Confidential Fifth Amended and Restated
Private Placement Memorandum

Hancock Park Corporate Income, Inc.

Common Stock

Hancock Park Corporate Income, Inc.
a Maryland corporation

Confidential
Do Not Copy or Circulate

August 5, 2020

CCO Capital, LLC — Dealer-Manager

Copy No. ___________
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

Hancock Park Corporate Income, Inc.
Common Stock

This confidential private placement memorandum (this “Memorandum”) is being provided on a confidential basis to a limited number of prospective investors for the sole purpose of evaluating an investment in Hancock Park Corporate Income, Inc., a Maryland corporation (the “Company”). The contents of this Memorandum should not be construed as investment, legal or tax advice. Each recipient of this Memorandum should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the common stock of the Company, and should consult its own legal counsel and financial, accounting, regulatory and tax advisers to determine the consequences of such an investment.

Each prospective investor, by accepting delivery of this Memorandum, agrees not to make a photocopy or other copy or to divulge the contents hereof to any person other than legal, business, investment or tax advisers in connection with obtaining the advice of such persons with respect to this offering (the “Offering”). This Memorandum has been furnished on a confidential basis solely for the information of the person to whom it has been delivered and may not be reproduced or used for any other purpose. Upon request, this Memorandum and any copies hereof are to be returned in their entirety to the Company.

No person has been authorized in connection with the Offering to give any information or make any representations other than as contained in this Memorandum, and any representation or information not contained herein may not be relied upon as having been authorized by the Company or any of its affiliates. The delivery of this Memorandum does not imply that the information herein is correct as of any time subsequent to the date set forth on the cover page.

OFS Capital Management, LLC (the “Adviser”), a Delaware limited liability company, is the Company’s investment adviser pursuant to that certain Investment Advisory and Management Agreement dated July 15, 2016, by and between the Company and the Adviser (the “Investment Advisory Agreement”). The Company and the Adviser have engaged CIM Capital IC Management, LLC (the “Sub-Adviser”), a Delaware limited liability company, to act as the Company’s sub-adviser. The Company’s dealer manager is CCO Capital, LLC (the “Dealer Manager”), which is a member of the Financial Industry Regulatory Authority (“FINRA”). The Adviser, the Sub-Adviser and the Dealer Manager are affiliates. Prospective investors wishing to contact representatives of the Dealer Manager may do so at the contact information listed below:

CCO Capital, LLC
2398 East Camelback Rd.
4th Floor
Phoenix, AZ 85016
(602) 778-6000
NOTICE TO PROSPECTIVE INVESTORS

THE COMMON STOCK HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “1933 ACT”), THE SECURITIES LAWS OF ANY OTHER STATE OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND IS BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND ANY OTHER APPLICABLE LAWS.


THE COMMON STOCK IS BEING OFFERED AND SOLD (I) IN THE UNITED STATES ONLY TO U.S. PERSONS WHO ARE “ACCREDITED INVESTORS” WITHIN THE MEANING OF REGULATION D UNDER THE 1933 ACT, AND (II) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE 1933 ACT. EACH INVESTOR WILL BE REQUIRED TO MAKE A REPRESENTATION AS TO THE FOREGOING AND, AMONG OTHER THINGS, TO REPRESENT THAT IT IS PURCHASING THE COMMON STOCK FOR ITS OWN ACCOUNT FOR INVESTMENT PURPOSES AND NOT FOR RESALE OR DISTRIBUTION. FURTHERMORE, THE COMMON STOCK MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED, UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER RELEVANT JURISDICTION IS AVAILABLE AND THE TRANSFER OTHERWISE COMPLIES WITH THE TRANSFER RESTRICTIONS AND OTHER REQUIREMENTS CONTAINED IN THE AMENDED AND RESTATED CHARTER OF THE COMPANY (THE “CHARTER”), A SUBSCRIPTION AGREEMENT RELATING TO THE COMMON STOCK (THE “SUBSCRIPTION AGREEMENT”), AN INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT ENTERED INTO BETWEEN THE COMPANY AND THE ADVISER, AND AN ADMINISTRATION AGREEMENT. THERE IS NO PUBLIC MARKET FOR THE COMMON STOCK AND THE COMPANY CAN OFFER NO ASSURANCE THAT SUCH A MARKET WILL DEVELOP IN THE FUTURE. STOCKHOLDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS MEMORANDUM SUMMARIZES THE CONTENTS OF CERTAIN AGREEMENTS AND OTHER DOCUMENTS. REFERENCE IS MADE TO SUCH AGREEMENTS AND DOCUMENTS FOR COMPLETE INFORMATION CONCERNING THE RIGHTS AND OBLIGATIONS OF THE PARTIES THERETO (WHICH AGREEMENTS AND DOCUMENTS WILL CONTROL IN THE EVENT THAT THE DESCRIPTIONS OR TERMS IN THIS MEMORANDUM ARE INCONSISTENT WITH OR CONTRARY TO THE DESCRIPTIONS OR TERMS OF SUCH AGREEMENTS OR DOCUMENTS). COPIES OF SUCH AGREEMENTS AND DOCUMENTS ARE ATTACHED AS EXHIBITS TO THIS MEMORANDUM. THE COMPANY RESERVES THE RIGHT TO MODIFY ANY OF THE TERMS OF THE OFFERING AND THE COMMON STOCK DESCRIBED HEREIN AT ANY TIME PRIOR TO THE COMPLETION OF THE OFFERING.

THE INFORMATION CONTAINED IN THIS MEMORANDUM HAS BEEN COMPiled FROM SOURCES BELIEVED TO BE RELIABLE AS OF THE DATE OF THIS MEMORANDUM AND NO
REPRESENTATIONS ARE MADE AS TO THE ACCURACY OR COMPLETENESS THEREOF AND NONE OF THE COMPANY, THE ADVISER OR ANY OF THEIR RESPECTIVE DIRECTORS, AFFILIATES OR THEIR RESPECTIVE PARTNERS, MANAGERS, MEMBERS, STOCKHOLDERS OR EMPLOYEES ASSUME RESPONSIBILITY FOR SUCH INFORMATION.

NEITHER THE COMPANY, THE ADVISER NOR ANY OF THEIR RESPECTIVE PARTNERS, PRINCIPALS, MANAGERS, MEMBERS, STOCKHOLDERS, EMPLOYEES OR AffILIATES ARE UNDER ANY OBLIGATION TO UPDATE THIS MEMORANDUM. UNDER NO CIRCUMSTANCES SHOULD THE DELIVERY OF THIS MEMORANDUM IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS MEMORANDUM OR THAT THERE HAS BEEN NO CHANGE IN SUCH INFORMATION OR THE AFFAIRS OR PROSPECTS OF THE COMPANY SINCE SUCH DATE. THIS MEMORANDUM SUPERSEDES IN ITS ENTIRETY ALL PREVIOUS MEMORANDA AND OTHER MATERIALS RELATING TO THE COMPANY. INFORMATION CONTAINED HEREIN IS SUBJECT TO MODIFICATION, SUPPLEMENTATION AND AMENDMENT. THE SECURITIES OFFERED HEREBY MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE DELIVERY OF A COPY OF THIS MEMORANDUM.

POTENTIAL STOCKHOLDERS SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION UNDER THE CAPTION “RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST” IN THIS MEMORANDUM. INVESTMENT IN THE COMPANY IS SUITABLE ONLY FOR SOPHISTICATED INVESTORS AND REQUIRES THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE HIGH RISKS AND LACK OF LIQUIDITY INHERENT IN THE TYPE OF INVESTMENTS MADE BY THE COMPANY. STOCKHOLDERS IN THE COMPANY MUST BE PREPARED TO BEAR SUCH RISKS FOR AN INDEFINITE PERIOD OF TIME. NO ASSURANCE CAN BE GIVEN THAT THE COMPANY’S INVESTMENT OBJECTIVES WILL BE ACHIEVED OR THAT STOCKHOLDERS WILL RECEIVE A RETURN OF THEIR CAPITAL.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX, INVESTMENT OR ACCOUNTING ADVICE, AND EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT WITH ITS OWN ADVISERS WITH RESPECT TO THE LEGAL, TAX, REGULATORY, FINANCIAL AND ACCOUNTING CONSEQUENCES OF ITS INVESTMENT IN THE COMPANY.

EACH PROSPECTIVE INVESTOR IS INVITED TO MEET WITH REPRESENTATIVES OF THE ADVISER OR THE COMPANY AND TO DISCUSS WITH, ASK QUESTIONS OF AND RECEIVE ANSWERS FROM SUCH REPRESENTATIVES CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION NECESSARY TO VERIFY THE INFORMATION CONTAINED HEREIN, TO THE EXTENT THAT SUCH REPRESENTATIVES POSSESS SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THE DISTRIBUTION OF THIS MEMORANDUM AND THE OFFER AND SALE OF THE COMMON STOCK IN CERTAIN JURISDICATIONS MAY BE RESTRICTED BY LAW. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY IN ANY STATE OR OTHER JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH STATE OR JURISDICTION. SEE “APPENDIX A: RESTRICTIONS ON OFFERINGS IN CERTAIN JURISDICTIONS.”

IT IS THE RESPONSIBILITY OF ANY PERSONS WISHING TO PURCHASE COMMON STOCK TO MAKE THEMSELVES AWARE OF AND TO OBSERVE ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTIONS. PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS AND TAX CONSEQUENCES WITHIN THE COUNTRIES OF THEIR CITIZENSHIP, RESIDENCE, DOMICILE AND PLACE OF
BUSINESS WITH RESPECT TO THE ACQUISITION, HOLDING OR DISPOSAL OF INTERESTS AND ANY FOREIGN EXCHANGE RESTRICTIONS THAT MAY BE RELEVANT THERETO.

THIS MEMORANDUM DOES NOT DISCUSS ALL OF THE U.S. FEDERAL TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A PARTICULAR INVESTOR OR TO INVESTORS SUBJECT TO SPECIAL TREATMENT AND DOES NOT CONSTITUTE LEGAL OR TAX ADVICE. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE SPECIFIC U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF INVESTING IN THE COMPANY.

THE STATEMENTS CONTAINED IN THIS MEMORANDUM, OTHER THAN HISTORICAL INFORMATION, SHOULD BE CONSIDERED FORWARD-LOOKING STATEMENTS THAT ARE SUBJECT TO RISKS, UNCERTAINTIES OR ASSUMPTIONS AS SET FORTH HEREIN. SUCH FORWARD-LOOKING STATEMENTS HAVE BEEN PREPARED BASED UPON INFORMATION AVAILABLE AT THE TIME OF SUCH STATEMENTS. FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE THEY ARE MADE, AND THE COMPANY AND THE ADVISER UNDERTAKE NO OBLIGATION TO UPDATE ANY OF THEM IN LIGHT OF NEW INFORMATION OR FUTURE EVENTS. UNDUE RELIANCE SHOULD NOT BE PLACED ON SUCH FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF PERFORMANCE.
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Appendix A: RESTRICTIONS ON OFFERINGS IN CERTAIN JURISDICTIONS
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Exhibit B: INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT
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Exhibit D: ADMINISTRATION AGREEMENT
Exhibit E: AMENDED AND RESTATED CHARTER
I. EXECUTIVE SUMMARY

The Company — Hancock Park Corporate Income, Inc.

Hancock Park Corporate Income, Inc. ("we," "us," "our," the "Company," or "Hancock Park") is an externally managed, closed-end, non-diversified management investment company that elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). We are managed by OFS Capital Management, LLC (the "Adviser"), which is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Adviser has engaged CIM Capital IC Management, LLC (the "Sub-Adviser" or "CIM Capital IC"), which is registered as an investment adviser under the Advisers Act and an affiliate of the Adviser and the Dealer Manager, to act as our sub-adviser. The Sub-Adviser evaluates and advises on our private capital market strategy, including market trends and terms; provides financial and strategic planning advice and analysis; interprets market demand for products; assists in establishing our operational readiness and selecting and negotiating engagements with third party service providers; and coordinates the dissemination of customary information to interested parties (collectively, the "Sub-Advisory Services"). We have also elected to be treated for federal income tax purposes, and intend to qualify annually, as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code").

Our investment objective is to provide our stockholders with both current income and capital appreciation primarily through debt investments and, to a lesser extent, equity investments. Our investment strategy is focused primarily on investments in middle-market companies in the United States. We use the term “middle-market” to refer to companies that may exhibit one or more of the following characteristics: number of employees between 150 and 2,000; revenues between $15 million and $300 million; annual earnings before interest, taxes, depreciation and amortization ("EBITDA") between $3 million and $50 million; generally, private companies owned by private equity firms or owners/operators; and enterprise value between $10 million and $500 million. For additional information about how we define the middle-market, see "The Company — Investment Criteria/Guidelines."

While our investment strategy is focused primarily on investments in middle-market companies in the United States, including senior secured loans, which includes first-lien, second-lien and unitranche loans as well as subordinated loans and, to a lesser extent, warrants and other equity securities, we also may invest up to 30% of our portfolio in opportunistic investments of non-eligible portfolio companies. Specifically, as part of this 30% basket, we may consider investments in investment funds that are operating pursuant to certain exceptions to the 1940 Act and in advisers to similar investment funds, as well as in debt of middle-market companies located outside of the United States and debt and equity of public companies that do not meet the definition of eligible portfolio companies because their market capitalization of publicly traded equity securities exceeds the levels provided for in the 1940 Act.

Our debt investments are, and will likely be, in lower grade quality obligations, which may be rated below investment grade, commonly referred to as “junk bonds,” by one or more nationally-recognized statistical rating agencies at the time of the investment or may be unrated but determined by the Adviser to be of comparable quality. The debt in which we invest typically will not be rated by any rating agency, but the Company believes that if such investments were rated, they would be below investment grade (rated lower than “Baa3” by Moody’s Investors Services, lower than “BBB” by Fitch Ratings or lower than “BBB” by Standard & Poor’s). We may invest without limit in debt of any rating, as well as debt that has not been rated by any nationally recognized statistical rating organization. We anticipate that our debt investments will typically have a term of three to eight years and bear interest at fixed and floating rates.

As a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our assets, as defined by Section 55 of the 1940 Act, are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies.” Under the relevant Securities and Exchange Commission ("SEC") rules, the term “eligible portfolio company” includes all private companies, companies whose securities are not listed
on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than $250 million, in each case organized in the United States.

As a BDC, we are permitted to borrow money within the levels permitted by the 1940 Act, which generally allows us to incur leverage for up to 50% of our asset base. However, recent legislation has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to an asset coverage ratio of 150%, if certain requirements are met. On November 6, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of the board of directors, approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the Small Business Credit Availability Act (“SBCAA”). In accordance with the SBCAA, we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, the asset coverage ratio test applicable to us decreased from 200% to 150%, effective November 6, 2019. We may borrow money when the terms and conditions available are favorable to do so and are aligned with our investment strategy and portfolio composition.

The Adviser — OFS Capital Management, LLC

OFS Management (which refers to the collective activities and operations of Orchard First Source Asset Management, LLC (“OFSAM”) and its subsidiaries and certain affiliates) is an established investment platform focused on meeting the capital needs of middle-market companies. As of January 31, 2020, OFS Management had 46 full-time employees. OFS Management is headquartered in Chicago, Illinois and also has additional offices in New York, New York and Los Angeles, California.

The Adviser, a subsidiary of OFSAM, an affiliate of the Sub-Adviser and the Dealer Manager and a registered investment adviser under the Advisers Act, manages our investment activities and is supervised by our board of directors, a majority of whom are independent of us, the Adviser and its affiliates. The Adviser is responsible for sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis.

The Adviser’s Pre-Allocation Investment Committee, Broadly Syndicated Investment Committee, Structured Credit Investment Committee and Middle-Market Investment Committee, (collectively, the “Adviser Investment Committees”), are responsible for our overall asset allocation decisions, as well as the evaluation and approval of all investments made by the Adviser’s clients. The Middle-Market Investment Committee, which is comprised of Richard Ressler (Chairman), Jeffrey Cerny, Kyde Sharp and Bilal Rashid, is responsible for the evaluation and approval of all the investments made by us. For additional information on members of the Middle-Market Investment Committee, see “Management of the Company; Investment Advisory Agreement and Administration Agreement — Biographical Information.”

The Adviser also serves as the investment adviser to collateralized loan obligation (“CLO”) funds, separately managed accounts (collectively, the “SMAs”) and accounts for which the Adviser may serve as the subadvisor (collectively, the “Sub-Advised Accounts”) and other assets including OFS Capital Corporation (“OFS Capital”), OFS Credit Company, Inc. (“OCCI”). OFS Capital is a publicly traded BDC with an investment strategy similar to ours. OCCI is a publicly traded closed-end management investment company with a primary objective to generate current income and a secondary objective to generate capital appreciation through investments in collateralized loan obligation debt and subordinated securities and other structured credit investments. The Adviser provides sub-advisory services to CMFT Securities Investments, LLC, a wholly owned subsidiary of CIM Real Estate Finance Trust, Inc., a corporation that qualifies as a real estate investment trust. Additionally, the Adviser provides sub-advisory services to CIM Real Assets and Credit Fund, a newly organized externally managed registered investment company that operates as an interval fund that expects to invest primarily in a combination of real estate, credit and related
investments. CIM Real Estate Finance Trust, Inc. and CIM Real Assets & Credit Fund are both advised by the Sub-Adviser. See “Risk Factors and Potential Conflicts of Interest — We have potential conflicts of interest related to obligations that the Adviser or its affiliates may have to other clients.”

Our relationship with the Adviser is governed by and dependent on the Investment Advisory Agreement and may be subject to conflicts of interest. The Adviser provides us with advisory services in exchange for a base management fee and incentive fee. The base management fee is based on our total assets (other than cash and cash equivalents, but including assets purchased with borrowed amounts, and including assets owned by any consolidated entity) and, therefore, the Adviser will benefit when we incur debt or use leverage. For additional information regarding the fees payable to the Adviser, see “Management of the Company; Investment Advisory Agreement and Administration Agreement — Investment Advisory Agreement.”

The Adviser capitalizes on the deal origination and sourcing, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of OFS Management’s professionals. The senior management team of OFS Management, including Bilal Rashid, Kyde Sharp and Jeff Cerny, provides services to the Adviser. These managers have developed a broad network of contacts within the investment community, averaging over 20 years of experience investing in debt and equity securities of middle-market companies. In addition, these managers have gained extensive experience investing in assets that will constitute our primary focus and have expertise in investing across all levels of the capital structure of middle-market companies. See “Management of the Company; Investment Advisory Agreement and Administration Agreement — Biographical Information.”

The Sub-Adviser – CIM Capital IC Management, LLC

CIM Capital IC, the Sub-Adviser, is a Delaware limited liability company formed to provide financial and investment advice and consulting services to issuer clients. These services are provided as contemplated under the sub-advisory agreement (the “Sub-Advisory Agreement”) between the Adviser and CIM Capital IC, which, among other things, requires CIM Capital IC to be registered as an investment adviser under the Advisers Act.

The Sub-Adviser, a wholly owned subsidiary of CIM Group, LLC and an affiliate of the Adviser and the Dealer Manager, is registered as an investment adviser with the SEC under the Advisers Act.

Pursuant to the Sub-Advisory Agreement, CIM Capital IC: evaluates and advises on our private capital market strategy, including market trends and terms; provides financial and strategic planning advice and analysis; assists in establishing our operational readiness and selecting and negotiating engagements with third party service providers; and coordinates the dissemination of customary information to interested parties.

Under the Sub-Advisory Agreement, at the end of each calendar quarter, the Adviser shall pay to the Sub-Adviser a fee calculated by (i) taking the total management fees (base management fees plus any incentive fees) payable to the Adviser by us for each such quarter and multiplying such amount by a fraction, the numerator of which shall equal total unlevered equity capital attributable to the sale of our common stock through the end of the quarter (the “Total Equity Capital”) minus $29,512,462 and the denominator of which shall equal the Total Equity Capital (such product, the “Adjusted Management Fee Amount”) and (ii) multiplying the Adjusted Management Fee Amount by 0.50. The Sub-Advisory Fees will be paid by the Adviser out of the fees the Adviser receives from us pursuant to the Investment Advisory Agreement and will not impact our expenses. For additional information regarding the fees payable to the Sub-Adviser, see “Management of the Company; Investment Advisory Agreement and Administration Agreement — Sub-Advisory Agreement.”
The Administrator - OFS Capital Services, LLC

Pursuant to an administration agreement (the “Administration Agreement”) between us and OFS Capital Services, LLC (“OFS Services” or, the “Administrator”), the Administrator provides the administrative services necessary for us to operate. OFS Services furnishes us with office facilities and equipment, necessary software licenses and subscriptions and clerical, bookkeeping and recordkeeping services at such facilities. OFS Services oversees our financial reporting as well as prepares our reports to stockholders and all other reports and materials required to be filed with the SEC or any other regulatory authority. OFS Services also manages the determination and publication of our net asset value and the preparation and filing of our tax returns and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. OFS Services may retain third parties to assist in providing administrative services to us. To the extent that OFS Services outsources any of its functions, we will pay the fees associated with such functions on a direct basis without incremental profit to OFS Services.

Market Opportunity

Our investment strategy is focused primarily on investments in middle-market companies in the United States. We find the middle-market attractive for the following reasons:

**Large Target Market.** We believe that middle-market companies represent a significant growth segment of the U.S. economy and often require substantial capital investments to grow.

**Specialized Lending Requirements with High Barriers to Entry.** We believe that several factors render many U.S. financial institutions ill-suited to lend to U.S. middle-market companies. As a result, middle-market companies historically have been served by a limited segment of the lending community. As a result of the unique challenges facing lenders to middle-market companies, we believe that there are high barriers to entry that a new lender must overcome.

**Robust Demand for Debt Capital.** We believe that private equity firms have significant committed but uncalled capital, a large portion of which is still available for investment in the United States.

Competitive Strengths and Core Competencies

**Deep Management Team Experienced in All Phases of Investment Cycle and Across All Levels of the Capital Structure.** We are managed by the Advisor, who has access to the resources and expertise of investment professionals through the Staffing Agreement with OFSC. As of June 30, 2020, the Adviser’s credit and investment professionals (including all investment committee members) employed by OFSC had an average of over 15 years of investment experience with strong institutional backgrounds.

**Significant Investment Capacity.** The net proceeds of equity and debt offerings and borrowing capacity under our credit facilities will provide us with a substantial amount of capital available for deployment into new investment opportunities in our targeted asset class.

**Scalable Infrastructure Supporting the Entire Investment Cycle.** We believe that our loan acquisition, origination and sourcing, underwriting, administration and management platform is highly scalable (that is, it can be expanded on a cost-efficient basis within a timeframe that meets the demands of business growth). Our platform extends beyond origination and sourcing and includes a regimented credit monitoring system. We believe that our careful approach, which involves ongoing review and analysis by an experienced team of professionals, should enable us to identify problems early and to assist borrowers before they face difficult liquidity constraints.

**Extensive Loan Sourcing Capabilities.** The Advisor gives us access to the deal flow of OFS Management. We believe OFS Management’s 20-year history as a middle-market lending platform, extensive relationships with potential borrowers and other lenders, and its market position make it a leading lender to many sponsors and other deal sources, especially in the currently under-served lending environment.
Structuring with a High Level of Service and Operational Orientation. We provide client-specific and creative financing structures to our portfolio companies. Based on our experience in lending to and investing in middle-market companies, we believe that the middle-market companies we target, as well as sponsor groups we may pursue, require a higher level of service, creativity and knowledge than has historically been provided by other service providers more accustomed to participating in commodity-like loan transactions.

Rigorous Credit Analysis and Approval Procedures. The Adviser utilizes the established, disciplined investment process of OFS Management for reviewing lending opportunities, structuring transactions and monitoring investments. Using OFS Management’s disciplined approach to lending, the Adviser seeks to minimize credit losses through effective underwriting, comprehensive due diligence investigations, structuring and, where appropriate, the implementation of restrictive debt covenants.

Structure of Investments

We anticipate that our loan portfolio will contain investments of the following types with the following typical characteristics:

Senior Secured First-Lien Loans. First-lien senior secured loans obtain security interests in the assets of these portfolio companies as collateral in support of the repayment of these loans (in certain cases, subject to a payment waterfall). The collateral takes the form of first-priority liens on specified assets of the portfolio company borrower and, typically, first-priority pledges of the ownership interests in the borrower. Our first lien loans may provide for moderate loan amortization in the early years of the loan, with the majority of the amortization deferred until loan maturity.

Senior Secured Unitranche Loans. Unitranche loans are loans that combine both senior and subordinated debt into one loan under which the borrower pays a single interest rate that is intended to reflect the blended relative risk of the secured and unsecured components.

Senior Secured Second-Lien Loans. Second-lien senior secured loans obtain security interests in the assets of these portfolio companies as collateral in support of the repayment of such loans. This collateral typically takes the form of second-priority liens on the assets of a portfolio company, and we may enter into an inter-creditor agreement with the holders of the portfolio company’s first-lien senior secured debt.

Broadly Syndicated Loans. Broadly syndicated loans (whose features are similar to those described under “Senior Secured First-Lien Loans” and “Senior Secured Second-Lien Loans” above) are typically originated and structured by banks on behalf of large corporate borrowers with employee counts, revenues, EBITDAs and enterprise values larger than the middle-market characteristics described above. The proceeds of broadly syndicated loans are often used for leveraged buyout transactions, mergers and acquisitions, recapitalizations, refinancings, and financing capital expenditures. Broadly syndicated loans are typically distributed by the arranging bank to a diverse group of investors primarily consisting of: CLOs; senior secured loan and high yield bond mutual funds; closed-end funds, hedge funds, banks, and insurance companies; and finance companies. A borrower must comply with various covenants contained in a loan agreement or note purchase agreement between the borrower and the holders of the broadly syndicated loan (the “Loan Agreement”). In a typical broadly syndicated loan, an administrative agent (“Agent”) administers the terms of the Loan Agreement. In such cases, the Agent is normally responsible for the collection of principal and interest payments from the borrower and the apportionment of these payments to the credit of all institutions that are parties to the Loan Agreement. We will generally rely upon the Agent or an intermediate participant to receive and forward to us our portion of the principal and interest payments on the broadly syndicated loan. Additionally, we normally will rely on the Agent and the other loan investors to use appropriate credit remedies against the borrower. The Agent is typically responsible for monitoring compliance with covenants contained in the Loan Agreement based upon reports prepared by the borrower. The Agent may monitor the value of the collateral and, if the value of the collateral declines,
may accelerate the broadly syndicated loan, may give the borrower an opportunity to provide additional collateral or may seek other protection for the benefit of the participants in the broadly syndicated loan. The Agent is compensated by the borrower for providing these services under a Loan Agreement, and such compensation may include special fees paid upon structuring and funding the broadly syndicated loan and other fees paid on a continuing basis. The broadly syndicated loans in which we invest may include loans that are considered “covenant-lite” loans, because of their lack of a full set of financial maintenance covenants.

Subordinated (“Mezzanine”) Loans. These investments are typically structured as unsecured, subordinated loans that will typically provide for relatively high, fixed interest rates that provide us with significant current interest income.

Equity Securities. Equity securities typically consist of either a direct minority equity investment in common or membership/partnership interests or preferred stock of a portfolio company, and are typically not control-oriented investments.

Warrants. In some cases, we may receive nominally priced warrants to buy a minority equity interest in the portfolio company in connection with a loan. As a result, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest.

General Structuring Considerations. We tailor the terms of each investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its operating results.

We expect to hold most of our investments to maturity or repayment, but we may sell some of our investments earlier if a liquidity event occurs, such as a sale, recapitalization, or worsening of the credit quality of the portfolio company.

Plan of Distribution

We are offering, on a best efforts, continuous basis, up to $200 million of shares of common stock at a current offering price of $13.50 per share. If or when our net asset value per share increases above our net proceeds per share, net of sales load, as stated in this Memorandum, our board of directors will increase our offering price to ensure that shares are sold at a net price, after deduction of up-front sales commissions and dealer manager fees, that is not below our net asset value per share. In addition, if the net asset value per share were to decline below 97.5% of the offering price, net of sales load, for ten continuous business days (for this purpose, any day on which the principal stock markets in the United States are open for business), then unless and until our board of directors determines otherwise, we will voluntarily suspend selling shares in the Offering until the net asset value per share is greater than 97.5% of the offering price, net of sales load. Additionally, our board of directors may change the offering price at any time such that the offering price, net of sales load, will be equal to or greater than net asset value per share when we sell shares of common stock. As of July 21, 2020, our net asset value per share was $12.02. See “Plan of Distribution.”

Our Dealer Manager is not required to sell any specific number or dollar amount of shares, but has agreed to use its best efforts to sell the shares offered. The minimum permitted purchase is $10,000 in shares of our common stock, although purchases of lesser amounts may be accepted in our sole discretion. On August 30, 2016, OFS Funding I, LLC (“Funding I”), a subsidiary of OFSAM, purchased 74,074 shares of our common stock in the Offering for gross proceeds of $1,000,000, or $13.50 per share. No selling commissions or dealer manager fees were paid in connection with this purchase. Since commencing operations on August 30, 2016 through June 30, 2020, we have sold approximately $32.0 million in gross proceeds and have approximately 2.3 million shares outstanding.
Subject to certain exceptions, the Dealer Manager will receive a sales commission of up to 7% on each share of common stock sold and a 3% dealer manager fee on each share of common stock sold. See “Plan of Distribution.”

We intend to schedule monthly closings on subscriptions received and accepted by us. Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. Subscriptions will be accepted or rejected within 30 days of receipt by us and, if rejected, all funds will be returned to subscribers without deduction for any fees and expenses within ten business days from the date the subscription is rejected.
II. SUMMARY OF PRINCIPAL TERMS AND CONDITIONS

The following summarizes the principal terms of the Company and is qualified in its entirety by reference to our Charter, the Subscription Agreement, the Investment Advisory Agreement and the Sub-Advisory Agreement. To the extent the terms herein are inconsistent with or contrary to the terms of the Charter, the Subscription Agreement, the Investment Advisory Agreement or the Sub-Advisory Agreement, such document shall control.

The Company: Hancock Park Corporate Income, Inc. was organized as a Maryland corporation that has elected to be regulated as a BDC under the 1940 Act.

Investment Objective and Strategy: Our investment objective is to provide our stockholders with both current income and capital appreciation primarily through debt investments and, to a lesser extent, equity investments. Our investment strategy focuses primarily on investments in middle-market companies in the United States. We use the term “middle-market” to refer to companies that may exhibit one or more of the following characteristics: number of employees between 150 and 2,000; revenues between $15 million and $300 million; annual earnings before interest, taxes, depreciation and amortization, or EBITDA, between $3 million and $50 million; generally, private companies owned by private equity firms or owners/operators; and enterprise value between $10 million and $500 million.

Investment Advisory Agreement; Investment Adviser: We are externally managed by the Adviser pursuant to the Investment Advisory Agreement. Subject to the overall supervision of our board of directors, the Adviser is responsible for our overall management and affairs, has full discretion to invest our assets in a manner consistent with the investment objectives outlined in this Memorandum, and is solely responsible for our investment and valuation decisions.

Nothing in the Investment Advisory Agreement will prevent the Adviser or its affiliates from conducting any other business, including a business within the securities industry, whether or not such business is in competition with us.

The Adviser also serves as the investment adviser to CLO funds, SMAs, Sub-Advised Accounts and other assets, including OFS Capital and OCCI. OFS Capital is a publicly traded BDC with an investment strategy similar to ours. OCCI is a publicly traded closed-end management investment company with a primary objective to generate current income and a secondary objective to generate capital appreciation through investments in collateralized loan obligation debt and subordinated securities and other structured credit investments. Since the Adviser engages in management or investment activities on behalf of entities that have overlapping objectives with the Company, the Adviser may face conflicts in the allocation of investment opportunities to the Company and these other entities. In such event, the Adviser intends to allocate investment opportunities among the Company and these other entities in a fair and equitable manner. Additionally, the Company may invest in debt and other securities of companies in which other accounts managed by the Adviser or the Adviser’s affiliates (“Affiliated Accounts”) hold those same securities or different securities, including equity securities. If such investments are
made by the Company, the Company’s interests will at times conflict with the interests of such Affiliated Accounts. See “Risk Factors and Potential Conflicts of Interest—Risks Related to the Adviser and its Affiliates.”

**Sub-Advisory Agreement; Sub-Adviser:**

The Adviser has engaged CIM Capital IC Management, LLC, an affiliate of the Adviser, to act as Sub-Adviser to provide the Sub-Advisory Services.

**Administration Agreement:**

We also entered into the Administration Agreement with OFS Services, as our Administrator, pursuant to which OFS Services provides us the administrative services necessary for us to operate. OFS Services furnishes us with office facilities and equipment, necessary software licenses and subscriptions and clerical, bookkeeping and recordkeeping services at such facilities. OFS Services oversees our financial reporting as well as prepares our reports to stockholders and all other reports and materials required to be filed with the SEC or any other regulatory authority. OFS Services also manages the determination and publication of our net asset value and the preparation and filing of our tax returns and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. OFS Services may retain third parties to assist in providing administrative services to us. To the extent that OFS Services outsources any of its functions, we will pay the fees associated with such functions on a direct basis without incremental profit to OFS Services.

**Board of Directors:**

A majority of our board of directors consists of independent directors as required by the 1940 Act.

**Investors:**

The initial investment in the Company will be made by investors who purchase common stock in the Offering. The common stock will only be sold (i) in the United States to U.S. persons who are “accredited investors” within the meaning of Regulation D under the 1933 Act and (ii) outside the United States in accordance with Regulation S under the 1933 Act.

**Offering Price; Minimum Purchase:**

The current offering price is $13.50 per share. The offering price is subject to increase or decrease depending in part upon our net asset value. If the net asset value per share were to decline below 97.5% of the offering price, net of sales load, for ten continuous business days (for this purpose, any day on which the principal stock markets in the United States are open for business), then, unless and until our board of directors determines otherwise, we will voluntarily suspend selling shares in the Offering until the net asset value per share is greater than 97.5% of the offering price, net of sales load. Additionally, our board of directors may change the offering price at any time such that the offering price, net of sales load, will be equal to or greater than net asset value per share when we sell shares of common stock.

The minimum permitted purchase is $10,000, although purchases of lesser amounts may be accepted in our sole discretion.
Private Placement; Sales Load:

Placement activities are conducted by the Dealer Manager and participating broker dealers who will solicit subscriptions. Our maximum offering requirement will be met if we raise gross proceeds of $200 million from the sale of shares of common stock in the Offering. Since commencing operations on August 30, 2016 through June 30, 2020, we have sold approximately $32.0 million in gross proceeds and have approximately 2.3 million shares outstanding.

As shares are sold, you will pay an upfront sales load of up to 10% for upfront sales commissions and dealer manager fees to the Dealer Manager in accordance with the terms of the agreement between us and the Dealer Manager (as amended from time to time, the “Dealer Manager Agreement”). The Dealer Manager will engage unrelated, third-party participating broker-dealers in connection with the offering of shares. In connection with the sale of shares by participating broker-dealers, our Dealer Manager may reallocate and pay participating broker-dealers some or all of the dealer manager fees and upfront sales commissions. See “Plan of Distribution.”

How to Subscribe:

Investors who meet the suitability standards described in this Memorandum may purchase shares of our common stock. Investors seeking to purchase shares of our common stock should proceed as follows:

- Read the entire Memorandum and any supplements or amendments to this Memorandum.
- Complete the Subscription Agreement. A copy of the Subscription Agreement, including instructions for completing it, is included as Exhibit A to this Memorandum.
- Deliver a check to the Dealer-Manager, or its designated agent, for the full purchase price of the shares being subscribed for, along with the completed Subscription Agreement. You should make your check, referencing account # 215621000, payable to “U.S. BANK NATIONAL ASSOCIATION, as escrow agent for Hancock Park Corporate Income, Inc.”

For additional information, see “Subscription Process; Qualification Standards.”

Subsequent Closings:

We intend to schedule monthly closings on subscriptions received and accepted by us. Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. Subscriptions will be accepted or rejected within 30 days of receipt by us and, if rejected, all funds will be returned to subscribers without deduction for any fees and expenses within ten business days from the date the subscription is rejected.

Common Stock:

Stockholders will be entitled to one vote for each share held on all matters submitted to a vote of stockholders, and to receive dividends declared by the board of directors. The rights of stockholders will be subject to the rights of any preferred stock we may issue in the future.
Use of Proceeds: Based on prevailing market conditions, we anticipate that we will invest the proceeds from each monthly subscription closing generally within 30-90 days. The precise timing will depend on the availability of investment opportunities that are consistent with our investment objective and strategies. Until we are able to find such investment opportunities, we intend to invest the net proceeds of the Offering primarily in cash, cash equivalents, U.S. government securities, money market funds and high-quality debt instruments maturing in one year or less from the time of investment. This will be consistent with our status as a BDC and our qualification as a RIC. We may also use a portion of the net proceeds to pay our operating expenses, fund distributions to stockholders and for general corporate purposes. Any distributions we make during such period may be substantially lower than the distributions that we expect to pay when our portfolio is fully invested.

Transfers of Common Stock: The common stock has not been registered under the 1933 Act, the securities laws of any other state or the securities laws of any other jurisdiction. The common stock will constitute “restricted securities” under the 1933 Act and as such will be subject to certain restrictions on transferability.

Prior to a Qualified IPO (as defined below), stockholders may not sell, assign, pledge, transfer or otherwise dispose of (a “Transfer”) any common stock unless (i) the transferor provides the Adviser with at least 10 days written notice of the Transfer; (ii) the Transfer is made in accordance with applicable securities laws; and (iii) the transferee agrees in writing to be bound by these restrictions and all other obligations as a stockholder. No Transfer will be effectuated except by registration of the Transfer on the Company’s books. Following a Qualified IPO, stockholders may be restricted from selling or disposing of their shares of common stock by applicable securities laws or contractually by a lock-up agreement with the underwriters of the Qualified IPO. A “Qualified IPO” means an initial public offering of our common stock that results in an unaffiliated public float of at least 15%.

BDC Election: We have filed the Form 10 with the SEC and have filed an election to be treated as a BDC under the 1940 Act. In addition, we have elected to be treated as a RIC under Subchapter M of the Code. The Form 10 does not relate to the Offering and may include information relating to the Company not contained in this Memorandum; accordingly, investors should not rely on information contained in the Form 10 when determining whether to invest in the Company.

BDC Requirements; Concentration Limits: In order to maintain our status as a BDC, we will need to satisfy certain requirements, including, but not limited to:

(i) except for shares of registered money market funds, we generally cannot acquire more than 3% of the voting stock of any registered investment company or BDC (either, an “Investment Company”), invest more than 5% of the value of our total assets in the securities of one Investment Company or invest more than 10% of the value of our total assets in the securities of Investment Companies in the aggregate;
(ii) we will not acquire any assets other than “qualifying assets” as defined in the 1940 Act unless, at the time of and after giving effect to such acquisition, at least 70% of our assets, as defined by Section 55 of the 1940 Act, are qualifying assets;

(iii) we will offer, and must provide upon request, significant managerial assistance to our portfolio companies; and

(iv) we generally must have 200% asset coverage for our debt after incurring any new indebtedness. However, recent legislation has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to an asset coverage ratio of 150%, if certain requirements are met. On November 6, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of the board of directors, approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by SBCAA. In accordance with the SBCAA, we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, the asset coverage ratio test applicable to us decreased from 200% to 150%, effective November 6, 2019. For a summary of the BDC regulatory framework, see “Certain BDC Considerations.”

**RIC Requirements:**

In order to qualify for tax treatment as a RIC for U.S. federal income tax purposes, we will need to ensure that (among other things) we timely distribute, for each taxable year, an amount equal to at least 90% of our “investment company taxable income,” and satisfy certain source-of-income and asset-diversification requirements.

For a summary of the tax considerations and risks applicable to an investment in a BDC, see “Tax and ERISA Considerations — Certain U.S. Federal Income Tax Considerations.” stockholders should seek advice based on their particular circumstances from an independent tax adviser.
**Distributions:**

We generally intend to distribute, out of assets legally available for distribution, substantially all of our available earnings, on a quarterly basis, as determined by our board of directors in its discretion.

The following table reflects the cash distributions per share that we have declared. Stockholders of record as of each respective record date were entitled to receive the distribution.

The following table reflects the cash distributions per share that we have declared on our common stock through June 30, 2020.

<table>
<thead>
<tr>
<th>Date Declared</th>
<th>Record Dates</th>
<th>Payment Date</th>
<th>Amount Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 27, 2017</td>
<td>April 28, 2017, May 31, 2017, June 30, 2017</td>
<td>April 21, 2017</td>
<td>$0.0875</td>
</tr>
<tr>
<td>October 31, 2017</td>
<td>January 1, 2018, February 28, 2018</td>
<td>January 15, 2018</td>
<td>$0.0875</td>
</tr>
<tr>
<td>January 29, 2018</td>
<td>March 28, 2018, April 26, 2018, May 29, 2018, June 27, 2018</td>
<td>April 16, 2018</td>
<td>$0.0875</td>
</tr>
<tr>
<td>April 26, 2018</td>
<td>July 16, 2018</td>
<td></td>
<td>$0.0875</td>
</tr>
<tr>
<td>July 27, 2018</td>
<td>October 15, 2018</td>
<td></td>
<td>$0.0875</td>
</tr>
<tr>
<td>October 29, 2018</td>
<td>January 15, 2019</td>
<td></td>
<td>$0.0875</td>
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<tr>
<td>January 29, 2019</td>
<td>April 15, 2019</td>
<td></td>
<td>$0.0875</td>
</tr>
<tr>
<td>April 26, 2019</td>
<td>July 15, 2019</td>
<td></td>
<td>$0.0875</td>
</tr>
<tr>
<td>July 29, 2019</td>
<td>October 15, 2019</td>
<td></td>
<td>$0.0875</td>
</tr>
<tr>
<td>October 29, 2019</td>
<td>January 15, 2020</td>
<td></td>
<td>$0.0875</td>
</tr>
</tbody>
</table>
On July 28, 2020, our board of directors declared a monthly distribution of $0.0810 per share of common stock to be paid to stockholders of record on July 29, 2020. This distribution is payable on October 15, 2020 and represent an annualized yield of 7.20% based on our offering price per share applicable for each such month. The annualized yield should not be interpreted to be a measure of our current or future performances. Stockholders of record as of the record dates will be entitled to receive the distributions.

As a result of these distributions, we will be entitled to an expense support payment pursuant to the Amended and Restated Expense Support and Conditional Reimbursement Agreement (the “Expense Support Agreement”) we have entered into with the Adviser and the Sub-Adviser, pursuant to which the Sub-Adviser will pay a portion of our operating expenses for each quarter in which we declare a distribution to our stockholders. We may become obligated to reimburse the Adviser or Sub-Adviser for expense support payments, conditioned upon maintenance of our per-share distribution rate and our realization of improved unsupported expense ratios. See “Management of the Company, Investment Advisory Agreement and Administration Agreement — Payment of the Company’s Expenses under the Investment Advisory and Administration Agreements” and “Management of the Company, Investment Advisory Agreement and Administration Agreement — Expense Support Agreement.”

### Valuation of Assets;
### Independent Valuation Firm:

Valuations of investments will be approved by the board of directors at the end of each fiscal quarter. Our investments will be valued at fair value with the input of the Middle-Market Investment Committee and, in certain instances, an external, independent valuation firm that is retained by us to review certain of our investments.

### Leverage:

We will comply with the asset coverage test set forth in the 1940 Act and applicable to BDCs. We have established the PWB Credit Facility (defined below) and issued the Unsecured Note (defined below) and intend to enter into other financing arrangements to facilitate investments and the timely payment of our expenses. In addition, we are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to the common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. However, recent legislation has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to an asset coverage ratio of 150%, if certain requirements are met.

<table>
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<tbody>
<tr>
<td>January 29, 2020</td>
<td>January 29, 2020</td>
<td>April 15, 2020</td>
<td>$0.0875</td>
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<td>February 26, 2020</td>
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</tr>
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<td>June 25, 2020</td>
<td>June 26, 2020</td>
<td>July 15, 2020</td>
<td>$0.0822</td>
</tr>
</tbody>
</table>
On November 6, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of the board of directors, approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCAA. In accordance with the SBCAA, we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, the asset coverage ratio test applicable to us decreased from 200% to 150%, effective November 6, 2019.

While any indebtedness and senior securities remain outstanding, we must make provisions to prohibit any distribution to stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase.

Leverage constitutes a significant part of the strategy for enhancing our returns. In connection with borrowings, lenders may ask us to comply with positive or negative covenants that could have an effect on our operations. In addition, from time to time, our losses on leveraged investments may result in the liquidation of other investments held by us and may result in additional drawdowns to repay such amounts.

**PWB Credit Facility:**

We are party to a Business Loan Agreement (“BLA”) with Pacific Western Bank, as lender, to provide us with a senior secured revolving credit facility (the “PWB Credit Facility”). The PWB Credit Facility is available for general corporate purposes including investment funding. The maximum availability of the PWB Credit Facility is equal to 35% of the aggregate outstanding principal amount of eligible loans included in the borrowing base, which excludes subordinated loan investments and as otherwise specified in the BLA.

The BLA contains customary terms and conditions, including, without limitation, affirmative and negative covenants such as information reporting requirements, a minimum tangible net asset value, a minimum quarterly net investment income after incentive fees, and a statutory asset coverage test. The BLA also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change in investment advisor, and the occurrence of a material adverse change in our financial condition.

As of March 31, 2020, the PWB Credit Facility had maximum availability of $10 million, an interest rate of Prime + 0.75% subject to a floor rate of 5.50% and an unused fee of 0.50%. The PWB Credit Facility matures on February 28, 2021.

**Unsecured Note:**

On November 27, 2019, we entered into an agreement with a qualified institutional investor (“Note Purchase Agreement”) pursuant to which we issued an unsecured note (the “Unsecured Note”). The purchase price of the Unsecured Note was $14,700,000 after deducting the offering price.
discount. The Unsecured Note has a fixed interest rate of 6.50% and is due on November 27, 2024, unless redeemed, purchased or prepaid prior to such date by us or its affiliates in accordance with its terms. Interest on the Unsecured Note will be due quarterly. In addition, we are obligated to repay the Unsecured Note at par if certain change in control events occur. The Unsecured Note is a general unsecured obligation that ranks pari passu with all outstanding and future unsecured unsubordinated indebtedness we may issue.

The Note Purchase Agreement contains customary terms and conditions for unsecured notes issued in a private placement, including, without limitation, affirmative and negative covenants such as information reporting, maintenance of our status as a business development company within the meaning of the 1940 Act and minimum asset coverage ratio. The Note Purchase Agreement also contains customary events of default with customary cure and notice periods, including, without limitation, nonpayment, incorrect representation in any material respect, certain judgements and orders, and certain events of bankruptcy.

Co-Investments:

The 1940 Act generally prohibits BDCs from making certain negotiated co-investments with certain affiliates absent an order from the SEC permitting the BDC to do so. On August 4, 2020, we received exemptive relief from the SEC to permit us to co-invest in portfolio companies with certain other funds, including other BDCs and registered investment companies, managed by the Adviser (the “Affiliated Funds”) in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions (the “Order”). The Order superseded a previous order we received on October 12, 2016 and provides us with greater flexibility to enter into co-investment transactions with Affiliated Funds. Pursuant to the Order, we are generally permitted to co-invest with Affiliated Funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.
Management Fee: Pursuant to the Investment Advisory Agreement, we will pay the Adviser a base management fee (the “Management Fee”). On May 19, 2017, our Adviser agreed to permanently reduce the Base Management Fee that it is entitled to receive pursuant to the Investment Advisory Agreement from 2.0% per annum to 1.25% per annum. As a result, the Management Fee is calculated at an annual rate of 1.25% based on the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity), at the end of the two most recently completed calendar quarters. The Management Fee will be payable quarterly in arrears. Management Fees for any partial quarter will be prorated based on the number of days in the quarter.

Incentive Fee: Pursuant to the Investment Advisory Agreement, we pay the Adviser an incentive fee (the “Incentive Fee”). The Incentive Fee consists of two parts. The first part is calculated and payable quarterly in arrears and will equal 20% of “pre-incentive fee net investment income” for the immediately preceding quarter, subject to a preferred return of 7% annualized, or a “hurdle,” and a “catch-up” feature. The second part, payable annually in arrears, equals 20% of our realized capital gains on a cumulative basis from inception through the end of the year, if any (or upon the termination of the Investment Advisory Agreement, as of the termination date), computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. See “Management of the Company, Investment Advisory Agreement and Administration Agreement — Investment Advisory Agreement.”

Organization and Offering Costs: Beginning August 3, 2020, the Sub-Adviser will be responsible for bearing costs relating to the Offering. Prior to August 3, 2020, the Adviser paid the costs related to our organization and the Offering.

Offering costs consist of costs incurred by the Sub-Adviser and its affiliates on our behalf for legal, accounting, printing and other offering expenses, including costs associated with technology integration between our systems and those of our participating broker-dealers, permissible due diligence reimbursements, marketing expenses, salaries and direct expenses of the Adviser’s or Sub-Adviser’s employees, employees of their affiliates and others while engaged in marketing our common stock, which will include development of marketing materials and marketing presentations and training and educational meetings and generally coordinating the marketing process for us.

For so long as the Investment Advisory Agreement and the Sub-Advisory Agreement are in effect, we will reimburse the Adviser or Sub-Adviser, as applicable, for the organization and offering costs incurred by the Adviser or the Sub-Adviser on our behalf in an amount up to 1.5% of the gross proceeds raised by us in the Offering. Our obligation to reimburse the Adviser and/or the Sub-Adviser for the organization and offering costs incurred by the Adviser and/or the Sub-Adviser on our behalf will terminate three years from the date on which such expense was incurred.
Operating Expenses:

Our primary operating expenses include the payment of: (i) investment advisory fees, including Management Fees and Incentive Fees, to the Adviser, pursuant to the Investment Advisory Agreement; (ii) our allocable portion of overhead and other expenses incurred by the Adviser in performing its administrative obligations under the Investment Advisory Agreement; (iii) payments to the Administrator pursuant to the Administration Agreement; and (iv) all other expenses of our operations and transactions. We have entered into the Expense Support Agreement, pursuant to which the Sub-Adviser will pay a portion of our operating expenses for each quarter in which we declare a distribution to our stockholders. See “Management of the Company, Investment Advisory Agreement and Administration Agreement — Payment of the Company’s Expenses under the Investment Advisory and Administration Agreements” and “Management of the Company, Investment Advisory Agreement and Administration Agreement — Expense Support Agreement.”

Reports:

Annual and quarterly reports, including audited financial statements filed with the SEC, will be made available to stockholders.

Termination; Liquidity Event:

Prior to a liquidity event, if the board of directors determines that there has been a significant adverse change in the regulatory or tax treatment of us or our stockholders that in its judgment makes it inadvisable for the Company to continue in its present form, then the board of directors may endeavor to restructure or change the form of the Company to preserve (insofar as possible) the overall benefits previously enjoyed by stockholders as a whole or, if the board of directors determines it appropriate (and subject to any necessary stockholder approvals and applicable requirements of the 1940 Act), (i) cause the Company to change its form and/or jurisdiction of organization or (ii) wind down and/or liquidate and dissolve the Company.

If we have not consummated a liquidity event within ten years following completion of the Offering, which such ten-year period may be extended, in the sole discretion of the Adviser, for up to two additional one-year periods, the board of directors (subject to any necessary stockholder approvals and applicable requirements of the 1940 Act) will use its commercially reasonable efforts to wind down and/or liquidate and dissolve the Company.

A liquidity event could include: (i) a listing of our shares on a national securities exchange; (ii) a merger or another transaction approved by our board of directors in which our stockholders will receive cash or shares of a listed company; or (iii) a sale of all or substantially all of our assets either on a complete portfolio basis or individually followed by a liquidation.

Share Repurchase Program:

Prior to a liquidity event, we do not intend to list our shares on a securities exchange, and we do not expect there to be a public market for our shares. As a result, if you purchase shares of our common stock, your ability to sell your shares will be limited.

Subject to the discretion of our board of directors, we may conduct tender offers to allow our stockholders to sell their shares back to us at a price equal to the most recently disclosed net asset value per share of our
common stock immediately prior to the date of repurchase.

On November 6, 2018, our board of directors, including a “required majority” (as such terms is defined in Section 57(o) of the 1940 Act) of our board of directors, approved a proposal to permit us to reduce the minimum asset coverage ratio applicable to us from 200% to 150%, as permitted by and pursuant to the SBCAA. In accordance with the SBCAA, we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, the asset coverage ratio test applicable to us decreased from 200% to 150%, effective November 6, 2019.

The repurchase offers allowed our stockholders to sell their shares back to us at a price equal to the most recently disclosed net asset value per share of our common stock immediately prior to the date of repurchase and was intended to satisfy both the requirements of the SBCAA and serve as a share repurchase program.

If our board of directors so determines, any future repurchases would be limited to approximately 10% of the weighted average number of our outstanding shares in any 12-month period, subject to a 2.5% limit in each quarter. See “Share Repurchase Program.”

Employee Benefit Plan Regulations:

Investment in the Company is generally open to institutions including pension and other funds subject to the Employee Retirement Income Security Act of 1974 (“ERISA”), although investment by such funds will be limited as described below. We may require certain representations or assurances from investors subject to ERISA to determine compliance with ERISA provisions. Currently, the interests in the Company are considered “publicly-offered securities” within the meaning of ERISA and certain Department of Labor regulations (together, the “Plan Asset Provisions”); however, if at any time the interests in the Company cease to be considered “publicly-offered securities” within the meaning of the Plan Asset Provisions, we intend to operate so that less than 25% of the value of each class of equity is held by “Benefit Plan Investors” (within the meaning of the Plan Asset Provisions), so that investment by Benefit Plan Investors will not be “significant” and the assets of the Company will not be considered “plan assets” under ERISA (the “25% Test”). In order to meet the requirements of the 25% Test, we may preclude or limit a Benefit Plan Investor’s purchase and prohibit certain transfers of investments so as to avoid the Company holding “plan assets” within the meaning of ERISA. See “Tax and ERISA Considerations — Certain ERISA and Related Considerations.”

Risk Factors:

Investment in the Company involves significant risks and is suitable only for experienced and sophisticated investors who can bear the economic risk of the loss of some or all of their investment. There can be no assurances that we will achieve our investment objective. Further, because of the limitation on the rights of a stockholder to transfer or redeem shares of common stock, or the fact that there is currently no public market for the common stock, and a market for the common stock may never develop, an investment in the Company will be relatively illiquid. For a further
discussion of risks and certain potential conflicts of interests, prospective investors should carefully review the Memorandum, including “Risk Factors and Potential Conflicts of Interest.”

Prospective investors should obtain the advice of their own legal, accounting, tax and other advisors in reviewing the Memorandum, the Charter and other operative documents before deciding to invest in the Company.

Legal Counsel to the Company: Eversheds Sutherland (US) LLP

Auditors: KPMG LLP
III. RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST

Investing in our common stock involves a number of significant risks. In addition to the other information contained in this Memorandum, you should consider carefully the following information before making an investment in our common stock. The risks below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, the net asset value of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

We have a limited operating history. We commenced operations on August 30, 2016 and are subject to all of the business risks and uncertainties associated with any business with limited operating history, including the risk that we will not achieve or sustain our investment objective and that the value of our common stock could decline substantially.

We may allocate the net proceeds from this Offering in ways with which you may disagree. We will have significant flexibility in investing the net proceeds of this Offering and may use the net proceeds from this Offering in ways with which you may disagree or for purposes other than those contemplated at the time of the Offering.

The lack of liquidity in our investments may adversely affect our business. We expect that all of our assets will be invested in illiquid securities, and a substantial portion of our investments will be in leveraged companies and will be subject to legal and other restrictions on resale or will be otherwise less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded these investments. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we, the Adviser, OFSAM or any of its other affiliates have material nonpublic information regarding such portfolio company.

Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation. As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

- a comparison of the portfolio company’s securities to publicly traded securities;
- the enterprise value of a portfolio company;
- the nature and realizable value of any collateral;
- the portfolio company’s ability to make payments and its earnings and discounted cash flow;
- the markets in which the portfolio company does business; and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will use the pricing indicated by the external event to corroborate our valuation. We will record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial
realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition and results of operations.

**Capital markets may experience periods of disruption and instability and we cannot predict when these conditions will occur. Such market conditions could materially and adversely affect debt and equity capital markets in the United States and abroad, which could have a negative impact on our business, financial condition and results of operations.** The global capital markets have experienced a period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. While the capital markets have improved, these conditions could deteriorate again in the future. For example, the recent global outbreak of a novel strain of coronavirus has disrupted economic markets and the prolonged economic impact is uncertain. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a world-wide economic downturn. Many manufacturers of goods in China and other countries in Asia have seen a downturn in production due to the suspension of business and temporary closure of factories in an attempt to curb the spread of the illness. As the impact of the novel coronavirus spreads to other parts of the world, similar impacts may occur with respect to affected countries. During such market disruptions, we may have difficulty raising debt or equity capital, especially as a result of regulatory constraints.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in the capital markets, including the disruption and volatility, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition and results of operations.

Various social and political tensions in the United States and around the world, including in the Middle East, Eastern Europe and Russia, may continue to contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause further economic uncertainties or deterioration in the United States and worldwide. Several European Union ("EU") countries, including Greece, Ireland, Italy, Spain, and Portugal, continue to face budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is also continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. The recent United States and global economic downturn, or a return to the recessionary period in the United States, could adversely impact our investments. We cannot predict the duration of the effects related to these or similar events in the future on the United States economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

**Global capital markets could enter a period of severe disruption and instability. These conditions have historically affected and could again materially and adversely affect debt and equity capital markets in the United States and around the world and our business.** The current worldwide financial market situation, as well as various social and political tensions in the United States and around the world, may contribute to increased market volatility, may have long-term effects on the United States and worldwide financial markets and may cause economic uncertainties or deterioration in the United States and worldwide. The impact of downgrades by rating agencies to the United States government’s sovereign credit rating or its perceived creditworthiness as well as potential government shutdowns could adversely affect the United States and global financial markets and economic conditions. Since 2010, several European Union, or EU, countries have faced budget issues, some of which may have negative long-term
effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal policy of foreign nations, such as Russia and China, may have a severe impact on the worldwide and United States financial markets. The decision made in the United Kingdom referendum to leave the EU (commonly known as “Brexit”) has led to volatility in global financial markets and may lead to weakening in consumer, corporate and financial confidence in the United Kingdom and Europe. Since the Brexit referendum, the EU has extended the Brexit deadline several times to allow the UK parliament to ratify a withdrawal agreement, and most recently, under current Prime Minister Boris Johnson, the House of Commons passed the Brexit deal on December 20, 2019. The European Parliament ratified the Brexit deal, and on January 31, 2020, the UK formally left the EU. The UK will now enter into a transition period until December 31, 2020, where agreements surrounding trade and other aspects of the UK’s future relationship with the EU will be formalized. It is unclear what form the future relationship between the UK and the EU will take, and it may have a significant impact on the economies of the UK and EU, as well as the broader global economy, which may cause increased volatility and illiquidity. Failure to come to terms on a free trade deal could result in checks and tariffs on UK goods traveling to the EU and thus prolong economic uncertainty. Additionally, volatility in the Chinese stock markets and global markets for commodities and as a result of global health emergencies may affect other financial markets worldwide. We cannot predict the effects of these or similar events in the future on the United States and global economies and securities markets or on our investments. We monitor developments in economic, political and market conditions and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

Events outside of our control, including public health crises such as the coronavirus (“COVID-19”) pandemic, have and may continue to negatively affect the results of our operations. Periods of market volatility may continue in response to pandemics, such as the COVID-19 pandemic, or other events outside of our control. These types of events have and could continue to adversely affect our operating results. In December 2019, COVID-19 surfaced in Wuhan, China, and continues to spread globally including in the United States. As a result of the COVID-19 pandemic, we have and may continue to experience difficulty collecting timely interest and principal payments from our borrowers, our asset values have and may continue to decline, and certain of our outstanding loans may need to be extended or restructured. We have held discussions with our borrowers and they have expressed their general concern about the uncertain economic condition. We believe that it is premature to determine the magnitude of the impact to our future operating results at this point. The impact to our results will depend to a large extent on future developments and new information that may emerge regarding the duration of the coronavirus and the actions taken by authorities and other entities to contain the coronavirus or treat its impact, all of which are beyond our control. These impacts, the duration of which remains uncertain, have and may continue to adversely affect our operating results.

We have been, and will continue to be, adversely impacted by the outbreak of COVID-19. In March 2020, the outbreak of COVID-19 caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization. Shortly thereafter, the President of the United States declared a National Emergency throughout the United States attributable to such outbreak. The outbreak has become increasingly widespread in the United States, including in the markets in which we operate. We continue to assess the effects of the COVID-19 pandemic on our portfolio companies, and are taking steps to help mitigate the adverse consequences to each of their businesses stemming from the COVID-19 pandemic; however, though the magnitude of the impact remains to be seen, our portfolio companies and by extension our operating results will be adversely impacted by the COVID-19 pandemic.

In addition to adverse United States domestic and global macroeconomic effects, including the adverse impacts on our portfolio companies and investment assets, the COVID-19 pandemic has caused, and will continue to cause, a reduction in our ability to access capital and through our credit facilities, and
has otherwise adversely impacted, and will continue to impact, the operation of our business. The COVID-19 pandemic has also caused, and will continue to cause, substantial disruption to our employees, investors, business partners, referral sources, borrowers and prospective borrowers through self-isolation, travel limitations, business restrictions, and otherwise. Many areas within the United States have imposed mandatory closures for businesses not deemed to be essential, and it is currently unclear for how long such closures will last. Though all of our employees are able to work remotely, these closures have nevertheless affected many of our borrowers and many businesses through which we seek new borrowers, resulting in significant declines in new loans and investments. These effects, individually or in the aggregate, have, and will continue to, adversely impact our business, financial condition, operating results and cash flows and such adverse impacts may be material.

The effects of the outbreak of COVID-19 have negatively affected the global economy, the United States economy and the global financial markets, and have and may continue to disrupt our operations and our borrowers' operations, which have and may continue to adversely impact our business, financial condition and results of operations. The ongoing COVID-19 global and national health emergency has caused significant disruption in the international and United States economies and financial markets. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability. The United States now has the world’s most reported COVID-19 cases, and all 50 states and the District of Columbia have reported cases of infected individuals. A majority of states, including Illinois, where we are headquartered, have declared states of emergency. This has resulted in an unprecedented slow-down in economic activity and a related increase in unemployment. Since the beginning of the COVID-19 pandemic, more than 40 million people have filed claims for unemployment, and stock markets have been volatile and, in particular, BDC stocks have significantly declined in value. In response to the COVID-19 pandemic, the Federal Reserve Board has reduced the benchmark fed funds rate to a target range of 0% to 0.25%, and the yields on 10 and 30-year treasury notes have declined to historic lows. The federal banking agencies have encouraged financial institutions to prudently work with affected borrowers. Certain industries have been particularly hard-hit, including the travel and hospitality industry, the restaurant industry and the retail industry. Finally, the spread of the coronavirus has caused the Adviser to modify its business practices, including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences. The Adviser may take further actions as may be required by government authorities or that it determines are in the best interests of its employees, customers and business partners.

Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the full impact of the COVID-19 pandemic on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated and when and how the economy may be reopened.

As the result of the COVID-19 pandemic and the related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our services may decline, making it difficult to grow assets and income;
- if the economy is unable to substantially reopen, and high levels of unemployment continue for an extended period of time, loan delinquencies, loan non-accruals, problem assets, and bankruptcies may increase, resulting in increased charges and reduced income;
- collateral for loans may decline in value, which could cause loan losses to increase;
- our fair values may continue to decrease if borrowers experience financial difficulties, which will adversely affect our net income;
increased amendments and/or restructuring to the terms or our portfolio company loan agreements, which may increase the amount of PIK interest, and defer the collection of cash interest and/or increase the risk of default;

- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;

- as the result of the decline in the Federal Reserve Board’s target federal funds rate, the yield on our assets may decline to a greater extent than the decline in our cost of interest-bearing liabilities, reducing our net interest margin and spread and reducing net income;

- a material decrease in net income or a net loss over several quarters could result in a decrease in the rate of our quarterly cash dividend;

- we rely on third party vendors for certain services and the unavailability of a critical service due to the COVID-19 outbreak could have an adverse effect on us; and

- reduction in our ability to access capital, including our credit facilities, may cause a distressed liquidity position and result in a decrease or inability to pay dividends.

Moreover, our future success and profitability substantially depends on the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of our executive officers or directors or key employees of the Adviser due to the outbreak could harm our ability to operate our business or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability.

Any one or a combination of the factors identified above has and could continue to negatively impact our business, financial condition and results of operations and prospects.

**Terrorist attacks, acts of war, global health emergencies or natural disasters may impact the businesses in which we invest and harm our business, operating results and financial condition.** Terrorist acts, acts of war, global health emergencies or natural disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, global health emergencies or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks, global health emergencies and natural disasters are generally uninsurable.

**We are dependent upon the OFS Management senior professionals for our future success and upon their access to the investment professionals and partners of OFS Management and its affiliates.** We do not have any internal management capacity or employees. We will depend on the diligence, skill and network of business contacts of the OFS Management senior professionals to achieve our investment objective. Our future success will depend, to a significant extent, on the continued service and coordination of the OFS Management senior management team, particularly Bilal Rashid, Senior Managing Director and President of Orchard First Source Capital, Inc. (“OFSC”), Jeffrey Cerny, Senior Managing Director and Treasurer of OFSC and Kyde Sharp, Managing Director of OFSC. Each of these individuals is an employee at will of OFSC. In addition, we rely on the services of Richard Ressler, Chairman of the executive committee of OFSAM and Chairman of the Adviser Investment Committees pursuant to a consulting agreement with Orchard Capital Corporation, or Orchard Capital. The departure of Mr. Ressler or any of the senior managers of OFSC, or of a significant number of its other investment professionals, could have a material adverse effect on our ability to achieve our investment objective.

The Adviser evaluates, negotiates, structures, closes and monitors our investments in accordance with the terms of the Investment Advisory Agreement. We can offer no assurance, however, that OFS Management senior professionals will continue to provide investment advice to us. If these individuals do
not maintain their existing relationships with OFS Management and its affiliates and do not develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio or achieve our investment objective. In addition, individuals with whom the OFS Management senior professionals have relationships are not obligated to provide us with investment opportunities. Therefore, we can offer no assurance that such relationships will generate investment opportunities for us.

The Adviser, a subsidiary of OFSAM, has no employees and depends upon access to the investment professionals and other resources of OFS Management and its affiliates to fulfill its obligations to us under the Investment Advisory Agreement. The Adviser also depends upon OFS Management to obtain access to deal flow generated by the professionals of OFS Management and its affiliates. Under a Staffing Agreement (the “Staffing Agreement”) with OFSC, OFSC has agreed to provide the Adviser with the resources necessary to fulfill these obligations. The Staffing Agreement provides that OFSC will make available to the Adviser experienced investment professionals and access to the senior investment personnel of OFSC for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. We are not a party to this Staffing Agreement and cannot assure stockholders that OFSC will fulfill its obligations under the agreement. If OFSC fails to perform, we cannot assure stockholders that the Adviser will enforce the Staffing Agreement or that such agreement will not be terminated by either party or that we will continue to have access to the investment professionals of OFSC and its affiliates or their information and deal flow.

The Middle-Market Investment Committee that oversees our investment activities is provided by the Adviser under the Investment Advisory Agreement. The Middle-Market Investment Committee consists of Richard Ressler (Chairman), Jeffrey Cerny, Kyde Sharp and Bilal Rashid. The loss of any member of the Middle-Market Investment Committees or of other OFS Management senior professionals could limit our ability to achieve our investment objective and operate as we anticipate. This could have a material adverse effect on our financial condition and results of operation.

Our business model depends to a significant extent upon strong referral relationships with financial institutions, sponsors and investment professionals. Any inability of the Adviser to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business. We depend upon the Adviser to maintain OFS Management’s relationships with financial institutions, sponsors and investment professionals, and we will continue to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If the Adviser fails to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the principals of the Adviser have relationships are not obligated to provide us with investment opportunities, and, therefore, we can offer no assurance that these relationships will generate investment opportunities for us in the future.

Our financial condition and results of operation will depend on our ability to manage our business effectively. Our ability to achieve our investment objective and grow will depend on our ability to manage our business. This will depend, in turn, on the ability of the Adviser Investment Committees to identify, invest in and monitor companies that meet our investment criteria. The achievement of our investment objectives on a cost-effective basis will depend upon the execution by the Adviser Investment Committees of our investment process, their ability to provide competent, attentive and efficient services to us and, to a lesser extent, our access to financing on acceptable terms. The Adviser will have substantial responsibilities under the Investment Advisory Agreement. The Adviser’s senior professionals and other personnel of the Adviser’s affiliates, including OFSC, may be called upon to provide managerial assistance to our portfolio companies. These activities may distract them or slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.
We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses. A number of entities compete with us to make the types of investments that we make. We compete with public and private funds, other BDCs, commercial and investment banks, commercial finance companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some of our competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the source of income, asset diversification and annual distribution requirements we must satisfy to maintain our RIC tax treatment. These characteristics could allow our competitors to consider a wider variety of instruments, establish more relationships and offer better pricing and more flexible structuring than we are able to. The competitive pressures we face may have a material adverse effect on our business, financial condition and results of operations. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objective.

With respect to the investments we make, we will not seek to compete based primarily on the interest rates we will offer, and we believe that some of our competitors may make loans with interest rates that will be lower than the rates we offer. In the secondary market for acquiring existing loans, we expect to compete generally on the basis of pricing terms. With respect to all investments, we may lose some investment opportunities if we do not match our competitors’ pricing, terms and structure. However, if we match our competitors’ pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. We may also compete for investment opportunities with OFSAM and its other affiliates or accounts managed by OFSAM or one of its other affiliates. Although the Adviser allocates opportunities in accordance with its policies and procedures, allocations to such other accounts will reduce the amount and frequency of opportunities available to us and may not be in the best interests of us and our stockholders. Moreover, the performance of investments will not be known at the time of allocation.

The valuation process for certain of our portfolio holdings may create a conflict of interest. Many of our portfolio investments may be recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments.

A significant amount of our portfolio investments are recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments. We expect that many of our portfolio investments will take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities at fair value as determined in good faith by our board of directors, including to reflect significant events affecting the value of our securities. All of our investments (other than cash and cash equivalents) are classified as Level 3 under Accounting Standards...
Codification Topic 820, *Fair Value Measurement and Disclosures* ("ASC Topic 820"). This means that our portfolio valuations are based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. Inputs into the determination of fair value of our portfolio investments require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We presently retain the services of an independent service provider to prepare the valuation of these securities.

The types of factors that our board of directors takes into account in determining the fair value of our investments generally include, as appropriate, comparison to third-party yield benchmarks and comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings and cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

We adjust quarterly the valuation of our portfolio to reflect our board of directors’ determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of income as net change in unrealized appreciation or depreciation. See “Determination of Net Asset Value.”

**Our board of directors may change our investment objectives, operating policies and strategies without prior notice or stockholder approval.** Our board of directors has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and the price value of our common stock. Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions. Moreover, we will have significant flexibility in investing the net proceeds of the Offering and may use the net proceeds from the Offering in ways with which investors in us may not agree.

**Changes in the laws or regulations governing our business, or changes in the interpretations thereof, and any failure by us to comply with these laws or regulations, could have a material adverse effect on our, and our portfolio companies’, business, results of operations or financial condition.** We and our portfolio companies are subject to regulation by laws at the U.S. federal, state and local levels, including those that govern BDCs, RICs, or non-depository commercial lenders. These laws and regulations, including applicable accounting standards, as well as their interpretation, may change from time to time, and new laws, regulations, accounting standards and interpretations may also come into effect. Any such new or changed laws or regulations could have a material adverse effect on our business.

We are also subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, we may have to incur significant expenses in order to comply, or we might have to restrict our operations. If we do not comply
with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and may be subject to civil fines and criminal penalties.

Over the last several years, there has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new or different regulation. While it cannot be known at this time whether these regulations will be implemented or what form they will take, increased regulation of non-bank credit extension could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business.

The effect of global climate change may impact the operations of our portfolio companies. There may be evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies’ financial condition, through decreased revenues. Extreme weather conditions in general require more systems backup, adding to costs, and can contribute to increased system stresses, including service interruptions.

Effective November 6, 2019, we became subject to 150% Asset Coverage after receiving the approval of our board of directors and meeting certain conditions. The 1940 Act generally prohibits us from incurring indebtedness unless immediately after such borrowing we have an asset coverage for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets). However, recent legislation has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to an asset coverage ratio of 150%, if certain requirements are met. On November 6, 2018 a “required majority” (as defined in Section 57(o) of the 1940 Act) of our board of directors approved the application of the reduced asset coverage ratio to us. In accordance with the SBCAA, we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, the asset coverage ratio test applicable to us decreased from 200% to 150%, effective November 6, 2019 and we are able to increase our leverage up to an amount that reduces our asset coverage ratio from 200% to 150% (i.e., the amount of debt may not exceed 66 2/3% of the value of our assets), assuming that additional borrowings are available.

Leverage magnifies the potential for loss on investments in our indebtedness and on invested equity capital. As we use leverage to partially finance our investments, you will experience increased risks of investing in our securities. If the value of our assets increases, then the additional leverage would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not increased our leverage. Conversely, if the value of our assets decreases, the additional leverage would cause net asset value to decline more sharply than it otherwise would have had we not increased our leverage. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net investment income to increase more than it would without the additional leverage, while any decrease in our income would cause net investment income to decline more sharply than it would have had we not increased our leverage. Such a decline could negatively affect our ability to pay common stock dividends, scheduled debt payments or other payments related to our securities. Leverage is generally considered a speculative investment technique.

In addition, the ability of BDCs to increase their leverage will increase the capital available to BDCs and thus competition for the investments that we seek to make. This may negatively impact pricing
on the investments that we do make and adversely affect our net investment income and results of operations.

*We may experience fluctuations in our quarterly operating results.* We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, distributions from our subsidiaries and portfolio companies, the degree to which we encounter competition in our markets and general economic conditions. In light of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

*We are a non-diversified management investment company within the meaning of the 1940 Act, and therefore we are not limited by the 1940 Act with respect to the proportion of our assets that may be invested in securities of a single issuer.* We are classified as a non-diversified management investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market’s assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our asset diversification requirements as a RIC under the Code, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies. See “Tax and ERISA Considerations — Certain U.S. Federal Income Tax Considerations.”

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

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

Third parties with whom we do business may also be sources of cybersecurity or other technological risks. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as customer, counterparty, employee and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure or destruction of data, or other cybersecurity incidents, with increased costs and other consequences, including those described above.
Cybersecurity risks and cyber incidents may adversely affect our business or the business of our portfolio companies by causing a disruption to our operations or the operations of our portfolio companies, a compromise or corruption of our confidential information or the confidential information of our portfolio companies and/or damage to our business relationships or the business relationships of our portfolio companies, all of which could negatively impact the business, financial condition and operating results of us or our portfolio companies. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the information resources of us or our portfolio companies. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems or those of our portfolio companies for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. We and the Adviser’s employees have been and expect to continue to be the target of fraudulent calls, emails and other forms of activities. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to business relationships. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. As our and our portfolio companies’ reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by the Adviser and third-party service providers, and the information systems of our portfolio companies. The Adviser has implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as our increased awareness of the nature and extent of a risk of a cyber incident, do not guarantee that a cyber incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident. In addition, cybersecurity has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our businesses, liability to investors, regulatory intervention or reputational damage.

We incur significant costs as a result of being a public company. As a public company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act and other rules implemented by the SEC.

Failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and the value of our common stock. We are obligated to maintain proper and effective internal control over financial reporting, including the internal control evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act of 2004 (“Section 404”). We will not be required to comply with all of the requirements of Section 404 until we are no longer an emerging growth company under the Jumpstart Our Business Startups Act of 2012, as amended (the “JOBS Act”). Accordingly, our internal controls over financial reporting do not currently meet all of the standards contemplated by Section 404 that we will eventually be required to meet. We are required to conduct annual management assessments of the effectiveness of our internal controls over financial reporting. However, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the date we are no longer an emerging growth company under the JOBS Act.

If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our operations, financial reporting or financial results could be adversely affected. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, and result in a breach of the covenants under the agreements governing any of our financing arrangements. There could also be a negative reaction in the
financial markets due to a loss of investor confidence in the Company and the reliability of our consolidated financial statements. Confidence in the reliability of our consolidated financial statements could also suffer if we or our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could materially adversely affect us.

**Risks Related to the Adviser and its Affiliates**

**Our incentive fee may induce the Adviser to make certain investments, including speculative investments.** The incentive fee payable by us to the Adviser may create an incentive for the Adviser to make investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. Generally, the more equity we sell in offerings and the greater the risk assumed by us with respect to our investments, the greater the potential for growth in our assets and profits (and, corollatively, the fees payable by us to the Dealer Manager and the Adviser). These compensation arrangements could affect the Adviser’s or its affiliates’ judgment with respect to public offerings of equity and investments made by us, which allow the Dealer Manager to earn additional sales commissions and dealer manager fees and the Adviser to earn increased asset management fees. In addition, the way in which the incentive fee payable to the Adviser is determined may encourage the Adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor our stockholders.

The Adviser receives an incentive fee based, in part, upon net capital gains realized on our investments. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, the Adviser may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

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

Our board of directors is charged with protecting our interests by monitoring how the Adviser addresses these and other conflicts of interests associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors periodically reviews the Adviser’s services and fees. In connection with these reviews, our independent directors consider whether our fees and expenses (including those related to leverage) remain appropriate.

**We have potential conflicts of interest related to obligations that the Adviser or its affiliates may have to other clients.** The Adviser and its affiliates manage other assets, including those of other BDCs and registered investment companies, separately managed accounts, accounts for which the Adviser or its affiliates may serve as subadviser and CLOs and may manage other entities in the future, and these other funds and entities may have similar or overlapping investment strategies. Our executive officers, directors and members of the Adviser Investment Committees serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds or other investment vehicles managed by the Adviser or its affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our or our stockholders’ best interests or may require them to devote time to services for other entities, which could interfere with the time available to provide services to us. For example, the Adviser currently serves as the investment adviser to OFS Capital, a
publicly-traded BDC, that invests in senior secured loans of middle-market companies in the United States, similar to those we target for investment, including first-lien, second-lien and unitranche loans as well as subordinated loans and, to a lesser extent, warrants and other equity securities. The Adviser also serves as the investment adviser to OCCI, a closed-end management investment company that primarily invests in CLO debt and subordinated securities. Therefore, many investment opportunities will satisfy the investment criteria for both OFS Capital and us and in certain instances investment opportunities may be appropriate for OCCI and us. OFS Capital operates as a distinct and separate entity and any investment in our common stock will not be an investment in OFS Capital. In addition, our executive officers and certain of our independent directors serve in substantially similar capacities for OFS Capital and OCCI. Similarly, the Adviser and/or its affiliates may have other clients with, similar, different or competing investment objectives. In serving in these multiple capacities, our executive officers and directors, the Adviser and/or its affiliates, and members of the Adviser Investment Committees may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders.

The Adviser and OFSAM have procedures and policies in place designed to manage the potential conflicts of interest between the Adviser’s fiduciary obligations to us and its fiduciary obligations to other clients. For example, such policies and procedures are designed to ensure that investment opportunities are allocated in a fair and equitable manner among us and the Adviser’s other clients. An investment opportunity that is suitable for clients of the Adviser may not be capable of being shared among some or all of such clients due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act.

There can be no assurance that we will be able to participate in all investment opportunities that are suitable to us. The Adviser will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy.

We have potential conflicts of interest related to the purchases and sales that the Adviser makes on our behalf and/or on behalf of Affiliated Accounts. Conflicts may arise when we make an investment in conjunction with an investment being made by Affiliated Accounts, or in a transaction where another Affiliated Account has already made an investment. Investment opportunities are, from time to time, appropriate for more than one Affiliated Account in the same, different or overlapping securities of a portfolio company’s capital structure. Conflicts arise in determining the terms of investments, particularly where these Affiliated Accounts may invest in different types of securities in a single portfolio company. Questions arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be restructured, modified or refinanced.

We may invest in debt and other securities of companies in which other Affiliated Accounts hold those same securities or different securities, including equity securities. In the event that such investments are made by us, our interests will at times conflict with the interests of such other Affiliated Accounts, particularly in circumstances where the underlying company is facing financial distress. Decisions about what action should be taken, particularly in troubled situations, raises conflicts of interest, including, among other things, whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring. The involvement of multiple Affiliated Accounts at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors, including among us and other Affiliated Accounts. In certain circumstances, we or other Affiliated Accounts may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest.

For example, in the event that one Affiliated Account has a controlling or significantly influential position in a portfolio company, that Affiliated Account may have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Affiliated Account is likely to have
the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a portfolio company. Such management and operational decisions may, at times, be in direct conflict with us or other Affiliated Accounts that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company.

If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, we or other Affiliated Accounts may or may not provide such additional capital, and if provided each Affiliated Account will supply such additional capital in such amounts, if any, as determined by the Adviser and/or the Adviser’s affiliates. Investments by more than one Affiliated Account in a portfolio company also raises the risk of using assets of an Affiliated Account of the Adviser to support positions taken by other Affiliated Accounts, or that a client may remain passive in a situation in which it is entitled to vote. In addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs, different Affiliated Account mandates or fund differences, or different securities being held. These variations in timing may be detrimental to us.

The application of our investment mandate as compared to investment mandates of other Affiliated Accounts and the policies and procedures of the Adviser and the Adviser’s affiliates are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Affiliated Accounts, in particular when those Affiliated Accounts are in different classes of an issuer’s capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

Our independent directors may face conflicts of interest related to their obligations to the affiliated funds for which they also serve as independent directors. The independent directors of our board also comprise a portion of the independent directors of the board of directors of OFS Capital, an affiliated BDC that is also managed by the Adviser. Additionally, one of our independent directors also serves as an independent director on the board of directors of OCCI. In their capacities as directors for an affiliated fund board, the independent directors have a duty to make decisions on behalf of that affiliated fund that are in the best interests of that affiliated fund and its stockholders. Accordingly, our independent directors may face conflicts of interest when making a decision on behalf of one affiliated fund that may not be in the best interest of the other affiliates fund(s). For example, the SEC has granted exemptive relief to us, the Adviser, OFS Capital, OCCI and certain other of our affiliates that permits us to co-invest in certain transactions that would otherwise be prohibited by the 1940 Act. In accordance with that relief, the independent directors must make certain findings on behalf of each Affiliated Fund with respect to initial co-investment transactions, including that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to the affiliated fund and its stockholders and do not involve overreaching in respect of the affiliated fund or its stockholders on the part of any of the other participants in the proposed transaction. Under such circumstances, the independent directors may face conflicts of interest when making these determinations on behalf of us, OFS Capital and OCCI.

Members of the Adviser Investment Committees, the Adviser or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion. OFS Management senior professionals and members of the Adviser Investment Committees may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material nonpublic information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us and our stockholders.
Our incentive fee structure may create incentives for the Adviser that are not fully aligned with the interests of our stockholders. In the course of our investing activities, we will pay management and incentive fees to the Adviser. The base management fee is based on our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity). As a result, investors in our common stock will invest on a “gross” basis and receive distributions on a “net” basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because these fees are based on our total assets, other than cash and cash equivalents but including assets purchased with borrowed amounts and including any assets owned by any consolidated entity, the Adviser will benefit when we incur debt or use leverage. Our board of directors is charged with protecting our interests by monitoring how the Adviser addresses these and other conflicts of interests associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors will periodically review the Adviser’s services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors will consider whether our fees and expenses (including those related to leverage) remain appropriate. As a result of this arrangement, the Adviser or its affiliates may from time to time have interests that differ from those of our stockholders, giving rise to a conflict.

We may pay an incentive fee on income we do not receive in cash. The part of the incentive fee payable to the Adviser that relates to our pre-incentive fee net investment income is computed and paid on income that may include interest income that has been accrued but not yet received in cash. This fee structure may be considered to involve a conflict of interest for the Adviser to the extent that it may encourage the Adviser to favor debt financings that provide for deferred interest, rather than current cash payments of interest. The Adviser may have an incentive to invest in deferred interest securities in circumstances where it would not have done so but for the opportunity to continue to earn the incentive fee even when the issuers of the deferred interest securities would not be able to make actual cash payments to us on such securities. This risk could be increased because the Adviser is not obligated to reimburse us for any incentive fees received even if we subsequently incur losses or never receive in cash the deferred income that was previously accrued.

Our base management fee may induce the Adviser to cause us to incur leverage. Our base management fee is payable based upon our total assets, other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity. This fee structure may encourage the Adviser to cause us to borrow money to finance additional investments. Under certain circumstances, the use of borrowed money may increase the likelihood of default, which would disfavor holders of our common stock, including investors in the securities offered by this Memorandum. Given the subjective nature of the investment decisions made by the Adviser on our behalf, our board of directors may not be able to monitor this potential conflict of interest effectively.

Our ability to enter into transactions with our affiliates is restricted, which may limit the scope of investments available to us. We generally are prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of their independent directors and, in some cases, of the SEC. Those transactions include purchases and sales, and so-called “joint” transactions, in which we and one or more of our affiliates engage in certain types of profit-making activities. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be considered an affiliate of us for purposes of the 1940 Act, and we generally are prohibited from engaging in purchases from, sales of assets to or joint transactions with such affiliates, absent the prior approval of our independent directors. Additionally, without the approval of the SEC, we are prohibited from engaging in purchases from, sales of assets to or joint transactions with our officers, directors, and employees, and advisors (and its affiliates).

We may, however, invest alongside certain related parties or their respective other clients in certain circumstances where doing so is consistent with current law and SEC staff interpretations. For example, we
may invest alongside such accounts consistent with guidance promulgated by the SEC staff permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including our advisor, acting on our behalf and on behalf of other clients, negotiates no term other than price. Co-investment with such other accounts is not permitted or appropriate under this guidance when there is an opportunity to invest in different securities of the same issuer or where the different investments could be expected to result in a conflict between our interests and those of other accounts.

On August 4, 2020, we received the Order from the SEC to permit us to co-invest in portfolio companies with Affiliated Funds in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as the conditions of the Order. The Order superseded a previous order we received on October 12, 2016 and provides us with greater flexibility to enter into co-investment transactions with Affiliated Funds. Pursuant to the Order, we are generally permitted to co-invest with Affiliated Funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

When we invest alongside clients of OFSAM and its affiliates or their respective other clients, the Adviser will, to the extent consistent with applicable law, regulatory guidance, or the Order, allocate investment opportunities in accordance with its allocation policy. Under this allocation policy, if two or more investment vehicles with similar or overlapping investment strategies are in their investment periods, an available opportunity will be allocated based on the provisions governing allocations of such investment opportunities in the relevant organizational, offering or similar documents, if any, for such investment vehicles. In the absence of any such provisions, the Adviser will consider the following factors and the weight that should be given with respect to each of these factors:

- investment guidelines and/or restrictions, if any, set forth in the applicable organizational, offering or similar documents for the investment vehicles;
- the status of tax restrictions and tests and other regulatory restrictions and tests;
- risk and return profile of the investment vehicles;
- suitability/priority of a particular investment for the investment vehicles;
- if applicable, the targeted position size of the investment for the investment vehicles;
- level of available cash for investment with respect to the investment vehicles;
- total amount of funds committed to the investment vehicles; and
- the age of the investment vehicles and the remaining term of their respective investment periods, if any.

When not relying on the Order, priority as to opportunities will generally be given to clients that are in their “ramp-up” period, or the period during which the account has yet to reach sufficient scale such that its investment income covers its operating expenses, over the accounts that are outside their ramp-up period but still within their investment or re-investment periods. However, application of one or more of the factors listed above, or other factors determined to be relevant or appropriate, may result in the allocation of an investment opportunity to a fund no longer in its ramp-up period over a fund that is still within its ramp-up period.

In situations where co-investment with other accounts is not permitted or appropriate, the Adviser will need to decide which account will proceed with the investment. The decision by the Adviser to allocate an opportunity to another entity could cause us to forego an investment opportunity that we otherwise would have made. These restrictions, and similar restrictions that limit our ability to transact business with our
officers or directors or their affiliates, may limit the scope of investment opportunities that would otherwise be available to us.

The Adviser’s liability is limited under the Investment Advisory Agreement, and we have agreed to indemnify the Adviser against certain liabilities, which may lead the Adviser to act in a riskier manner on our behalf than it would when acting for its own account. Under the Investment Advisory Agreement, the Adviser does not assume any responsibility to us other than to render the services called for under that agreement, and it is not be responsible for any action of our board of directors in following or declining to follow the Adviser’s advice or recommendations. Under the terms of the Investment Advisory Agreement, the Adviser and its affiliates’ respective officers, directors, members, managers, stockholders and employees are not liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary’s stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of such person’s duties under the Investment Advisory Agreement. In addition, we have agreed to indemnify the Adviser and its affiliates’ respective officers, directors, members, managers, stockholders and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person’s duties under the Investment Advisory Agreement. These protections may lead the Adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account.

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

OFS Services can resign from its role as our Administrator under the Administration Agreement, and we may not be able to find a suitable replacement, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations. OFS Services has the right to resign under the Administration Agreement, whether we have found a replacement or not. If OFS Services resigns, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the value of our shares may decline. In addition, the coordination of our internal management and administrative activities is likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by OFS Services. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their
integration into our business and lack of familiarity with our investment objectives may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

**We may have additional conflicts related to other arrangements with the Adviser or its affiliates.**

We rent office space from a subsidiary of OFSAM and pay to that subsidiary our allocable portion of overhead and other expenses incurred in performing its obligations under the Administration Agreement, such as rent and our allocable portion of the cost of our officers, including our chief executive officer, chief financial officer, chief compliance officer and chief accounting officer. This will create conflicts of interest that our board of directors must monitor.

*The Investment Advisory Agreement with the Adviser and the Administration Agreement with OFS Services were not negotiated on an arm’s length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party.* The Investment Advisory Agreement and the Administration Agreement were negotiated between related parties. Consequently, their terms, including fees payable to the Adviser, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In addition, we could choose not to enforce, or to enforce less vigorously, our rights and remedies under these agreements because of our desire to maintain our ongoing relationship with the Adviser, OFS Services and their respective affiliates. Any such decision, however, would breach our fiduciary obligations to our stockholders.

**We are conditionally liable for costs incurred on our behalf by the Adviser and the Sub-Adviser.**

The Adviser and its affiliates have incurred significant organizational and offering costs on our behalf. Under the terms of the Investment Advisory Agreement, we are conditionally liable for these costs, meaning the Adviser is entitled to receive up to 1.5% of the gross proceeds raised in the Offering until all of the organization and offering costs paid by the Adviser and its affiliates have been recovered. Additionally, the Adviser and its affiliates may continue to incur offering costs on our behalf throughout the Offering and for which we will also be conditionally liable.

The Adviser has provided, and the Sub-Adviser will provide, us with expense support under the Expense Support Agreement that ensures no portion of our distributions to stockholders will be paid from Offering proceeds, and provides for expense-reduction payments to us in any quarterly period in which our cumulative distributions to stockholders exceed our cumulative distributable ordinary income and net realized gains. We may become obligated to reimburse the Adviser or the Sub-Adviser for expense support payments, conditioned upon maintenance of our per-share distribution rate and our realization of improved unsupported expense ratios. See “Management of the Company, Investment Advisory Agreement and Administration Agreement — Payment of the Company’s Expenses under the Investment Advisory and Administration Agreements” and “Management of the Company, Investment Advisory Agreement and Administration Agreement — Expense Support Agreement.”

**We are subject to risks related to corporate social responsibility.**

Our business faces increasing public scrutiny related to environmental, social and governance (“ESG”) activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as environmental stewardship, corporate governance and transparency and considering ESG factors in our investment processes. Adverse incidents with respect to ESG activities could impact the value of our brand, the cost of our operations and relationships with investors, all of which could adversely affect our business and results of operations. Additionally, new regulatory initiatives related to ESG could adversely affect our business.

**Because the Dealer Manager is an affiliate of our Adviser and our Sub-Advisor you will not have the benefit of an independent review of us customarily performed in underwritten offerings.**

The Dealer Manager is an affiliate of the Adviser and the Sub-Advisor and did not make an independent review of us or the Offering. Accordingly, you will have to rely on your own broker-dealer or financial adviser to make an independent review of the terms of the Offering. If your broker-dealer or financial adviser does not conduct such a review, you will not have the benefit of an independent review of the terms of the Offering. Further, the due diligence investigation of us by the Dealer Manager cannot be considered to be an
independent review and, therefore, may not be as meaningful as a review conducted by an unaffiliated broker-dealer or investment banker. You will not have the benefit of an independent review and investigation of the Offering of the type normally performed by an unaffiliated, independent underwriter in an underwritten public securities offering. In addition, we do not, and do not expect to, have research analysts reviewing our performance or our securities on an ongoing basis. Therefore, you will not have an independent review of our performance and the value of our common stock relative to publicly traded companies.

Our Dealer Manager may face conflicts of interest as a result of a compensation arrangement between one of its affiliates and the Adviser. In exchange for the provision of the Sub-Advisory Services pursuant to the Sub-Advisory Agreement, CIM Capital IC, an affiliate of the Dealer Manager, is entitled to receive a percentage of the total compensation received by the Adviser from the management and incentive fees payable by us to the Adviser in its capacity as our investment adviser. The purpose of this arrangement is to permit our Adviser to capitalize upon the expertise of CIM Capital IC and its affiliates in providing administrative, marketing and operational services with respect to non-exchange traded investment vehicles similar to us.

As a result of the Sub-Advisory Agreement, our Dealer Manager has a financial interest in the performance of the assets recommended by the Adviser. The Dealer Manager may face conflicts of interest as a result and may have an incentive to influence the Adviser to select investments that may not be in our best interest.

Risks Related to BDCs

Regulations governing our operation as a BDC affect our ability to and the way in which we raise additional capital. As a BDC, we will need to raise additional capital, which will expose us to risks, including the typical risks associated with leverage. We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted as a BDC to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 150% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets decline, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. If we issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss. See “Summary of Principal Terms and Conditions — Leverage.”

If we issue preferred stock, the preferred stock would rank “senior” to common stock in our capital structure, preferred stockholders would have separate voting rights on certain matters and might have other rights, preferences or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in our stockholders’ best interest. Holders of our common stock will directly or indirectly bear all of the costs associated with offering and servicing any preferred stock that we issue. In addition, any interests of preferred stockholders may not necessarily align with the interests of holders of our common stock and the rights of holders of shares of preferred stock to receive dividends would be senior to those of holders of shares of our common stock. We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if our board of directors determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve any such sale. In any such case, the price at which our securities are to be issued and
sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). If we raise additional funds by issuing common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and our stockholders might experience dilution.

**Our ability to invest in public companies may be limited in certain circumstances.** To maintain our status as a BDC, we are not permitted to acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our assets, as defined by the 1940 Act, are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as a qualifying asset only if such issuer has a common equity market capitalization that is less than $250 million at the time of such investment and meets the other specified requirements.

*If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to continue to qualify as a BDC or be precluded from investing according to our current business strategy.* As a BDC, we may not acquire any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of our assets, as defined by the 1940 Act, are qualifying assets. See “Certain BDC Considerations."

We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If a sufficient portion of our assets are not qualifying assets, we could violate the 1940 Act provisions applicable to BDCs. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition and results of operations.

If we do not maintain our status as a BDC, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end fund, we would be subject to substantially more regulatory restrictions under the 1940 Act, which would significantly decrease our operating flexibility.

**Risks Related to Our Investments**

*To the extent payment-in-kind (“PIK”) interest and PIK dividends constitute a portion of our income, we will be required to include such income in taxable and accounting income prior to receipt of cash representing such income.* Our investments may include contractual PIK interest or PIK dividends, which represents contractual interest or dividends added to a loan balance or equity security and due at the end of such loan’s or equity security’s term. To the extent PIK interest and PIK dividends constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash. Such risks include:

- The higher interest or dividend rates of PIK instruments reflect the payment deferral and increased risk associated with these instruments, and PIK instruments often represent a significantly higher risk than non-PIK instruments.
- Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation.
• PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. PIK income may also create uncertainty about the source of our cash distributions.

• For accounting purposes, any cash distributions to stockholders representing PIK income are not treated as coming from paid-in capital, even though the cash to pay them comes from the offering proceeds. As a result, despite the fact that a distribution representing PIK income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.

• PIK interest or dividends have the effect of generating investment income at a compounding rate, thereby further increasing the incentive fees payable to the Adviser. Similarly, all things being equal, the deferral associated with PIK interest or dividends also decreases the investment principal-to-value ratio at a compounding rate.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies. We have invested a substantial portion of our capital in senior secured, unitranche, second-lien and mezzanine loans issued by our portfolio companies. The portfolio companies may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

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

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with more senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of such senior debt. Under a typical intercreditor agreement, at any time that obligations that have the benefit of the first-priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first-priority liens:
• the ability to cause the commencement of enforcement proceedings against the collateral;
• the ability to control the conduct of such proceedings;
• the approval of amendments to collateral documents;
• releases of liens on the collateral; and
• waivers of past defaults under collateral documents.

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

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

Adverse developments in the credit markets may impair our ability to secure debt financing. During the economic downturn in the United States that began in mid-2007, many commercial banks and other financial institutions stopped lending or significantly curtailed their lending activity. In addition, in an effort to stem losses and reduce their exposure to segments of the economy deemed to be high risk, some financial institutions limited routine refinancing and loan modification transactions and even reviewed the terms of existing facilities to identify bases for accelerating the maturity of existing lending facilities. As a result, should we experience another economic downturn in the United States, it may be difficult for us to obtain desired financing to finance the growth of our investments on acceptable economic terms, or at all.

If we are unable to consummate credit facilities on commercially reasonable terms, our liquidity may be reduced significantly. If we are unable to repay amounts outstanding under any facility we may enter into and are declared in default or are unable to renew or refinance any such facility, it would limit our ability to initiate significant originations or to operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as inaccessibility of the credit markets, a severe decline in the value of the U.S. dollar, a further economic downturn or an operational problem that affects third parties or us, and could materially damage our business. Moreover, we are unable to predict when economic and market conditions may become more favorable. Even if such conditions improve broadly and significantly over the long term, adverse conditions in particular sectors of the financial markets could adversely impact our business.

We may finance our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments we may enter into with lenders. In addition, under the terms of any credit facility or other debt instrument we enter into, we are likely to be required by its terms to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. Similarly, any decrease in our revenue or income.
will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make dividend payments on our common stock or preferred stock. Our ability to service our debt will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, because the management fee payable to the Adviser will be payable based on our total assets, the Adviser will have a financial incentive to incur leverage which may not be consistent with our stockholders’ interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the management fee payable to the Adviser.

As a BDC, generally we are not permitted to incur indebtedness unless immediately after such borrowing we have an asset coverage ratio for total borrowings of at least 200% (i.e., the amount of debt may not exceed 50% of the value of our assets) or 150% if certain requirements are met. In addition, we may not be permitted to declare any cash dividend or other distribution on our outstanding common shares, or purchase any such shares, unless, at the time of such declaration or purchase, we have asset coverage of at least 200% (or 150% if certain conditions are met) after deducting the amount of such dividend, distribution, or purchase price. If this ratio declines below the applicable threshold, we may not be able to incur additional debt and may need to sell a portion of our investments to repay some debt when it is disadvantageous to do so, and we may not be able to make distributions.

On November 6, 2018, our board of directors, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of our board of directors approved the application of a reduced 150% asset coverage ratio to us and we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders as of November 6, 2018, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, pursuant to the SBCAA, we are subject to the reduced asset coverage ratio effective November 6, 2019. See “Summary of Principal Terms and Conditions — Leverage.”

Changes in interest rates will affect our cost of capital and net investment income. To the extent we borrow money or issue preferred stock to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds or pay dividends on preferred stock and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use debt to finance our investments. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

A rise in the general level of interest rates typically leads to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates may result in an increase of the amount of incentive fees payable to the Adviser.

We may enter into reverse repurchase agreements, which are another form of leverage. We may enter into reverse repurchase agreements as part of our management of our temporary investment portfolio. Under a reverse repurchase agreement, we will effectively pledge our assets as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, we will be required to repay the loan and correspondingly receive back our collateral. While used as collateral, the assets continue to pay principal and interest which are for the benefit of us.

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired in the reverse repurchase agreement may decline below the price of the securities that we have sold but remain obligated to purchase. In addition, there is a risk that the market value of the securities retained by us may decline. If a buyer of securities
under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of such agreements at settlement are less than the fair value of the underlying securities being pledged. In addition, due to the interest costs associated with reverse repurchase agreements transactions, our net asset value would decline, and, in some cases, we may be worse off than if we had not used such instruments.

**We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.** Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the dividends on any preferred stock we issue must be cumulative. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

**We may suffer credit losses.** Investment in middle-market companies is highly speculative and involves a high degree of risk of credit loss, and therefore our securities may not be suitable for someone with a low tolerance for risk. These risks are likely to increase during volatile economic periods, such as the U.S. and many other economies have recently been experiencing.

**If we make subordinated investments, the obligors or the portfolio companies may not generate sufficient cash flow to service their debt obligations to us.** We may make subordinated investments that rank below other obligations of the obligor in right of payment. Subordinated investments are subject to greater risk of default than senior obligations as a result of adverse changes in the financial condition of the obligor or in general economic conditions. If we make a subordinated investment in a portfolio company, the portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may create increased risks that its operations might not generate sufficient cash flow to service all of its debt obligations.

**Because we generally do not hold controlling equity interests in our portfolio companies, we may not be able to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.** We generally do not hold controlling equity positions in our portfolio companies. For portfolio companies in which we do not hold a controlling equity interest, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and that the management and/or stockholders of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments.

**Defaults by our portfolio companies will harm our operating results.** A portfolio company’s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross-defaults under other agreements and jeopardize such portfolio company’s ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

**Our investments in the health care and social assistance sector face considerable uncertainties including substantial regulatory challenges.** As of March 31, 2020, our investments in the health care and social assistance sector represented 16.1% of our total portfolio at fair value. Our investments in the health care and social assistance sector, which include portfolio companies providing services such as child care, home healthcare, substance abuse treatment and mental health outpatient treatments, are subject to
substantial risks. Our portfolio companies in the health care and social assistance sector are often subject to various federal, state and local laws, as well as a variety of regulatory provisions related to zoning, sanitation, licensing, curriculum, health and safety, among others. The laws and rules governing the business of social assistance companies and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. In particular, policies and regulations regarding government and third-party reimbursement and insurance coverage of in-home healthcare and mental health and substance abuse treatment fluctuate often. Existing or future laws and rules could force our portfolio companies in the health care and social assistance sector to change how they do business, restrict revenue, increase costs, change reserve levels, change business practices and increase liability in federal and state courts. Participants in the health care and social assistance industry may be subject to certain claims, allegations or litigation involving the care, development and supervision of patients and clients. Such claims, allegations or litigation could significantly damage the reputation of the provider and have adverse effects on the social assistance industry, the financial condition of our portfolio companies, and in turn, our returns, even if such claims, allegations or litigation are proven false.

The disposition of our investments may result in contingent liabilities. We expect that a significant portion of our investments will involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that we must satisfy through our return of distributions previously made to us.

We may be subject to additional risks if we engage in hedging transactions and/or invest in foreign securities. The 1940 Act generally requires that 70% of our investments be in issuers each of whom is organized under the laws of, and has its principal place of business in, any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands or any other possession of the United States. Our investment strategy does not presently contemplate investments in securities of non-U.S. companies. We expect that these investments would focus on the same debt investments that we make in U.S. middle-market companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. Investing in securities of emerging market issuers involves many risks, including economic, social, political, financial, tax and security conditions in the emerging market, potential inflationary economic environments, regulation by foreign governments, different accounting standards and political uncertainties. Economic, social, political, financial, tax and security conditions also could negatively affect the value of emerging market companies. These factors could include changes in the emerging market government’s economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to the emerging market companies or investments in their securities and the possibility of fluctuations in the rate of exchange between currencies.

Engaging in either hedging transactions or investing in foreign securities would entail additional risks to our stockholders. We could, for example, use instruments such as interest rate swaps, caps, collars and floors and, if we were to invest in foreign securities, we could use instruments such as forward contracts or currency options and borrow under a credit facility in currencies selected to minimize our foreign currency exposure. In each such case, we generally would seek to hedge against fluctuations of the relative values of our portfolio positions from changes in market interest rates or currency exchange rates. Hedging against a decline in the values of our portfolio positions would not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of the positions declined. However, such hedging could establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions could also limit the opportunity for gain if the values of the underlying portfolio positions increased. Moreover, it might not be
possible to hedge against an exchange rate or interest rate fluctuation that was so generally anticipated that we would not be able to enter into a hedging transaction at an acceptable price.

While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates could result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged could vary. Moreover, for a variety of reasons, we might not seek to establish a perfect correlation between the hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation could prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it might not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities would likely fluctuate as a result of factors not related to currency fluctuations.

Economic recessions or downturns could impair our portfolio companies and harm our operating results. We expect that many of our portfolio companies will be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our investments and harm our operating results.

A portfolio company’s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company’s ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower’s business or exercise control over a borrower. It is possible that we could become subject to a lender liability claim, including as a result of actions taken if we render significant managerial assistance to the borrower. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, even though we may have structured our investment as senior secured debt, depending on the facts and circumstances, including the extent to which we provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to claims of other creditors.

Our investments in the debt instruments of leveraged portfolio companies may be risky and, due to the significant volatility of such companies, we could lose all or part of our investment in bankruptcy proceedings or otherwise. Investment in leveraged companies involves a number of significant risks. Leveraged companies in which we invest may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold due to the significant volatility of such companies. Negative developments may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees that we may have obtained in connection with our investment. Such developments may ultimately result in the leveraged companies in which we invest entering into bankruptcy proceedings, which have a number of inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor’s return on investment can be adversely affected by delays until the plan of
reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a
bankruptcy proceeding are frequently high and would be paid out of the debtor’s estate prior to any return
to creditors. Because the standards for classification of claims under bankruptcy law are vague, our
influence with respect to the class of securities or other obligations we own may be lost by increases in the
number and amount of claims in the same class or by different classification and treatment. In the early
stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any
contingent claims that might be made. In addition, certain claims that have priority by law (for example,
claims for taxes) may be substantial. In addition, since our mezzanine loans are generally subordinated to
senior loans and are generally unsecured, other creditors may rank senior to us in the event of a bankruptcy
proceeding.

**Our investments in private and middle-market portfolio companies are generally considered lower credit quality obligations, are risky, and we could lose all or part of our investment.** Investment in private and middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and we rely on the ability of the Adviser’s investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Middle-market companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees we may have obtained in connection with our investment. Such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors’ actions and market conditions, as well as general economic downturns.

Middle-market companies are more likely to be considered lower grade investments, commonly
called “junk bonds,” which are either rated below investment grade by one or more nationally-recognized
statistical rating agencies at the time of investment, or may be unrated but determined by the Adviser to be
of comparable quality. Lower grade securities or comparable unrated securities are considered
predominantly speculative regarding the issuer’s ability to pay interest and principal and are susceptible to
default or decline in market value due to adverse economic and business developments. The market values
for lower grade debt tend to be very volatile and are less liquid than investment grade securities. For these
reasons, an investment in our company is subject to the following specific risks: increased price sensitivity
to a deteriorating economic environment; greater risk of loss due to default or declining credit quality;
adverse company specific events are more likely to render the issuer unable to make interest and/or principal
payments; and if a negative perception of the lower grade debt market develops, the price and liquidity of
lower grade securities may be depressed. This negative perception could last for a significant period of
time.

Additionally, middle-market companies are more likely to depend on the management talents and
efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or
more of these persons could have a material adverse impact on our portfolio company and, in turn, on us.
Middle-market companies also may be parties to litigation and may be engaged in rapidly changing
businesses with products subject to a substantial risk of obsolescence. In addition, our executive officers,
directors and the Adviser may, in the ordinary course of business, be named as defendants in litigation
arising from our investments in the portfolio companies.

**Investments in equity securities involve a substantial degree of risk.** We may purchase common
stock and other equity securities, including warrants, in various portfolio companies. Although equity
securities historically have generated higher average total returns than debt securities over the long term,
equity securities may experience more volatility in those returns than debt securities. The equity securities
we acquire may fail to appreciate, decline in value or lose all value, and our ability to recover our investment
will depend on our portfolio company’s success. Investments in equity securities involve a number of
significant risks, including the risk of further dilution in the event the portfolio company issues additional securities. Investments in preferred securities involve special risks, such as the risk of deferred distributions, illiquidity and limited voting rights.

**We may not realize gains from our equity investments.** When we invest in senior secured, unitranche, second-lien and mezzanine loans, we may acquire warrants or other equity securities of portfolio companies as well. We may also invest in equity securities directly. To the extent we hold equity investments, except as described below, we will attempt to dispose of them and realize gains upon our disposition of them. However, the equity interests we receive may not appreciate in value and may decline in value. As a result, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

**Uncertainty relating to the London Interbank Offered Rate (“LIBOR”) calculation process may adversely affect the value of any portfolio of LIBOR-indexed, floating-rate debt securities.** Concerns have been publicized that some of the member banks surveyed by the British Bankers' Association (“BBA”) in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of such potential changes may adversely affect the market for LIBOR-based securities, including our potential portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our potential portfolio of LIBOR-indexed, floating-rate debt securities.

On July 27, 2017, the United Kingdom’s Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is expected that a transition away from the widespread use of LIBOR to alternative rates will occur over the course of the next several years. As a result of this transition, interest rates on financial instruments tied to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. Further, any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of our financial instruments tied to LIBOR rates. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short term repurchase agreements, backed by Treasury securities, called the Secured Overnight Financing Rate (“SOFR”). The first publication of SOFR was released in April 2018. Whether or not SOFR attains market traction as a LIBOR replacement remains a question and the future of LIBOR at this time is uncertain. In addition, on March 25, 2020, the FCA stated that although the central assumption that firms cannot rely on LIBOR being published after the end of 2021 has not changed, the outbreak of COVID-19 has impacted the timing of many firms’ transition planning, and the FCA will continue to assess the impact of the COVID-19 outbreak on transition timelines and update the marketplace as soon as possible.

Additionally, on July 12, 2019 the Staff of the SEC’s Division of Corporate Finance, Division of Investment Management, Division of Trading and Markets, and Office of the Chief Accountant issued a statement about the potentially significant effects on financial markets and market participants when LIBOR is discontinued in 2021 and no longer available as a reference benchmark rate. The Staff encouraged
all market participants to identify contracts that reference LIBOR and begin transitions to alternative rates. On December 30, 2019, the SEC’s Chairman, Division of Corporate Finance and Office of the Chief Accountant issued a statement to encourage audit committees in particular to understand management’s plans to identify and address the risks associated with the elimination of LIBOR, and, specifically, the impact on accounting and financial reporting and any related issues associated with financial products and contracts that reference LIBOR, as the risks associated with the discontinuation of LIBOR and transition to an alternative reference rate will be exacerbated if the work is not completed in a timely manner.

In addition, on March 25, 2020, the FCA stated that although the central assumption that firms cannot rely on LIBOR being published after the end of 2021 has not changed, the outbreak of COVID-19 has impacted the timing of many firms’ transition planning, and the FCA will continue to assess the impact of the COVID-19 pandemic on transition timelines and update the marketplace as soon as possible. It is unclear if after 2021 LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021.

The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us, or on our overall financial condition or results of operations. If LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021 with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established.

Changes to United States tariff and import/export regulations may have a negative effect on our portfolio companies and, in turn, harm us. There has been on-going discussion and commentary regarding potential significant changes to United States trade policies, treaties and tariffs. The current administration, along with Congress, has created significant uncertainty about the future relationship between the United States and other countries with respect to the trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and restrict our portfolio companies’ access to suppliers or customers and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us.

Our equity ownership in a portfolio company may represent a control investment. Our ability to exit a control investment in a timely manner could result in a realized loss on the investment. If we obtain a control investment in a portfolio company, our ability to divest ourselves from a debt or equity investment could be restricted due to illiquidity in a private stock, limited trading volume on a public company’s stock, inside information on a company’s performance, insider blackout periods, or other factors that could prohibit us from disposing of the investment as we would if it were not a control investment. Additionally, we may choose not to take certain actions to protect a debt investment in a control investment portfolio company. As a result, we could experience a decrease in the value of our portfolio company holdings and potentially incur a realized loss on the investment.

We may suffer a loss if a portfolio company defaults on a loan and the underlying collateral is not sufficient. We will at times take a security interest in the available assets of our portfolio companies, including the equity interests of their subsidiaries and, in some cases, the equity interests of our portfolio companies held by their stockholders. In the event of a default by a portfolio company on a secured loan, we will only have recourse to the assets collateralizing the loan. There is a risk that the collateral securing our loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success or deterioration in the business and market conditions, including as a result of the inability of a portfolio company to raise additional capital.
Additionally, in the case of certain of our investments, we do not have a first lien position on the collateral and may not receive the full value of the collateral upon liquidation. If the underlying collateral value is less than the loan amount, we will suffer a loss.

In the event of bankruptcy of a portfolio company, we may not have full recourse to its assets in order to satisfy our loan, or our loan may be subject to equitable subordination. In addition, certain of our loans are subordinate to other debt of the portfolio company. If a portfolio company defaults on our loan or on debt senior to our loan, or in the event of a portfolio company bankruptcy, our loan will be satisfied only after the senior debt receives payment. Where debt senior to our loan exists, the presence of inter-creditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through “standstill” periods) and control decisions made in bankruptcy proceedings relating to the portfolio company. Bankruptcy and portfolio company litigation can significantly increase collection losses and the time needed for us to acquire the underlying collateral in the event of a default, during which time the collateral may decline in value, causing us to suffer losses.

Borrowers of broadly syndicated loans may be permitted to designate unrestricted subsidiaries under the terms of their financing agreements, which would exclude such unrestricted subsidiaries from restrictive covenants under the financing agreement with the borrower. Without restriction under the financing agreement, the borrower could take various actions with respect to the unrestricted subsidiary including, among other things, incur debt, grant security on its assets, sell assets, pay dividends or distribute shares of the unrestricted subsidiary to the borrower’s shareholders. Any of these actions could increase the amount of leverage that the borrower is able to incur and increase the risk involved in our investments in broadly syndicated loans accordingly.

If the value of collateral underlying our loan declines or interest rates increase during the term of our loan, a portfolio company may not be able to obtain the necessary funds to repay our loan at maturity through refinancing. Decreasing collateral value and/or increasing interest rates may hinder a portfolio company’s ability to refinance our loan because the underlying collateral cannot satisfy the debt service coverage requirements necessary to obtain new financing. If a borrower is unable to repay our loan at maturity, we could suffer a loss which may adversely impact our financial performance.

**Our portfolio may be concentrated in a limited number of portfolio companies and industries, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.** Our portfolio is, and may in the future be, concentrated in a limited number of portfolio companies and industries. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code, we do not have fixed guidelines for diversification. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

**Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.** Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in seeking to:

- increase or maintain in whole or in part our position as a creditor or equity ownership percentage in a portfolio company;
- exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
- preserve or enhance the value of our investment.

We have discretion to make follow-on investments, subject to the availability of capital resources. Failure on our part to make follow-on investments may, in some circumstances, jeopardize the continued
viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our level of risk, because we prefer other opportunities or because we are inhibited by compliance with BDC requirements or the desire to maintain our RIC status. Our ability to make follow-on investments may also be limited by the Adviser’s allocation policy.

Risks Related to an Investment in Our Common Stock

Investors will not know the purchase price per share at the time they submit their subscription agreements and could receive fewer shares of common stock than anticipated if our board of directors determines to increase the offering price to comply with the requirement that we avoid selling shares below net asset value. Shares will be offered at a current offering price of $13.50 per share, but may, to the extent permitted or required under the rules and regulations of the SEC, sell at a price necessary to ensure that shares are not sold at a price per share, after deducting sales commissions and dealer manager fees, that is below our net asset value per share. As of July 21, 2020, our net asset value per share was $12.02.

In addition, if the net asset value per share were to decline below 97.5% of the offering price, net of sales load, for ten continuous business days (for this purpose, any day on which the principal stock markets in the United States are open for business), then, unless and until our board of directors determines otherwise, we will voluntarily suspend selling shares in the Offering until the net asset value per share is greater than 97.5% of the offering price, net of sales load. Additionally, our board of directors may change the offering price at any time such that the offering price, net of sales load, will be equal to or greater than net asset value per share when we sell shares of common stock.

As a result, your purchase price may be higher than the prior subscription closing price per share, and therefore you may receive a smaller number of shares than if you had subscribed at the prior subscription closing price.

If we are unable to raise substantial funds in the Offering, we may be limited in the number and type of investments we may make, and the value of your investment in us may be reduced in the event our assets under-perform. To the extent that less than the maximum number of shares is subscribed for, the opportunity for diversification of our investments may be decreased and the returns achieved on those investments may be reduced as a result of allocating all of our expenses among a smaller capital base. In addition, if we are unable to raise substantial funds in this Offering, we may be unable to continue our operations.

Our shares are not listed on an exchange or quoted through a quotation system and will not be listed for the foreseeable future, if ever. Therefore, our stockholders have limited liquidity and may not receive a full return of invested capital (including front-end commissions, fees and expenses), upon selling their shares or upon liquidation of our company. Our shares are illiquid investments for which there is not a secondary market nor is it expected that any such secondary market will develop in the future. Our board of directors must contemplate a liquidity event for our stockholders on or before ten years after the completion of the Offering, which such ten-year period may be extended, in the sole discretion of the Adviser for up to two additional one-year periods. A future liquidity event could include: (i) a listing of our shares on a national securities exchange; (ii) a merger or another transaction approved by our board of directors in which our stockholders will receive cash or shares of a listed company; or (iii) a sale of all or substantially all of our assets either on a complete portfolio basis or individually followed by a liquidation. Certain types of liquidity events, such as a listing, would allow us to retain our investment portfolio intact while providing our stockholders with access to a trading market for their securities.

We do not know at this time what circumstances will exist in the future and therefore we do not know what factors our board of directors will consider in determining whether to pursue a liquidity event.
in the future. A liquidity event may include a sale, merger or rollover transaction with one or more affiliated investment companies managed by the Adviser.

Also, since a portion of the offering price from the sale of shares in the Offering will be used to pay offering expenses and recurring expenses, the full offering price paid by our stockholders will not be invested in portfolio companies. As a result, even if we do complete a liquidity event, you may not receive a return of all of your invested capital. If we do not successfully complete a liquidity event, liquidity for your shares will be limited to participation in our share repurchase program, which we have no obligation to maintain. See “Share Repurchase Program” for a detailed description of the share repurchase program.

If our shares are listed on a national securities exchange or quoted through a quotation system, we cannot assure you that a public trading market will develop or, if one develops, that such trading market can be sustained. Shares of companies offered in an initial public offering often trade at a discount to the initial offering price due to underwriting discounts and related offering expenses. Also, shares of closed-end investment companies and BDCs frequently trade at a discount from their net asset value. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share of common stock may decline. We cannot predict whether our common stock, if listed on a national securities exchange, will trade at, above or below net asset value.

Our Dealer Manager in the Offering may be unable to sell a sufficient number of shares of common stock for us to achieve our investment objective. Our ability to conduct the Offering successfully is dependent, in part, on the ability of our Dealer Manager to successfully establish, operate and maintain relationships with a network of broker-dealers. The success of the Offering, and correspondingly our ability to implement our business strategy, is dependent upon the ability of our Dealer Manager to establish and maintain relationships with a network of licensed securities broker-dealers and other agents to sell our shares. If our Dealer Manager fails to perform, we may not be able to raise adequate proceeds through the Offering to implement our investment strategy. If we are unsuccessful in implementing our investment strategy, you could lose some or all of the value of your investment.

The Dealer Manager in the Offering has limited experience selling shares on behalf of a BDC and may be unable to sell a sufficient number of shares of common stock for us to achieve our investment objective. The success of the Offering, and correspondingly our ability to implement our business strategy, is dependent upon the ability of our Dealer Manager to establish and maintain a network of licensed securities brokers-dealers and other agents. Our Dealer Manager in the Offering has no prior experience selling shares on behalf of a BDC. There is therefore no assurance that the Dealer Manager will be able to sell a sufficient number of shares to allow us to have adequate funds to purchase a diversified portfolio of investments. If the Dealer Manager fails to perform, we may not be able to raise adequate proceeds through the Offering to implement our investment strategy. As a result, we may be unable to achieve our investment objective, and you could lose some or all of the value of your investment. In addition, because the Dealer Manager is an affiliate of the Adviser and the Sub-Adviser, it may face conflicts of interest. See “Our Dealer Manager may face conflicts of interest as a result of a compensation arrangement between one of its affiliates and the Adviser.”

We may, but are not required to, offer to repurchase your shares on a quarterly basis. As a result, you will have limited opportunities to sell your shares. Any repurchase offer allows our stockholders to sell their shares back to us at a price equal to the most recently disclosed net asset value per share of our common stock immediately prior to the date of repurchase. Our board of directors has the right to suspend or terminate the share repurchase program to the extent that it determines that it is in our best interest to do so. Any share repurchase program will include numerous restrictions that limit your ability to sell your shares. We may use cash on hand, cash available from borrowings, and cash from the sale of our investments as of the end of the applicable period to repurchase shares. If our board of directors so determines, we will limit repurchases in each quarter to 2.5% of the weighted average number of shares of our common stock outstanding for any prior 12-month period. To the extent that the number of shares put
to us for repurchase exceeds the number of shares that we are able to purchase, we will repurchase shares on a pro rata basis, not on a first-come, first-served basis. These limits may prevent us from accommodating all repurchase requests made in any year. Our board of directors may amend, suspend or terminate the share repurchase program upon 30 days’ notice. We will notify our stockholders of such developments: (i) in our quarterly reports or (ii) by means of a separate mailing to you, accompanied by disclosure in a current or periodic report under the Exchange Act. In addition, under the quarterly share repurchase program, if implemented, we will have discretion to not repurchase shares, to suspend the program, and to cease repurchases. Further, the program may have many limitations and should not be relied upon as a method to sell shares promptly and at a desired price. See “Share Repurchase Program.”

The timing of our repurchase offers pursuant to our share repurchase program may be at a time that is disadvantageous to our stockholders, and, to the extent you are able to sell your shares under the program, you may not be able to recover the amount of your investment in our shares. If we make repurchase offers pursuant to the share repurchase program, we may offer to repurchase shares at a price that is lower than the price that you paid for our shares. As a result, to the extent you paid a price that includes the related sales load and to the extent you have the ability to sell your shares pursuant to our share repurchase program, then the price at which you may sell shares, which will be approximately equivalent to our estimated net asset value on the last business day of the prior calendar quarter, may be lower than the amount you paid in connection with the purchase of shares in the Offering.

We may be unable to invest a significant portion of the net proceeds of the Offering on acceptable terms in an acceptable timeframe. Delays in investing the net proceeds of the Offering may impair our performance. We cannot assure you that we will be able to continue to identify investments that meet our investment objective or that any investment that we make will produce a positive return. We may be unable to invest the net proceeds of the Offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

Before making investments, we will invest the net proceeds of the Offering primarily in cash, cash equivalents, U.S. government securities, repurchase agreements, and/or other high-quality debt instruments maturing in one year or less from the time of investment. This will produce returns that are significantly lower than the returns which we expect to achieve when our portfolio is fully invested in securities meeting our investment objective. As a result, any distributions that we pay while our portfolio is not fully invested in securities meeting our investment objective may be lower than the distributions that we may be able to pay when our portfolio is fully invested in securities meeting our investment objective.

A stockholder’s interest in us will be diluted if we issue additional shares, which could reduce the overall value of an investment in us. Our stockholders do not have preemptive rights to any shares we issue in the future. Our Charter authorizes us to issue up to 20,000,000 shares of common stock. Pursuant to our Charter, a majority of our entire board of directors may amend our Charter to increase our authorized shares without stockholder approval. Our board may elect to sell additional shares in the future or issue equity interests in private offerings. To the extent we issue additional equity interests at or below net asset value your percentage ownership interest in us may be diluted. In addition, depending upon the terms and pricing of any additional offerings and the value of our investments, you may also experience dilution in the book value and fair value of your shares.

Under the 1940 Act, we are generally prohibited from issuing or selling our common stock at a price below net asset value per share, which may be a disadvantage as compared with certain public companies. We may, however, sell our common stock, or warrants, options, or rights to acquire our common stock, at a price below the current net asset value of our common stock if our board of directors and independent directors determine that such sale is in our best interests and the best interests of our stockholders, and our stockholders, including a majority of those stockholders that are not affiliated with us, approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the fair value
of such securities (less any distributing commission or discount). If we raise additional funds by issuing common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease and you will experience dilution.

**Certain provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the value of our common stock.** The Maryland General Corporation Law contains, and our charter and bylaws contain provisions that may discourage, delay or make more difficult a change in control of the Company or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our independent directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third-party to obtain control of us and increase the difficulty of consummating such a transaction.

We also adopted measures that may make it difficult for a third-party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms, and authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, to amend our charter without stockholder approval and to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders. The foregoing provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. However, these provisions may deprive a stockholder of the opportunity to sell such stockholder’s shares at a premium to a potential acquirer.

We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms. Our board of directors has considered both the positive and negative effects of the foregoing provisions and determined that they are in the best interest of our stockholders. See “Description of Shares — Provisions of the Maryland General Corporation Law and Our Charter and Bylaws.”

**Investing in our common stock involves a high degree of risk.** The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and includes volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive and, therefore, an investment in our common stock may not be suitable for someone with lower risk tolerance.

**The net asset value of our common stock may fluctuate significantly.** The net asset value and liquidity, if any, of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- changes in the value of our portfolio of investments and derivative instruments as a result of changes in market factors, such as interest rate shifts, and also portfolio specific performance, such as portfolio company defaults, among other reasons;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs;
- loss of RIC or BDC status;
• distributions that exceed our net investment income and net income as reported according to GAAP;
• changes in earnings or variations in operating results;
• changes in accounting guidelines governing valuation of our investments;
• any shortfall in revenue or net income or any increase in losses from levels expected by investors;
• changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, including with respect to changes from the impact of the COVID-19 pandemic; the length and duration of the COVID-19 pandemic in the United States as well as worldwide and the magnitude of the economic impact of the outbreak; the effect of the COVID-19 pandemic on our business, financial condition, results of operations and cash flows and those of our portfolio companies;
• departure of either of the Adviser or certain of their respective key personnel;
• general economic trends and other external factors; and
• loss of a major funding source.

Our Unsecured Note is effectively subordinated to any secured indebtedness we have currently incurred or may incur in the future and will rank pari passu with, or equal to, all outstanding and future unsecured, unsubordinated indebtedness issued by us and our general liabilities. Our Unsecured Note is not secured by any of our assets or any of the assets of any of our subsidiaries. As a result, the Unsecured Note is effectively subordinated to any secured indebtedness we have outstanding (including the PWB Credit Facility (as defined hereinafter) or that we may incur in the future (or any indebtedness that is initially unsecured as to which we subsequently grant a security interest) to the extent of the value of the assets securing such indebtedness. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of our secured indebtedness may assert rights against the assets pledged to secure that indebtedness in order to receive full payment of their indebtedness before the assets may be used to pay other creditors, including the holder of the Unsecured Note.

The amount of our debt outstanding increased due to the issuance of the Unsecured Note and the establishment of the PWB Credit Facility. Our ability to generate sufficient cash flow in the future is, to some extent, subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations to meet the payment obligations of our debt.

There is a risk that stockholders may not receive distributions or that our distributions may not grow over time and a portion of our distributions may be a return of capital. Subject to our board of directors’ discretion and applicable legal restrictions, we intend to authorize, declare and pay cash distributions on a quarterly basis. We expect to pay distributions out of assets legally available for distribution. We cannot assure stockholders that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this Memorandum. Due to the asset coverage test applicable to us under the 1940 Act as a BDC, we may be limited in our ability to make distributions.

When we make distributions, we will be required to determine the extent to which such distributions are paid out of current or accumulated earnings and profits. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of an investor’s basis in our stock and, assuming that an investor holds our stock as a capital asset, thereafter as a capital gain. A return of capital is a return to stockholders of a portion of their original investment in us rather than income or capital gains. See “Tax and ERISA Considerations — Certain U.S. Federal Income Tax Considerations.”
Due to the COVID-19 pandemic or other disruptions in the economy, we may not be able to increase our dividends and may reduce or defer our dividends and choose to incur US federal excise tax in order preserve cash and maintain flexibility. As a BDC, we are not required to make any distributions to stockholders other than in connection with our election to be taxed as a RIC under subchapter M of the Code. In order to maintain our tax treatment as a RIC, we must distribute to stockholders for each taxable year at least 90% of our investment company taxable income (i.e., net ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses). If we qualify for taxation as a RIC, we generally will not be subject to corporate-level US federal income tax on our investment company taxable income and net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) that we timely distribute to stockholders. We will be subject to a 4% US federal excise tax on undistributed earnings of a RIC unless we distribute each calendar year at least the sum of (i) 98.0% of our ordinary income for the calendar year, (ii) 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and (iii) any ordinary income and net capital gains for preceding years that were not distributed during such years and on which we paid no federal income tax.

Under the Code, we may satisfy certain of our RIC distributions with dividends paid after the end of the current year. In particular, if we pay a distribution in January of the following year that was declared in October, November, or December of the current year and is payable to shareholders of record in the current year, the dividend will be treated for all US federal tax purposes as if it were paid on December 31 of the current year. In addition, under the Code, we may pay dividends, referred to as “spillover dividends,” that are paid during the following taxable year that will allow us to maintain our qualification for taxation as a RIC and eliminate our liability for corporate-level U.S. federal income tax. Under these spillover dividend procedures, we may defer distribution of income earned during the current year until December of the following year. For example, we may defer distributions of income earned during 2020 until as late as December 31, 2021. However, if we choose to pay a spillover dividend, we will still incur the 4% U.S. federal excise tax on some or all of the distribution.

Due to the COVID-19 pandemic or other disruptions in the economy, we anticipate that we may take certain actions with respect to the timing and amounts of our distributions in order to preserve cash and maintain flexibility. For example, we anticipate that we will not be able to increase our dividends. In addition, we may reduce our dividends and/or defer our dividends to the following taxable year. If we defer our dividends, we may choose to utilize the spillover dividend rules discussed above and incur the 4% U.S. federal excise tax on such amounts. To further preserve cash, we may combine these reductions or deferrals of dividends with one or more distributions that are payable partially in our stock.

We may pay distributions from offering proceeds, borrowings or the sale of assets to the extent our cash flows from operations, net investment income or earnings are not sufficient to fund declared distributions. We may fund distributions from the uninvested proceeds of an offering and borrowings, and we have not established limits on the amount of funds we may use from such proceeds or borrowings to make any such distributions. We may pay distributions from the sale of assets to the extent distributions exceed our earnings or cash flows from operations. Distributions from offering proceeds or from borrowings could reduce the amount of capital we ultimately invest in our investment portfolio.

The existence of a large number of outstanding shares and stockholders prior to completion of the listing of our securities on a national securities exchange could negatively affect our stock price. The ability of our stockholders to liquidate their investments is limited. If we were to list our common stock on a securities exchange in the future, a large volume of sales of these shares could decrease the prevailing market prices of our common stock and could impair our ability to raise additional capital through the sale of equity securities in the future. Even if a substantial number of sales were not affected, the mere perception of the possibility of these sales could depress the market price of our common stock and have a negative effect on our ability to raise capital in the future. In addition, anticipated downward pressure on our common stock price due to actual or anticipated sales of common stock from this market overhang could cause some
institutions or individuals to engage in short sales of our common stock, which may itself cause the price of our stock to decline.

The price that the investor pays for our shares may not reflect the current net asset value of our company at the time of his or her subscription. If our net asset value increases above our net proceeds per share, net of sales load, as stated in this Memorandum, we will sell our shares at a higher price as necessary to ensure that shares are not sold at a net price, after deduction of upfront sales commissions and dealer manager fees, that is below our net asset value per share. Therefore, the net proceeds per share, net of all sales load, from a new investor may be in excess of the then current net asset value per share.

In addition, if the net asset value per share were to decline below 97.5% of the offering price, net of sales load, for ten continuous business days (for this purpose, any day on which the principal stock markets in the United States are open for business), then, unless and until our board of directors determines otherwise, we will voluntarily suspend selling shares in the Offering until the net asset value per share is greater than 97.5% of the offering price, net of sales load.

Our ability to grow depends on our ability to raise additional capital. We will need to periodically access the capital markets to raise cash to fund new investments. We may be unable to raise substantial capital, which could result in us being unable to structure our investment portfolio as anticipated. If we are unable to structure our investment portfolio as anticipated, the opportunity for diversification of our investments may be decreased and the returns achieved on those investments may be reduced as a result of allocating all of our expenses among a smaller capital base.

We expect to use debt financing and issue additional securities to fund our growth, if any. We cannot assure investors that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 150% at the time we issue any debt or preferred stock. This requirement limits the amount that we may borrow. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so. In addition, as a BDC, we will generally not be permitted to issue common stock priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our net asset value could decline.

On November 6, 2018, a “required majority” (as defined in Section 57(o) of the 1940 Act) of our board of directors approved the application of a reduced 150% asset coverage ratio to us. In accordance with the SBCAA, we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, the asset coverage ratio test applicable to us decreased from 200% to 150%, effective November 6, 2019. See “Summary of Principal Terms and Conditions — Leverage.”

If we issue preferred stock, debt securities or convertible debt securities, the net asset value of our common stock may become more volatile. We cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of our common stock. The issuance of preferred stock, debt securities or convertible debt would likely cause the net asset value of our common stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of our common stock would be reduced. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on our portfolio, the use of leverage would result in a lower rate of return to the holders of common stock than if we had not issued the preferred stock or debt securities. Any decline in the net asset value of our investment would be borne entirely by the holders of our common stock. Therefore, if the market value of our portfolio were to decline,
the leverage would result in a greater decrease in net asset value to the holders of our common stock than if we were not leveraged through the issuance of preferred stock.

There is also a risk that, in the event of a sharp decline in the value of our net assets, we would be in danger of failing to maintain required asset coverage ratios which may be required by the preferred stock, debt securities, convertible debt or units or of a downgrade in the ratings of the preferred stock, debt securities, convertible debt or units or our current investment income might not be sufficient to meet the dividend requirements on the preferred stock or the interest payments on the debt securities. If we do not maintain our required asset coverage ratios, we may not be permitted to declare dividends. In order to counteract such an event, we might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, we would pay (and the holders of our common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities or convertible debt may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

**Holders of any preferred stock that we may issue will have the right to elect members of our board of directors and have class voting rights on certain matters.** The 1940 Act requires that holders of shares of preferred stock must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more, until such arrearage is eliminated. In addition, certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock, including changes in fundamental investment restrictions and conversion to open-end status and, accordingly, preferred stockholders could veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair our ability to maintain our tax treatment as a RIC for U.S. federal income tax purposes.

**Federal Income Tax Risks**

We will be subject to corporate-level U.S. federal income tax if we are unable to maintain our qualification for taxation as a RIC. We have elected to be taxed as a RIC under Subchapter M of the Code, but no assurance can be given that we will be able to maintain RIC tax status. As a RIC, we are not required to pay corporate-level federal income taxes on our income and capital gains distributed (or deemed
distributed) to our stockholders. To continue to qualify for tax treatment as a RIC under the Code and to be relieved of federal taxes on income and gains distributed to our stockholders, we must meet certain source-of-income, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC will be satisfied if we timely distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders for each taxable year. We will be subject, to the extent we use debt financing or preferred stock, to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify for tax treatment as a RIC. If we are unable to obtain cash from other sources or are prohibited from making distributions, we may fail to maintain our qualification for the tax benefits available to RICs and, thus, may be subject to corporate-level federal income tax. The source-of-income requirement will be satisfied if we obtain at least 90% of our gross income for each year from dividends, interest, gains from the sale of stock or securities or similar sources. The asset diversification requirements will be satisfied if we meet certain asset-diversification tests at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments are in private or thinly traded public companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify for taxation as a RIC for any reason and become subject to corporate-level U.S. federal income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distributions to stockholders, the amount of our distributions and the amount of funds available for new investments. Such a failure would have a material adverse effect on us and our stockholders. See “Tax and ERISA Considerations — Certain U.S. Federal Income Tax Considerations.”

We may have difficulty paying our required distributions if we recognize income before, or without, receiving cash representing such income. For U.S. federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as the accretion of original issue discount (“OID”). This may arise if we purchase assets at a discount, receive warrants in connection with the making of a loan or in other circumstances, or through contracted PIK interest or dividends, which represents contractual interest or dividends added to the loan balance or equity security and due at the end of the investment term. Such OID, which could be significant relative to our overall investment activities, or increases in loan or equity investment balances as a result of contracted PIK arrangements, will be included in taxable income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to maintain our qualification for taxation as a RIC. In such a case, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations and sourcing to meet these distribution requirements. If we sell assets at a gain to meet our distribution requirement, we would be required to distribute such gain to our shareholders to avoid the imposition of corporate level U.S. federal tax on such gain. If we are not able to obtain such cash from other sources, we may fail to maintain our qualification as a RIC and thus be subject to corporate-level U.S. federal income tax. See “Tax and ERISA Considerations — Certain U.S. Federal Income Tax Considerations.”

Because we expect to distribute substantially all of our net investment income and net realized capital gains to our stockholders, we may need additional capital to finance our growth and such capital may not be available on favorable terms or at all. We have elected to be taxed for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. If we meet certain requirements, including source of income, asset diversification and annual distribution requirements, and if we continue to qualify as a BDC, we will continue to qualify for taxation as a RIC under the Code and will not have to pay corporate-level
U.S. federal income taxes on income and gains that we timely distribute to our stockholders as dividends, allowing us to substantially reduce or eliminate our corporate-level U.S. federal tax liability. As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200% (or 150% if certain conditions are met) at the time we issue any debt or preferred stock. This requirement limits the amount that we may borrow. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt or preferred stock and require us to raise additional equity at a time when it may be disadvantageous to do so. We cannot assure investors that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a BDC, we are generally not permitted to issue common stock priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our net asset value could decline.

On November 6, 2018, a “required majority” (as defined in Section 57(o) of the 1940 Act) of our board of directors approved the application of a reduced 150% asset coverage ratio to us. In accordance with the SBCAA, we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, the asset coverage ratio test applicable to us decreased from 200% to 150%, effective November 6, 2019. See “Summary of Principal Terms and Conditions — Leverage.”

Our PWB Credit Facility contains various covenants and restrictions which, if not complied with, could accelerate our repayment obligations under the credit facility or limit its use, thereby materially and adversely affecting our liquidity, financial condition, results of operations and ability to pay distributions. The PWB Credit Facility provides us with a senior secured revolving line of credit of up to $10.0 million, with maximum availability equal to 35% of the aggregate outstanding principal amount of eligible loans included in the borrowing base and otherwise specified in the PWB Credit Facility. The PWB Credit Facility contains customary terms and conditions, including, without limitation, affirmative and negative covenants such as information reporting requirements, a minimum tangible net asset value, a minimum quarterly net investment income after incentive fees, and a statutory asset coverage test. The PWB Credit Facility also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change in investment advisor, and the occurrence of a material adverse change in our financial condition. The PWB Credit Facility permits us to fund additional investments as long as we are within the conditions set out in the PWB Credit Facility. Our continued compliance with these covenants depends on many factors, some of which are beyond our control, and there are no assurances that we will continue to comply with these covenants. Our failure to satisfy these covenants could result in foreclosure by our lender, which would accelerate our repayment obligations under the PWB Credit Facility and thereby have a material adverse effect on our business, liquidity, financial condition, results of operations and ability to pay distributions to our stockholders. We had $1.3 million outstanding under the PWB Credit Facility as of March 31, 2020.

Loss of status as a RIC would reduce our net asset value and distributable income. We have elected to be taxed as a RIC under the Code. As a RIC we will not be required to pay corporate level U.S. federal income taxes on our income and capital gains that we timely distribute to our stockholders, provided that we satisfy certain annual distribution and other requirements. Accordingly, we will not be permitted under accounting rules to establish reserves for taxes on our unrealized capital gains. If we fail to qualify for RIC status in any year, to the extent that we had unrealized gains, we would have to establish reserves for taxes, which would reduce our net asset value and the amount potentially available for distribution. In addition, if we, as a RIC, were to decide to make a deemed distribution of net realized capital gains and retain the net realized capital gains, we would have to establish appropriate reserves for taxes that we would...
have to pay on behalf of stockholders. It is possible that establishing reserves for taxes could have a material adverse effect on the value of our common stock. See “Tax and ERISA Considerations — Certain U.S. Federal Income Tax Considerations.”

We may in the future choose to pay dividends in our own stock, in which case stockholders may be required to pay tax in excess of the cash they receive. We may distribute taxable dividends that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable provisions of the Code and the Treasury regulations, distributions made by RICs that are payable in cash or in shares of stock at the election of stockholders are treated as taxable dividends. The Internal Revenue Service (the “IRS”) has published guidance indicating that, in the case of publicly offered RICs, this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under this guidance, if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). In no event will any stockholder electing to receive cash, receive less than the lesser of (a) the portion of the distribution such stockholder has elected to receive in cash or (b) an amount equal to his or her entire distribution times the percentage limitation on cash available for distribution.

If we decide to make any distributions consistent with this guidance that are payable in part in our stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock.

Legislative or other actions relating to taxes could have a negative effect on us. Legislative or other actions relating to taxes could have a negative effect on us. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. In December 2017, significant U.S. tax reform legislation was enacted. Such legislation has made many changes to the Code, including significant changes to the taxation of business entities, the deductibility of interest expense, and the tax treatment of capital investment. Additional changes to the Code and U.S. Treasury regulations have been made or could be made in response to the coronavirus pandemic. We cannot predict with certainty how any changes in the tax laws might affect us, our stockholders, or our portfolio investments. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our stockholders of such qualification, or could have other adverse consequences. Prospective investors are urged to consult their tax advisors regarding the effects of the new legislation on an investment in us.

Risks and Disclosures in Compliance with Rule 506 of Regulation D

Risk of Failure to Comply with “Bad Actor” Disqualification under Rule 506 of Regulation D. Rule 506(d) of Regulation D under the 1933 Act disqualifies an issuer, such as the Company, from conducting an offering that relies on the exemption from registration provided by Rule 506 of Regulation D if a “covered person” (defined below) of the issuer has been the subject of a “disqualifying event” (defined below) (such person, a “bad actor”). Rule 506(e) of Regulation D requires an issuer, such as the
Company, to disclose to each prospective investor matters that would have been disqualifying events except that such event occurred before September 23, 2013.

“Covered persons” include, among others, the issuer, affiliated issuers, any investment manager of the issuer, any solicitor of the issuer, any director, executive officer or other officer participating in the offering of the issuer, any general partner or managing member of the foregoing entities, any promoter of the issuer and any beneficial owner of 20% or more of the issuer’s outstanding voting equity securities, calculated on the basis of voting power.

A “disqualifying event” includes, among other things, certain (1) criminal convictions and court injunctions and restraining orders issued in connection with the purchase or sale of a security or false filings with the SEC; (2) final orders from the CFTC, federal banking agencies and certain other regulators that bar a person from associating with a regulated entity or engaging in the business of securities, insurance or banking or that are based on certain fraudulent conduct; (3) SEC disciplinary orders relating to investment advisers, brokers, dealers and their associated persons; (4) SEC cease-and-desist orders relating to violations of certain anti-fraud provisions and registration requirements of the federal securities laws; (5) suspensions or expulsions from membership in a self-regulatory organization ("SRO") or from association with an SRO member; and (6) U.S. Postal Service false representation orders.

The rules provide an exception from disqualification if the issuer can show that it did not know and, in the exercise of reasonable care could not have known, that the issuer or any other covered person had a disqualifying event, although an issuer will not be able to establish that it has exercised reasonable care unless it has made, in light of the circumstances, factual inquiry into whether any disqualifications exist. The Offering is being made in the United States under the exemption provided by Section 4(2) of the 1933 Act and Rule 506 of Regulation D. If any of our covered persons is subject to a disqualifying event, we will not be able to rely on these exemptions, the Company could lose the ability to raise capital in an offering that relies on these exemptions for a significant period of time, and the Company could be required to register under the 1933 Act or be exposed to various costs or liabilities related to violations of state or federal securities laws. If the Company were to lose its ability to rely on the Rule 506 exemption because a covered person has been the subject of a disqualifying event or if the Company failed to disclose an event that would have been a disqualifying event except that such event occurred prior to September 23, 2013, the Company’s business, financial condition and results of operations could be materially and adversely affected.

From time to time, in order to comply with Rule 506(e) of Regulation D, the Company may inform prospective investors of any matters that would been disqualifying events except that they occurred before September 23, 2013.

THE FOREGOING IS A SUMMARY OF CERTAIN SIGNIFICANT RISKS RELATING TO AN INVESTMENT IN THE COMPANY. THIS SUMMARY OF RISKS SHOULD NOT BE INTERPRETED AS A REPRESENTATION THAT THE MATTERS REFERRED TO ABOVE ARE THE ONLY RISKS INVOLVED WITH THIS INVESTMENT, NOR SHOULD THE REFERENCES TO THE RISKS BE DEEMED A REPRESENTATION THAT THE MAGNITUDE OF SUCH RISKS IS NECESSARILY EQUAL. STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN LEGAL COUNSEL, ACCOUNTANTS AND OTHER PROFESSIONAL ADVISERS RELATIVE TO THIS OFFERING.
IV. THE COMPANY

We are organized as an externally managed, closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. Our investment objective is to provide our stockholders with current income and, to a lesser extent, capital appreciation, primarily through debt investments and, to a lesser extent, equity investments. Our investment strategy will focus primarily on investments in middle-market companies in the United States. We use the term “middle-market” to refer to companies which may exhibit one or more of the following characteristics: number of employees between 150 and 2,000; revenues between $15 million and $300 million; annual earnings before interest, taxes, depreciation and amortization, or EBITDA, between $3 million and $50 million; generally, private companies owned by private equity firms or owners/operators; and enterprise value between $10 million and $500 million.

While our investment strategy is focused primarily on middle-market companies in the United States, including senior secured loans, which includes first-lien, second-lien and unitranche loans as well as subordinated loans and, to a lesser extent, warrants and other equity securities, we also may invest up to 30% of our portfolio in opportunistic investments of non-eligible portfolio companies. Specifically, as part of this 30% basket, we may consider investments in investment funds that are operating pursuant to certain exceptions to the 1940 Act and in advisers to similar investment funds, as well as in debt of middle-market companies located outside of the United States and debt and equity of public companies that do not meet the definition of eligible portfolio companies because their market capitalization of publicly traded equity securities exceeds the levels provided for in the 1940 Act.

BDC Matters

A BDC is an investment company that primarily focuses on investing in or lending to private companies and making managerial assistance available to them. Unlike other funds that invest in private companies, BDCs are subject to regulation under the 1940 Act and issue shares that can be sold to the public. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their directors and officers and principal underwriters and certain other related persons and requires that a majority of the directors be independent directors. In addition, pursuant to the 1940 Act, we would not be permitted to change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company’s shares present at a meeting if more than 50% of the outstanding shares of such company are present or represented by proxy, or (ii) more than 50% of the outstanding shares of such company.

Under the 1940 Act, as a BDC, we may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of our assets as defined by section 55 of the 1940 Act. In addition, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, as a BDC we must generally either control the issuer of the securities or must offer to make available to the issuer of the securities significant managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management meetings, consulting with and advising a portfolio company’s officers or other organizational or financial guidance. We may receive fees for these services. The Administrator will provide such managerial assistance on our behalf to portfolio companies that request this assistance.

The 1940 Act generally prohibits BDCs from making certain negotiated co-investments with certain affiliates absent an order from the SEC permitting the BDC to do so. On August 4, 2020, we received the Order from the SEC to permit us to co-invest in portfolio companies with Affiliated Funds in a manner
consistent with our investment objective, positions, policies, strategies and restrictions as well as the conditions of the Order. The Order superseded a previous order we received on October 12, 2016 and provides us with greater flexibility to enter into co-investment transactions with Affiliated Funds. Pursuant to the Order, we are generally permitted to co-invest with Affiliated Funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

For additional information about BDCs, see “Certain BDC Considerations.”

Market Opportunity

Our investment strategy is focused primarily on investments in middle-market companies in the United States. We find the middle-market attractive for the following reasons:

**Large Target Market.** According to the National Center for the Middle Market, there were approximately 200,000 companies in the United States with annual revenues between $10 million and $1.0 billion as of the fourth quarter of 2019. We believe that these middle-market companies represent a significant growth segment of the U.S. economy and often require substantial capital investments to grow.

**Specialized Lending Requirements with High Barriers to Entry.** We believe that several factors render many U.S. financial institutions ill-suited to lend to U.S. middle-market companies. For example, based on our experience of our management team, lending to private middle-market companies in the United States (a) is generally more labor-intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of information for such companies, (b) requires due diligence and underwriting practices consistent with the demands and economic limitations of the middle-market and (c) may also require more extensive ongoing monitoring by the lender. As a result, middle-market companies historically have been served by a limited segment of the lending community. As a result of the unique challenges facing lenders to middle-market companies, we believe that there are high barriers to entry that a new lender must overcome.

**Robust Demand for Debt Capital.** We believe that private equity firms have significant committed but uncalled capital, a large portion of which is still available for investment in the United States. Subject to market conditions, we expect the large amount of unfunded buyout commitments will drive demand for leveraged buyouts over the next several years, which should, in turn, create leveraged lending opportunities for us.

Competitive Strengths and Core Competencies

**Deep Management Team Experienced in All Phases of Investment Cycle and Across All Levels of the Capital Structure.** We are managed by the Adviser, which has access to the resources and expertise of OFS Management’s investment professionals through the Staffing Agreement with OFSC. As of June 30, 2020, OFS Management’s credit and investment professionals (including all Adviser Investment Committees members) employed by OFSC had an average of over 15 years of investment experience with strong institutional backgrounds.

**Significant Investment Capacity.** The net proceeds of equity and debt offerings and borrowing capacity under our credit facilities, will provide us with a substantial amount of capital available for deployment into new investment opportunities in our targeted asset class.

**Scalable Infrastructure Supporting the Entire Investment Cycle.** We believe that our loan acquisition, origination and sourcing, underwriting, administration and management platform is highly scalable (that is, it can be expanded on a cost-efficient basis within a timeframe that meets the demands of business growth).
Our platform extends beyond origination and sourcing and includes a regimented credit monitoring system. We believe that our careful approach, which involves ongoing review and analysis by an experienced team of professionals, should enable us to identify problems early and to assist borrowers before they face difficult liquidity constraints.

**Extensive Loan Sourcing Capabilities.** The Adviser gives us access to the deal flow of OFS Management. We believe OFS Management’s 20-year history as a middle-market lending platform, extensive relationships with potential borrowers and other lenders, and its market position make it a leading lender to many sponsors and other deal sources, especially in the currently under-served lending environment.

**Structuring with a High Level of Service and Operational Orientation.** We provide client-specific and creative financing structures to our portfolio companies. Based on our experience in lending to and investing in middle-market companies, we believe that the middle-market companies we target, as well as sponsor groups we may pursue, require a higher level of service, creativity and knowledge than has historically been provided by other service providers more accustomed to participating in commodity-like loan transactions.

**Rigorous Credit Analysis and Approval Procedures.** The Adviser utilizes the established, disciplined investment process of OFS Management for reviewing lending opportunities, structuring transactions and monitoring investments. Using OFS Management’s disciplined approach to lending, the Adviser seeks to minimize credit losses through effective underwriting, comprehensive due diligence investigations, structuring and, where appropriate, the implementation of restrictive debt covenants.

**Investment Criteria/Guidelines**

Our investment objective is to generate current income and capital appreciation by investing primarily in middle-market companies in the United States. We focus on investments in senior secured loans, including first lien, second lien, and unitranche loans, as well as subordinated loans and, to a lesser extent, warrants and other equity securities. In particular, we believe that structured equity debt investments (i.e., typically senior secured unitranche loans, often with warrant coverage, and often in companies with no financial sponsor) represent a strong relative value opportunity offering the borrower the convenience of dealing with one lender, which may result in a higher blended rate of interest to us than we might expect to receive under a traditional multi-tranche structure. We expect that our investments in the equity securities of portfolio companies, such as warrants, preferred stock, common stock and other equity interests, will principally be made in conjunction with our debt investments. Generally, we do not expect to make investments in companies or securities that the Adviser determines to be distressed investments (such as discounted debt instruments that have either experienced a default or have a significant potential for default), other than follow-on investments in portfolio companies of ours. We intend to continue to generate strong risk-adjusted net returns by assembling a diversified portfolio of investments across a broad range of industries.

We target U.S. middle-market companies through OFS Management’s access to a network of financial institutions, private equity sponsors, investment banks, consultants and attorneys, and our proprietary database of borrowers developed over OFS Management’s more than 20 years in lending to middle-market companies. A typical targeted borrower will exhibit certain of the following characteristics:

- number of employees between 150 and 2,000;
- revenues between $15 million and $300 million;
- annual EBITDA between $3 million and $50 million;
- generally, private companies owned by private equity firms or owners/operators;
- enterprise value between $10 million and $500 million;
- effective and experienced management teams;
- defensible market share;
• solid historical financial performance, including a steady stream of cash flow;
• high degree of recurring revenue;
• diversity of customers, markets, products and geography; and
• differentiated products or services.

While we believe that the characteristics listed above are important in identifying and investing in prospective portfolio companies, not all of these criteria will be met by each prospective portfolio company.

**Due Diligence and Investment Process Overview**

We employ a thorough and disciplined underwriting and due diligence process that is conducted in accordance with established credit policies and procedures, and that is focused on investment recovery. Our process involves a comprehensive analysis of a prospective portfolio company’s market, operational, financial, and legal position, as well as its future prospects. In addition to our own analysis, we may use the services of third parties for environmental reviews, quality of earnings reports, industry surveys, background checks on key managers, and insurance reviews.

We seek to invest in companies that have experienced and incentivized management teams, that have stable and predictable cash flows, and that have defensible market positions. We underwrite our investments with the expectation that we will hold them for a number of years, and we structure and document our investments accordingly.

Our due diligence and underwriting process typically addresses the following elements (although certain elements may not be included in every due diligence undertaking):

- **Prospective Portfolio Company Characteristics**: focusing on primary drivers of the company’s revenues and cash flows, including its key products and services; customer and supplier concentrations and contractual relationships; depth, breadth, and quality of company management, as well as the extent to which the management team is appropriately compensated with equity incentives; and any regulatory, labor, or litigation matters impacting the company.

- **Industry and Competitive Overview**: including industry size and the company’s position within it; growth potential and barriers to entry; governmental, regulatory, or technological issues potentially affecting the industry; and cyclical or seasonality risks associated with the industry.

- **Financial Analysis**: involving an understanding of the company’s historical financial results, focusing on actual operating trends experienced over time, in order to forecast future performance, including in various sensitized performance scenarios; attention to projected cash flows, debt service coverage, and leverage multiples under such scenarios; and an assessment of enterprise valuations and debt repayment/investment recovery prospects given such sensitized performance scenarios.

- **Investment Documentation**: focusing on obtaining the best legal protections available to us given our position within the capital structure, including, as appropriate, financial covenants; collateral liens and stock pledges; review of loan documents of other of the prospective portfolio company’s creditors; and negotiation of inter-creditor agreements.

**Portfolio Review/Risk Monitoring**

We view active portfolio monitoring as a vital part of our investment process, and we benefit from a portfolio management system developed by OFS Management that includes daily, weekly, monthly, and quarterly components, and that involves comprehensive review of the performance of each of our portfolio companies. As part of the portfolio management process, the Adviser performs ongoing risk assessments.
on each of our investments and assigns each debt investment a credit rating based on OFS Management’s internal ratings scale.

We categorize debt investments into the following risk categories based on relevant information about the ability of borrowers to service their debt:

1 (Low Risk) — The debt investment has mostly satisfactory asset quality and liquidity, as well as good leverage capacity. It maintains predictable and strong cash flows from operations. The trends and outlook for the portfolio company’s operations, balance sheet, and industry are neutral to favorable. Collateral, if appropriate, has maintained value and would be capable of being liquidated on a timely basis. Overall a debt investment with a 1 risk rating is considered to be of investment grade quality.

2 (Below Average Risk) — The debt investment has acceptable asset quality, moderate excess liquidity, and modest leverage capacity. It could have some financial/non-financial weaknesses which are offset by strengths; however, the credit demonstrates an ample current cash flow from operations. The trends and outlook for the portfolio company’s operations, balance sheet, and industry are generally positive or neutral to somewhat negative. Collateral, if appropriate, has maintained value and would be capable of being liquidated successfully on a timely basis.

3 (Average) — The debt investment has acceptable asset quality, somewhat strained liquidity, and minimal leverage capacity. It is at times characterized by acceptable cash flows from operations. Under adverse market conditions, the debt service could pose difficulties for the borrower. The trends and conditions of the portfolio company’s operations and balance sheet are neutral to slightly negative.

4 (Special Mention) — The debt investment has not lost, and is not expected to lose, principal or interest but it possesses credit deficiencies or potential weaknesses which deserve management’s close and continued attention. The portfolio company’s operations and/or balance sheet have demonstrated an adverse trend or deterioration which, while serious, has not reached the point where the liquidation of debt is jeopardized. These weaknesses are generally considered correctable by the borrower in the normal course of business but may weaken the asset or inadequately protect our credit position if not checked or corrected.

5 (Substandard) — The debt investment is protected inadequately by the current enterprise value or paying capacity of the obligor or of the collateral, if any. The portfolio company has well-defined weaknesses based upon objective evidence, such as recurring or significant decreases in revenues and cash flows. These assets are characterized by the possibility that we may sustain loss if the deficiencies are not corrected. The possibility that liquidation would not be timely (e.g., bankruptcy or foreclosure) requires a Substandard classification even if there is little likelihood of loss.

6 (Doubtful) — The debt investment has all the weaknesses inherent in those classified as Substandard, with the additional factor that the weaknesses are pronounced to the point that collection or liquidation in full, on the basis of currently existing facts, conditions and values is deemed uncertain. The possibility of loss on a Doubtful asset is high but, because of certain important and reasonably specific pending factors which may strengthen the asset, its classification as an estimated loss is deferred until its more exact status can be determined.

7 (Loss) — The debt investment is considered almost fully uncollectible and of such little value that its continuance as an asset is not warranted. It is generally a credit that is no longer supported by an operating company, a credit where the majority of our assets have been liquidated or sold and a few assets remain to be sold over many months or even years, or a credit where the remaining collections are expected to be minimal.
Structure of Investments

We anticipate that our loan portfolio will contain investments of the following types with the following typical characteristics:

**Senior Secured First-Lien Loans.** First-lien senior secured loans obtain security interests in the assets of these portfolio companies as collateral in support of the repayment of these loans (in certain cases, subject to a payment waterfall). The collateral takes the form of first-priority liens on specified assets of the portfolio company and, typically, first-priority pledges of the ownership interests in the borrower. Our first lien loans may provide for moderate loan amortization in the early years of the loan, with the majority of the amortization deferred until loan maturity.

**Senior Secured Unitranche Loans.** Unitranche loans are loans that combine both senior and subordinated debt into one loan under which the borrower pays a single blended interest rate that is intended to reflect the relative risk of the secured and unsecured components. We typically structure our unitranche loans as senior secured loans. We obtain security interests in the assets of these portfolio companies as collateral in support of the repayment of these loans. This collateral takes the form of first-priority liens on the assets of a portfolio company and, typically, first-priority pledges of the ownership interests in the company. We believe that unitranche lending represents a significant growth opportunity for us, offering the borrower the convenience of dealing with one lender, which may result in a higher blended rate of interest to us than we might realize in a traditional multi-tranche structure. Unitranche loans typically provide for moderate loan amortization in the initial years of the facility, with the majority of the amortization deferred until loan maturity. Unitranche loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. In many cases, we will be the sole lender, or we, together with our affiliates, will be the sole lender, of unitranche loans, which can afford us additional influence with a borrower in terms of monitoring and, if necessary, remediation in the event of underperformance.

**Senior Secured Second-Lien Loans.** Second-lien senior secured loans obtain security interests in the assets of these portfolio companies as collateral in support of the repayment of such loans. This collateral typically takes the form of second-priority liens on the assets of a portfolio company, and we may enter into an inter-creditor agreement with the holders of the portfolio company’s first-lien senior secured debt. These loans typically provide for no contractual loan amortization in the initial years of the facility, with all amortization deferred until loan maturity.

**Broadly Syndicated Loans.** Broadly syndicated loans (whose features are similar to those described under “Senior Secured First-Lien Loans” and “Senior Secured Second-Lien Loans” above) are typically originated and structured by banks on behalf of large corporate borrowers with employee counts, revenues, EBITDAs and enterprise values larger than the middle-market characteristics described above. The proceeds of broadly syndicated loans are often used for leveraged buyout transactions, mergers and acquisitions, recapitalizations, refinancings, and financing capital expenditures. Broadly syndicated loans are typically distributed by the arranging bank to a diverse group of investors primarily consisting of: CLOs; senior secured loan and high yield bond mutual funds; closed-end funds, hedge funds, banks, and insurance companies; and finance companies. A borrower must comply with various covenants contained in a loan agreement or note purchase agreement between the borrower and the holders of the broadly syndicated loan (the “Loan Agreement”). In a typical broadly syndicated loan, an administrative agent (the “Agent”) administers the terms of the Loan Agreement. In such cases, the Agent is normally responsible for the collection of principal and interest payments from the borrower and the apportionment of these payments to the credit of all institutions that are parties to the Loan Agreement. We will generally rely upon the Agent or an intermediate participant to receive and forward to us our portion of the principal and interest payments on the broadly syndicated loan. Additionally, we normally will rely on the Agent and the other loan investors to use appropriate credit remedies against the borrower. The Agent is typically responsible for
monitoring compliance with covenants contained in the Loan Agreement based upon reports prepared by the borrower. The Agent may monitor the value of the collateral and, if the value of the collateral declines, may accelerate the broadly syndicated loan, may give the borrower an opportunity to provide additional collateral or may seek other protection for the benefit of the participants in the broadly syndicated loan. The Agent is compensated by the borrower for providing these services under a Loan Agreement, and such compensation may include special fees paid upon structuring and funding the broadly syndicated loan and other fees paid on a continuing basis. The broadly syndicated loans in which we invest may include loans that are considered “covenant-lite” loans, because of their lack of a full set of financial maintenance covenants.

**Subordinated (“Mezzanine”) Loans.** These investments are typically structured as unsecured, subordinated loans that typically provide for relatively high, fixed interest rates that provide us with significant current interest income. These loans typically will have interest-only payments (often representing a combination of cash pay and PIK interest) in the early years, with amortization of principal deferred to maturity. Mezzanine loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. Mezzanine investments are generally more volatile than secured loans and may involve a greater risk of loss of principal. Mezzanine loans often include a PIK feature (meaning a feature allowing for the payment of interest in the form of additional principal amount of the loan instead of in cash), which effectively operates as negative amortization of loan principal, thereby increasing credit risk exposure over the life of the loan.

**Equity Securities.** Equity securities typically consist of either a direct minority equity investment in common or membership/partnership interests or preferred stock of a portfolio company, and are typically not control-oriented investments. Our preferred equity investments typically contain a fixed dividend yield based on the par value of the equity security. Preferred equity dividends may be paid in cash at a stipulated date, usually quarterly and are participating and/or cumulative. We may structure such equity investments to include provisions protecting our rights as a minority-interest holder, as well as a “put,” or right to sell such securities back to the issuer, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and “piggyback” registration rights, which grants us the right to register our equity interest when either the portfolio company or another investor in the portfolio company files a registration statement with the SEC to issue securities. Our equity investments typically are made in connection with debt investments to the same portfolio companies.

**Warrants.** In some cases, we may receive nominally priced warrants to buy a minority equity interest in the portfolio company in connection with a loan. As a result, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure such warrants to include provisions protecting our rights as a minority-interest holder, as well as a “put,” to sell such securities back to the issuer, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and “piggyback” registration rights.

**General Structuring Considerations.** We tailor the terms of each investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its operating results. We seek to limit the downside potential of our investments by:

- selecting investments that we believe have a very low probability of loss;
- requiring a total return on our investments (including both interest and potential equity appreciation) that we believe will compensate us appropriately for credit risk; and
- negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with the preservation of our
capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or rights to a seat on the board of directors under some circumstances.

We expect to hold most of our investments to maturity or repayment, but we may sell some of our investments earlier if a liquidity event occurs, such as a sale, recapitalization or worsening of the credit quality of the portfolio company.

Investments

We pursue an investment strategy focused primarily on investments in middle-market companies in the United States. We focus on investments in loans in which the Adviser’s investment professionals have expertise, including investments in first-lien, unitranche, second-lien, and mezzanine loans and, to a lesser extent, on warrants and other equity securities. We seek to create a diverse portfolio by making investments in the securities of middle-market companies that we expect to range generally from $3.0 million to $25.0 million each, although we expect this investment size will vary proportionately with the size of our capital base.

Managerial Assistance

BDCs generally must offer to make available to the issuer of the securities significant managerial assistance, except in circumstances where either (i) the BDC controls such issuer of securities or (ii) the BDC purchases such securities in conjunction with one or more other persons acting together and one of the other persons in the group makes available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Competition

Our primary competitors include public and private funds, other BDCs, commercial and investment banks, commercial finance companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical, and marketing resources than we do. Some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Further, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC, or to the distribution and other requirements we must satisfy to maintain our RIC status.

We expect to continue to use the expertise of the investment professionals of OFS Management and its affiliates to which we have access, to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we expect that the relationships of the senior members of OFS Management and its affiliates will enable us to learn about, and compete effectively for, financing opportunities with attractive middle-market companies in the industries in which we seek to invest. For additional information concerning the competitive risks we face, see “Risk Factors and Potential Conflicts of Interest — We will operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.”

Emerging Growth Company

We are an emerging growth company as defined in the JOBS Act and are eligible to take advantage of certain specified reduced disclosure and other requirements that are otherwise generally applicable to public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. We expect to remain an
emerging growth company for up to five years following the completion of our initial public offering or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion, (ii) December 31 of the fiscal year that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the last business day of our most recently completed second fiscal quarter and we have been publicly reporting for at least 12 months or (iii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the preceding three-year period. In addition, we will take advantage of the extended transition period provided in Section 7(a)(2)(B) of the 1933 Act for complying with new or revised accounting standards.
V. DESCRIPTION OF SHARES

The following description is based on relevant portions of the Maryland General Corporation Law and on our Charter and bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our Charter and bylaws for a more detailed description of the provisions summarized below.

General

Under the terms of our Charter, our authorized capital stock will consist solely of 20,000,000 shares of common stock, par value $0.001 per share. There is currently no market for our common stock, and we can offer no assurances that a market for our shares will develop in the future. We do not intend for the shares offered in the Offering to be listed on any national securities exchange. There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

All policies shall be equally applicable and enforceable to each stockholder, including but not limited to those pertaining to liquidation, conversion and redemption rights. None of our shares are subject to further calls or to assessments, sinking fund provisions, obligations of the company or potential liabilities associated with ownership of the security (not including investment risks).

Common Stock

Under the terms of our Charter, all shares of our common stock will have equal rights as to voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor. Except as may be provided by our board of directors in setting the terms of classified or reclassified stock, shares of our common stock will have no preemptive, exchange, conversion or redemption rights and will be freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock will be entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as may be provided by our board of directors in setting the terms of classified or reclassified stock, and subject to the express terms of any class or series of preferred stock, the holders of our common stock will possess exclusive voting power. There will be no cumulative voting in the election of directors, which means that holders of a plurality of the outstanding shares of common stock at which a quorum is present will be able to elect all of our directors, provided that there are no shares of any other class or series of stock outstanding entitled to vote in the election of directors, and holders of less than a plurality of such shares will be unable to elect any director.

Preferred Stock

The Offering does not include an offering of preferred stock. However, under the terms of our Charter, our board of directors is authorized to issue shares of preferred stock in one or more series without stockholder approval. A majority of our independent directors will approve an issuance of portfolio stock and will have access, at our expense, to our legal counsel or to independent legal counsel. Our board of directors has discretion to determine the rights, preferences, privileges, and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges, and liquidation preferences of each series of preferred stock. The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. We will not offer preferred stock to the Adviser or their affiliates except on the same terms as offered to all other stockholders.
Preferred stock could be issued with rights and preferences that would adversely affect the holders of common stock. Preferred stock could also be used as an anti-takeover device. Every issuance of preferred stock will be required to comply with the requirements of the 1940 Act. The 1940 Act requires that: (1) immediately after issuance and before any distribution is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

**Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses**

Maryland law permits a Maryland corporation to include in its Charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

Maryland law requires a corporation (unless its charter provides otherwise, which our Charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity against reasonable expenses incurred in the proceeding in which the director or officer was successful. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation’s receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Our insurance policy will not provide coverage for claims, liabilities and expenses that may arise out of activities that the present or former directors or officers of the Adviser have performed for another entity at our request. There is no assurance that such entities will in fact carry such insurance. However, we note that we do not expect to request the present or former directors or officers of the Adviser to serve another entity as a director, officer, partner or trustee unless we can obtain insurance providing coverage for such persons for any claims, liabilities or expenses that may arise out of their activities while serving in such capacities.

**Provisions of the Maryland General Corporation Law and Our Charter and Bylaws**

The Maryland General Corporation Law and our Charter and bylaws contain provisions that could make it more difficult for a potential acquirer to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate
takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

**Election of Directors**

As permitted by Maryland law, our directors will be elected by a plurality of all votes cast by holders of the outstanding shares of stock entitled to vote at a meeting at which a quorum is present.

**Classified Board of Directors**

Our board of directors is divided into three classes of directors serving staggered three-year terms. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. However, the initial members of the three classes of directors have initial terms of one, two and three years, respectively. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. We believe that the longer time required to elect a majority of a classified board of directors will help to ensure the continuity and stability of our management and policies.

**Number of Directors; Vacancies; Removal**

Our Charter provides that the number of directors will be set by our board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. Our bylaws provide that the number of directors may never be less than one or more than twelve. Our charter provides that, at such time as we have at least three independent directors and our common stock is registered under the Exchange Act, we may elect to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the board of directors. Accordingly, at such time, except as may be provided by our board of directors in setting the terms of any class or series of preferred stock, and pursuant to an election in our Charter as permitted by Maryland law, any and all vacancies on our board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our charter provides that a director may be removed only for cause, as defined in our charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

**Action by Stockholders**

The Maryland General Corporation Law provides that stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous consent in lieu of a meeting. These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

**Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals**

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to our board of directors and the proposal of business to be considered by stockholders may be made only (a) pursuant to our notice of the meeting, (b) by our board of directors or (c) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to our board of directors
at a special meeting may be made only (a) pursuant to our notice of the meeting, (b) by our board of
directors or (c) provided that our board of directors has determined that directors will be elected at the
meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance
notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business
is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed
nominees and the advisability of any other proposed business and, to the extent deemed necessary or
desirable by our board of directors, to inform stockholders and make recommendations about such
qualifications or business, as well as to provide a more orderly procedure for conducting meetings of
stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder
nominations for the election of directors or proposals recommending certain action, they may have the
effect of precluding a contest for the election of directors or the consideration of stockholder proposals if
proper procedures are not followed and of discouraging or deterring a third party from conducting a
solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to
whether consideration of such nominees or proposals might be harmful or beneficial to us and our
stockholders.

Calling of Special Meetings of Stockholders

Our bylaws provide that special meetings of stockholders may be called by our board of directors
and certain of our officers. In addition, our Charter and bylaws provide that, subject to the satisfaction of
certain procedural and informational requirements by the stockholders requesting the meeting, a special
meeting of stockholders will be called by the secretary of the corporation upon the written request of
stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge,
sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside
the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at
least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide
in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the
votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments
and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to
be cast on the matter. Our charter also provides that certain charter amendments, any proposal for our
conversion, whether by charter amendment, merger or otherwise, from a closed-end company to an open-
end company and any proposal for our liquidation or dissolution requires the approval of the stockholders
entitled to cast at least 80% of the votes entitled to be cast on such matter. However, if such amendment or
proposal is approved by a majority of our continuing directors (in addition to approval by our board of
directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on
such a matter. The “continuing directors” are defined in our charter as (1) our current directors, (2) those
directors whose nomination for election by the stockholders or whose election by the directors to fill
vacancies is approved by a majority of our current directors then on our board of directors or (3) any
successor directors whose nomination for election by the stockholders or whose election by the directors to
fill vacancies is approved by a majority of continuing directors or the successor continuing directors then
in office. In any event, in accordance with the requirements of the 1940 Act, any amendment or proposal
that would have the effect of changing the nature of our business so as to cause us to cease to be, or to
withdraw our election as, a BDC would be required to be approved by a majority of our outstanding voting
securities, as defined under the 1940 Act.

Our charter and bylaws provide that our board of directors will have the exclusive power to make,
alter, amend or repeal any provision of our bylaws.
**No Appraisal Rights**

In certain extraordinary transactions, the Maryland General Corporation Law provides the right to dissenting stockholders to demand and receive the fair value of their shares, subject to certain procedures and requirements set forth in the statute. Those rights are commonly referred to as appraisal rights. Except with respect to appraisal rights arising in connection with the Control Share Acquisition Act defined and discussed below, as permitted by the Maryland General Corporation Law, and similar rights in connection with a proposed roll-up transaction, our Charter provides that stockholders will not be entitled to exercise appraisal rights.

**Control Share Acquisitions**

The Maryland General Corporation Law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, which we refer to as the Control Share Acquisition Act. Shares owned by the acquirer, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquirer crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel our board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the 1940 Act. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The Control Share Acquisition Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Acquisition Act only if our board of directors determines that it would be in our best interests and if the SEC staff does not object to our determination.
that our being subject to the Control Share Acquisition Act does not conflict with the 1940 Act. It is the position of the staff of the SEC’s Division of Investment Management that if a BDC fails to opt-out of the Control Share Acquisition Act, it acts in a manner inconsistent with Section 18(i) of the 1940 Act.

**Business Combinations**

Under Maryland law, certain “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder, which we refer to as the Business Combination Act. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation’s shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if our board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, our board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by our board of directors.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by our board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation’s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by our board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Business Combination Act, provided that the business combination is first approved by our board of directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or our board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

**Conflict with 1940 Act**

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Acquisition Act (if we amend our bylaws to be subject to such Act) and the Business Combination Act, or any provision of our Charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.
VI. MANAGEMENT OF THE COMPANY; INVESTMENT ADVISORY AGREEMENT AND ADMINISTRATION AGREEMENT

Our business and affairs are managed under the direction of our board of directors. The responsibilities of our board of directors include, among other things, the oversight of our investment activities, the quarterly valuation of our assets, oversight of our financing arrangements and corporate governance activities. Our board of directors will consist of three members, two of whom are not “interested persons” of the Company or of the Adviser as defined in Section 2(a)(19) of the 1940 Act and are “independent,” as determined by our board of directors. We refer to these individuals as our independent directors. Our board of directors elects our executive officers, who serve at the discretion of our board of directors.

Board of Directors

Under our Charter, our directors are divided into three classes. Each class of directors will hold office for a three-year term. However, the initial members of the three classes will have initial terms of one, two and three years respectively. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

Information regarding our board of directors is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
<th>Director Since</th>
<th>Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interested Director:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bilal Rashid</td>
<td>49</td>
<td>Director, Chairman, President and Chief Executive Officer</td>
<td>2015</td>
<td>2021</td>
</tr>
</tbody>
</table>

| Independent Directors: |     |                                             |                |                    |
| Robert J. Cresci     | 76  | Director                                  | 2016           | 2022               |
| Marc Abrams          | 74  | Director                                  | 2016           | 2020               |

Executive Officers

Information regarding the Company’s executive officers and who are not directors is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeffrey A. Cerny</td>
<td>57</td>
<td>Chief Financial Officer and Treasurer</td>
</tr>
<tr>
<td>Jeffery S. Owen</td>
<td>55</td>
<td>Chief Accounting Officer</td>
</tr>
<tr>
<td>Mukya S. Porter</td>
<td>46</td>
<td>Chief Compliance Officer</td>
</tr>
<tr>
<td>Tod K. Reichert</td>
<td>58</td>
<td>Corporate Secretary</td>
</tr>
</tbody>
</table>

Biographical Information

The following is information concerning the business experience of our board of directors and executive officers. The directors have been divided into two groups — interested directors and independent directors. Interested directors are “interested persons” as defined in the 1940 Act.

Interested Director

Bilal Rashid is the Chairman of our board of directors, the Chief Executive Officer and President of the Company and OCCI, and is the Chairman of the board of directors and the Chief Executive Officer of OFS Capital, President and a Senior Managing Director of OFSC and the Adviser, Chief Executive Officer at OFSAM, a member of the investment and executive committees of OFSAM and the Adviser and
a director of CIM Real Assets & Credit Fund. Prior to joining OFSC in 2008, Mr. Rashid was a managing
director in the global markets and investment banking division at Merrill Lynch. Mr. Rashid has more than
20 years of experience in investment banking, debt capital markets and investing as it relates to structured
credit and corporate credit. Over the years, he has advised and arranged financing for investment
management companies and commercial finance companies including BDCs. Before joining Merrill Lynch
in 2005, he was a vice president at Natixis Capital Markets, which he joined as part of a large team move
from Canadian Imperial Bank of Commerce (“CIBC”). Prior to CIBC, he worked as an investment analyst
in the project finance area at the International Finance Corporation, which is part of the World Bank. Prior
to that, Mr. Rashid was a financial analyst at Lehman Brothers. Mr. Rashid has a B.S. in Electrical
Engineering from Carnegie Mellon University and an MBA from Columbia University. Through his years
of work in investment banking, capital markets and in sourcing, leading and managing investments, Mr.
Rashid has developed expertise and skills that are relevant to understanding the risks and opportunities that
we face and which are critical to implementing our strategic goals and evaluating our operational
performance.

Independent Directors

Robert J. Cresci has been a managing director of Pecks Management Partners Ltd., an investment
management firm, since 1990. He currently serves on the boards of directors of j2 Global, Inc., CIM
Commercial Trust Corporation, OCCI and OFS Capital. Mr. Cresci holds an undergraduate degree in
Engineering from the United States Military Academy at West Point and holds a M.B.A. in Finance from
the Columbia University Graduate School of Business. By virtue of his time with Pecks Management
Partners and the other business entities mentioned, Mr. Cresci, the chair of our nominating and corporate
governance committee, has broad experience in investment strategies, accounting issues and public
company matters. His experience on the board of directors of public companies and his insight on financial
and operational issues are particularly valuable to our board of directors.

Marc Abrams is the founder and former leader of the public company business sector of
SingerLewak LLP, a certified public accounting firm founded in 1995. He has over 40 years of public
accounting experience. Mr. Abrams’ expertise includes audits of publicly held companies, initial public
offerings, private offerings, corporate reorganizations and acquisitions, evaluating business plans and
litigation support. Additionally, Mr. Abrams’ broad practice includes expertise in several industries
including technology, life sciences, real estate, retail and franchise, hotels and casinos, and manufacturing.
He currently serves on the board of directors of OFS Capital and previously served on the board of
UnifiedOnline, Inc. (f/k/a IceWEB, Inc.). Mr. Abrams graduated from American University in 1967 with a
Bachelor of Science in Accounting. Through 2011, he was an active member of AICPA, the California
Society of CPAs and the Los Angeles Venture Association. Mr. Abrams, the chair of our audit committee,
brings to our board of directors years of accounting expertise. His knowledge of accounting principles,
financial reporting rules and regulations, the evaluation of financial results and the oversight of the financial
reporting process makes him an asset to our board of directors.

Officers Who Are Not Directors

Jeffrey A. Cerny serves as the Chief Financial Officer and Treasurer of the Company and is a
director and the Chief Financial Officer and Treasurer of OFS Capital and OCCI. Mr. Cerny also serves as
a Senior Managing Director of the Adviser and OFSC, as a Vice President of OFSAM, and as a member of
OFSAM’s investment and executive committees. Mr. Cerny oversees the finance and accounting functions
of OFS Capital as well as underwriting, credit monitoring and CLO portfolio compliance for the Adviser’s
syndicated senior loan business. Prior to joining OFSC in 1999, Mr. Cerny held various positions at Sanwa
Business Credit Corporation, American National Bank and Trust Company of Chicago and Charter Bank
Group, a multi-bank holding company. Mr. Cerny holds a B.S. in Finance from Northern Illinois University,
a Masters of Management in Finance and Economics from Northwestern University’s J.L. Kellogg School
of Management, and a J.D. from DePaul University’s School of Law.
Jeffery S. Owen serves as the Chief Accounting Officer of the Company, OFS Capital and OCCI and the Chief Accounting Officer and Controller of the Adviser and OFSC. Mr. Owen has over 25 years of experience in public and private accounting. Prior to joining OFSC in November of 2015, Mr. Owen served as Senior Vice President of Corporate Accounting for Northern Trust Corporation. Before joining Northern Trust Corporation in 2010, he held various positions at Aon Corporation, Web Street, Inc., CNA Financial Corporation, and Ernst & Young LLP, an international accounting firm. Mr. Owen holds a Bachelor of Accountancy from the University of Oklahoma and a Masters of Business Administration from The University of Chicago Graduate School of Business. Mr. Owen is also a Certified Public Accountant and a CFA charterholder.

Mukya S. Porter serves as our Chief Compliance Officer and is the Chief Compliance Officer of OFS Capital, OCCI, OFSC and the Adviser, in which capacity she oversees the compliance and risk management functions. Ms. Porter has over 10 years of experience advising investment advisers, investment banks and other financial institutions. Prior to joining OFSC, Ms. Porter served as a Senior Vice President of Compliance at Oaktree Capital Management, an alternative investment adviser, from 2012 to 2016, where she was responsible for oversight of the firm’s code of ethics program and the day-to-day management of an affiliated limited-purpose broker dealer. Prior to Oaktree, Ms. Porter held the position of Vice President and Senior Compliance Officer at Pacific Investment Management Company (PIMCO) from 2010 to 2012 and prior to that, from 2004 to 2010, worked, first, as a Vice President in the legal department at Morgan Stanley Global Wealth Management and, subsequently, as a Vice President of Compliance at Morgan Stanley Investment Management. Ms. Porter received a Bachelor of Science degree, magna cum laude, in Biology from Howard University in 1996 and a J.D. from the University of California, Berkeley School of Law in 2001.

Tod K. Reichert currently serves as our Corporate Secretary, as Corporate Secretary of OFS Capital and OCCI and as Managing Director, Chief Administrative Officer and General Counsel of the Adviser, in which capacity he oversees the legal and administration functions of the firm. Mr. Reichert has over 20 years of experience as a strategic business partner, providing advice on general corporate governance and transactional matters, with a focus on securities laws, compliance, corporate finance, debt and equity investments, and mergers and acquisitions. Prior to joining the Adviser, Mr. Reichert served as General Counsel, Chief Compliance Officer and Corporate Secretary of MCG Capital Corporation (NASDAQ: MCGC), managing the legal and compliance departments, overseeing complex litigation, and providing securities law, disclosure and transactional advice to the Board of Directors and senior management team, while serving as a member of the MCG credit committee and SBIC investment committee. Prior to joining MCG, Mr. Reichert worked as an attorney in private practice in New York, Princeton and Boston. Mr. Reichert received his J.D. from the Rutgers University School of Law - Newark and his BFA from the University of North Carolina.

Committees of our Board of Directors

Our board of directors currently has two committees: an Audit Committee; and a Nominating and Corporate Governance Committee. Our Audit and Nominating and Corporate Governance Committees each operate under a charter that has been approved by our board of directors. Current copies of the audit and nominating and corporate governance committee charters are posted in the Governance section of our website located at www.hancockparkbdc.com.

Audit Committee. The Audit Committee operates pursuant to a charter approved by our board of directors. The charter sets forth the responsibilities of the Audit Committee. The primary function of the Audit Committee will be to serve as an independent and objective party to assist our board of directors. The Audit Committee is composed of Messrs. Abrams and Cresci, both of whom are considered independent for purposes of the 1940 Act. Mr. Abrams serves as the chair of the Audit Committee. Each of Messrs. Abrams and Cresci qualify as an “audit committee financial expert” as defined in Item 407 of Regulation S-K under the Exchange Act. Each of the members of the Audit Committee meet the independence.
requirements of Rule 10A-3 of the Exchange Act and, in addition, is not an “interested person” of the Company or of the Adviser as defined in Section 2(a)(19) of the 1940 Act. Our audit committee’s responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of certain reports from such firm;
- reviewing and discussing with management our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting and disclosure controls and procedures;
- discussing our risk management processes and procedures, as discussed below under the heading “Board Role in Risk Oversight”;
- establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;
- meeting independently with our independent registered public accounting firm and management;
- reviewing and approving or ratifying any related person transactions; and
- preparing the audit committee report required by SEC rules.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee operates pursuant to a charter approved by our board of directors. The charter sets forth the responsibilities of the Nominating and Corporate Governance Committee, including making nominations for the appointment or election of independent directors. The Nominating and Corporate Governance Committee consists of Messrs. Abrams and Cresci, both of whom are considered independent for purposes of the 1940 Act. Mr. Cresci serves as the chair of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee’s responsibilities include:

- identifying individuals qualified to become board members;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board’s committees;
- reviewing and making recommendations to the board of directors with respect to management succession planning; and
- overseeing an annual evaluation of the board of directors.

The Nominating and Corporate Governance Committee will consider nominees to our board of directors recommended by a stockholder, if such stockholder complies with the advance notice provisions of our bylaws. Our bylaws provide that a stockholder who wishes to nominate a person for election as a director at a meeting of stockholders must deliver written notice to our Corporate Secretary. This notice must contain, as to each nominee, all of the information relating to such person as would be required to be disclosed in a proxy statement meeting the requirements of Regulation 14A under the Exchange Act, and certain other information set forth in the bylaws. In order to be eligible to be a nominee for election as a director by a stockholder, such potential nominee must deliver to our Corporate Secretary a written questionnaire providing the requested information about the background and qualifications of such person and a written representation and agreement that such person is not and will not become a party to any voting agreements, any agreement or understanding with any person with respect to any compensation or indemnification in connection with service on our board of directors, and would be in compliance with all of our publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines.

Compensation Committee. Our board of directors does not currently intend to delegate any authority to a compensation committee because our executive officers will not receive any direct compensation from us.
Compensation of Directors

Our independent directors are entitled to receive annual cash retainer fees, determined based on our net assets as of the end of each fiscal quarter. In addition, our independent directors will receive an additional annual fee for serving on one or more committees of our board of directors. Amounts payable under this arrangement are determined and paid quarterly in arrears as follows:

<table>
<thead>
<tr>
<th>Net Asset Value</th>
<th>Annual Cash Retainer</th>
<th>Annual Committee Retainer (regardless of the number of committees the independent director serves on)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $50 million</td>
<td>$10,000</td>
<td>$2,500</td>
</tr>
<tr>
<td>$50 to $100 million</td>
<td>$20,000</td>
<td>$2,500</td>
</tr>
<tr>
<td>&gt; $100 million</td>
<td>$30,000</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

In addition, we have purchased directors’ and officers’ liability insurance on behalf of our directors and officers.

Board Leadership Structure

Our board of directors monitors and performs an oversight role with respect to our business and affairs, including with respect to investment practices and performance, compliance with regulatory requirements and the services, expenses and performance of service providers to us. Among other things, our board of directors approves the appointment of our investment adviser and our officers, reviews and monitors the service and activities performed by our investment adviser and our officers, and approves the engagement, and reviews the performance of, our independent registered public accounting firm.

Our board of directors understands that there is no single, generally accepted approach to providing board leadership and that, given the dynamic and competitive environment in which we operate, the right board leadership structure may vary as circumstances warrant. Consistent with this understanding, the independent directors consider the board of directors’ leadership structure on an annual basis. This consideration includes the pros and cons of alternative leadership structures in light of our operating and governance environment at the time, with the goal of achieving the optimal model for effective oversight of management by the board of directors.

Chairman and Chief Executive Officer

Our board of directors combines the role of Chairman of the board of directors with the role of Chief Executive Officer (“CEO”), coupled with a Lead Independent Director position to further strengthen the governance structure. Our board of directors believes this will provide an efficient and effective leadership model for the Company. Combining the Chairman and CEO roles fosters clear accountability, effective decision-making, and alignment on corporate strategy.

Moreover, our board of directors believes that its governance practices provide adequate safeguards against any potential risks that might be associated with having a combined Chairman and CEO. Specifically:

- Two of the Company’s three directors are independent directors;
- All of the members of the Audit Committee and Nominating and Corporate Governance Committee are independent directors;
- Our board of directors and its committees regularly conduct scheduled meetings in executive session, out of the presence of Mr. Rashid and other members of management;
- Our board of directors and its committees regularly conduct meetings that specifically include Mr. Rashid; and
• Our board of directors and its committees remain in close contact with, and receive reports on various aspects of the Company’s management and enterprise risk directly from the Company’s senior management and independent auditors.

**Lead Independent Director**

Our board of directors has appointed a Lead Independent Director to provide an additional measure of balance, ensure the board’s independence, and enhance the board’s ability to fulfill its management oversight responsibilities. Robert J. Cresci currently serves as the Lead Independent Director. The Lead Independent Director:

• Presides over all meetings of the directors at which the Chairman is not present, including executive sessions of the independent directors;
• Works with the Chairman of the board of directors in the preparation of the agenda for each board meeting and in determining the need for special meetings of the board;
• Frequently consults with the Chairman and CEO about strategic policies;
• Provides the Chairman and CEO with input regarding meetings of our board of directors;
• Serves as a liaison between the Chairman and CEO and the independent directors;
• Consults with the Chairman and CEO on matters relating to corporate governance and board performance; and
• Otherwise assumes such responsibilities as may be assigned to him by the independent directors.

While we currently do not have a policy mandating an independent lead director, our board of directors believes that at this time, having an independent director fulfill the lead director role is the right approach for the Company. Having a combined Chairman and CEO, coupled with a majority of independent, experienced directors who evaluate our board of directors and themselves at least annually, including a Lead Independent Director with specified responsibilities on behalf of the independent directors, provides the right leadership structure for the Company and is best for the Company and its stockholders at this time.

**Board Role in Risk Oversight**

Our management team has the primary responsibility for risk management and must develop appropriate processes and procedures to identify, manage and mitigate risks. Our board of directors, through its oversight role, supervises our risk management activities to ensure that the risk management processes designed and implemented by our executives are adapted to, and integrated with, our board of directors’ corporate strategy, designed to support the achievement of organizational objectives, functioning as directed and that necessary steps are taken to foster a culture of risk-adjusted decision-making throughout the enterprise.

A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full board of directors in setting our business strategy is a key part of its assessment of management’s appetite for risk and also a determination of what constitutes an appropriate level of risk for us. Through dedicated sessions focusing entirely on corporate strategy, the full board of directors reviews in detail our short- and long-term strategies, including consideration of significant risks facing us and their potential impact.

Our board of directors performs its risk oversight function primarily through (i) its standing committees, which report to the entire board of directors and are comprised solely of independent directors, and (ii) active monitoring of our Chief Compliance Officer and our compliance policies and procedures. For example, management of cybersecurity risks is the responsibility of the full board of directors. Oversight of other risks is delegated to the committees.
Oversight of our investment activities extends to oversight of the risk management processes employed by the Adviser as part of its day-to-day management of our investment activities. Our board of directors anticipates reviewing risk management processes at both regular and special board meetings throughout the year, consulting with appropriate representatives of the Adviser as necessary and periodically requesting the production of risk management reports or presentations. The goal of our board of director’s risk oversight function is to ensure that the risks associated with our investment activities are accurately identified, thoroughly investigated and responsibly addressed. Investors should note, however, that our board of directors’ oversight function cannot eliminate all risks or ensure that particular events do not adversely affect the value of investments.

We believe that our approach to risk oversight, as described above, optimizes our ability to assess inter-relationships among the various risks, make informed cost-benefit decisions and approach emerging risks in a proactive manner for us. We also believe that our risk structure complements our current board leadership structure, as it allows our independent directors, through the two fully independent board committees and otherwise, to exercise oversight of the actions of management in identifying risks and implementing risk management policies and controls. We believe that the role of our board of directors in risk oversight will be effective and appropriate given the extensive regulation to which we will be subject as a BDC. As a BDC, we will be required to comply with certain regulatory requirements that control the levels of risk in our business and operations. For example, we will be limited in our ability to enter into transactions with our affiliates, including investing in any portfolio company in which one of our affiliates currently has an investment.

**Director Nomination Process, Including Diversity Considerations**

The process followed by our Nominating and Corporate Governance Committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the nominating and corporate governance committee and other members of the board of directors, as applicable.

In considering whether to recommend any particular candidate for inclusion in the board’s slate of recommended director nominees, the nominating and corporate governance committee applies the criteria included in its charter. These criteria include the candidate’s integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The nominating and corporate governance committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee.

We believe that our directors have an appropriate balance of knowledge, experience, attributes, skills and expertise required for our board of directors as a whole and that we have sufficient independent directors to comply with applicable law and regulations. We believe that our directors have a broad range of personal and professional characteristics, including: leadership; management ability; financial experience; the ability to act with integrity and sound judgment; the capacity to demonstrate innovative thinking, consider strategic proposals, assist with the development of our strategic plan and oversee its implementation; the ability to oversee our risk management efforts; and the commitment to preparation for, and attendance at, board and committee meetings.

Our board of directors does not have a specific diversity policy, but considers diversity of race, religion, national origin, gender, sexual orientation, disability, cultural background and professional experiences in evaluating candidates for board membership. We believe diversity is important because a variety of viewpoints contribute to an effective decision-making process.

**Executive Sessions and Communicating with the Board of Directors**

The independent directors serving on our board of directors meet in executive sessions at the conclusion of regularly scheduled meetings of the board of directors, and additionally as needed, without
the presence of any directors or other persons who are part of the Company’s management. These executive
d_sessions of our board of directors are presided over by Mr. Cresci, the Lead Independent Director.

**Portfolio Management**

The management of our investment portfolio is the responsibility of the Adviser and the Middle-
Market Investment Committee. The Middle-Market Investment Committee meets regularly to consider our
investments, direct our strategic initiatives and supervise the actions taken by the Adviser on its behalf. In
addition, the Middle-Market Investment Committee reviews and determines whether to make prospective
investments and monitors the performance of the investment portfolio. Follow-on investments in existing
portfolio companies may require the Middle-Market Investment Committee’s approval beyond that
obtained when the initial investment in the company was made.

None of the Adviser’s investment professionals receive any direct compensation from us in
connection with the management of our portfolio. Certain of the Middle-Market Investment Committee
members have ownership and financial interests in, and may receive compensation and/or profit
distributions from, OFSAM and/or its subsidiaries.

**The Adviser**

OFS Capital Management, LLC serves as the Company’s investment adviser. Subject to the overall
supervision of our board of directors, the Adviser manages the day-to-day operations of, and provides
investment advisory and management services to, the Company.

The Adviser capitalizes on the deal origination and sourcing, credit underwriting, due diligence,
investment structuring, execution, portfolio management and monitoring experience of OFS Management’s
professionals. The senior management of OFS Management, including Messrs. Rashid, Sharp and Cerny,
provides services to the Adviser. These managers have developed a broad network of contacts within the
investment community, averaging over 20 years of experience investing in debt and equity securities of
middle-market companies. In addition, these managers have gained extensive experience investing in assets
that will constitute our primary focus and have expertise in investing across all levels of the capital structure
of middle-market companies.

**The Sub-Adviser**

CIM Capital IC Management, LLC, our Sub-Adviser and a Delaware limited liability company,
provides the Adviser with the Sub-Advisory Services. These services are provided as contemplated under
the Sub-Advisory Agreement. The Sub-Adviser is a registered investment adviser under the Advisers Act.

CIM Capital IC leverages its experience and strategic relationships in the financial industry to
effectively advise us on the Sub-Advisory Services.

**Adviser Investment Committees**

The Adviser Investment Committees are responsible for our overall asset allocation decisions, as
well as the evaluation and approval of all investments made by the Adviser’s clients. The Middle-Market
Investment Committee, which is comprised of Richard Ressler (Chairman), Jeffrey Cerny, Kyde Sharp
and Bilal Rashid, is responsible for evaluation and approval of all investments made by us.

The process employed by the Adviser Investment Committees, including the Middle-Market
Investment Committee, is intended to bring the diverse experience and perspectives of the committee’s
members to the investment process. The Middle-Market Investment Committee serves to provide
investment consistency and adherence to our core investment philosophy and policies. The Middle-Market
Investment Committee also determines appropriate investment sizing and implement ongoing monitoring
requirements.
In certain instances, management may seek the approval of our board of directors prior to the making of an investment. In addition to reviewing investments, the meetings of the Middle-Market Investment Committee serve as a forum to discuss credit views and outlooks. Potential transactions and deal flow are reviewed on a regular basis. Members of the investment team are encouraged to share information and views on credits with members of the Middle-Market Investment Committee early in their analysis. We believe this process will improve the quality of the analysis and assists the deal team members in working efficiently.

None of the Adviser’s investment professionals will receive any direct compensation from us in connection with the management of our portfolio. Certain of the Middle-Market Investment Committee members have ownership and financial interests in, and may receive compensation and/or profit distributions from, OFSAM and/or its subsidiaries.

Information regarding the Middle-Market Investment Committee is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard S. Ressler</td>
<td>62</td>
<td>Chairman of OFSAM, Chairman of the Middle-Market Investment Committee</td>
</tr>
<tr>
<td>Jeffrey A. Ceny</td>
<td>57</td>
<td>Senior Managing Director of OFSC and the Adviser</td>
</tr>
<tr>
<td>Bilal Rashid</td>
<td>49</td>
<td>Senior Managing Director of OFSC and the Adviser</td>
</tr>
<tr>
<td>Kyde Sharp</td>
<td>43</td>
<td>Managing Director of OFSC and the Adviser</td>
</tr>
</tbody>
</table>

Biographical information regarding members of the Middle-Market Investment Committee who are not directors or executive officers of the Company is as follows:

Richard S. Ressler is the founder and President of Orchard Capital Corp. (“Orchard Capital”), a firm through which Mr. Ressler oversees companies in which Orchard Capital or its affiliates invest. Through his affiliation with Orchard Capital, Mr. Ressler serves in various senior capacities with, among others, CIM Group, LLC, a vertically-integrated owner and operator of real estate assets, OFSAM and OCV Management, LLC (“OCV”), an investor, owner and operator of technology companies. Mr. Ressler also serves as a board member for various public and private companies in which Orchard Capital or its affiliates invest, including as chairman of j2 Global, Inc. (NASDAQ “JCOM”), director of Presbia PLC (NASDAQ “LENS”), and chairman of CIM Commercial Trust Corporation (NASDAQ “CMCT”). Mr. Ressler served as Chairman and CEO of JCOM from 1997 to 2000 and, through an agreement with Orchard Capital, currently serves as its non-executive Chairman. Mr. Ressler has served as a director of LENS since January 2015 and as chairman of CMCT since 2014. Mr. Ressler co-founded CIM Group, LLC in 1994 and, through an agreement with Orchard Capital, chairs its executive, investment, allocation and asset management committees and serves on its credit committee. Mr. Ressler co-founded the predecessor of OFSAM in 2001 and, through an agreement with Orchard Capital, chairs its executive committee. Mr. Ressler co-founded OCV in 2016 and, through an agreement with Orchard Capital, chairs its executive committee. Prior to founding Orchard Capital, from 1988 until 1994, Mr. Ressler served as Vice Chairman of Brooke Group Limited, the predecessor of Vector Group, Ltd. (NYSE “VGR”) and served in various executive capacities at VGR and its subsidiaries. Prior to VGR, Mr. Ressler was with Drexel Burnham Lambert, Inc., where he focused on merger and acquisition transactions and the financing needs of middle-market companies. Mr. Ressler began his career in 1983 with Cravath, Swaine and Moore LLP, working on public offerings, private placements, and merger and acquisition transactions. Mr. Ressler holds a B.A. from Brown University, and J.D. and M.B.A. degrees from Columbia University.

Kyde Sharp is a Managing Director of OFSC and the Adviser. Mr. Sharp is responsible for sourcing and evaluating investment opportunities for the middle market lending business as well as portfolio management. Prior to joining the Adviser in 2017, Mr. Sharp was a Managing Director of Fifth Street Asset Management (NASDAQ: FSAM), a credit-focused asset manager located in Greenwich, CT. Earlier in his
career he was an Associate with The Ben Barnes Group (formerly Entrecorp) where he priced, structured and negotiated equity-based consulting engagements.

Mr. Sharp holds a Master of Business Administration from The Wharton School, University of Pennsylvania, a Juris Doctor from Fordham University School of Law, and a Bachelor of Arts in Philosophy from Hamilton College.

**Investment Advisory Agreement**

Under the terms of the Investment Advisory Agreement, the Adviser will:

- determine the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- assist us in determining what securities we purchase, retain or sell;
- identify, evaluate and negotiate the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- execute, close, service and monitor the investments we make.

The Adviser’s services under the Investment Advisory Agreement will not be exclusive.

**Term and Termination**

The Investment Advisory Agreement became effective on August 30, 2016. Unless terminated earlier as described below, the Investment Advisory Agreement remain in effect year-to-year if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, and, in either case, if also approved by a majority of our directors who are not “interested persons” as defined in the 1940 Act. The Investment Advisory Agreement will automatically terminate in the event of its assignment, as defined in the 1940 Act, by the Adviser and may be terminated by either party without penalty upon not less than 60 days’ written notice to the other. The holders of a majority of our outstanding voting securities may also terminate the Investment Advisory Agreement without penalty upon not less than 60 days’ written notice. See “Risk Factors and Potential Conflicts of Interest — We will be dependent upon the OFS Management senior professionals for our future success and upon their access to the investment professionals and partners of OFS Management and its affiliates.”

**Compensation of the Adviser**

The Company will pay the Adviser a fee for its services under the Investment Advisory Agreement consisting of two components: a Management Fee and an Incentive Fee. The cost of both the Management Fee and the Incentive Fee will ultimately be borne by the stockholders.

On May 19, 2017, our Adviser agreed to permanently reduce the Base Management Fee that it is entitled to receive pursuant to the Investment Advisory Agreement from 2.0% per annum to 1.25% per annum. As a result, the Management Fee will be calculated at an annual rate of 1.25% based on the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity), at the end of the two most recently completed calendar quarters, adjusted for any share issuance or repurchases during the quarter. The Management Fee will be payable quarterly in arrears. Management Fees for any partial quarter and prorated based on the number of days in the quarter.

The incentive fee has two parts. One part (part one) is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. “Pre-incentive fee net investment income” means interest income, dividend income and any other income (including any other fees such as commitment, origination and sourcing, structuring, diligence and consulting fees or other fees that we receive from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the Management Fee, any expenses payable under the Administration Agreement and any
interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest or dividend feature (such as OID, debt instruments with PIK interest, equity investments with accruing or PIK dividend, and zero coupon securities), accrued income that we have not yet received in cash.

Pre-incentive fee net investment income does not include any realized gains, realized losses, unrealized capital appreciation or unrealized capital depreciation. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized capital losses and unrealized capital 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 indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed “hurdle rate” of 1.75% per quarter. If market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our pre-incentive fee net investment income and make it easier for the Adviser to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. There is no accumulation of amounts on the hurdle rate from quarter to quarter and, accordingly, there is no clawback of amounts previously paid if subsequent quarters are below the quarterly hurdle rate, and there is no delay of payment if prior quarters are below the quarterly hurdle rate. Pre-incentive fee net investment income fees are prorated for any partial quarter based on the number of days in such quarter.

We will pay the Adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle rate;
- 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.1875%) as the “catch-up” provision. The catch-up is meant to provide the Adviser with 20.0% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this pre-incentive fee net investment income exceeds 2.1875% in any calendar quarter; and
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter.

The second part (part two) of the incentive fee on capital gains (the “Capital Gains Fee”) is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (a) the sum of our cumulative aggregate realized capital losses and our aggregate unrealized capital depreciation from (b) our cumulative aggregate realized capital gains. If such amount is positive at the end of such year, then the Capital Gains Fee for such year is equal to 20.0% of such amount, less the aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee for such year. The Company accrues the Capital Gains Fee if, on a cumulative basis, the sum of net realized capital gains and (losses) plus net unrealized appreciation and (depreciation) is positive.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in our portfolio when sold and (b) the accreted or amortized cost basis of such investment.
The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (a) the net sales price of each investment in our portfolio when sold is less than (b) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in our portfolio as of the applicable Capital Gains Fee calculation date and (b) the accreted or amortized cost basis of such investments. Unrealized capital appreciation is accrued, but not paid until said appreciation is realized. We accure the Capital Gains Fee if, on a cumulative basis, the sum of the net realized capital gains (and losses) plus net unrealized appreciation (and depreciation) is positive. The Capital Gains Fee for any partial year is prorated based on the number of days in such year.

We will accrue the Capital Gains Fee if, on a cumulative basis, the sum of net realized capital gains and (losses) plus net unrealized appreciation and (depreciation) is positive.

The fees that are payable under the Investment Advisory Agreement for any partial period will be appropriately prorated. The fees will also be calculated using a detailed policy and procedure approved by the Adviser and our board of directors, including a majority of the independent directors, and such policy and procedure will be consistent with the description of the calculation of the fees set forth above.

The Adviser may elect to defer or waive all or a portion of the fees that would otherwise be paid to it in its sole discretion. Any portion of a fee not taken as to any month, quarter or year will be deferred without interest and may be taken in any other month, quarter or year prior to the occurrence of a liquidity event as the Adviser may determine in its sole discretion.

Reimbursement of Expenses

Beginning August 3, 2020, the Sub-Adviser will be responsible for bearing costs relating to the Offering. Prior to August 3, 2020, the Adviser paid the costs related to our organization and the Offering.

Offering costs consist of costs incurred by the Sub-Adviser and its affiliates on our behalf for legal, accounting, printing and other offering expenses, including costs associated with technology integration between our systems and those of our participating broker-dealers, permissible due diligence reimbursements, marketing expenses, salaries and direct expenses of the Adviser’s or Sub-Adviser’s employees, employees of their affiliates and others while engaged in marketing our common stock, which will include development of marketing materials and marketing presentations and training and educational meetings and generally coordinating the marketing process for us.

For so long as the Investment Advisory Agreement and the Sub-Advisory Agreement are in effect, we will reimburse the Adviser or Sub-Adviser, as applicable, for the organization and offering costs incurred by the Adviser or the Sub-Adviser on our behalf in an amount up to 1.5% of the gross proceeds raised by us in the Offering. Our obligation to reimburse the Adviser and/or the Sub-Adviser for the organization and offering costs incurred by the Adviser and/or the Sub-Adviser on our behalf will terminate three years from the date on which such expense was incurred.

Board Approval of the Investment Advisory Agreement

Our board of directors, including our independent directors, approved the continuation of the Investment Advisory Agreement at a meeting held on April 2, 2020. In reaching a decision to approve the Investment Advisory Agreement, the board of directors reviewed a significant amount of information and considered, among other things:

- the nature, quality and extent of the advisory and other services to be provided to us by the Adviser;
- the fee structures of comparable externally managed BDCs that engage in similar investing activities;
• our projected operating expenses and expense ratio compared to BDCs with similar investment objectives;
• any existing and potential sources of indirect income to the Adviser from its relationship with us and the profitability of that relationship, including through the Investment Advisory Agreement;
• information about the services to be performed and the personnel performing such services under the Investment Advisory Agreement; and
• the organizational capability and financial condition of the Adviser and its affiliates.

Based on the information reviewed and the discussion thereof, the board of directors, including a majority of the non-interested directors, concluded that the investment advisory fee rates are reasonable in relation to the services to be provided and approved the Investment Advisory Agreement as being in the best interests of our stockholders.

Sub-Advisory Agreement

Pursuant to the Sub-Advisory Agreement, CIM Capital IC will:

• evaluate and advise on our private capital market strategy, including market trends and terms;
• provide financial and strategic planning advice and analysis;
• assist in establishing operational readiness and selecting and negotiating engagements with third party service providers; and
• coordinate the dissemination of customary information to interested parties.

Sub-Advisory Fees

The Sub-Advisory Agreement provides that, at the end of each calendar quarter, the Adviser shall designate a portion of all management and incentive fees payable to the Adviser under the Investment Advisory Agreement as Sub-Advisory Fees. In connection therewith, at the end of each calendar quarter, the Adviser shall pay to the Sub-Adviser a fee calculated by multiplying the Adjusted Management Fee Amount by 0.50. The Sub-Advisory Fees will be paid by the Adviser out of the fees the Adviser receives from us pursuant to the Investment Advisory Agreement and will not impact our expenses.

Payment of Our Expenses

Commencing August 3, 2020, the Sub-Adviser will bear our offering costs and direct expenses of the Adviser’s or Sub-Adviser’s employees, employees of their affiliates and others while engaged in marketing our common stock, which will include development of marketing materials and marketing presentations and training and educational meetings and generally coordinating the marketing process. The Sub-Adviser will be entitled to receive reimbursement from us up to 1.5% of the aggregate gross proceeds of this Offering. Following the three-year anniversary of the date on which any offering costs are incurred, the Sub-Adviser will not be entitled to receive any reimbursement from us of such offering costs the Sub-Adviser bore on our behalf. Any such reimbursement by us will be allocated first to reimburse any reimbursable expenses incurred by the Adviser or its affiliates and eligible for reimbursement pursuant to the Investment Advisory Agreement prior to August 3, 2020.

Duration and Termination

The Sub-Advisory Agreement became effective on August 3, 2020. Unless earlier terminated as described below, the Sub-Advisory Agreement will remain in effect year-to-year if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, and, in either case, if also approved by a majority of our directors who are not interested persons.
The Sub-Advisory Agreement may be terminated at any time by either party upon thirty (30) days prior written notice.

**Indemnification**

Pursuant to the terms of the Sub-Advisory Agreement, each of the Adviser and Sub-Adviser are subject to mutual indemnification. Each party shall at its own expense indemnify, defend and hold harmless the other party and its affiliates and their respective directors, officers, employees, agents, representatives or advisors, successors and assigns, and all other persons and entities acting on behalf of or under the control of such party, harmless from, for and against any and all claims, demands, suits, causes of action, debts or liabilities, losses, judgment, damages, costs (including all reasonable attorney’s fees), expenses, fines and penalties (collectively, the “Claims”) to the extent arising out of or as a result of fraud, bad faith, gross negligence or willful misconduct of such party, its employees or agents. The indemnified party agrees to advise the indemnifying party of any Claim; provided, however, that the indemnified party’s right to indemnification will not be limited by its failure to promptly advise the indemnifying party of any such Claim, except to the extent that the indemnifying party is prejudiced by such failure. The indemnifying party has the right, at its option, to assume the control of any Claim in respect of which indemnity may be sought, including the employment of counsel, in which event, the indemnifying party will not be liable for the fees and expenses of any other counsel retained by any indemnified party in connection with such Claim.

**Board Approval of Sub-Advisory Agreement**

Our board of directors, including our independent directors, approved the Sub-Advisory Agreement at a meeting held on July 27, 2020. In reaching a decision to approve the Sub-Advisory Agreement, our board of directors reviewed a significant amount of information and considered, among other things:

- the nature, quality and extent of the advisory and other services to be provided to us by CIM Capital IC;
- the fee structures of comparable externally managed BDCs that engage in similar investing activities;
- our projected operating expenses and expense ratio compared to BDCs with similar investment objectives;
- any existing and potential sources of indirect income to CIM Capital IC from their relationships with us and the profitability of those relationships;
- information about the services to be performed and the personnel performing such services under the Sub-Advisory Agreement;
- the organizational capability and financial condition of CIM Capital IC and its affiliates; and
- the possibility of obtaining similar services from other third-party service providers or through an internally managed structure.

**Administration Agreement**

Pursuant to the Administration Agreement, OFS Services provides the administrative services necessary for us to operate and furnishes us with office facilities and equipment, necessary software licenses and subscriptions and clerical, bookkeeping and record keeping services at such facilities. Under the Administration Agreement, OFS Services performs, or oversees the performance of, our required administrative services, which include being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and all other reports and materials required to be filed with the SEC or any other regulatory authority. In addition, OFS Services assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration
Agreement, OFS Services provides managerial assistance on our behalf to certain portfolio companies that accept our offer to provide such assistance. Payments under the Administration Agreement are equal to an amount based upon our allocable portion (subject to the review and approval of our board of directors) of OFS Services’ overhead in performing its obligations under the Administration Agreement, including rent, information technology, and our allocable portion of the cost of our officers, including our chief executive officer, chief financial officer, chief compliance officer, chief accounting officer, and their respective staffs. The Administration Agreement was initially in effect for a period of two years from the date it first became effective, was recently approved for an additional year at a meeting held on April 2, 2020 and will remain in effect from year to year thereafter if approved annually by our board of directors, including a majority of our directors who are not “interested persons.” The Administration Agreement may be terminated by either party without penalty upon 60 days’ written notice to the other party. To the extent that OFS Services outsources any of its functions, we will pay the fees associated with such functions on a direct basis without profit to OFS Services.

The Administration Agreement was initially approved by our board of directors on March 31, 2016 and became effective on July 15, 2016 and was continued on April 2, 2020.

**Limitations of Liability and Indemnification**

The Investment Advisory Agreement and the Administration Agreement both provide that the Adviser, OFS Services and their affiliates’ respective officers, directors, members, managers, stockholders and employees are entitled to indemnification from us from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement or the Administration Agreement, except where attributable to willful misfeasance, bad faith or gross negligence in the performance of such person’s duties, or reckless disregard of such person’s obligations and duties under the Investment Advisory Agreement or the Administration Agreement.

Nothing in the Investment Advisory Agreement or Administration Agreement will be construed to provide for the indemnification of any party or any limitation on the liability of any party that would, in either case, be in violation of applicable law, but such provisions shall otherwise be construed so as to effectuate the provisions of the Investment Advisory Agreement or the Administration Agreement to the fullest extent permitted by applicable law.

**Payment of the Company’s Expenses under the Investment Advisory and Administration Agreements**

Our primary operating expenses include the payment of fees to the Adviser under the Investment Advisory Agreement, professional fees, and our allocable portion of overhead expenses under the Administration Agreement and other operating costs described below. Additionally, we will pay interest expense on any debt instrument we may enter into. We will bear all other out-of-pocket costs and expenses of our operations and transactions, whether incurred by us directly or on our behalf by a third party, including:

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to making investments, including out-of-pocket fees and expenses associated with performing due diligence and reviews of prospective investments;
- transfer agent and custodial fees;
- out-of-pocket fees and expenses associated with marketing efforts;
- federal and state registration fees and any stock exchange listing fees;
- U.S. federal, state and local taxes;
- independent directors’ fees and expenses;
• brokerage commissions;
• fidelity bond, directors’ and officers’ liability insurance and other insurance premiums;
• direct costs, such as printing, mailing and long-distance telephone;
• fees and expenses associated with independent audits and outside legal costs;
• costs associated with our reporting and compliance obligations under the 1940 Act and other applicable U.S. federal and state securities laws; and
• other expenses incurred by either the Administrator or us in connection with administering our business, including payments under the Administration Agreement that will be based upon our allocable portion (subject to the review and approval of our board of directors) of overhead.

Expense Support Agreement

Pursuant to the Expense Support Agreement, prior to August 3, 2020, the Adviser paid a portion of our operating expenses for each quarter in which we declared a distribution to our stockholders (“Expense Support Payment”). As of August 3, 2020, pursuant to the Expense Support Agreement, the Sub-Adviser will make Expense Support Payments. The Expense Support Agreement is designed to ensure no portion of our distribution to stockholders will be paid from proceeds of this offering, and will provide for expense reduction payments to us in any quarterly period our cumulative distributions to stockholders exceeds our cumulative distributable ordinary income and net realized gains.

The Expense Support Agreement also provides for reimbursement of these payments by us to the Adviser or Sub-Adviser conditioned upon our maintenance of our historic distribution rate and our realization of an unsupported “other operating expenses” ratio below historic levels of supported expense ratios for the period(s) to be reimbursed. For this purpose, “other operating expenses” means all of our operating expenses, excluding organizational and offering expenses, base management fees and incentive fees, distribution and stockholder servicing fees, financing fees and interest, and brokerage commissions and extraordinary expenses. All reimbursement payments shall be deemed to relate to the unreimbursed Expense Support Payments identified by the Adviser from the Expense Support Payments made by the Adviser to us within three years prior to the last business day of the quarter in which such reimbursement payment obligation is incurred. Thereafter, reimbursement payments shall be deemed to relate to the unreimbursed Expense Support Payments identified by the Sub-Adviser from the Expense Support Payments made by the Sub-Adviser to us within three years prior to the last business day of the quarter in which such reimbursement payment obligation is incurred.

The Expense Support Agreement may be terminated by the Adviser or the Sub-Adviser, without payment of any penalty, with or without notice. The expense reimbursement may not be made for the purpose or effect of increasing the amount of the incentive fee to be paid by us to the Adviser or the Sub-Adviser. The Adviser or the Sub-Adviser will not be entitled to reimbursement if our distribution rate is lower than the distribution rate made at the time the expenses were reimbursed or if the other operating expense ratio at the time of reimbursement exceeds the expense ratio that was in effect at the time the expenses were reimbursed.

Staffing Agreement

The Adviser has entered into the Staffing Agreement with OFSC, a wholly-owned subsidiary of OFSAM. Under the Staffing Agreement, OFSC will make available to the Adviser experienced investment professionals and access to the senior investment personnel of OFSC for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. We are not a party to this Staffing Agreement and cannot assure stockholders that OFSC will fulfill its obligations under the agreement. If OFSC fails to perform, we cannot assure stockholders that the Adviser will enforce the Staffing Agreement or that such agreement will not be terminated by either party or that we will continue to have access to the investment professionals of OFSC and its affiliates or their information and deal flow.
Employees

We do not currently have any employees and do not expect to have any employees. Services necessary for our business are provided by the Adviser or its affiliates, pursuant to the terms of the Investment Advisory Agreement and by the Administrator pursuant to the terms of the Administration Agreement. The Adviser is responsible for sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. The Adviser has no employees and depends upon access to the investment professionals and other resources of OFS Management and its affiliates to fulfill its obligations to us under the Investment Advisory Agreement. Each of our executive officers described under “Management of the Company; Investment Advisory Agreement and Administration Agreement – Board of Directors” and “Management of the Company; Investment Advisory Agreement and Administration Agreement – Executive Officers” is employed by OFSC or its affiliates and an allocable portion of the compensation paid to our officers is paid by us pursuant to the Administration Agreement. All of our executive officers are also officers of the Adviser.
VII. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Relationship with the Adviser and Potential Conflicts of Interest

The Adviser and its affiliates manage other assets, including those of other BDCs and registered investment companies, separately managed accounts, accounts for which the Adviser or its affiliates may serve as a subadviser and CLOs, and may manage other entities in the future, and these other funds and entities may have similar or overlapping investment strategies. Our executive officers, directors and members of the Adviser Investment Committees serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds or other investment vehicles managed by the Adviser or its affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our or our stockholders’ best interests or may require them to devote time to services for other entities, which could interfere with the time available to provide services to us. For example, the Adviser currently serves as the investment adviser to OFS Capital, a publicly-traded BDC, that invests in senior secured loans of middle-market companies in the United States, similar to those we target for investment, including first-lien, second-lien and unitranche loans as well as subordinated loans and, to a lesser extent, warrants and other equity securities. The Adviser also serves as the investment adviser to OCCI, a closed-end management investment company that primarily invests in CLO debt and subordinated securities. Therefore, many investment opportunities will satisfy the investment criteria for both OFS Capital and us and, in certain instances, investment opportunities may be appropriate for OCCI and us. OFS Capital operates as a distinct and separate public company and any investment in our common stock will not be an investment in OFS Capital. In addition, our executive officers and both of our independent directors serve in substantially similar capacities for OFS Capital and OCCI. Similarly, the Adviser and/or its affiliates may have other clients with, similar, different or competing investment objectives. In serving in these multiple capacities, our executive officers and directors, the Adviser and/or its affiliates, and members of the Middle Market Investment Committee may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders. As a result, we may not be given the opportunity to participate in certain investments made by investment funds, accounts or other investment vehicles managed by OFSAM and its other affiliates or by members of the Middle Market Investment Committee. However, in order to fulfill its fiduciary duties to its clients, the Adviser intends to allocate investment opportunities in a manner that is fair and equitable over time and is consistent with its allocation policy, investment objective and strategies so that we are not disadvantaged in relation to any other client. Furthermore, an affiliate of the Adviser owns $1 million of shares of our common stock. See “Risk Factors and Potential Conflicts of Interest — We have potential conflicts of interest related to obligations that the Adviser or its affiliates may have to other clients” and “Certain Relationships and Related Party Transactions.” and “— We have potential conflicts of interest related to the purchases and sales that the Adviser makes on our behalf and/or on behalf of Affiliated Accounts.”

The Adviser, OFSAM and their other affiliates have both subjective and objective procedures and policies in place designed to manage the potential conflicts of interest between the Adviser’s fiduciary obligations to us and its similar fiduciary obligations to other clients. For example, such policies and procedures are designed to ensure that investment opportunities are allocated in a fair and equitable manner among us and the Adviser’s other clients. An investment opportunity that is suitable for multiple clients of the Adviser and its affiliates may not be capable of being shared among some or all of such clients and affiliates due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act.

Co-Investments with Affiliates

We may co-invest on a concurrent basis with the Adviser and its affiliates, unless doing so is impermissible under existing regulatory guidance, applicable regulations and the Adviser’s allocation policy. On August 4, 2020, we received the Order from the SEC to permit us to co-invest in portfolio
companies with Affiliated Funds in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as the conditions of the Order. The Order superseded a previous order we received on October 12, 2016 and provides us with greater flexibility to enter into co-investment transactions with Affiliated Funds. Pursuant to the Order, we are generally permitted to co-invest with Affiliated Funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

Conflicts Related to Purchases and Sales

Conflicts may arise when we make an investment in conjunction with an investment being made by Affiliated Accounts, or in a transaction where another Affiliated Account has already made an investment. Investment opportunities are, from time to time, appropriate for more than one Affiliated Account in the same, different or overlapping securities of a portfolio company’s capital structure. Conflicts arise in determining the terms of investments, particularly where these Affiliated Accounts may invest in different types of securities in a single portfolio company. Questions arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be restructured, modified or refinanced.

We may invest in debt and other securities of companies in which other Affiliated Accounts hold those same securities or different securities, including equity securities. In the event that such investments are made by us, our interests will at times conflict with the interests of such other Affiliated Accounts, particularly in circumstances where the underlying company is facing financial distress. Decisions about what action should be taken, particularly in troubled situations, raises conflicts of interest, including, among other things, whether or not to enforce claims, whether or not to advocate or initiate a restructurings or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring. The involvement of multiple Affiliated Accounts at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors, including among us and other Affiliated Accounts. In certain circumstances, we or other Affiliated Accounts may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest.

For example, in the event that one Affiliated Account has a controlling or significantly influential position in a portfolio company, that Affiliated Account may have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Affiliated Account is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a portfolio company. Such management and operational decisions may, at times, be in direct conflict with us or other Affiliated Accounts that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company.

If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, we or other Affiliated Accounts may or may not provide such additional capital, and if provided each Affiliated Account will supply such additional capital in such amounts, if any, as determined by the Adviser and/or the Adviser’s affiliates. Investments by more than one Affiliated Account in a portfolio company also raises the risk of using assets of an Affiliated Account to support positions taken by other Affiliated Accounts, or that a client may remain passive in a situation in which it is entitled to vote. In addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs, different Affiliated Account
mandates or fund differences, or different securities being held. These variations in timing may be
detrimental to us.

The application of our investment mandate as compared to investment mandates of other Affiliated
Accounts and the policies and procedures of the Adviser and the Adviser’s affiliates are expected to vary
based on the particular facts and circumstances surrounding each investment by two or more Affiliated
Accounts, in particular when those Affiliated Accounts are in different classes of an issuer’s capital
structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as
such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or
actual conflicts are addressed.

There can be no assurance that the Adviser’s or its other affiliates’ efforts to allocate any particular
investment opportunity fairly and equitably among all clients for whom such opportunity is appropriate will
result in an allocation of all or part of such opportunity to us. Not all conflicts of interest can be expected
to be resolved in our favor.

Under the Adviser’s allocation policy, if the Adviser is actively seeking investments for two or
more investment vehicles with similar or overlapping investment strategies, an available opportunity will
be allocated based on the provisions governing allocations of such investment opportunities under law or
in the relevant organizational, offering or similar documents, if any, for such investment vehicles. In the
absence of any such provisions, the Adviser will consider the following factors and the weight that should
be given with respect to each of these factors:

- investment guidelines and/or restrictions, if any, under law or set forth in the applicable
  organizational, offering or similar documents for the investment vehicles;
- the status of tax restrictions and tests and other regulatory restrictions and tests;
- risk and return profile of the investment vehicles;
- suitability/priority of a particular investment for the investment vehicles;
- if applicable, the targeted position size of the investment for the investment vehicles;
- the level of available cash for investment with respect to the investment vehicles;
- total amount of funds committed to the investment vehicles; and
- the age of the investment vehicles and the remaining term of their respective investment periods,
  if any.

When not relying on the Order, priority as to opportunities will generally be given to clients that
are in their “ramp-up” period, or the period during which the account has yet to reach sufficient scale such
that its investment income covers its operating expenses, over the accounts that are outside their ramp-up
period but still within their investment or re-investment periods. However, application of one or more of
the factors listed above, or other factors determined to be relevant or appropriate, may result in the allocation
of an investment opportunity to a fund no longer in its ramp-up period over a fund that is still within its
ramp-up period.

In situations where co-investment with such other accounts is not permitted or appropriate, such as
when there is an opportunity to invest in different securities of the same issuer, the Adviser will need to
decide which account will proceed with the investment. The decision by the Adviser to allocate an
opportunity to another entity could cause us to forego an investment opportunity that we otherwise would
have made.

Other Conflicts with Related Parties

We have entered into an Investment Advisory Agreement with the Adviser and will pay the Adviser
a management fee and incentive fee, if applicable. The incentive fee is computed and paid on income that
we may not have yet received in cash. This fee structure may create an incentive for the Adviser to invest
in certain types of securities. Additionally, we rely on investment professionals from the Adviser to assist
our board of directors with the valuation of our portfolio investments. The Adviser’s management fee and incentive fee is based on the value of our investments and there may be a conflict of interest when personnel of the Adviser are involved in the valuation process for our portfolio investments. This could incentivize the Adviser to cause us to make more speculative investments or increase our debt outstanding in an effort to recoup its payment out of additional advisory compensation.

We have entered into an Administration Agreement, pursuant to which OFS Services furnishes us with office facilities, equipment, necessary software licenses and subscriptions and clerical, bookkeeping and record keeping services at such facilities. Under our Administration Agreement, OFS Services performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain and preparing reports to our stockholders and all other reports and materials required to be filed with the SEC or any other regulatory authority.

Pursuant to the Expense Support Agreement, prior to August 3, 2020, the Adviser made Expense Support Payments. As of August 3, 2020, pursuant to the Expense Support Agreement, the Sub-Adviser will make Expense Support Payments. The Adviser or Sub-Adviser will not be entitled to reimbursement if our distribution rate is lower than the distribution rate made at the time the expenses were reimbursed or if the other operating expense ratio at the time of reimbursement exceeds the expense ratio that was in effect at the time the expenses were reimbursed. For this purpose, “other operating expenses” means all of our operating expenses, excluding organizational and offering expenses, base management fees and incentive fees, distribution and stockholder servicing fees, financing fees and interest, and brokerage commissions and extraordinary expenses. In addition, all reimbursement payments hereunder shall be deemed to relate to the unreimbursed expense payments identified by the Adviser or Sub-Adviser from the expense payments made to us within three years prior to the last business day of the quarter in which such reimbursement payment obligation is accrued. The Expense Support Agreement may be terminated by the Adviser or the Sub-Adviser, without payment of any penalty, with or without notice. The expense reimbursement may not be made for the purpose or effect of increasing the amount of the incentive fee to be paid by us to the Adviser or Sub-Adviser.

We will not make any loans or other financing to the Adviser. We are permitted to invest in general partnerships and joint ventures with affiliates of the Adviser and non-affiliates provided certain conditions are met.

Our senior management, members of the Adviser Investment Committees and other investment professionals from the Adviser, OFSAM or its affiliates may serve as directors of, or in a similar capacity with, companies in which we invest or in which we are considering making an investment. Through these and other relationships with a company, these individuals may obtain material non-public information that might restrict our ability to buy or sell the securities of such company under the policies of the company or applicable law.
**VIII. DETERMINATION OF NET ASSET VALUE**

**Determination of Net Asset Value**

The net asset value per share of our outstanding shares of common stock is determined quarterly by dividing the value of total assets minus liabilities by the total number of shares of common stock outstanding at the date as of which the determination is made.

In calculating the value of our total assets each quarter, we assess whether a sufficient number of market quotations are available or whether a sufficient number of indicative prices from pricing services or brokers or dealers have been received, and whether the depth of the markets from which those quotes were received is sufficient to transact at those prices in amounts approximating our positions in such assets. Investments for which sufficient market quotations are available in sufficiently deep markets are valued at such market quotations. Otherwise we undertake, on a quarterly basis, a valuation process as described below:

- For each debt investment, a basic credit rating review process is completed. The risk rating on every credit facility is reviewed and either reaffirmed or revised by the Middle-Market Investment Committee.
- Each portfolio company or investment is valued by a third-party valuation service provider;
- The third-party fair value estimates are reviewed by our management;
- Preliminary valuation conclusions are documented and are then submitted to the Middle-Market Investment Committee for ratification.
- The audit committee of our board of directors reviews the preliminary valuations of the Middle-Market Investment Committee and independent valuation firms and, if appropriate, recommend the approval of the valuations by our board of directors.
- Our board of directors will discuss valuations and determine the fair value of each investment in the portfolio in good faith based on the input of the Adviser and, where appropriate, the respective independent valuation firms.

See “Risk Factors and Potential Conflicts of Interest — Many of our portfolio investments may be recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments.”

We will follow ASC Topic 820 for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are determined with models or other valuation techniques, valuation inputs, and assumptions market participants would use in pricing an asset or liability. Valuation inputs are organized in a hierarchy that gives the highest priority to prices for identical assets or liabilities quoted in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs in the fair value hierarchy are described below:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include: (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, (iii) inputs other than quoted prices that are observable for the asset or liability, and (iv) inputs that are derived principally from or corroborated by observable market data.
Level 3: Unobservable inputs for the asset or liability, and situations where there is little, if any, market activity for the asset or liability at the measurement date.

The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant management judgment or estimation. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers the factors specific to the investment.

We assess the levels of the investments at each measurement date, and transfers between levels are recognized on the subsequent measurement date.

Certain of our investments are exchanged in the non-public market among banks, CLOs and other institutional investors for loans to large U.S. corporations. We classify these loan investments as Level 2 when a sufficient number of market quotations or indicative prices from pricing services or broker/dealers (collectively, “Indicative Prices”) are available, and the depth of the market is sufficient to transact to those prices in amounts approximating our investment position at the measurement date. Additionally, observed transactions at or near the measurement date are also considered Indicative Prices. Investments for which sufficient Indicative Prices exist are generally valued consistent with such Indicative Prices.

Investments that are not valued using Indicative Prices or Transaction Prices (as defined below) are typically valued using two different valuation techniques. We typically estimates the fair value of debt investments by a discounted cash flows technique in which a current price is imputed for the investment based upon an assessment of the expected market yield (or discount rate) for similarly structured investments with a similar level of risk. We consider the current contractual interest rate, the maturity and other terms of the investment relative to risk of the portfolio company and various market indices. A key determinant of portfolio-company risk is the leverage through the investment relative to earnings metrics of the portfolio company. The fair value of our equity investments as well as certain of our non-performing debt investments are estimated through analysis of the portfolio companies’ enterprise value under a market approach. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The primary method for determining enterprise value under the market approach involves multiple analysis whereby appropriate multiples are applied to an earnings metric of the portfolio company, typically EBITDA. EBITDA multiples are typically determined based upon review of market comparable transactions and publicly traded comparable companies, if any. We may also utilize other portfolio-company earnings metrics to determine enterprise value, such as recurring monthly revenue or a delineated measure of portfolio company EBITDA. Application of these valuation methodologies involves a significant degree of judgment by management. In addition, each quarter, we assesses whether an arm’s length transaction occurred in the same security, including our new investments during the quarter, the cost of which (“Transaction Prices”), may be considered a reasonable indication of fair value for up to three months after the transaction date.

Due to the inherent uncertainty of determining the fair value of Level 3 investments, the fair value of the investments may differ significantly from the values that would have been used had a ready market or observable inputs existed for such investments and may differ materially from the values that may ultimately be received or settled. Further, such investments are generally subject to legal and other restrictions, or otherwise are less liquid than publicly traded instruments. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we might realize significantly less than the value at which such investment had previously been recorded. Our investments are subject to market risk. Market risk is the potential for changes in the value due to market changes. Market risk is directly impacted by the volatility and liquidity in the markets in which the investments are traded.
Value Determinations in Connection with the Offering

To the extent that the net asset value per share increases above the offering price, net of sales load, then the offering price per share will require an upward adjustment. Therefore, persons who subscribe for shares of our common stock in the Offering must submit subscriptions for a certain dollar amount, rather than a number of shares of common stock and, as a result, may receive fractional shares of our common stock.

In connection with each subscription closing on the sale of shares of our common stock offered pursuant to this Memorandum on a continuous basis, we expect that our board of directors will delegate to our officers the authority to test that the net proceeds per share from the sale of shares are equal to, or greater than, our current net asset value per share within 48 hours of the date of each monthly subscription closing. Our officers may consult with our board of directors or audit committee members to confirm their determination that we are not selling shares of our common stock at a price which, after deducting up-front sales commissions and dealer manager fees, is below our then current net asset value. We expect that our officers, acting under delegated authority from our board of directors, will consider the following factors, among others, in making such determination:

- the net asset value of our common stock as disclosed in our most recent periodic report filed with the SEC;
- our management’s assessment of whether any material change in net asset value has occurred (including through any realization of net gains from the sale of a portfolio investment), or any material change in the fair value of portfolio investments has occurred, in each case, from the period beginning on the date of the most recently disclosed net asset value to the period ending two days prior to the date of the monthly subscription closing of our common stock; and
- the magnitude of the difference between the net asset value disclosed in the most recent periodic report we filed with the SEC and our officers’ assessment of any material change in the net asset value since the date of the most recently disclosed net asset value, and the offering price of the shares of our common stock at the date of the monthly subscription closing.

Importantly, this determination will not require that we disclose net asset value in connection with each monthly closing and sale of shares of our common stock, but instead will involve the determination by our Adviser and officers, or by our board of directors, that we are not selling shares of our common stock at a price which, after deducting up-front sales commissions and dealer manager fees, is below the then current net asset value within 48 hours of the date of sale.

Moreover, if our common stock at a price which, after deducting up-front sales commissions and dealer manager fees, is below (i) the then current net asset value of our common stock on the date of sale or (ii) trigger the undertaking provided herein to suspend the offering of shares of our common stock if the net asset value fluctuates by certain amounts in certain circumstances, the board of directors or a committee thereof will elect, in the case of clause (i) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine net asset value within two days prior to any such sale to ensure that such sale will not be made at a price which, after deducting up-front sales commissions and dealer manager fees, is below our then current net asset value, and, in the case of clause (ii) above, to comply with such undertaking or to undertake to determine net asset value to ensure that such undertaking has not been triggered.

These processes and procedures will be part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records we are required to maintain under the 1940 Act.
X. SUBSCRIPTION PROCESS; QUALIFICATION STANDARDS

Subscription Process

The common stock described herein has not been registered under the 1933 Act, the securities laws of any other state or the securities laws of any other jurisdiction. The common stock will be offered and sold (i) in the United States under the exemption provided by Section 4(2) of the 1933 Act and Rule 506 of Regulation D promulgated thereunder and other exemptions of similar import in the laws of the states and jurisdictions where the Offering will be made, and (ii) outside of the United States in accordance with Regulation S of the 1933 Act. The common stock described herein will constitute “restricted securities” under the 1933 Act and as such will be subject to certain restrictions on transferability. The common stock may not be transferred or sold unless the common stock has been registered under the 1933 Act or an exemption from registration is available. There is no assurance that registration of the common stock under the 1933 Act or other securities laws will be effected.

To purchase shares in the Offering, you must complete and sign a Subscription Agreement and will be required to represent in the Subscription Agreement, among other customary private placement representations, that you are acquiring common stock for your own account for investment purposes only and not with a view to resale or distribution, that you have received or have access to all information you deems relevant to evaluate the merits and risks of an investment in the Company and that you have the ability to bear the economic risk of an investment in the Company. The Subscription Agreement also requests information from the investor to determine whether the investor meets the Company’s suitability standards. A copy of the Subscription Agreement is attached to this Memorandum as Exhibit A.

An investor must return a completed copy of the Subscription Agreement, with both signature pages executed and all applicable exhibits thereto to our transfer agent, Phoenix American Financial Services, Inc., at the following address:

Hancock Park Corporate Income, Inc.
c/o Phoenix American Financial Services, Inc.
2401 Kerner Blvd.
San Rafael, CA 94901
(415) 485-4500

The original Subscription Agreement must be sent by mail or internationally recognized courier. Failure to provide the original Subscription Agreement may, in the Adviser’s sole and absolute discretion, result in the cancellation of an investor’s subscription.

You should make your check payable to “Hancock Park Corporate Income, Inc.” After you have satisfied the applicable minimum purchase requirement, additional purchases must be for a minimum of $1,000. Pending acceptance of your subscription, proceeds will be deposited into an account for your benefit. You should exercise care to ensure that the applicable Subscription Agreement is filled out correctly and completely. By executing the Subscription Agreement, you will attest that you meet the Company’s suitability standards. Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. In certain circumstances where the suitability review procedures are more lengthy than customary, a subscriber’s check will be promptly deposited into an escrow account after the completion of such suitability review procedures. Within 30 days of our receipt of each completed subscription agreement, we will accept or reject the subscription. We are expecting to close on subscriptions that are received and accepted by us on a semi-monthly basis. If we accept the subscription, we will mail a confirmation within three business days. If for any reason we reject the subscription, we will promptly return the check and the subscription agreement, without interest or deduction, within ten business days after rejecting it.
Minimum Purchase Requirements

Generally, you must initially invest at least $10,000 in our shares to be eligible to participate in the Offering, although purchases of lesser amounts may be accepted in our sole discretion. See “Subscription Process; Qualification Standards — Qualification Standards.” In order to satisfy this minimum purchase requirement, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of $1,000. You should note that an investment in our shares will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Code. If you have previously acquired shares, any additional purchase must be for a minimum of $1,000.

Qualification Standards

The common stock has not been registered under the 1933 Act and, therefore, cannot be sold unless it is subsequently registered under the 1933 Act or an exemption from registration is available. Accordingly, each stockholder must bear the economic risk of its investment in the Company for an indefinite period of time. There can be no assurances that any registration under the 1933 Act will ever be effected or that certain exemptions provided by rules promulgated under the 1933 Act will be available.

Prospective investors should (i) satisfy themselves that an investment in common stock is suitable for them, (ii) examine this Memorandum, which includes the exhibits hereto, and (iii) avail themselves of such additional information about the Offering, the Company and the Adviser and their respective businesses as they consider necessary to make an informed investment decision.

Eligibility criteria for stockholders include but are not limited to the following:

- execution of a legally valid and binding Subscription Agreement and other related documentation;
- compliance with the Subscription Agreement;
- no bankruptcy or insolvency;
- execution of documentation, including the Subscription Agreement; and
- an original investment in the Company in an amount at least equal to $10,000, although purchases of lesser amounts may be accepted in our sole discretion.

Execution of the Subscription Agreement will constitute such investor’s acceptance of the terms and conditions of our Charter.

In addition to these requirements, each stockholder must have funds adequate to meet personal needs and contingencies, must have no need for prompt liquidity from the investment, and must purchase common stock for investment only and not with a view to its sale or distribution. Each stockholder must have sufficient knowledge and experience in financial and business matters generally and in securities investment in particular to be capable of evaluating the merits and risks of investing in the Company. Because of the limited ability to transfer or redeem shares of common stock and the risks of investment (some of which are discussed under “Risk Factors and Potential Conflicts of Interest”), a purchase of common stock would not be suitable for a stockholder who does not meet the suitability standards discussed in this Memorandum.
XI. PLAN OF DISTRIBUTION

General

We are offering shares of our common stock on a continuous basis at a current offering price of $13.50 per share. Our maximum offering requirement will be met if we raise gross proceeds of $200 million from the sale of shares of common stock in the Offering.

In addition, if the net asset value per share were to decline below 97.5% of the offering price, net of sales load (i.e., the sales commission and dealer manager fee), for ten continuous business days (for this purpose, any day on which the principal stock markets in the United States are open for business), then, unless and until our board of directors determines otherwise, we will voluntarily suspend selling shares in the Offering until the net asset value per share is greater than 97.5% of the offering price, net of sales load. Our board of directors may change the offering price at any time such that the offering price, net of sales load, is equal to or greater than net asset value per share when we sell shares of common stock.

The Dealer Manager is CCO Capital, LLC, an affiliate of the Adviser and Sub-Adviser. The Dealer Manager is a member of the Financial Industry Regulatory Authority, or FINRA. The Dealer Manager will act as a distributor of our shares of common stock in the Offering. The Dealer Manager is headquartered at 2398 East Camelback Rd., 4th Floor, Phoenix, AZ 85016.

The shares are being offered on a “best efforts” basis, which means generally that the Dealer Manager is required to use only its best efforts to sell the shares and it has no firm commitment or obligation to purchase any of the shares. The Company intends that the shares of common stock offered pursuant to this Memorandum will not be listed on any national securities exchange during the offering period, and neither the Dealer Manager nor the participating broker-dealers intend to act as market-makers with respect to our common stock. Because no public market is expected for the shares, stockholders will likely have limited ability to sell their shares until there is a liquidity event for the Company.

In order to avoid issuing fractional shares of common stock, the Adviser in its sole discretion may refund any portion of an investor’s subscription proceeds that would otherwise be allocable to a fractional share of common stock.

Commissions

Shares of our common stock will be offered on a “best efforts” basis by the Dealer Manager, and by other selected registered broker/dealers that are members of FINRA, acting as selling agents. The Dealer Manager will manage and oversee the Offering. The Dealer Manager’s best efforts undertaking generally means that the Dealer Manager and selling agents do not guarantee that any specific number of shares of common stock will be sold.

Subject to the exceptions described below, the Dealer Manager will receive on each share of common stock sold:

- a dealer manager fee of 3%; and
- sales commissions of up to 7%.

Generally, all of the sales commission will be reallowed by the Dealer Manager to the selling agents. The Dealer Manager may also reallow any or all of the dealer manager fee to participating selling broker-dealers to compensate them for marketing on behalf of the offering. With respect to the reimbursement of a selling agent’s bona fide due diligence expenses, any bill presented by a selling agent to the Dealer Manager for reimbursement of costs associated with its due diligence activities must be detailed and itemized. Additionally, the Dealer Manager may use a portion of its dealer manager fee to pay for permissible non-cash compensation. Under FINRA Rule 2310, non-cash compensation means any form of compensation received in connection with the sale of our shares of common stock that is not cash.
compensation, including but not limited to merchandise, gifts and prizes, travel expenses, meals and lodging.

Permissible non-cash compensation includes the following:

- an accountable reimbursement for training and education meetings for associated persons of the selling agents;
- gifts that do not exceed $100 per year and are not preconditioned on achievement of a sales target;
- an occasional meal, a ticket to a sporting event or the theater, or comparable entertainment which is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a sales target; and
- contributions to a non-cash compensation arrangement between a selling agent and its associated persons, provided that neither the Adviser nor the Dealer Manager directly or indirectly participates in the selling agent’s organization of a permissible non-cash compensation arrangement.

Notwithstanding the foregoing, the subscription price for:

- the Adviser, its officers, directors and affiliates will be reduced by an amount equal to the dealer manager fee and the sales commission;
- investors who buy shares of common stock through the officers and directors of the Adviser will be reduced by an amount equal to the dealer manager fee and the sales commission;
- registered investment advisors and their clients will be reduced by an amount equal to the sales commission; and
- selling agents and their registered representatives and principals will be reduced by an amount equal to the sales commission.

Volume Discounts

We will offer a reduced purchase price in the Offering to single purchasers on orders of more than $500,000 made through the same selling agent, which we refer to in this Memorandum as “volume discounts.” Sales commissions paid to the Dealer Manager and selling agents will be reduced by the amount of the discount. The purchase price of shares of our common stock will be reduced for each incremental share of common stock purchased in the total volume ranges set forth in the table below.

<table>
<thead>
<tr>
<th>Dollar Volume of Shares of Common Stock Purchased For A “Single” Purchaser</th>
<th>Purchase Price Per Share of Common Stock to Investors</th>
<th>Sales Commission For Incremental Shares of Common Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 - $500,000</td>
<td>$13.50</td>
<td>(No discount) 7.0%</td>
</tr>
<tr>
<td>$500,001 - $1,000,000</td>
<td>$13.37</td>
<td>6.0%</td>
</tr>
<tr>
<td>$1,000,001 - $2,000,000</td>
<td>$13.23</td>
<td>5.0%</td>
</tr>
<tr>
<td>$2,000,001 - $3,000,000</td>
<td>$13.10</td>
<td>4.0%</td>
</tr>
<tr>
<td>$3,000,000 and above</td>
<td>$12.96</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

For example, a single purchaser would receive 40,776.76 shares of common stock rather than 40,740.74 shares of common stock for an investment of $550,000 and the sales commission would be $38,000. The discount would be calculated as follows: On the first $500,000 of the investment, there would be no discount and the purchaser would receive 37,037.04 shares of common stock at $13.50 per share. On the remaining $50,000, the per share price would be $13.37 and the purchaser would receive 3,739.72 shares of common stock. Any reduction of the 7.0% sales commission otherwise payable to the Dealer Manager or a selling agent generally will be credited to the purchaser as additional shares of common stock. In order to avoid issuing fractional shares of common stock, however, the Adviser in its sole discretion may
refund any portion of an investor’s subscription proceeds that would otherwise be allocable to a fractional share of common stock. For example, rather than issuing 40,776.76 shares of common stock to the investor, we would issue 40,776 shares of common stock to the purchaser and refund $10.26 of the subscription proceeds to the purchaser without interest and without deduction for any fees instead of issuing a fractional share of common stock to the purchaser.

For purposes of determining investors eligible for volume discounts, investments made by accounts with the same primary account holder, as determined by the account tax identification number, may be combined. This includes individual accounts and joint accounts that have the same primary holder as any individual account. Investments made through individual retirement accounts may also be combined with accounts that have the same tax identification number as the beneficiary of the individual retirement account.

An eligible investor may request that his/her qualifying purchase within the Offering be combined with his/her previous purchase of shares of common stock by checking the appropriate box on his/her Subscription Agreement and providing the requested information. To the extent an investor qualified for a volume discount on a particular purchase, any subsequent purchase, regardless of the number of shares of common stock subscribed for in that purchase, will also qualify for that volume discount or, to the extent the subsequent purchase when aggregated with the prior purchase(s) qualifies for a greater volume discount, such greater discount.

In the event orders are combined, the sales commission payable with respect to the subsequent purchase of shares of common stock will equal the sales commission per share which would have been payable in accordance with the sales commission schedule set forth above if all purchases had been made simultaneously. Unless investors correctly indicate on the Subscription Agreement that orders are to be combined and provide all other requested information, neither the Company nor the Adviser can be held responsible for failing to combine orders properly.

The volume discount will be prorated among the separate accounts considered to be a single purchaser. The amount of total commissions thus computed will be apportioned pro rata among the individual orders on the basis of the respective amounts of the orders being combined.

Any reduction in sales commissions will reduce the effective purchase price per share to the investor involved but will not alter the subscription proceeds available to the Company except to the extent that subscription proceeds which are otherwise allocable to fractional shares of common stock are refunded to the purchasers as discussed above. All investors will be deemed to have contributed the same amount per share to Company Partnership whether or not the investor receives a discount. Accordingly, for purposes of distributions, investors who pay reduced sales commissions will receive higher returns on their investments in us as compared to investors who do not pay reduced sales commissions.

To help assure an orderly market for the shares of common stock, the Adviser, the Dealer Manager and the selling agents may use such methods as they deem appropriate to allocate shares of common stock among interested investors if they anticipate that demand will exceed the available supply, provided that no changes to compensation may be made. These methods may include, but will not be limited to:

- allocations of shares of common stock to selling agents;
- priority acceptance of subscriptions from previous investors in entities sponsored by affiliates of the Adviser;
- priority treatment for investors whose subscriptions were declined by earlier entities sponsored by affiliates of the Adviser because the number of shares or other units available was not sufficient to accommodate their subscriptions; or
- any other methods as may be approved by the Adviser.

The dealer manager fees and sales commissions will be paid to the Dealer Manager and reallocated to the selling agents approximately every two weeks until the Offering terminates.
The Dealer Manager is an underwriter as that term is defined in the 1933 Act and the sales commissions and dealer manager fees will be deemed underwriting compensation. The Adviser and the Dealer Manager have agreed to indemnify each other, and it is anticipated that the Dealer Manager and each selling agent will agree to indemnify each other against certain liabilities, including liabilities under the 1933 Act.
XII. SHARE REPURCHASE PROGRAM

We do not intend to list our shares on a securities exchange, and we do not expect there to be a public market for our shares. As a result, if you purchase shares of our common stock, your ability to sell your shares will be limited.

Beginning on a date that our board of directors so determines, we intend to conduct quarterly share repurchases of approximately 10% of the weighted average number of our outstanding shares in any 12-month period to allow our stockholders to sell their shares back to us at a price equal to the most recently disclosed net asset value per share of our common stock immediately prior to the date of repurchase. Our share repurchase program includes numerous restrictions that limit your ability to sell your shares.

At the sole discretion of our board of directors, we may use cash on hand, cash available from borrowings and cash from liquidation of investments as of the end of the applicable quarter to repurchase shares. In addition, we will limit repurchases in each quarter to 2.5% of the weighted average number of shares of our common stock outstanding in the prior 12-month period. You may request that we repurchase all of the shares of our common stock that you own.

To the extent that the number of shares of our common stock submitted to us for repurchase exceeds the number of shares that we are able to purchase, we will repurchase shares on a pro rata basis from among the requests for repurchase received by us. Further, we will have no obligation to repurchase shares if the repurchase would violate the restrictions on distributions under federal law or Maryland law, which prohibit distributions that would cause a corporation to fail to meet statutory tests of solvency.

Our board of directors has the right to suspend or terminate the share repurchase program to the extent that it determines that it is in our best interest to do so.

The share repurchase program will terminate on the date that our shares are listed on a national securities exchange, are included for quotation in a national securities market or, in the sole determination of our board of directors, a secondary trading market for the shares otherwise develops. All shares to be repurchased under our share repurchase program must be (i) fully transferable and not be subject to any liens or other encumbrances and (ii) free from any restrictions on transfer. If we determine that a lien or other encumbrance or restriction exists against the shares requested to be repurchased, we will not repurchase any such shares.

The limitations and restrictions described above may prevent us from accommodating all repurchase requests made in any quarter. Our share repurchase program has many limitations, including the limitations described above, and should not in any way be viewed as the equivalent of a secondary market. There is no assurance that we will continue the share repurchase program and repurchase any of your shares pursuant to the share repurchase program or that there will be sufficient funds available to accommodate all of our stockholders’ requests for repurchase. As a result, we may repurchase less than the full amount of shares that you request to have repurchased. If we do not repurchase the full amount of your shares that you have requested to be repurchased, or we determine not to make repurchases of our shares, you will likely not be able to dispose of your shares, even if we under-perform. Any periodic repurchase offers will be subject in part to our available cash and compliance with the RIC qualification and diversification rules and the 1940 Act. Stockholders will not pay a fee in connection with our repurchase of shares under the share repurchase program.
XIII. CERTAIN BDC CONSIDERATIONS

The following discussion is a general summary of the material prohibitions and descriptions governing BDCs generally. It does not purport to be a complete description of all of the laws and regulations affecting BDCs.

**Qualifying Assets.** Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company’s assets, as defined by Section 55 of the 1940 Act. The principal categories of qualifying assets relevant to the Company’s business are any of the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer that:
   a. is organized under the laws of, and has its principal place of business in, the United States;
   b. is not an investment company (other than a small business investment company wholly owned by the BDC) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
   c. satisfies any of the following:
      i. does not have any class of securities that is traded on a national securities exchange;
      ii. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million;
      iii. is controlled by a BDC or a group of companies including a BDC and the BDC has an affiliated person who is a director of the eligible portfolio company; or
      iv. is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million.

2. Securities of any eligible portfolio company controlled by the Company.

3. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

4. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and the Company already owns 60% of the outstanding equity of the eligible portfolio company.

5. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

6. Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.
In addition, a BDC must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above.

Significant Managerial Assistance. A BDC must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the BDC must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the BDC purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company through monitoring of portfolio company operations, selective participation in board and management company meetings, consulting with and advising a portfolio company’s officers or other organizational or financial guidance.

Temporary Investments. Pending investment in other types of qualifying assets, as described above, the Company’s investments could consist of cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment, which are referred to herein, collectively, as temporary investments, so that 70% of the Company’s assets, as defined by Section 55 of the 1940 Act, would be qualifying assets.

Warrants. Under the 1940 Act, a BDC is subject to restrictions on the issuance, terms and amount of warrants, options or rights to purchase shares of capital stock that it may have outstanding at any time. In particular, the amount of capital stock that would result from the conversion or exercise of all outstanding warrants, options or rights to purchase capital stock cannot exceed 25% of the BDC’s total outstanding shares of capital stock.

Senior Securities; Coverage Ratio. The Company would be permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to the common stock if its asset coverage, as defined in the 1940 Act, would at least equal to 200% immediately after each such issuance. However, recent legislation has modified the 1940 Act by allowing a BDC to increase the maximum amount of leverage it may incur from an asset coverage ratio of 200% to an asset coverage ratio of 150%, if certain requirements are met. The Company would be permitted to increase its leverage capacity if stockholders representing at least a majority of the votes cast, when quorum is met, approve a proposal to do so. If the Company receives such stockholder approval, it would be permitted to increase its leverage capacity on the first day after such approval. Alternatively, the Company may increase the maximum amount of leverage it may incur to an asset coverage ratio of 150% if the “required majority” (as defined in Section 57(o) of the 1940 Act) of its board of directors approve such increase with such approval becoming effective after one year; provided, however, that the Company must extend to its stockholders as of the date of approval by the “required majority” the opportunity to sell the shares of its common stock that they hold. In either case, the Company would be required to make certain disclosures on its website and in SEC filings regarding, among other things, the receipt of approval to increase its leverage, its leverage capacity and usage, and risks related to leverage.

In addition, while any senior securities remain outstanding, the Company would be required to make provisions to prohibit any dividend distribution to its stockholders or the repurchase of such securities or shares unless it meets the applicable asset coverage ratios at the time of the dividend distribution or repurchase. The Company would also be permitted to borrow amounts up to 5% of the value of its total assets for temporary or emergency purposes, which borrowings would not be considered senior securities.

On November 6, 2018 a “required majority” (as defined in Section 57(o) of the 1940 Act) of the Company’s board of directors approved the application of the reduced asset coverage ratio to us. In
accordance with the SBCAA, we extended to each of our stockholders as of November 6, 2018, an offer to repurchase the equity securities held by such stockholders, with 25% of such equity securities to be repurchased in each of the four quarters following November 6, 2018. As a result, the asset coverage ratio test applicable to us decreased from 200% to 150%, effective November 6, 2019, assuming that additional borrowings are available.

**Code of Ethics.** The Company is required to adopt and maintain a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code would be permitted to invest in securities for their personal investment accounts, including securities that may be purchased or held by the Company, so long as such investments are made in accordance with the code’s requirements.

**Affiliated Transactions.** The Company may be prohibited under the 1940 Act from conducting certain transactions with its affiliates without the prior approval of its directors who are not interested persons and, in some cases, the prior approval of the SEC. On August 4, 2020, we received the Order from the SEC to permit us to co-invest in portfolio companies with Affiliated Funds in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as the conditions of the Order. The Order superseded a previous order we received on October 12, 2016 and provides us with greater flexibility to enter into co-investment transactions with Affiliated Funds. Pursuant to the Order, we are generally permitted to co-invest with Affiliated Funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

**Other.** The Company may be periodically examined by the SEC for compliance with the 1940 Act, and be subject to the periodic reporting and related requirements of the Securities Exchange Act of 1934 Act, as amended.

The Company is also required to provide and maintain a bond issued by a reputable fidelity insurance company to protect against larceny and embezzlement. Furthermore, as a BDC, the Company would be prohibited from protecting any director or officer against any liability to its stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person’s office.

The Company is also required to designate a chief compliance officer and to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws and to review these policies and procedures annually for their adequacy and the effectiveness of their implementation.

The Company is not permitted to change the nature of its business so as to cease to be, or to withdraw its election as, a BDC unless approved by a majority of its outstanding voting securities. A majority of the outstanding voting securities of a company is defined under the 1940 Act as the lesser of: (i) 67% or more of such company’s shares present at a meeting if more than 50% of the outstanding shares of such company are present or represented by proxy, or (ii) more than 50% of the outstanding shares of such company.
XIV. TAX AND ERISA CONSIDERATIONS

Certain U.S. Federal Income Tax Considerations

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to the Company and to an investment in the common stock. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, this Memorandum does not describe tax consequences that the Company has assumed to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including persons who hold the common stock as part of a straddle or a hedging, integrated or constructive sale transaction, persons subject to the alternative minimum tax, tax-exempt organizations, insurance companies, financial institutions, brokers or dealers in securities, pension plans and trusts, persons whose functional currency is not the U.S. dollar, U.S. expatriates, RICs, real estate investment trusts, personal holding companies, persons who acquire an interest in the Company in connection with the performance of services, Non-U.S. stockholders (as defined below) engaged in a trade or business in the United States, persons who have ceased to be U.S. citizens or to be taxed as resident aliens, and individual non-U.S. stockholders present in the United States for 183 days or more during a taxable year. Such persons should consult with their own tax advisers as to the U.S. federal income tax consequences of an investment in the Company, which may differ substantially from those described herein.

The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this Memorandum and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. The Company has not sought and will not seek any ruling from the IRS regarding the Offering. Prospective investors should be aware that, although the Company intends to adopt positions it believes are in accord with current interpretations of the U.S. federal income tax laws, the IRS may not agree with the tax positions taken by the Company and that, if challenged by the IRS, the Company’s tax positions might not be sustained by the courts. This summary does not discuss any aspects of U.S. estate, U.S. alternative minimum, or gift tax or foreign, state or local tax. It also does not discuss the special treatment under U.S. federal income tax laws that could result if the Company invested in tax-exempt securities or certain other investment assets.

For purposes of this discussion, a “U.S. stockholder” generally is a beneficial owner of common stock that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the U.S. or of any political subdivision thereof;
- a trust that is subject to the supervision of a court within the U.S. and the control of one or more U.S. persons or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A “Non-U.S. stockholder” is a beneficial owner of common stock that is not a U.S. stockholder or a partnership for U.S. tax purposes.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Any partner of a partnership holding common stock should consult its tax advisers with respect to the purchase, ownership and disposition of such shares. Tax matters are very complicated and the tax consequences to an investor of an investment in shares of our common stock will depend on the facts of his, her or its particular situation. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER WITH RESPECT TO THE
FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF THE
PURCHASE AND OWNERSHIP OF SHARES OF OUR COMMON STOCK.

Taxation as a Regulated Investment Company

The Company has elected to be taxed as and intends to qualify each year for taxation as a RIC. As a RIC, the Company generally will not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that the Company distributes to the stockholders as dividends. To qualify as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to qualify for taxation as a RIC, the Company must timely distribute to its stockholders, for each taxable year, at least 90% of the Company’s “investment company taxable income,” which is generally the Company’s net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the “Annual Distribution Requirement”).

If the Company:

- qualifies as a RIC; and
- satisfies the Annual Distribution Requirement,

then the Company will not be subject to U.S. federal income tax on the portion of the Company’s investment company taxable income and net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) it distributes (or is deemed to distribute) to stockholders. The Company will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gains not distributed (or deemed distributed) to its stockholders.

The Company will be subject to a 4% nondeductible U.S. federal excise tax on certain undistributed income of RICs unless the Company distributes in a timely manner an amount at least equal to the sum of (i) 98% of the Company’s net ordinary income for each calendar year, (ii) 98.2% of the amount by which the Company’s capital gains exceed its capital losses (adjusted for certain ordinary losses) for the one-year period ending October 31 in that calendar year and (iii) any ordinary income or capital gains recognized but not distributed, in preceding years and on which we paid no U.S. federal income tax (the “Excise Tax Avoidance Requirement”). While the Company intends to timely distribute it income and capital gains in order to avoid imposition of this 4% U.S. federal excise tax, the Company may not be successful in avoiding entirely the imposition of this tax. In that case, the Company will be liable for the tax only on the amount by which the Company does not meet the foregoing distribution requirement.

In order to qualify as a RIC for U.S. federal income tax purposes, the Company must, among other things:

- continue to qualify as a BDC under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of the Company’s gross income from dividends, interest, payments with respect to loans of certain securities, gains from the sale of stock or other securities or foreign currencies, net income from certain “qualified publicly traded partnerships,” or other income derived with respect to the Company’s business of investing in such stock or securities (the “90% Income Test”); and
- diversify the Company’s holdings so that at the end of each quarter of the taxable year:
  o at least 50% of the value of the Company’s assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of the Company’s assets or more than 10% of the outstanding voting securities of the issuer; and
  o no more than 25% of the value of the Company’s assets is invested in the (i) securities, other than U.S. government securities or securities of other RICs, of one issuer, (ii) securities of two or more issuers that are controlled, as determined under applicable Code rules, by the Company
and that are engaged in the same or similar or related trades or businesses or (iii) securities of
one or more “qualified publicly traded partnerships” (the “Diversification Tests”).

We may invest in partnerships, including qualified publicly traded partnerships, which may result
in our being subject to state, local or foreign income taxes, franchise taxes, or withholding liabilities. To
the extent that we invest in entities treated as partnerships for U.S. federal income tax purposes (other than
a “qualified publicly-traded partnership”), we generally must include the items of gross income derived by
the partnerships for purposes of the 90% Income Test, and the income that is derived from a partnership
(other than a “qualified publicly-traded partnership”) will be treated as qualifying income for purposes of
the 90% Income Test only to the extent that such income is attributable to items of income of the partnership
which would be qualifying income if realized by us directly.

In order to meet the 90% Income Test, we may establish one or more special purpose corporations
to hold assets from which we do not anticipate earning dividend, interest or other qualifying income under
the 90% Income Test. Any investments held through a special purpose corporation would generally be
subject to U.S. federal income and other taxes, and therefore we can expect to achieve a reduced after-tax
yield on such investments.

For federal income tax purposes, the Company may be required to recognize taxable income in
circumstances in which the Company does not receive a corresponding payment in cash. For example, if
the Company holds debt obligations that are treated under applicable tax rules as having OID or debt
instruments with PIK interest, the Company must include in income each year a portion of the OID that
accrues over the life of the obligation, regardless of whether cash representing such income is received by
the Company in the same taxable year. The Company also may have to include in income other amounts
that it has not yet received in cash, such as PIK interest and deferred loan origination fees that are paid after
origination of the loan. Because any OID or other amounts accrued will be included in the Company’s
investment company taxable income for the year of accrual, the Company may be required to make a
distribution to its stockholders in order to satisfy the Annual Distribution Requirement and to avoid
corporate-level U.S. federal income and excise taxes, even though the Company will not have received the
 corresponding cash amount.

Although the Company does not presently expect to do so, the Company is authorized to borrow
funds, to sell assets and to make taxable distributions of the Company’s stock and debt securities in order
to satisfy the Annual Distribution Requirement and to avoid corporate-level U.S. federal income and excise
taxes. The Company’s ability to dispose of assets to meet its distribution requirements may be limited by
(i) the illiquid nature of the Company’s portfolio and/or (ii) other requirements relating to the Company’s
status as a RIC, including the Diversification Tests. If the Company disposes of assets in order to meet the
Annual Distribution Requirement or the Excise Tax Avoidance Requirement, the Company may make such
dispositions at times that, from an investment standpoint, are not advantageous. If the Company is unable
to obtain cash from other sources to satisfy the Annual Distribution Requirement, the Company may fail to
qualify for tax treatment as a RIC and become subject to tax as an ordinary corporation.

Under the 1940 Act, the Company is not permitted to make distributions to its stockholders while
its debt obligations and other senior securities are outstanding unless certain “asset coverage” tests are met.
In addition, the Company may be subject to certain financial covenants under loan and credit agreements
that could, under certain circumstances, restrict its ability to make distributions necessary to satisfy the
Annual Distribution Requirement and to avoid corporate-level U.S. federal income and excise taxes. If the
Company is prohibited from making distributions, the Company may fail to qualify for tax treatment as a
RIC and become subject to tax as an ordinary corporation.

The Company may be required to sell assets in order to satisfy with the Diversification Tests.
However, the Company’s ability to dispose of assets to meet the Diversification Tests may be limited by
the illiquid nature of the Company’s portfolio. If the Company dispose of assets in order to meet the
Diversification Tests, it may make such dispositions at times that, from an investment standpoint, are not advantageous and may result in substantial losses.

Certain of the Company’s investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things: (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions; (ii) convert lower taxed long-term capital gain into higher taxed short-term capital gain or ordinary income; (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited); (iv) cause the Company to recognize income or gain without a corresponding receipt of cash; (v) adversely affect the time as to when a purchase or sale of securities is deemed to occur; (vi) adversely alter the characterization of certain complex financial transactions; and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test described above. The Company will monitor its transactions and may make certain tax decisions in order to mitigate the potential adverse effect of these provisions. Furthermore, a portfolio company may face financial difficulty that requires the Company to work-out, modify or otherwise restructure its investment in the portfolio company. Any such restructuring may result in unusable capital losses and future non-cash income. Any restructuring may also result in our recognition of a substantial amount of non-qualifying income for purposes of the 90% Income Test.

A RIC is limited in its ability to deduct expenses in excess of its “investment company taxable income” (which is, generally, ordinary income plus the excess of net short-term capital gains over net long-term capital losses). If the Company’s expenses in a given year exceed investment company taxable income, the Company would experience a net operating loss for that year. However, a RIC is not permitted to carry forward net operating losses to subsequent years. In addition, expenses can be used only to offset investment company taxable income, not net capital gain. Due to these limits on the deductibility of expenses, the Company, for tax purposes, may have aggregate taxable income for several years that it is required to distribute and that is taxable to its stockholders even if such income is greater than the aggregate net income it actually earned during those years. Such required distributions may be made from the Company’s cash assets or by liquidation of investments, if necessary. The Company may realize gains or losses from such liquidations. In the event the Company realizes net capital gains from such transactions, a stockholder may receive a larger capital gain distribution than it would have received in the absence of such transactions.

U.S. federal income tax law generally permits RICs to carry forward net capital losses indefinitely. However, future Company transactions may limit its ability to use any capital loss carryforwards, and unrealized losses once realized, under Section 382 of the Code.

Our investment in non-U.S. securities may be subject to non-U.S. income, withholding and other taxes. In that case, our yield on those securities would be decreased. Stockholders will generally not be entitled to claim a credit or deduction with respect to non-U.S. taxes paid by us.

If the Company purchases shares in a “passive foreign investment company” (a “PFIC”), it may be subject to U.S. federal income tax on its allocable share of a portion of any “excess distribution” received on, or any gain from the disposition of, such shares even if its allocable share of such income is distributed as a taxable dividend to its stockholders. Additional charges in the nature of interest generally will be imposed on the Company in respect of deferred taxes arising from any such excess distribution or gain. If the Company invests in a PFIC and elects to treat the PFIC as a “qualified electing fund” under the Code (a “QEF”), in lieu of the foregoing requirements, the Company will be required to include in income each year its proportionate share of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed by the QEF. Alternatively, the Company may be able to elect to mark-to-market at the end of each taxable year its shares in a PFIC; in this case, the Company will recognize as ordinary income its allocable share of any increase in the value of such shares, and as ordinary loss its allocable share of any decrease in such value to the extent that any such decrease does not exceed prior increases included in its income. Under either election, the Company may be required to recognize in a year income in excess of distributions from PFICs and proceeds from dispositions of PFIC stock during that year, and such income...
will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4% U.S. federal excise tax.

Some of the income and fees that the Company recognizes may result in ICTI that will not be “qualifying income” for the 90% Income Test. In order to ensure that such income and fees do not disqualify the Company as a RIC for a failure to satisfy the 90% Income Test, the Company may recognize such income and fees directly or indirectly through one or more entities taxed as corporations for U.S. federal income tax purposes. Such corporations are required to pay U.S. corporate income tax on their earnings, which ultimately reduces the Company’s return on such income and fees.

**Failure to Qualify as a RIC**

If the Company is unable to qualify for treatment as a RIC, and certain amelioration provisions are not applicable, the Company would be subject to tax on all of its taxable income (including its net capital gains) at regular corporate rates. The Company would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions, including distributions of net long-term capital gain, would generally be taxable to the Company’s stockholders as ordinary dividend income to the extent of its current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate stockholders would be eligible to claim a dividends received deduction with respect to such dividends; non-corporate stockholders would generally be able to treat such dividends as “qualified dividend income,” which is subject to reduced rates of U.S. federal income tax. Distributions in excess of the Company’s current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. In order to requalify as a RIC, in addition to the other requirements discussed above, the Company would be required to distribute all of its previously undistributed earnings attributable to the period the Company failed to qualify as a RIC by the end of the first year that it intends to requalify as a RIC. If the Company fails to requalify as a RIC for a period greater than two taxable years, it may be subject to regular corporate tax on any net built-in gains with respect to certain of its assets (i.e., the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if the Company had been liquidated) that the Company elects to recognize on requalification or when recognized over the next five years.

The remainder of this discussion assumes that the Company qualifies as a RIC for each taxable year.

**Taxation of U.S. stockholders**

Distributions by the Company generally will be taxable to U.S. stockholders as ordinary income or capital gains. Distributions of the Company’s “investment company taxable income” (which is, generally, the Company’s net ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of the Company’s current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent such distributions paid by the Company to stockholders taxed at individual rates are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions (“Qualifying Dividends”) may be eligible for a current maximum tax rate of 20%. In this regard, it is anticipated that distributions paid by the Company will generally not be attributable to dividends and, therefore, generally will not qualify for the 20% maximum rate applicable to Qualifying Dividends. Distributions of the Company’s net capital gains (which are generally the Company’s realized net long-term capital gains in excess of realized net short-term capital losses) properly reported by the Company as “capital gain dividends” will be taxable to a U.S. stockholder as long-term capital gains that are currently taxable at a maximum rate of 20% in the case of stockholders taxed at individual rates, regardless of the U.S. stockholder’s holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of the Company’s earnings and profits
first will reduce a U.S. stockholder’s adjusted tax basis in such stockholder’s common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

The Company may retain some or all of the Company’s realized net long-term capital gains in excess of realized net short-term capital losses, but designate the retained net capital gain as a “deemed distribution.” In that case, among other consequences, the Company will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by the Company. If the amount of tax that U.S. stockholders will be treated as having paid exceeds the tax they owe on the capital gain distribution and such excess generally may claimed as a credit against the U.S. stockholder’s other U.S. federal income tax obligations or may be refunded to the extent it exceeds a U.S. stockholder’s liability for U.S. federal income tax. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder’s cost basis for his, her or its common stock. In order to utilize the deemed distribution approach, the Company must provide written notice to its stockholders prior to the expiration of 60 days after the close of the relevant taxable year.

The Company may distribute taxable distributions that are payable in cash or shares of the Company’s common stock at the election of each U.S. stockholder. Under certain applicable provisions of the Code and the U.S. Treasury regulations and certain IRS guidance, distributions by RICs that are payable in cash or in shares of stock at the election of stockholders are treated as taxable distributions. The IRS has published a revenue procedure indicating that, in the case of publicly offered RICs, this rule will apply where the total amount of cash to be distributed is not less than 20% of the total distribution. Under this revenue procedure, if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). In no event will any stockholder electing to receive cash, receive less than the lesser of (a) the portion of the distribution such stockholder has elected to receive in cash or (b) an amount equal to his, her or its entire distribution times the percentage limitation on cash available for distribution. If the Company decides to make any distributions consistent with this guidance that are payable in part in its stock, taxable U.S. stockholders receiving such distributions will be required to include the full amount of the distribution (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain distribution) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, the Company may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock.

For purposes of determining (i) whether the Annual Distribution Requirement is satisfied for any year and (ii) the amount of capital gain dividends paid for that year, the Company may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If the Company makes such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by the Company in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by the Company’s U.S. stockholders on December 31 of the year in which the dividend was declared.

If an investor purchases shares of common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution. However, the stockholder will be taxed on
the distribution as described above, despite the fact that, economically, it may represent a return of his, her or its investment.

A U.S. stockholder generally will recognize taxable gain or loss if the U.S. stockholder sells or otherwise disposes of his, her or its shares of common stock. The amount of gain or loss will be measured by the difference between such U.S. stockholder’s adjusted tax basis in the common stock sold and the amount of the proceeds received in exchange. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the U.S. stockholder has held his, her or its shares for more than one year. Otherwise, it will be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of common stock may be disallowed if other shares of common stock are purchased within 30 days before or after the disposition.

In general, U.S. stockholders taxed at individual rates currently are subject to a maximum U.S. federal income tax rate of 20% on their recognized net capital gain (i.e., the excess of recognized net long-term capital gains over recognized net short-term capital losses, subject to certain adjustments), including any long-term capital gain derived from an investment in the Company’s shares. Such rate is lower than the maximum rate on ordinary income currently payable by such U.S. stockholders. In addition, individuals with modified gross incomes in excess of $200,000 ($250,000 in the case of married individuals filing jointly) and certain estates and trusts are subject to an additional 3.8% tax on their “net investment income,” which generally includes gross income from interest, dividends, annuities, royalties, and rents, and net capital gains (other than certain amounts earned from trades or businesses), reduced by certain deductions allocable to such income. Corporate U.S. stockholders currently are subject to U.S. federal income tax on net capital gain at the maximum 21% rate also applied to ordinary income. Non-corporate U.S. stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year. Any net capital losses of a non-corporate U.S. stockholder in excess of $3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate U.S. stockholders generally may not deduct any net capital losses for a year, but may carry back such losses for three years or carry forward such losses for five years.

Under applicable Treasury regulations, if a U.S. stockholder recognizes a loss with respect to shares of $2 million or more for a non-corporate U.S. stockholder or $10 million or more for a corporate U.S. stockholder in any single taxable year (or a greater loss over a combination of years), the U.S. stockholder must file with the IRS a disclosure statement on Form 8886. Direct U.S. stockholders of portfolio securities are in many cases excepted from this reporting requirement, but under current guidance, U.S. stockholders of a RIC are not excepted. Future guidance may extend the current exception from this reporting requirement to U.S. stockholders of most or all RICs. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. U.S. stockholders should consult their own tax advisers to determine the applicability of these regulations in light of their individual circumstances.

The Company (or the applicable withholding agent) will send to each of its U.S. stockholders, as promptly as possible after the end of each calendar year, a notice reporting the amounts includible in such U.S. stockholder’s taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year’s distributions generally will be reported to the IRS (including the amount of dividends, if any, eligible for the 20% maximum rate). Dividends paid by the Company generally will not be eligible for the dividends-received deduction or the preferential tax rate applicable to Qualifying Dividends because the Company’s income generally will not consist of dividends. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder’s particular situation.
The Company may be required to withhold U.S. federal income tax (“backup withholding”) from all distributions to certain U.S. stockholders (i) who fail to furnish the Company with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding or (ii) with respect to whom the IRS notifies the Company that such stockholder furnished an incorrect taxpayer identification number or failed to properly report certain interest and dividend income to the IRS and to respond to notices to that effect. An individual’s taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder’s federal income tax liability, provided that proper information is provided to the IRS.

The Company does not currently qualify as a “publicly offered regulated investment company,” as defined in the Code. Accordingly, U.S. individual and other non-corporate stockholders will be taxed as though they received a distribution of some of the Company’s expenses. A “publicly offered regulated investment company” is a RIC whose shares are either (i) continuously offered pursuant to a public offering, (ii) regularly traded on an established securities market, or (iii) held by at least 500 persons at all times during the taxable year. The Company anticipates that it will not qualify as a publicly offered RIC for the 2020 tax year, and the Company cannot determine when it will qualify as a publicly offered RIC. Since the Company is not a publicly offered RIC, a non-corporate stockholder’s allocable portion of the Company’s affected expenses, including a portion of its management fees, will be treated as an additional distribution to the stockholder. A non-corporate stockholder’s allocable portion of these expenses are treated as miscellaneous itemized deductions that are not currently deductible by such stockholders (and beginning in 2026, will be deductible to such stockholders only to the extent they exceed 2% of such stockholders’ adjusted gross income) and are not deductible for alternative minimum tax purposes.

**Taxation of Tax-Exempt U.S. Stockholders**

A U.S. stockholder that is a tax-exempt organization for U.S. federal income tax purposes and therefore generally exempt from U.S. federal income taxation may nevertheless be subject to taxation to the extent that it is considered to derive unrelated business taxable income (“UBTI”). The direct conduct by a tax-exempt U.S. stockholder of the activities the Company proposes to conduct could give rise to UBTI. However, a BDC is a corporation for U.S. federal income tax purposes and its business activities generally will not be attributed to its tax-exempt U.S. stockholders for purposes of determining their treatment under current law. Therefore, a tax-exempt U.S. stockholder generally should not be subject to U.S. taxation solely as a result of the stockholder’s ownership of common stock and receipt of dividends with respect to such common stock. Moreover, under current law, if the Company incurs indebtedness, such indebtedness will not be attributed to a tax-exempt U.S. stockholder. Therefore, a tax-exempt U.S. stockholder should not be treated as earning income from “debt-financed property” and dividends the Company pays should not be treated as “unrelated debt-financed income” solely as a result of indebtedness that the Company incurs. Legislation has been introduced in Congress in the past, and may be introduced again in the future, which would change the treatment of “blocker” investment vehicles interposed between tax-exempt investors and non-qualifying investments if enacted. In the event that any such proposals were to be adopted and applied to BDCs, the treatment of dividends payable to tax-exempt investors could be adversely affected. In addition, special rules would apply if the Company were to invest in certain real estate mortgage investment conduits, certain real estate investment trusts or other taxable mortgage pools, which the Company does not currently plan to do, that could result in a tax-exempt U.S. stockholder recognizing income that would be treated as UBTI.

**Taxation of Non-U.S. Stockholders**

The following discussion only applies to certain Non-U.S. stockholders. Whether an investment in common stock is appropriate for a Non-U.S. stockholder will depend upon that person’s particular circumstances. An investment in the shares by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisers before investing in the common stock. The following discussion does not apply to Non-U.S. stockholders that are engaged in a U.S. trade or business
or hold their shares in connection with a U.S. trade or business. Such Non-U.S. stockholders should consult their tax advisers to determine the consequences to them of investing in shares of the Company’s common stock.

Distributions of the Company’s “investment company taxable income” to Non-U.S. stockholders (including interest income and realized net short-term capital gains in excess of realized long-term capital losses, which generally would be free of withholding if paid to Non-U.S. stockholders directly) will be subject to withholding of U.S. federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of the Company’s current and accumulated earnings and profits unless an applicable exception applies. No withholding is required with respect to certain distributions if (i) the distributions are properly reported as “interest-related dividends” or “short-term capital gain dividends,” (ii) the distributions are derived from sources specified in the Code for such dividends and (iii) certain other requirements are satisfied. No assurance can be provided as to whether any of the Company’s distributions will be reported as eligible for this exemption. (Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisers.)

Actual or deemed distributions of the Company’s net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of common stock, will generally not be subject to federal withholding tax and generally will not be subject to U.S. federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder.

The tax consequences to Non-U.S. stockholders entitled to claim the benefits of an applicable tax treaty or that are individuals that are present in the U.S. for 183 days or more during a taxable year may be different from those described herein. Non-U.S. stockholders are urged to consult their tax advisers with respect to the procedure for claiming the benefit of a lower treaty rate and the applicability of foreign taxes.

If the Company distributes the Company’s net capital gains in the form of deemed rather than actual distributions, a Non-U.S. stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder’s allocable share of the tax the Company pays on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a refund claim even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return.

The Company must generally report to its Non-U.S. stockholders and the IRS the amount of dividends paid during each calendar year and the amount of any tax withheld. Information reporting requirements may apply even if no withholding was required because the distributions were effectively connected with the Non-U.S. stockholder’s conduct of a United States trade or business or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the Non-U.S. stockholder resides or is established. Under U.S. federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to “backup withholding” at the then applicable rate (currently 24%). Backup withholding, however, generally will not apply to distributions to a Non-U.S. stockholder of common stock, provided the Non-U.S. stockholder furnishes to the Company the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN, IRS Form W-8BEN-E, or IRS Form W-8ECI, or certain other requirements are met. Backup withholding is not an additional tax but can be credited against a Non-U.S. stockholder’s federal income tax, and may be refunded to the extent it results in an overpayment of tax and the appropriate information is timely supplied to the IRS.

Legislation commonly referred to as the “Foreign Account Tax Compliance Act,” or “FATCA,” generally imposes a 30% withholding tax on payments of certain types of income to foreign financial institutions (“FFIs”) unless such FFIs either (i) fail to enter into an agreement with the U.S. Treasury to report certain required information with respect to accounts held by U.S. persons (or held by foreign entities
that have U.S. persons as substantial owners) or (ii) reside in a jurisdiction that has entered into an agreement with the United States to collect and share such information and comply with the requirements of such agreement and any enabling legislation or administrative rules or regulations. The types of income subject to the tax include U.S. source interest and dividends. While existing U.S. Treasury regulations would also require withholding on payments of the gross proceeds from the sale of any property that could produce U.S. source interest and dividends, the U.S. Treasury Department has indicated in subsequent proposed regulations its intent to eliminate this requirement.

The information required to be reported includes the identity and taxpayer identification number of each account holder that is a U.S. person and certain transaction activity within the holder’s account. In addition, subject to certain exceptions, this legislation also imposes a 30% withholding on payments to foreign entities that are not financial institutions unless the foreign entity certifies that it does not have a greater than 10% U.S. owner or provides the withholding agent with identifying information on each greater than 10% U.S. owner. Depending on the status of a Non-U.S. stockholder and the status of the intermediaries through which they hold their shares, Non-U.S. stockholders could be subject to this 30% withholding tax with respect to distributions on their shares and proceeds from the sale of their shares. Under certain circumstances, a Non-U.S. stockholder might be eligible for refunds or credits of such taxes.

Non-U.S. stockholders should consult their own tax advisers with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

Certain ERISA and Related Considerations

Each prospective investor which is an employee benefit plan or trust subject to the fiduciary responsibility provisions of ERISA (such plans or trusts referred to herein as “ERISA Plans”), or which is a plan within the meaning of section 4975(e)(1) of the Code (including individual retirement accounts (“IRAs”) or Keogh plans covering only self-employed individuals (“Keogh Plans”)), should consider the matters described below in determining whether to invest in the Company. Such plans, trusts and accounts are referred to herein as “Plans.”

General Fiduciary Rules

Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirements of investment prudence and diversification, requirements respecting the delegation of investment authority and the requirement that an ERISA Plan’s investment be made in accordance with the documents governing the Plan. Plan fiduciaries must give appropriate consideration to, among other things, the role that an investment in the Company’s stock has in the Plan’s investment portfolio, taking into account the Plan’s purposes, the risk of loss and the potential return in respect of such investment, the composition of the Plan’s portfolio, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the Plan and the projected return of the portfolio relative to the Plan’s funding objectives. Keogh Plan and IRA investors should also consider whether an investment in the Company’s stock is appropriate for their Keogh Plans or IRAs.

Prohibited Transactions

ERISA generally prohibits a fiduciary from causing an ERISA Plan to engage in a broad range of transactions involving the assets of the ERISA Plan and persons having a specified relationship to the Plan (“parties in interest”) unless a statutory or administrative exemption applies. Similar prohibitions are contained in section 4975 of the Code and generally apply with respect to ERISA Plans, Keogh Plans, IRAs and other Plans. An excise tax may be imposed pursuant to section 4975 of the Code on persons having a specified relationship with a Plan (“disqualified persons”) in respect of prohibited transactions involving the assets of the Plan. Generally speaking, parties in interest for purposes of ERISA would be disqualified persons under section 4975 of the Code.
If the assets of the Company are treated for purposes of ERISA and section 4975 of the Code as the assets of the Plans that invest in the Company, the Adviser could be considered a fiduciary of such Plans, and certain transactions that the Company might enter into in the ordinary course of its business might constitute “prohibited transactions” under ERISA and the Code, thereby potentially subjecting fiduciaries of the Plans to personal liability and civil penalties and potentially resulting in the imposition of an excise tax under section 4975 of the Code upon the disqualified person(s) involved in the transaction.

**Plan Assets**

The Plan Asset Provisions describe what constitutes the assets of a Plan for purposes of various provisions of ERISA and section 4975 of the Code when a Plan invests in the equity of an entity such as the Company. If a Plan invests in an equity interest that is neither a publicly-offered security nor a security issued by an investment company registered under the 1940 Act, the Plan’s assets generally include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless it is established that the entity is an operating company or that equity participation in the entity by Benefit Plan Investors is not “significant.” The term “Benefit Plan Investor” is defined in the Plan Asset Provisions as (a) any employee benefit plan (as defined in Section 3(3) of ERISA) subject to the fiduciary provisions (Part 4) of Title I of ERISA, (b) any plan described in Section 4975(e)(1) of the Code or (c) any entity whose underlying assets include plan assets by reason of a plan’s investment in the entity.

Under the Plan Asset Provisions, equity participation in an entity by Benefit Plan Investors is “significant” on any date if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the value of any class of equity interests is held by Benefit Plan Investors. For purposes of this determination, the value of equity interests held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the entity or that provides investment advice for a fee (direct or indirect) with respect to such assets (or any affiliate of such a person) is disregarded (any such person, a “Controlling Person”). Currently, the interests in the Company are considered “publicly-offered securities” within the meaning of the Plan Asset Provisions; however, if at any time the interests in the Company cease to be considered “publicly-offered securities” within the meaning of the Plan Asset Provisions, the Company will use its best efforts to limit the Benefit Plan Investors’ investments in the Company so that at any given time less than 25% of total outstanding shares of our common stock is beneficially owned by Benefit Plan Investors. Accordingly, the Company will not knowingly approve an investment by a Benefit Plan Investor or transfer to a Controlling Person to the extent that such investment or transfer would result in Benefit Plan Investors owning 25% or more of the value of any class of equity, including the total Capital Commitments, immediately after such purchase or proposed transfer (such percentage determined in accordance with the Plan Asset Provisions).

It is anticipated that the assets of the Company will not be deemed to constitute “plan assets” for purposes of the Plan Asset Provisions.

THE FOREGOING SUMMARY OF ERISA CONSIDERATIONS IS BASED UPON ERISA, JUDICIAL DECISIONS, DEPARTMENT OF LABOR REGULATIONS AND RULINGS IN EXISTENCE ON THE DATE HEREOF, ALL OF WHICH ARE SUBJECT TO CHANGE. THE SUMMARY IS GENERAL IN NATURE AND DOES NOT ADDRESS EVERY ERISA ISSUE THAT MAY BE APPLICABLE TO THE COMPANY OR TO A PARTICULAR INVESTOR. ACCORDINGLY, EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN COUNSEL IN ORDER TO UNDERSTAND THE ERISA ISSUES AFFECTING THE COMPANY AND SUCH PROSPECTIVE INVESTOR.
XV. ADDITIONAL INFORMATION

This Memorandum is solely intended to provide qualified offerees with an introduction to this Offering and to the Company and its proposed business. Prospective investors should not construe the contents of this Memorandum as investment, tax or legal advice. This Memorandum, as well as the nature of an investment in the common stock, should be reviewed by each prospective investor and such investor’s investment, tax and legal advisers.

In order to comply with United States and international laws aimed at the prevention of money laundering and terrorist financing, each prospective investor that is an individual will be required to represent in the Subscription Agreement that, among other things, he is not, nor is any person or entity controlling, controlled by or under common control with the prospective investor, a “Prohibited Person” as defined in the Subscription Agreement (generally, a person involved in money laundering or terrorist activities, including those persons or entities that are included on any relevant lists maintained by the U.S. Treasury Department’s Office of Foreign Assets Control, any senior foreign political figures, their immediate family members and close associates, and any foreign shell bank). Further, each prospective investor which is an entity will be required to represent in the Subscription Agreement that, among other things, (i) it has carried out thorough due diligence to establish the identities of its beneficial owners, (ii) it reasonably believes that no beneficial owner is a “Prohibited Person”, (iii) it holds the evidence of such identities and status and will maintain such information for at least five years from the date of its complete withdrawal from the Company, and (iv) it will make available such information and any additional information that the Company may request.

The Adviser reserves the right to request such further information as they consider necessary to verify the identity of a prospective investor. In the event of delay or failure by the prospective investor to produce any information required for verification purposes, the Adviser may refuse to accept a capital contribution until proper information has been provided and any funds received may be returned without interest to the account from which the funds were originally debited.

No person has been authorized to give any information or to make any representation not contained herein or in a supplement hereto and, if given or made, such other information or representation must not be relied upon. Inquiries should be directed to:

CCO Capital, LLC
2398 East Camelback Rd.
4th Floor
Phoenix, AZ 85016
(602) 778-6600

Prior to purchasing any common stock, prospective investors should review the Subscription Agreement, our Charter and the Investment Advisory Agreement, which together contain important information relating to the Company and the Offering. This Memorandum contains summaries, believed to be accurate, of certain terms of our Charter and the Offering Agreement; these descriptions do not purport to be complete and each such summary description is qualified in its entirety by reference to the actual text of our Charter and the Investment Advisory Agreement.

In addition, this Memorandum will “incorporate by reference” certain information we file with the SEC, which means that we can disclose important information to stockholders by referring them to those documents. The information incorporated by reference is considered to be part of this Memorandum, and later information filed with the SEC will automatically update and supersede this information. We incorporate by reference Amendment No. 1 to the Form 10 filed with the SEC on July 6, 2016; and the Form 10-K filed with the SEC on March 25, 2020; the Form 10-Q filed with the SEC on May 15, 2020; and the Form 8-Ks filed with the SEC on April 24, 2020, May 1, 2020, May 21, 2020, May 28, 2020, June 19, 2020, July 1, 2020, July 21, 2020, July 31, 2020 and August 3, 2020. In addition, we incorporate all
documents subsequently filed with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act prior to the termination of this offering (other than information deemed furnished and not filed in accordance with SEC rules, including pursuant to Items 2.02 and 7.01 of Form 8-K or corresponding information furnished under Item 9.01 or included in a furnished exhibit). Documents filed electronically by the Company with the SEC are available on the SEC’s Internet website at http://www.sec.gov.

We will provide a copy of any or all of the documents that have been incorporated by reference in this Memorandum, without charge, to any person to whom a copy of this Memorandum is delivered, upon oral or written request of such person.
APPENDIX A

RESTRICTIONS ON OFFERINGS IN CERTAIN JURISDICTIONS

It is the responsibility of any prospective investor to satisfy itself as to full compliance with the applicable laws or regulations of any relevant jurisdiction, including obtaining any requisite governmental or other consent and observing any formalities prescribed in such jurisdiction.

NOTICE TO RESIDENTS OF FLORIDA

THE INTERESTS HAVE NOT BEEN REGISTERED WITH THE STATE OF FLORIDA UNDER THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT AND THEREFORE CANNOT BE RESOLD UNLESS THEY ARE REGISTERED UNDER SAID ACT OR ARE EXEMPT FROM REGISTRATION UNDER SAID ACT.

PURSUANT TO THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT, WHEN SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, ANY SALE IN FLORIDA MADE PURSUANT TO SECTION 517.061(11), FLORIDA STATUTES (THE APPLICABLE PROVISION OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT), SHALL BE VOIDABLE BY THE PURCHASER IN SUCH SALE EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER OR AN ESCROW AGENT, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER. STOCKHOLDERS ARE HEREBY NOTIFIED OF SUCH PRIVILEGE.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF NEW YORK

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO NON-U.S. RESIDENTS GENERALLY

IT IS THE RESPONSIBILITY OF ANY PERSONS WISHING TO SUBSCRIBE FOR THE INTERESTS TO INFORM THEMSELVES OF AND TO OBSERVE ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTIONS. PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS AND TAX CONSEQUENCES WITHIN THE COUNTRIES OF THEIR CITIZENSHIP, RESIDENCE, DOMICILE AND PLACE OF BUSINESS WITH RESPECT TO THE ACQUISITION, HOLDING OR DISPOSAL OF THESE SECURITIES AND ANY FOREIGN EXCHANGE RESTRICTIONS THAT MAY BE RELEVANT THERETO.
This First Supplement (this “Supplement”) forms part of the Confidential Fifth Amended and Restated Private Placement Memorandum of Hancock Park Corporate Income Inc. (the “Company”) (as amended, supplemented or modified, the “Memorandum”) and is deemed to be part of the Memorandum and supersedes all conflicting disclosure contained therein. Any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Memorandum.

**Status of Our Offering**

On August 19, 2020, in accordance with the pricing policy set forth in the Memorandum, our board of directors determined that an increase in our offering price from $13.50 per share to $13.75 per share was warranted based on an increase in our net asset value per share to $12.24. This increase in the offering price will become effective with the monthly closing scheduled to occur on or about August 28, 2020 and will be first applied to subscriptions received from July 31, 2020 through August 28, 2020.