. Treasury Bills | 55,000 | 55,000 | — | — |
| Total investments | $ 186,118 | $ 55,000 | $ 54,745 | $ 76,373 |

| **December 31, 2015** | **Total** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|---|
| **Portfolio investments** | | | | |
| **Control investments** | | | | |
| First lien secured debt | $ 1,000 | $ — | $ — | $ 1,000 |
| Total control investments | 1,000 | — | — | 1,000 |
| **Affiliate investments** | | | | |
| Subordinated debt | 16,310 | — | — | 16,310 |
| Equity securities | 2,583 | — | — | 2,583 |
| Total affiliate investments | 18,893 | — | — | 18,893 |
| **Non-affiliate investments** | | | | |
| 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 |
| **Government securities** | | | | |
| U.S. Treasury Bills | 34,997 | 34,997 | — | — |
| Total investments | $ 209,707 | $ 34,997 | $ 67,419 | $ 107,291 |

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

| | First Lien Secured Debt and Limited Term Royalties | Second Lien Debt | Subordinated Debt and Redeemable Preferred Units | Equity Securities | Total Investments |
|---|---|---|---|---|---|
| **For the three months ended September 30, 2016** | | | | | |
| Fair value at June 30, 2016 | $ 16,117 | $ 12,814 | $ 55,645 | $ 2,277 | $ 86,853 |
| Total gains, (losses) and amortization: | | | | | |
| Net realized gains | — | — | — | — | — |
| Net unrealized gains (losses) | (1,313) | 49 | (5,371) | (1,239) | (7,874) |
| Net amortization of premiums, discounts and fees | 2 | 51 | 14 | — | 67 |
| New investments, repayments and settlements, net: | | | | | |
| New investments | — | — | — | — | — |
| PIK | — | — | 1,104 | — | 1,104 |
| Repayments and settlements | — | (3,777) | — | — | (3,777) |
| Fair value at September 30, 2016 | $ 14,806 | $ 9,137 | $ 51,392 | $ 1,038 | $ 76,373 |
| | | | | | |
| **For the nine months ended September 30, 2016** | | | | | |
| Fair value at December 31, 2015 | $ 15,185 | $ 21,354 | $ 68,169 | $ 2,583 | $ 107,291 |
| Total gains, (losses) and amortization: | | | | | |
| Net realized gains (losses) | (10,777) | — | (800) | 1,435 | (10,142) |
| Net unrealized gains (losses) | 10,256 | (8,523) | (11,007) | (1,545) | (10,819) |
| Net amortization of premiums, discounts and fees | 6 | 68 | 136 | — | 210 |
| New investments, repayments and settlements, net: | | | | | — |
| New investments | — | — | — | — | — |
| PIK | 136 | 15 | 3,894 | — | 4,045 |
| Repayments and settlements | — | (3,777) | (9,000) | (1,435) | (14,212) |
| Fair value at September 30, 2016 | $ 14,806 | $ 9,137 | $ 51,392 | $ 1,038 | $ 76,373 |
| | | | | | |
| Net change in unrealized gains (losses) from investments still held as of reporting date: | | | | | |
| September 30, 2016 | $ 10,256 | $ (8,523) | $ (11,007) | $ (1,545) | $ (10,819) |
| September 30, 2015 | (6,973) | (1,623) | (1,945) | 1,295 | (9,246) |

| | First Lien Secured Debt and Limited Term Royalties | Second Lien Debt | Subordinated Debt and Redeemable Preferred Units | Equity Securities | Total Investments |
|---|---|---|---|---|---|
| **For the three months ended September 30, 2015** | | | | | |
| Fair value at June 30, 2015 | $ 27,180 | $ 38,390 | $ 80,105 | $ 2,938 | $ 148,613 |
| Total gains, (losses) and amortization: | | | | | |
| Net realized gains | — | — | — | (56) | (56) |
| Net unrealized gains (losses) | (2,596) | 164 | (3,367) | 220 | (5,579) |
| Net amortization of premiums, discounts and fees | — | 32 | 16 | — | 48 |
| New investments, repayments and settlements, net: | | | | | |
| New investments | 4,115 | 3,053 | — | — | 7,168 |
| PIK | — | 20 | 125 | — | 145 |
| Repayments and settlements | (4,870) | (193) | — | (77) | (5,140) |
| Fair value at September 30, 2015 | $ 23,829 | $ 41,466 | $ 76,879 | $ 3,025 | $ 145,199 |
| **For the nine months ended September 30, 2015** | | | | | |
| Fair value at December 31, 2014 | $ 34,970 | $ 21,835 | $ 79,606 | $ 2,147 | $ 138,558 |
| Total gains, (losses) and amortization: | | | | | |
| Net realized gains | — | — | — | 199 | 199 |
| Net unrealized gains (losses) | (9,515) | (1,456) | (3,938) | 1,021 | (13,888) |
| Net amortization of premiums, discounts and fees | 112 | 84 | 49 | — | 245 |
| New investments, repayments and settlements, net: | | | | | |
| New investments | 4,115 | 21,566 | 800 | — | 26,481 |
| PIK | 710 | 20 | 362 | — | 1,092 |
| Repayments and settlements | (6,563) | (583) | — | (342) | (7,488) |
| Fair value at September 30, 2015 | $ 23,829 | $ 41,466 | $ 76,879 | $ 3,025 | $ 145,199 |

During both the three and nine months ended September 30, 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.”

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 September 30, 2016 (dollars in thousands):

| Type of Investment | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range of Inputs | Weighted Average |
|---|---|---|---|---|---|
| **Non-Energy Investments:** | | | | | |
| First lien secured debt | $ 2,520 | Market comparables | Market yields | 6.8% | 6.8% |
| Second lien debt | 9,137 | Market comparables | Market yields | 11.3% | 11.3% |
| Subordinated debt | 16,686 | Market comparables | Market yields | 17.2% | 17.2% |
| Equity securities | 1,038 | Market comparables | EBITDA multiples | 5.5x | 5.5x |
| | 29,381 | | | | |
| **Energy Investments:** | | | | | |
| First lien secured debt and limited term royalties | 12,286 | Discounted cash flow | Discount rate | 31.9% | 31.9% |
| Second lien debt | — | Market comparables | Market yields | N/A | N/A |
| | | | Reserve multiples | \$6.60-\$9.00 (1) | \$7.80 |
| | | | Production multiples | \$24.00-\$36.00 (2) | \$30.00 |
| Redeemable preferred units | 34,706 | Discounted cash flow (3) | Discount rate | 10.0% | 10.0% |
| | 46,992 | | | | |
| **Total Level 3 investments** | $ 76,373 | | | | |

(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.
(3) Risk factors have been applied to oil and gas reserves, operating expenses and other assumptions have been factored into the valuation methodology.

**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 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 10 b5-1 under the Securities Exchange Act of 1934. Our current Credit Facility does not allow us to repurchase common stock.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*You should read the following analysis of our financial condition and results of operations in conjunction with management's discussion and analysis contained in our 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 "OHAI" 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;
- regional, national or international economic conditions and changes thereto as well as 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;
- our ability to refinance or further extend our investment facility upon maturity;
- 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 that at times may have certain 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. OHA is a registered investment adviser under the Investment Advisers Act of 1940. 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 September 30, 2016 was $131.1 million , with such value comprised of 13 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 40% at September 30, 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, or Hanson, at a price of $97.0, resulting in a realized capital gain of $24 thousand or $0.00 per share. In April and May 2016, we sold an additional $5.4 million of the Hanson second lien term loan at an average price of $98.5, resulting in realized capital gains of $0.2 million or $0.01 per share. This investment generated a gross internal rate of return of 16.1% and a return on investment of 1.17x.

In April 2016, KOVA International, Inc., or KOVA, repaid its senior subordinated notes in the amount of $9.0 million. We recorded previously unamortized original issue discount of $0.1 million as additional interest income as a result of this repayment. This investment was initiated in February 2013 and generated a gross internal rate of return of 14.8% and a return on investment of 1.45x.

In June 2016, we sold our 800 Membership Units representing 80% of the common equity of Contour Highwall Holdings, LLC, or Contour, for $1.4 million, net of transaction costs of $0.1 million. In connection with this transaction, the senior secured term loan and the unsecured promissory note of Contour were extinguished. The initial investment was made in October 2010 and this transaction resulted in a realized loss of $10.1 million.

In July 2016, WP Mustang (Electronic Funds Services, LLC), or EFS, repaid its second lien term loan in the amount of $10.0 million. We recorded previously unamortized discount of $0.1 million as additional interest income as a result of this repayment. This investment was initiated in December 2014 and generated a gross internal rate of return of 11.0% and a return on investment of 1.17x.

In August 2016, Appriss Holdings, Inc., or Appriss, repaid part of its second lien term loan in the amount of $3.8 million. We recorded previously unamortized discount of $0.05 million as additional interest income as a result of this repayment.

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 September 30, 2016 , our unrecovered investment was $30.3 million , and we had received aggregate production payments of $37.1 million subject to a disgorgement agreement. In addition, as of September 30, 2016 , we had incurred legal and consulting fees totaling $5.9 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 September 30, 2016 , $5.4 million of the $5.9 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 have been expensed to legal fees, of which $25,000 and $261,000 as of September 30, 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.

Investments are considered to be fully realized when the original investment at the security level has been fully exited. Internal rate of return, or IRR, is a measure of our discounted cash flows (inflows and outflows). Specifically, IRR is the discount rate at which the net present value of all cash flows is equal to zero. That is, IRR is the discount rate at which the present value of total capital invested in our investments is equal to the present value of all realized returns from the investments. Our IRR calculations are unaudited. Capital invested, with respect to an investment, represents the aggregate cost of the investment, net of any upfront fees paid at closing. Realized returns, with respect to an investment, represents the total cash received with respect to an investment, including all amortization payments, interest, dividends, prepayment fees, administrative fees, amendment fees, accrued interest, and other fees and proceeds. Gross IRR, with respect to an investment, is calculated based on the dates that we invested capital and dates we received distributions. Gross IRR reflects historical results relating to our past performance and is not necessarily indicative of our future results. In addition, gross IRR does not reflect the effect of management fees, expenses, incentive fees or taxes borne, or to be borne, by us or our stockholders, and would be lower if it did.

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.

| | September 30, 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 | 8.3% | 5.5% | 1.9% | 8.3% | 9.3% | 1.9% |
| Second lien debt | 9.3% | 27.6% | 33.7% | 10.0% | 30.8% | 39.8% |
| Subordinated debt | 13.3% | 18.7% | 23.8% | 13.3% | 19.9% | 21.7% |
| Limited term royalties | 7.8% | 13.6% | 9.4% | 11.8% | 11.6% | 6.8% |
| Redeemable preferred units | 6.4% | 26.8% | 26.5% | 10.0% | 21.4% | 25.1% |
| CLO residual interests | 6.3% | 2.7% | 3.9% | 13.3% | 2.6% | 3.2% |
| Equity securities | — | 5.1% | 0.8% | — | 4.4% | 1.5% |
| Total portfolio investments | 7.5% | 100.0% | 100.0% | 11.0% | 100.0% | 100.0% |

As of September 30, 2016 and December 31, 2015 , the total fair value of our portfolio investments was $131.1 million and $174.7 million , respectively. Of those fair value totals, approximately $76.4 million , or 58.2% , as of September 30, 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 receive from certain of our equity investments. Royalty income is net of amortization that we receive in connection with certain of our investments. Other income includes prepayment fees and modification fees we receive in connection with certain of our investments. These fees are recognized as earned.

| **Investment Income** | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| (in thousands) | 2016 | 2015 | 2016 | 2015 |
| Interest income | $ 3,310 | $ 4,065 | $ 10,519 | $ 12,547 |
| Dividend income | 897 | 1,010 | 3,180 | 2,997 |
| Royalty income, net of amortization, and other | 114 | 13 | 152 | 274 |
| Total investment income | $ 4,321 | $ 5,088 | $ 13,851 | $ 15,818 |

For the three months ended September 30, 2016 , total investment income was $4.3 million , a 15% decrease from $5.1 million of total investment income for the three months ended September 30, 2015 . The decrease was primarily attributable to a decrease in average portfolio investment balance on a cost basis and a decrease in the weighted average yield on our investment portfolio from September 30, 2015 to September 30, 2016 .

For the nine months ended September 30, 2016 , total investment income was $13.9 million , a 12% decrease from $15.8 million of total investment income for the nine months ended September 30, 2015 . The decrease was primarily attributable to a $1.8 million decrease in investment income related to non-accrual assets and a decrease in the weighted average yield on our investment portfolio, partially offset by an increase in average portfolio investment balance on a cost basis from September 30, 2015 to September 30, 2016.

**Operating Expenses**

Operating expenses include interest expense and our allocable portion of operating expenses incurred on our behalf by our investment advisor and our administrator. Other general and administrative expenses include our allocated share of employee, facilities, and stockholder services incurred by our administrator.

| **Operating Expenses** (in thousands) | For the three months ended September 30, 2016 | For the three months ended September 30, 2015 | For the nine months ended September 30, 2016 | For the nine months ended September 30, 2015 |
|---|---|---|---|---|
| Interest expense and bank fees | $ 768 | $ 967 | $ 2,831 | $ 2,534 |
| Management and incentive fees | 888 | 758 | 2,585 | 2,290 |
| Professional fees | 584 | 541 | 1,973 | 1,918 |
| Other general and administrative expenses | 387 | 735 | 1,554 | 2,270 |
| Total operating expenses | $ 2,627 | $ 3,001 | $ 8,943 | $ 9,012 |

For the three months ended September 30, 2016 , operating expenses decreased by 12.5% to $2.6 million from $3.0 million for the three months ended September 30, 2015 . Interest expense and bank fees decreased by 20.6% to $0.8 million from $1.0 million compared to the same period in the prior year largely due to decreased weighted average debt outstanding of $14.9 million, partially offset by higher rates. Management and incentive fees increased by 17.2% to $0.9 million from $0.8 million due to higher incentive fees incurred partially offset by lower base management fees due to a lower average asset base subject to the base management fee as of September 30, 2016. Other general and administrative expenses decreased by 47.3% to $0.4 million from $0.7 million primarily due to a decrease in employee related expenses in the 2016 period and settlement expenses related to our ATP legal proceedings in the 2015 period.

For the nine months ended September 30, 2016 , operating expenses decreased by 0.8% to $8.9 million from $9.0 million . Interest expense and bank fees increased by 11.7% to $2.8 million from $2.5 million compared to the same period in the prior year largely due to increased weighted average debt outstanding of $10.1 million, partially offset by higher rates and $0.1 million in extension fees incurred in the current period. Management and incentive fees increased by 12.9% to $2.6 million from $2.3 million primarily due to higher incentive fees incurred and higher base management fees due to the expiration of the 0.25% reduction in the base management fee rate on September 30, 2015. Other general and administrative expenses decreased by 31.5% to $1.6 million from $2.3 million primarily due to a decrease in employee related expenses in the 2016 period and settlement expenses related to our ATP legal proceedings in the 2015 period.

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 September 30, 2016 we incurred $181,000 in investment income incentive fees and for the three months ended September 30, 2015 we did not incur an investment income incentive fee. For the nine months ended September 30, 2016 and 2015 , we incurred $281,000 and $139,000, respectively, of investment income incentive fees.

| **Net Investment Income** (in thousands, except per share data) | For the three months ended September 30, 2016 | For the three months ended September 30, 2015 | For the nine months ended September 30, 2016 | For the nine months ended September 30, 2015 |
|---|---|---|---|---|
| Net investment income | $ 1,700 | $ 2,081 | $ 4,889 | $ 6,748 |
| Net investment income per common share | $ 0.08 | $ 0.10 | $ 0.24 | $ 0.33 |

During the three month period ended September 30, 2016 , the decrease in net investment income compared to the three month period ended September 30, 2015 was driven by lower investment income, partially offset by lower operating expenses in 2016 .

During the nine month period ended September 30, 2016 , the decrease in net investment income compared to the nine month period ended September 30, 2015 was driven by lower investment income in 2016, partially offset by lower operating expenses 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 (in thousands, except per share data) | For the three months ended September 30, 2016 | For the three months ended September 30, 2015 | For the nine months ended September 30, 2016 | For the nine months ended September 30, 2015 |
|---|---|---|---|---|
| Net realized capital gain (loss) on investments | $ — | $ (33) | $ (9,919) | $ 199 |
| Benefit (provision) for taxes on realized gain (loss) | — | — | (91) | — |
| Net realized gains and losses | $ — | $ (33) | $ (10,010) | $ 199 |
| Net realized gains and losses per common share | $ — | $ — | $ (0.50) | $ 0.01 |

For the three months ended September 30, 2016 , we did not realize a capital loss or gain on our investments. In the comparable 2015 period, we realized capital losses related to our investment in Myriant, partially offset by a capital gain in Huff.

For the nine months ended September 30, 2016 , we realized a capital loss of $10.1 million related to the sale of our equity interest in Contour and the extinguishment of the associated senior secured term loan. This realized capital loss was partially offset by a realized capital gain related to the sale of the $5.8 million Hanson second lien term loan. In the comparable 2015 period, we realized capital gains related to our investments in Spirit and Huff, which were partially offset by the expiration of our Myriant warrants.

**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 (in thousands, except per share data) | For the three months ended September 30, 2016 | For the three months ended September 30, 2015 | For the nine months ended September 30, 2016 | For the nine months ended September 30, 2015 |
|---|---|---|---|---|
| Control investments | $ — | $ (1,000) | $ 10,578 | $ (4,222) |
| Affiliate investments | (1,254) | 170 | (1,587) | 1,258 |
| Non-affiliate investments | (3,058) | (7,865) | (18,031) | (12,999) |
| Net unrealized appreciation (depreciation) on investments | $ (4,312) | $ (8,695) | $ (9,040) | $ (15,963) |
| Net unrealized appreciation (depreciation) on investments per common share | $ (0.21) | $ (0.43) | $ (0.45) | $ (0.78) |

*Control Investments*

For the three months ended September 30, 2016 , there was no change in the unrealized depreciation or appreciation of our investments. In the comparable 2015 period, the increase in net unrealized depreciation was due to a decrease in the fair value of our Contour Highwall Holdings, LLC, or Contour, investment of $1.0 million.

For the nine months ended September 30, 2016 , the increase in net unrealized appreciation in our control investment was attributable to the reversal of unrealized depreciation, due to realization, on our investments in Contour. In the comparable 2015 period, we recognized net unrealized depreciation of $4.2 million which was primarily due to a decrease in the fair value of our Contour and Spirit investments of $3.3 million and $0.9 million, respectively.

*Affiliate Investments*

For the three months ended September 30, 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 $0.2 million due to an increase in the estimated fair value of our investment in OCI.

For the nine months ended September 30, 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 $1.3 million due to an increase in the estimated fair value of our investment in OCI.

*Non-Affiliate Investments*

For the three months ended September 30, 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 $5.4 million, ATP of $1.4 million and Shoreline of $0.5 million. This was partially offset by an increase in fair value of our investments in Talos Production LLC, or Talos, of $1.3 million, TIBCO of $0.9 million, Gramercy Park CLO Ltd., or Gramercy, of $0.6 million, Royal Adhesives, or Royal, of $0.6 million, Appriss Holdings, or Appriss, of $0.5 million and other investments totaling a net $0.4 million. In the comparable 2015 period, the increase in net unrealized depreciation was primarily due to a decrease in the fair value of our investments in Castex of $3.1 million, Talos of $2.3 million, ATP of $1.6 million, Gramercy of $0.6 million and other investments totaling a net of $0.7 million. This was partially offset by increases in fair value of our investments of $0.3 million.

For the nine months ended September 30, 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 $12.7 million and Shoreline of $9.1 million. This was partially offset by an increase in fair value of our investment in Appriss of $0.5 million, TIBCO of $0.5 million, Talos of $0.4 million, Berlin of $0.4 million, ATP of $0.3 million, Gramercy of $0.3 million and a reversal due to realization related to KOVA of $1.0 million. In the comparable 2015 period, we recognized net unrealized depreciation of $13.0 million primarily due to a decrease in the fair value of our investments in ATP of $6.4 million, Talos of $2.8 million, Castex of $1.9 million, Shoreline Energy, LLC of $1.6 million, and KOVA International, Inc. of $1.2 million. This was partially offset by increases in fair value of our investments in Hanson of $0.3 million and other investments totaling $0.4 million.

| **Net Decrease in Net Assets Resulting from Operations** | **For the three months ended September 30,** | | **For the nine months ended September 30,** | |
|---|---|---|---|---|
| (in thousands, except per share data) | **2016** | **2015** | **2016** | **2015** |
| Net increase (decrease) in net assets resulting from operations | $ (2,612) | $ (6,647) | $ (14,161) | $ (9,016) |
| Net increase (decrease) in net assets resulting from operations per common share | $ (0.13) | $ (0.33) | $ (0.70) | $ (0.44) |

For the three months ended September 30, 2016 , the net increase in net assets resulting from operations compared to the three months ended September 30, 2015 is primarily attributable to the $4.4 million increase in unrealized gains on our investments, which was partially offset by the $0.4 million decrease in net investment income.

For the nine months ended September 30, 2016 , the net decrease in net assets resulting from operations compared to the nine months ended September 30, 2015 is primarily attributable to the $1.9 million decrease in net investment income and $10.1 million decrease in net realized capital gains and losses, which was partially offset by the $7.0 million increase in unrealized losses on our investments, as described above.

**Financial Condition, Liquidity and Capital Resources**

At September 30, 2016 , we had cash and cash equivalents totaling $2.9 million . Our portfolio may consist of temporary investments in U.S. Treasury Bills, repurchase agreements, money market funds or repurchase agreement-like treasury securities. These temporary investments with original maturities of 90 days or less are deemed cash equivalents and are included in the Consolidated Schedule of Investments. At the end of each fiscal quarter, we may take proactive steps to preserve investment flexibility for the next quarter by investing in cash equivalents, which is dependent upon the composition of our total assets at quarter-end. We may accomplish this in several ways, including purchasing U.S. Treasury Bills and closing out positions on a net cash basis after quarter-end, drawing down on an investment or credit facility, or utilizing repurchase agreements or other balance sheet transactions as are deemed appropriate for this purpose. These amounts are excluded from adjusted gross assets for purposes of computing the Investment Adviser's management fee.

During the nine months ended September 30, 2016 , our increase of net cash provided by operating activities is primarily due to increased proceeds from redemptions or sale of investments in portfolio securities and decreased purchases of investments in portfolio securities. Proceeds from the realization of portfolio investments totaled $30.4 million during the nine months ended September 30, 2016 , compared to $17.5 million during the comparable 2015 period. Purchases of portfolio investments totaled $1.8 million as compared to $48.7 million in the comparable 2015 period.

During the nine months ended September 30, 2016 , we had net cash outflows from operations of $24.6 million , excluding net purchases and redemptions of portfolio investments, compared to $13.1 million net cash outflows during the comparable period of 2015 . The lower amount of cash generated from operations during the nine months ended September 30, 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 increased paydown activity as compared to borrowing activity. During the nine months ended September 30, 2016 , we paid cash distributions totaling $4.8 million , or $0.24 share, to our common stockholders. In 2016, we declared a third quarter distribution totaling $1.2 million , or $0.06 per share, which was paid in October 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 a new Credit Agreement, dated September 9, 2016, with MidCap Financial, which replaced our existing Third Amended and Restated Revolving Credit Agreement (the "Investment Facility"), dated May 23, 2013, as amended. As of September 9, 2016, the size of the secured term loan credit facility (the "Credit Facility") was $56.5 million with a maturity date of March 9, 2018, which can be extended for a six-month period at our option. The initial proceeds of $40.5 million from the Credit Facility were used to pay off the $38.5 million outstanding balance on our previous Investment Facility, pay transaction expenses and provide balance sheet cash. The remaining $16.0 million consists of a delayed draw term loan, which is committed for one year, and is available to us to grow our investment portfolio and operate our business.

As of September 30, 2016, the total amount outstanding under the Credit Facility was $40.5 million with $16.0 million available to draw. The total amount outstanding on the Credit Facility is shown net of unamortized debt issuance costs of $1.7 million on our Consolidated Balance Sheet as of September 30, 2016. Substantially all of our assets, except our investments in U.S. Treasury Bills, are pledged as collateral for the obligations under the Credit Facility. The Credit Facility bears an interest rate of LIBOR plus 5.35% for Eurodollar Loans, subject to a 1% LIBOR floor, and Base Rate plus 4.35% for Base Rate Loans. As of September 30, 2016, the average interest rate on our outstanding balance of $40.5 million was 6.35%.

The Credit Facility contains affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with these covenants from the date of the new Credit Agreement through September 30, 2016, and had no existing defaults or events of default under the Credit Facility. The financial covenants, with terms as defined in the Credit Agreement, are:

- maintain a Maximum Debt to Tangible Net Worth Ratio of not more than 0.80:1.00,
- maintain at all times a Minimum Liquidity in the form of Cash or Cash Equivalents of at least $1.0 million,
- maintain a Debt to Fair Market Value Ratio of not more than 0.50:1.00 at any time, and
- maintain the Fair Market Value of Liquid Portfolio Investments as a percentage of outstanding aggregate principal balance to not be less than 80% through March 9, 2017, 90% through September 9, 2017 and 100% through March 9, 2018.

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

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

As of December 31, 2015, the total amount outstanding under the Investment Facility was $72.0 million. Substantially all of our assets, except our investments in U.S. Treasury Bills, were pledged as collateral for the obligations under the Investment Facility. The Investment Facility bore interest, at our option, at either (i) LIBOR plus 3.25% to 4.75%, or (ii) the base rate plus 2.25% to 3.75%, both based on our amounts outstanding.

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 of the Treasury Facility to $30.0 million and permitted the appointment of OHA as our investment advisor. Borrowings under the Treasury Facility bore 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 and the Treasury Facility contained affirmative and reporting covenants and certain financial ratio and restrictive covenants. We have complied with these covenants throughout 2015 and the period ended September 9, 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 September 30, 2016, we purchased $55.0 million of U.S. Treasury bills and contemporaneously entered into a repurchase arrangement with Jefferies LLC, or Jefferies, to finance such purchase. Under the repurchase arrangement, we transferred $55.0 million of U.S. Treasury bills and $1.1 million of cash to Jefferies as collateral under the repurchase agreement. We repaid the amount borrowed under the repurchase agreement, and Jefferies returned to us the $1.1 million cash collateral, net of a $8 thousand financing fee, upon maturity of the U.S. Treasury bills on October 6, 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 September 30, 2016.

***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 September 30, 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 September 30, 2016 , we had certain investments related to three portfolio companies on non-accrual status with an aggregate cost and fair value of $57.5 million and $12.3 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 notified us that they would not make their April 2016 interest payment and as a result we placed our investment in Shoreline on non-accrual status in January 2016. Our portfolio investments at fair value were approximately 64.0% and 73.0% of the related cost basis as of September 30, 2016 and December 31, 2015 , respectively.

| **Non-accruing and non-income producing investments** | **September 30, 2016** | | **December 31, 2015** | |
|---|---|---|---|---|
| (in thousands) | **Cost** | **Fair Value** | **Cost** | **Fair Value** |
| **Non-accruing investments** | | | | |
| ATP Oil & Gas Corporation/Bennu Oil & Gas, LLC (non-accrual July 2015) | $ 27,845 | $ 12,286 | $ 27,709 | $ 11,845 |
| Shoreline Energy, LLC (non-accrual January 2016) | 12,659 | — | — | — |
| Contour Highwall Holdings, LLC (non-accrual October 2014) | — | — | 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 | — |
| Total non-accruing investments | 49,534 | 12,286 | 48,317 | 12,845 |
| **Non-income producing investments** | | | | |
| OHA/OCI Investments, LLC Class A Units | 2,500 | 1,038 | 2,500 | 2,583 |
| Spirit Resources, LLC preferred units | 8,000 | — | 8,000 | — |
| Total non-income producing investments | 10,500 | 1,038 | 10,500 | 2,583 |
| Total non-accruing and non-income producing investments | $ 60,034 | $ 13,324 | $ 58,817 | $ 15,428 |

**Contractual Obligations and Off-Balance Sheet Arrangements**

The following table summarizes our contractual payment obligations at September 30, 2016 (in thousands):

| **Credit facilities** (1) | **Total** | **Less than 1 Year** | **1-3 Years** | **3-5 Years** | **More than 5 Years** |
|---|---|---|---|---|---|
| Credit Facility | $ 40,500 | $ — | $ 40,500 | $ — | $ — |
| Total | $ 40,500 | $ — | $ 40,500 | $ — | $ — |

(1) Excludes accrued interest amounts.

We are party to a new Credit Agreement, dated September 9, 2016, with MidCap Financial, which replaced our existing Third Amended and Restated Revolving Credit Agreement, dated May 23, 2013, as amended. As of September 9, 2016, the size of the secured term loan credit facility was $56.5 million with a maturity date of March 9, 2018, which can be extended for a six-month period at our option.

**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 ( September 30, 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 September 30, 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 September 30, 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 nine months ended September 30, 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 nine months ended September 30, 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: | November 14, 2016 | By: | /s/ STEVEN T. WAYNE |
| | | | Steven T. Wayne |
| | | | President and Chief Executive Officer |
| Date: | November 14, 2016 | By: | /s/ CORY E. GILBERT |
| | | | Cory E. Gilbert |
| | | | Chief Financial Officer and Treasurer |

**Index to Exhibits**

| Exhibit No. | Exhibit |
|---|---|
| 10.22* | Custodial Agreement dated September 30, 2016, between OHA Investment Corporation and Wells Fargo Bank, National Association. |
| 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.

**CUSTODIAL AGREEMENT**

THIS CUSTODIAL AGREEMENT (this " Agreement ") dated as of September 26, 2016, is entered into between OHA INVESTMENT CORPORATION (the " Owner ") and WELLS FARGO BANK, NATIONAL ASSOCIATION, as custodian (in such capacity, the " Custodian ").

W I T N E S S E T H :

WHEREAS, the Owner and the Custodian are parties to that certain Custody Agreement dated January 15, 2005, as amended (the "Prior Agreement"), pursuant to which the Custodian serves as safekeeping agent for the Owner's securities and other investments pursuant to Rule 17f-2 and 17f-4 under the Investment Company Act of 1940, as amended;

WHEREAS, the Owner now owns, or hereafter may from time to time acquire or manage, a portfolio of commercial, syndicated or participated bank loans (the "Loan Assets");

WHEREAS, the Owner desires to deposit the proceeds of the Loan Assets, and its securities ( the "Assets") and certain certificates, agreements and other documents (the "Documents") with the Custodian to hold on the Owner's behalf and to direct the Custodian with respect to the transfer and release thereof; and

WHEREAS, the Owner and the Custodian intend that this Agreement supersede the Prior Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

1. (a) The Owner hereby appoints the Custodian as custodian of the Assets and the Documents pursuant to the terms of this Agreement and the Custodian accepts such appointment. The Custodian hereby agrees to accept the Assets and Documents delivered to the Custodian by the Owner pursuant to the terms hereof, and agrees to hold, release and transfer the same in accordance with the provisions of this Agreement. There shall be, and hereby is, established by the Owner with the Custodian a non-interest bearing securities account which will be designated the "OHA INVESTMENT CORPORATION- Custodial Account" (referred to herein as the " Custody Account ") and into which the Assets shall be held and which shall be governed by and subject to this Agreement. In addition, on and after the date hereof, the Custodian may establish any number of subaccounts to the Custody Account deemed necessary or appropriate by the Custodian and Owner in administering the Custody Account (each such subaccount, a " Subaccount " and collectively with the Custody Account, the " Account "). All Assets to be delivered in physical form to the Custodian shall be delivered to the address set forth in Section 12 hereof and all assets to be delivered in book-entry form to the Custodian shall be delivered in accordance with delivery instructions separately provided by the Custodian. The Custodian shall not be responsible for any other assets of the Owner held or received by the Owner or others or any assets not delivered to Custodian as set forth herein and accepted by the Custodian as hereinafter provided. The Custodian shall have no obligation to accept or hold any security or other asset pursuant to the terms of this agreement to the extent it reasonably determines that such security or asset does not fall within the definition of "Asset" or holding such security or asset would violate any law, rule, regulation or internal policy applicable to the Custodian. For the avoidance of doubt,

other than delivery of the physical certificate in the possession of the Custodian to the Owner, the Custodian shall have no obligations in connection with the transfer or re-registration of any physical certificates representing Assets in connection with any transfer thereof and each Owner shall be responsible for all aspects of transferring re-registering such Assets. Assets or proceeds thereof shall be withdrawn from and credited to the Account only upon Proper Instructions pursuant to Section 4 hereof.

(b) On or prior to the date of delivery of any Document to the Custodian, the Owner shall deliver to the Custodian a checklist (the "Document Checklist") which shall list each of the Documents being delivered to the Custodian, and whether each Document is an original or a copy. The Custodian shall take and retain custody of the Documents delivered by the Owner in accordance with the terms and conditions of this Agreement. Within five (5) Business Days of its receipt of any Documents and the Document Checklist, the Custodian shall review the Documents delivered to it and confirm in writing that all Documents required to be delivered pursuant to the Document Checklist have been delivered and are in the possession of the Custodian. In the event any of the Documents identified on the Document Checklist are not delivered to the Custodian, the Custodian shall include as an attachment to such written confirmation an exception list identifying those Documents that have not been delivered to the Custodian. In order to facilitate the foregoing review by the Custodian, in connection with each delivery of Documents hereunder to the Custodian, the Owner shall provide to the Custodian an electronic file (in EXCEL or a comparable format acceptable to the Custodian) of the related Document Checklist that contains a list of all required Documents. For the avoidance of doubt, other than the foregoing, the Custodian shall not have any responsibility for reviewing any Documents.

(c) All Documents that are originals shall be kept in fire resistant vaults, rooms or cabinets. All Documents that are originals shall be placed together with an appropriate identifying label and maintained in such a manner so as to permit retrieval and access. All Documents that are originals shall be clearly segregated from any other documents or instruments maintained by the Custodian. All Documents that are delivered to the Custodian in electronic format shall be saved and maintained in a manner so as to permit retrieval and access.

(d) For the avoidance of doubt, the Account (including income, if any, earned on the investments of funds in such account) will be owned by the Owner, for federal income tax purposes. Such Owner is required to provide to the Custodian (i) an IRS Form W-9 or appropriate IRS Form W-8 no later than the Closing Date, and (ii) any additional IRS forms (or updated versions of any previously submitted IRS forms) or other documentation at such time or times required by applicable law or upon the reasonable request of the Custodian as may be necessary (i) to reduce or eliminate the imposition of U.S. withholding taxes and (ii) to permit Custodian to fulfill its tax reporting obligations under applicable law with respect to the Account or any amounts paid to Owner. If any IRS form or other documentation previously delivered becomes obsolete or inaccurate in any respect, Owner shall timely provide to the Custodian accurately updated and complete versions of such IRS forms or other documentation. Wells Fargo Bank, National Association, both in its individual capacity and in its capacity as Custodian, shall have no liability to Owner or any other person in connection with any tax withholding amounts paid or withheld from the Account pursuant to applicable law arising from Owner's failure to timely provide an accurate, correct and complete IRS Form W-9, an appropriate IRS Form W-8 or such other documentation contemplated under this paragraph. For the avoidance of doubt, no funds shall be invested with respect to such Account absent the Custodian having first received (i) the requisite Proper Instructions, and (ii) the IRS forms and other documentation required by this paragraph.

(e) In the event the Custodian receives instructions from the Owner to effect a securities transaction as contemplated in 12 CFR 12.1, the Owner acknowledges that upon its written request and at no additional cost, it has the right to receive the notification from the Custodian after the completion of such transaction as contemplated in 12 CFR 12.4(a) or (b). The Owner agrees that, absent specific request, such notifications shall not be provided by the Custodian hereunder, and in lieu of such notifications, the Custodian shall make available periodic account statements in the manner required by this Agreement.

(f) The Custodian shall create and maintain complete and accurate books and records relating to its activities under this Agreement with respect to the Custodial Assets. Upon reasonable request, copies of such books and records shall be provided to the Owner at its expense.

(g) On request of the Owner, or an independent public accountant appointed by the Owner, the Custodian shall permit such independent public accountant to conduct, at the Owner's expense, an examination to verify the Custodial Assets are held in safekeeping. Such examination shall occur at least three (3) times per fiscal year, at least two (2) of which are to be chosen by such independent public accountant without prior notice to the Owner. Employees and agents of the U.S. Securities and Exchange Commission shall have reasonable access to the Custodian's books and records relating to the Custodial Assets during the Custodian's normal business hours and upon reasonable advance request, at the Owner's expense. Any such access shall be granted only after the Custodian has given prior notice to, and obtained written consent from, the Owner.

2. The Custodian shall not invest immediately available funds held hereunder in the absence of Proper Instructions and shall not be liable for not investing or reinvesting funds in accordance with this Agreement in the absence Proper Instructions. In connection with investments of available cash pursuant to Proper Instructions, the Custodian may without liability use a broker-dealer of its own selection, including a broker-dealer owned by or affiliated with the Custodian or any of its affiliates. The Custodian is not responsible for the assets of the Owner which have been placed in accounts with brokers, prime brokers, counterparties, futures commission merchants and other intermediaries. The Custodian or any of its affiliates may receive reasonable compensation with respect to any such investment. It is expressly agreed and understood by the parties hereto that the Custodian shall not in any way whatsoever be liable for losses on any investments, including, but not limited to, losses from market risks due to premature liquidation or resulting from other actions taken pursuant to this Agreement.

3. The Owner shall instruct the Custodian in writing with regard to (a) the exercise of any rights or remedies with respect to the Assets, including, without limitation, waivers and voting rights, and (b) taking any other action in connection with the Assets, including, without limitation, any purchase, sale, conversion, redemption, exchange, retention or other transaction relating to the Assets. In the absence of any instructions provided to the Custodian by the Owner, the Custodian shall have no obligation to take any action with respect to the Assets. Notwithstanding anything herein to the contrary, under no circumstances

shall the Custodian be obligated to bring legal action or institute proceedings against any person on behalf of the Owner.

4. The Custodian shall hold the Assets and Documents in safekeeping and shall release and transfer same only in accordance with Proper Instructions. " Proper Instructions " shall mean written instructions or cabled, telexed, facsimile or electronically transmitted instructions in respect of any of the matters referred to in this Agreement purported to be signed (except in the case of electronically transmitted instructions) by one or more persons duly authorized to sign on behalf of the Owner as set forth in the Authorized Signers List on Exhibit A hereto (each such person (an " Authorized Signer ") and, in the case of electronically transmitted instructions, in accordance with such authentication procedures as may be agreed by the Custodian and the Owner from time to time, and in the case of any instructions to credit an Asset to the Accounts or to release any Asset from the Accounts, in accordance with the terms hereof. Any electronically delivered instructions, including by email or facsimile, received from or on behalf of any Authorized Signer, or any email or facsimile received from another individual on behalf of the Owner in which any Authorized Signers are also identified as copied, shall constitute Proper Instructions.

Notwithstanding anything herein to the contrary, upon receipt of any cash distributions attributable to the Assets, until such time as the Owner otherwise instructs pursuant to a Proper Instruction, the Owner hereby instructs (such instruction a Proper Instruction hereunder) the Custodian to remit such amounts to the owner pursuant to the following wire instructions:

Bank Name Bank of America
ABA # 026009593
Account Name OHA Investment Corporation
Account # 00483-204-9808

5. The Custodian shall be obligated only for the performance of such duties as are specifically set forth in this Agreement and the Custodian shall satisfy those duties expressly set forth herein so long as it acts in good faith and without gross negligence or willful misconduct. The Custodian may rely and shall be protected in acting or refraining from acting on any written notice, request, waiver, consent or instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custodian shall have no duty to determine or inquire into the happening or occurrence of any event or contingency, and it is agreed that its duties are purely ministerial in nature. The Custodian may consult with and obtain advice from legal counsel as to any provision hereof or its duties hereunder and shall not be liable for action taken or omitted by it in good faith and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in reliance thereon. The Custodian shall not be liable for any action taken or omitted by it in good faith and reasonably believed by it to be authorized hereby, except for actions arising from the gross negligence or willful misconduct of the Custodian. The Custodian shall have no liability for loss arising from any cause beyond its control, including but not limited to, the act, failure or neglect of any agent or correspondent selected with due care by the Custodian, any delay, error, omission or default of any mail, telegraph, cable or wireless agency or operator; or the acts or edicts of any government or governmental agency or other group or entity exercising governmental powers. Notwithstanding anything in this Agreement to the contrary, in no event shall the Custodian be liable for special, punitive, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits).

Without limiting the generality of the foregoing, the Custodian shall not be subject to any fiduciary or other implied duties and the Custodian shall not be required to exercise any discretion hereunder and shall have no investment or management responsibility and, accordingly, shall have no duty to, or liability for its failure to, provide investment recommendations or investment advice to the parties hereto. It is the intention of the parties hereto that the Custodian shall not be required to use, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder. The Custodian may exercise any of its rights or powers hereunder or perform any of its duties hereunder either directly or, by or through agents or attorneys, and the Custodian shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed hereunder with due care by it.

For the avoidance of doubt, the Custodian's responsibility and liability under this Agreement is limited to its obligations hereunder, and does not extend to (A) the transaction or transactions requiring or underlying the execution of this Agreement, (B) the form or execution of such transaction(s), or (C) the identity or authority of any person executing this Agreement or any part hereof (except insofar as such persons are employed by the Custodian) or depositing the Assets. The Custodian shall not be deemed to have notice or knowledge of any matter hereunder unless written notice thereof is received by the Custodian. It is expressly acknowledged by the Owner that application and performance by the Custodian of its various duties hereunder may be based upon, and in reliance upon, data, information and notice provided to it by the Owner and/or any related bank agent, obligor or similar party with respect to the Assets, and the Custodian shall have no responsibility for the accuracy of any such information or data provided to it by such persons and shall be entitled to update its records (as it may deem necessary or appropriate). The Custodian shall not be liable for the actions or omissions of, or any inaccuracies in the records of, the Owner or any clearing agency or depository or any other Person and without limiting the foregoing, the Custodian shall not be under any obligation to monitor, evaluate or verify compliance by the Owner or any other Person with any agreement or applicable law.

For the avoidance of doubt and notwithstanding anything herein to the contrary, the Owner agrees that the Custodian shall not have nor shall be implied to have any duties with respect to furnishing reports of the Owner or other information as contemplated by the Investment Advisors Act of 1940 (the " Act ") or Rule 206(4)-2 under the Act, and the Custodian shall only be obligated to furnish information to the Owner or to any third party to the extent directed by the Owner pursuant to Proper Instructions as set forth in this Agreement and agreed to by the Custodian, or as the Owner and Custodian may otherwise agree.

6. The Owner agrees to indemnify, defend and hold the Custodian, its officers, directors, employees and agents (collectively, " Indemnified Persons ") harmless from and against any and all losses, claims, damages, demands, expenses, costs, causes of action, judgments or liabilities that may be incurred by any Indemnified Person arising directly or indirectly out of or in connection with this Agreement, including the reasonable legal costs and expenses as such expenses are incurred (including, without limitation, the expenses of any experts, counsel or agents) of (a) investigating, preparing for or defending itself against any action , claim or liability in connection with its performance hereunder or thereunder (including the costs and expenses of a successful defense, in whole or part, of any claim that Custodian breached its standard of care set forth herein), or (b) enforcement of the Owner's indemnification obligations hereunder. The Owner also hereby agrees to hold the Custodian harmless from any liability or loss resulting from any taxes or other governmental charges, and any expense related thereto, which may be imposed, or assessed with respect to any Assets in the Account and also agrees to hold the Custodian and its respective nominees harmless from any liability as record holder of Assets in the Account. The Owner may remit payment for expenses and indemnities owed to the Custodian hereunder or, in the absence thereof, the Custodian may from time to time deduct payment of such amounts from the Account. In no event, however, shall the Owner be obligated to indemnify any Indemnified Person and hold any Indemnified Person harmless if a court of competent jurisdiction determines, on a judgment not subject to appeal, that such losses, claims, damages, demands, expenses, costs, causes of action, judgments or liabilities were incurred by any Indemnified Person as a result

of its own bad faith, willful misconduct or gross negligence. The provisions of this section shall survive the termination of this Agreement.

7. The Custodian shall be entitled to be paid by the Owner a fee as compensation for its services as set forth in the separate Fee Letter (the " Fee Letter ") agreed to by the parties hereto. Except as otherwise noted, this fee covers account acceptance, set up and termination expenses, plus usual and customary related administrative services such as safekeeping, investment, collection and distribution of assets, including normal record-keeping/reporting requirements. Any additional services beyond those specified in this Agreement, or activities requiring excessive administrator time or out-of-pocket expenses, shall be performed only after reasonable prior notice is given to the Custodian by the Owner and shall be deemed extraordinary expenses for which related costs, transaction charges and additional fees will be billed at the Custodian's standard charges for such items. The Owner agrees to pay or reimburse the Custodian for all out-of-pocket costs and expenses (including without limitation reasonable fees and expenses of legal counsel) incurred, and any disbursements and advances made, in connection with the preparation, negotiation or execution of this Agreement, or in connection with or pursuant to consummation of the transactions contemplated hereby, or the administration of this Agreement or performance by the Custodian of its duties and services under this Agreement.

8. The Owner hereby grants to the Custodian a lien on all Assets for all indebtedness that may become owing to the Custodian hereunder, which lien may be enforced by the Custodian by set-off or appropriate foreclosure proceedings. In this regard, if the Owner is unwilling or unable to pay the Custodian any amounts due hereunder or to indemnify any indemnified party hereunder, the Custodian may, in its sole discretion, withdraw any cash in the account, or, if insufficient, liquidate a portion of the Assets, and the Custodian shall use such cash or deduct from such proceeds any fees, expenses and indemnities that it (or any indemnified party) may be due hereunder. The Owner hereby consents to and authorizes such action by the Custodian, and the Custodian shall have no liability for any action taken pursuant to this authorization. The Custodian agrees to provide Owner with written notice prior to taking any action pursuant to this Section 8.

9. The Custodian may at any time resign hereunder by giving written notice of its resignation to the Owner at least sixty (60) days prior to the date specified for such resignation to take effect, and upon the effective date of such resignation, the Assets hereunder shall be delivered by it to such person as may be designated in writing by the Owner, whereupon all the Custodian's obligations hereunder shall cease and terminate. If no such person shall have been designated by such date, all obligations of the Custodian hereunder shall, nevertheless, cease and terminate. The Custodian's sole responsibility thereafter shall be to keep safely all Assets then held by it and to deliver the same to a person designated by the Owner or in accordance with the direction of a final order or judgment of a court of competent jurisdiction.

The Owner may remove the Custodian at any time by giving the Custodian at least thirty(30) days' prior written notice. Upon receipt of the identity of the successor Custodian as designated by the Owner in writing, the Custodian shall either deliver the Assets then held hereunder to the successor Custodian, less the Custodian's fees, costs and expenses or other obligations owed to the Custodian, or hold such Assets (or any portion thereof), pending distribution, until all such fees, costs and expenses or other obligations are paid. Upon delivery of the Assets to successor Custodian, the Custodian shall have no further duties, responsibilities or obligations hereunder.

10. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of each of the Owner and the Custodian. This Agreement may not be assigned by the Custodian or Owner unless such assignment is previously consented to in writing by the Owner and the Custodian. An assignment

with such consent, if accepted by the assignee, shall bind the assignee hereunder to the performance of any duties or obligations of the Custodian hereunder. The parties hereto shall not be bound by any modification, amendment, termination, cancellation, recission or supersession of this Agreement unless the same shall be in writing and signed by the Custodian and the Owner. Notwithstanding the foregoing, any organization or entity into which the Custodian may be merged or converted or with which it may be consolidated, any organization or entity resulting from any merger, conversion or consolidation to which the Custodian shall be a party and any organization or entity succeeding to all or substantially all of the corporate trust business of the Custodian, shall be the successor Custodian hereunder without the execution or filing of any paper or any further act of any of the parties hereto.

11. This Agreement shall be construed in accordance with, and governed by, the laws of the State of New York, without giving effect to the conflict of law principles thereof. The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of any New York State or Federal Court sitting in the Borough of Manhattan in the City of New York in any proceeding arising out of or relating to this Agreement, and the parties hereby irrevocably agree that all claims in respect of any such proceeding may be heard and determined in any such New York State or Federal court. The parties hereby irrevocably waive, to the fullest extent that they may legally do so, the defense of an inconvenient forum to the maintenance of such proceeding. The parties agree that a final non-appealable judgment in any such proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

12. Any delivery of physical Assets or any notices or other communications hereunder (including Proper Instructions delivered to the Custodian) shall be in writing and given at the addresses stated below, by prepaid first class mail, overnight courier or facsimile.

If to the Owner:

OHA Investment Corporation
c/o Oak Hill Advisors, L.P.
201 Main Street, Suite 1250
Fort Worth, Texas 76102
Attn: Cory Gilbert, CFO
Phone: (817) 215-2901

If to the Custodian:

Wells Fargo Bank, N.A.
Corporate Trust Services Division
9062 Old Annapolis Rd.
Columbia, Maryland 21045
Attn: CDO Trust Services— OHA INVESTMENT CORPORATION
Fax: (410) 715-3748
Email: Lisa.A.Ruther@wellsfargo.com

13. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR

ACTIONS OF THE PARTIES HERETO. EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER TRANSACTION DOCUMENT TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR ITS ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER TRANSACTION DOCUMENT.

14. The Owner acknowledges that in accordance with the Customer Identification Program (CIP) requirements under the USA PATRIOT Act and its implementing regulations, the Custodian in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Custodian. The Owner hereby agrees that it shall provide the Custodian with such information as it may request including, but not limited to, the Owner's name, physical address, tax identification number and other information that will help the Custodian to identify and verify the Owner's identity such as organizational documents, certificate of good standing, license to do business, or other pertinent identifying information.

15. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Facsimile signatures and signature pages provided in the form of a "pdf" or similar imaged document transmitted by electronic mail shall be deemed original signatures for all purposes hereunder.

[SIGNATURE PAGE FOLLOWS]

Executed as of the date first above written.

**OHA INVESTMENT CORPORATION, as Owner**

By: /s/ Cory Gilbert

Name: Cory Gilbert

Title: Chief Financial Officer

**WELLS FARGO BANK, NATIONAL ASSOCIATION, as Custodian**

By: /s/ Sean Cheramie

Name: Sean Cheramie

Title: Assistant Vice President

**Exhibit A**

**Authorized Signers List**

Each of the following named officers is authorized to act for, and bind, OHA INVESTMENT CORPORATION, as Owner (the "Owner") with respect to matters concerning that certain Custody Agreement dated as of September 26, 2016 , between Wells Fargo Bank, National Association and the Owner. :

___/s/ Cory Gilbert___________________ _Cory Gilbert______________ CFO and Treasurer___
Signature Name of Officer Title

_201 Main Street, Suite 1250, Fort Worth, TX 76102____________________________________
Business Address

_/s/ Neha Patel___________________________ _Neha Patel_______________ VP and Controller____
Signature Name of Officer Title

201 Main Street, Suite 1250, Fort Worth, TX 76102
Business Address

_/s/ Steven Wayne_____________________ _Steven Wayne____ President & CEO of the Company
Signature Name of Officer Title

_1114 Avenue of the Americas, 27th Flr, New York New York 10036_____________________
Business Address

_/s/ Raymond P. Murphy_____________ Raymond P. Murphy________ _CAO of the Advisor___
Signature Name of Officer Title

_1114 Avenue of the Americas, 27th Flr, New York New York 10036_____________________
Business Address

_/s/ Michael W. Blumstein_____________ Michael W. Blumstein______ _CFO of the Advisor___
Signature Name of Officer Title

_1114 Avenue of the Americas, 27th Flr, New York New York 10036_____________________
Business Address

**Exhibit 31.1**

**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: November 14, 2016

/s/ Steven T. Wayne

Steven T. Wayne
President and Chief Executive Officer

**Exhibit 31.2**

**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: | November 14, 2016 | /s/ Cory E. Gilbert |
| | | Cory E. Gilbert |
| | | Chief Financial Officer and Treasurer |

**Exhibit 32.1**

**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: | November 14, 2016 | /s/ Steven T. Wayne |
| | | Steven T. Wayne |
| | | President and Chief Executive Officer |

**Exhibit 32.2**

**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: | November 14, 2016 | /s/ Cory E. Gilbert |
| | | Cory E. Gilbert |
| | | Chief Financial Officer and Treasurer |