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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 814-01154

AUDAX CREDIT BDC INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

47-3039124
(I.R.S. Employer
Identification No.)

101 HUNTINGTON AVENUE
BOSTON, MASSACHUSETTS
(Address of principal executive office)

02199
(Zip Code)

(617) 859-1500
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12 b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 17,831,896 shares of common stock, par value \$0.001 per share, outstanding as of November 14, 2017.

AUDAX CREDIT BDC INC.
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

Statements of Assets and Liabilities as of September 30, 2017 (unaudited) and December 31, 2016	2
Statements of Operations for the three and nine months ended September 30, 2017 (unaudited) and 2016 (unaudited)	3
Statements of Changes in Net Assets for the nine months ended September 30, 2017 (unaudited) and 2016 (unaudited)	4
Statements of Cash Flows for the nine months ended September 30, 2017 (unaudited) and 2016 (unaudited)	5
Schedules of Investments as of September 30, 2017 (unaudited) and December 31, 2016	6
Notes to Financial Statements (unaudited)	10

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

Overview	29
Results of Operations	30
Financial Condition, Liquidity and Capital Resources	32

Item 3. Quantitative and Qualitative Disclosures About Market Risk [39](#)

Item 4. Controls and Procedures [40](#)

PART II. OTHER INFORMATION:

Item 1. Legal Proceedings [40](#)

Item 1A. Risk Factors [40](#)

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds [40](#)

Item 3. Defaults Upon Senior Securities [40](#)

Item 4. Mine Safety Disclosures [40](#)

Item 5. Other Information [41](#)

Item 6. Exhibits [41](#)

SIGNATURES [42](#)

Audax Credit BDC Inc.**Statements of Assets and Liabilities****September 30, 2017 and December 31, 2016****(Expressed in U.S. Dollars)**

	September 30, 2017 (unaudited)	December 31, 2016
Assets		
Investments, at fair value		
Non-Control/Non-Affiliate investments (Cost of \$161,783,344 and \$142,646,651, respectively)	\$ 162,115,628	\$ 143,789,221
Cash and cash equivalents	18,567,470	30,566,068
Interest receivable	415,657	383,771
Receivable from bank loan repayment	25,000	6,773
Other assets	42,651	942
Total assets	\$ 181,166,406	\$ 174,746,775
Liabilities		
Accrued expenses and other liabilities	\$ 200,654	\$ 199,175
Fee due to administrator ^(a)	66,250	21,875
Fees due to investment advisor, net of waivers ^(a)	421,742	440,625
Payable for investments purchased	8,348,551	3,715,439
Total liabilities	\$ 9,037,197	\$ 4,377,114
Commitments and contingencies ^(b)		
Net Assets		
Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 17,831,896 and 17,831,894 shares issued and outstanding, respectively	\$ 17,832	\$ 17,832
Capital in excess of par value	169,483,533	169,483,511
Accumulated net appreciation on investments	332,284	1,142,570
Accumulated net realized gain	336,896	-
Accumulated net investment income (loss)	1,958,664	(274,252)
Total Net Assets	\$ 172,129,209	\$ 170,369,661
Net Asset Value per Share of Common Stock at End of Period	\$ 9.65	\$ 9.55
Shares Outstanding	17,831,896	17,831,894

^(a) Refer to Note 4-*Related Party Transactions* for additional information^(b) Refer to Note 8-*Commitments and Contingencies* for additional information

The accompanying notes are an integral part of these financial statements.

Audax Credit BDC Inc.
Statements of Operations
(Expressed in U.S. Dollars)
(unaudited)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Investment Income				
Interest income				
Non-Control/Non-Affiliate	\$ 2,571,239	\$ 1,810,166	\$ 7,392,141	\$ 4,333,380
Other	35,903	12,061	92,533	40,615
Total interest income	2,607,142	1,822,227	7,484,674	4,373,995
Other income				
Non-Control/Non-Affiliate	36,146	7,948	97,608	25,261
Total income	2,643,288	1,830,175	7,582,282	4,399,256
Expenses				
Base management fee ^(a)	\$ 444,812	\$ 327,577	\$ 1,322,060	\$ 856,763
Incentive fee ^(a)	309,149	231,638	733,773	231,638
Administrative fee ^(a)	66,250	66,250	198,750	198,750
Directors' fees	48,750	45,000	146,250	135,000
Professional fees	139,085	125,825	326,822	523,107
Other expenses	39,368	(119,499)	132,758	74,971
Expenses before waivers from investment adviser and administrator	1,047,414	676,791	2,860,413	2,020,229
Base management fee waivers ^(a)	(155,685)	(114,652)	(462,721)	(299,867)
Incentive fee waivers ^(a)	(273,477)	(200,218)	(654,847)	(200,218)
Administrative fee waivers ^(a)	-	(44,375)	-	(44,375)
Total expenses, net of waivers	618,252	317,546	1,742,845	1,475,769
Net Investment Income	2,025,036	1,512,629	5,839,437	2,923,487
Realized and Unrealized Gain on Investments				
Net realized gain on investments	34,143	39,318	475,073	35,642
Net change in unrealized (depreciation) appreciation on investments	(328,689)	375,578	(810,286)	878,401
Net realized and unrealized (loss) gain on investments	(294,546)	414,896	(335,213)	914,043
Net Increase in Net Assets Resulting from Operations	\$ 1,730,490	\$ 1,927,525	\$ 5,504,224	\$ 3,837,530
Basic and Diluted per Share of Common Stock:				
Net investment income	\$ 0.11	\$ 0.12	\$ 0.33	\$ 0.26
Net increase in net assets resulting from operations	\$ 0.10	\$ 0.15	\$ 0.31	\$ 0.34
Weighted average shares of common stock outstanding basic diluted	17,831,896	12,770,357	17,831,895	11,443,330

^(a)Refer to Note 4-Related Party Transactions for additional information

The accompanying notes are an integral part of these financial statements.

Audax Credit BDC Inc.
Statements of Changes in Net Assets
(Expressed in U.S. Dollars)
(unaudited)

	<u>Nine Months Ended September 30, 2017</u>	<u>Nine Months Ended September 30, 2016</u>
Operations		
Net investment income	\$ 5,839,437	\$ 2,923,487
Net realized gain on investments	475,073	35,642
Net change in unrealized (depreciation) appreciation on investments	(810,286)	878,401
Net increase in net assets resulting from operations	<u>5,504,224</u>	<u>3,837,530</u>
Distributions:		
Distributions to common stockholders from net investment income	(3,606,521)	(152,734)
Distributions to common stockholders from realized gains	(138,177)	-
Total distributions	<u>(3,744,698)</u>	<u>(152,734)</u>
Capital Share Transactions:		
Issuance of common stock	-	38,000,000
Reinvestment of common stock	22	-
Net increase in net assets from capital share transactions	<u>22</u>	<u>38,000,000</u>
Net Increase in Net Assets	<u>1,759,548</u>	<u>41,684,796</u>
Net Assets, Beginning of Period	<u>170,369,661</u>	<u>101,638,501</u>
Net Assets, End of Period	<u>\$ 172,129,209</u>	<u>\$ 143,323,297</u>

The accompanying notes are an integral part of these financial statements.

Audax Credit BDC Inc.
Statements of Cash Flows
(Expressed in U.S. Dollars)
(unaudited)

	<u>Nine Months Ended</u> <u>September 30, 2017</u>	<u>Nine Months Ended</u> <u>September 30, 2016</u>
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 5,504,224	\$ 3,837,530
Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities:		
Net realized gain on investments	(475,073)	(35,642)
Net change in unrealized depreciation (appreciation) on investments	810,286	(878,401)
Accretion of original issue discount interest	(179,181)	(130,770)
Amortization of deferred offering costs	-	72,679
Increase in interest receivable	(31,886)	(146,489)
Increase in receivable from bank loan repayment	(18,227)	(5,006)
Increase in other assets	(41,709)	(38,043)
Increase (decrease) in accrued expenses and other liabilities	1,479	(4,418)
Increase (decrease) in fee due to administrator ^(a)	44,375	(167,802)
(Decrease) increase in fees due to investment advisor ^(a)	(18,883)	186,133
Increase in payable for investments purchased	4,633,112	4,731,950
Investment activity:		
Investments purchased	(79,839,736)	(78,481,727)
Proceeds from investments sold	-	986,294
Repayment of bank loans	61,357,297	9,986,123
Total investment activity	(18,482,439)	(67,509,310)
Net cash used in operating activities	(8,253,922)	(60,087,589)
Cash flows from financing activities:		
Issuance of shares of common stock	-	38,000,000
Distributions paid to common stockholders	(3,744,676)	(152,734)
Net cash (used in) provided by financing activities	(3,744,676)	37,847,266
Net decrease in cash and cash equivalents	(11,998,598)	(22,240,323)
Cash and cash equivalents:		
Cash and cash equivalents, beginning of period	30,566,068	43,155,376
Cash and cash equivalents, end of period	<u>\$ 18,567,470</u>	<u>\$ 20,915,053</u>
Supplemental non-cash information		
Issuance of common shares in connection with dividend reinvestment plan	\$ 22	\$ -

^(a) Refer to Note 4-Related Party Transactions for additional information

The accompanying notes are an integral part of these financial statements.

Audax Credit BDC Inc.
Schedule of Investments
As of September 30, 2017
(Expressed in U.S. Dollars)
(unaudited)

Portfolio Investments ^{(a) (b) (c) (d)}	Par	Cost	Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS - (94.2%)^{(e)(f)}:			
<i>High Tech Industries</i>			
Masergy, Senior Secured Initial Loan (Second Lien), 9.84% (Libor + 8.50%), maturity 12/16/24	\$ 4,000,000	\$ 3,986,275	\$ 3,990,000
Sparta, Senior Secured Initial Term Loan (First Lien), 5.34% (Libor + 4.00%), maturity 8/25/24	3,500,000	3,502,516	3,515,313
Help/Systems, Senior Secured Refinancing Term Loan (First Lien), 5.84% (Libor + 4.50%), maturity 10/8/21	3,482,278	3,478,166	3,490,984
Syncsort, Senior Secured Initial Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 8/16/24	3,500,000	3,465,000	3,473,750
Infogroup, Senior Secured Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 3/28/23	2,987,494	2,948,798	2,912,806
GlobalLogic, Senior Secured Closing Date Term Loan, 5.84% (Libor + 4.50%), maturity 6/20/22	1,990,000	1,972,528	1,990,000
Idera, Senior Secured Initial Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 6/29/24	1,686,682	1,688,298	1,699,332
SciQuest, Senior Secured Term Loan, 6.09% (Libor + 4.75%), maturity 7/28/23	1,487,487	1,480,830	1,476,331
Flexera Software, Senior Secured Term Loan (Second Lien), 8.34% (Libor + 7.00%), maturity 4/2/21	1,000,000	980,738	997,500
CompuSearch Software Systems, Senior Secured Initial Term Loan, 5.59% (Libor + 4.25%), maturity 5/7/21	991,954	991,954	995,674
Intermedia, Senior Secured Initial Term Loan (First Lien), 6.84% (Libor + 5.50%), maturity 2/1/24	997,500	997,500	992,513
ECi Software Solutions, Senior Secured Term Loan, 5.59% (Libor + 4.25%), maturity 9/19/2022	1,000,000	995,000	990,000
Global Knowledge, Senior Secured Initial Term Loan (Second Lien), 11.59% (Libor + 10.25%), maturity 1/20/22	1,000,000	991,526	977,500
EAG, Senior Secured Term Loan, 5.59% (Libor + 4.25%), maturity 7/28/18	876,215	876,091	869,644
Masergy, Senior Secured 2017 Replacement Term Loan (First Lien), 5.09% (Libor + 3.75%), maturity 12/15/23	496,250	493,988	499,972
Endurance Int'l Group, Senior Secured Refinancing Loan, 5.34% (Libor + 4.00%), maturity 2/9/23	492,054	490,859	498,160
McAfee, Senior Secured Closing Date USD Term Loan, 5.84% (Libor + 4.50%), maturity 9/29/24	500,000	495,000	495,000
LANDesk, Senior Secured Term Loan (First Lien), 5.59% (Libor + 4.25%), maturity 1/20/24	498,815	492,580	487,382
<i>Healthcare & Pharmaceuticals</i>			
MedRisk, Senior Secured Term Loan, 5.34% (Libor + 4.00%), maturity 3/1/23	4,054,808	4,030,599	4,054,808
Beaver-Visitec, Senior Secured Closing Date Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 8/19/23	3,963,741	3,963,741	3,963,741
Physicians Endoscopy, Senior Secured Initial Term Loan, 6.34% (Libor + 5.00%), maturity 8/18/23	2,973,466	2,946,573	2,958,599
OB Hospitalist Group, Senior Secured Term Loan (First Lien), 5.59% (Libor + 4.25%), maturity 8/1/24	2,000,000	1,990,138	2,017,500
Sarnova, Senior Secured Term Loan (First Lien), 6.09% (Libor + 4.75%), maturity 1/28/22	1,970,000	1,954,958	1,965,075
Upstream Rehabilitation, Senior Secured Term Loan, 5.34% (Libor + 4.00%), maturity 12/15/21	1,936,242	1,902,087	1,936,242
Specialty Care, Senior Secured Initial Term Loan (First Lien), 5.59% (Libor + 4.25%), maturity 8/25/23	1,500,000	1,508,125	1,509,375
Curo Health Services, Senior Secured Term B Loan (First Lien), 5.34% (Libor + 4.00%), maturity 2/7/22	1,488,577	1,491,942	1,492,998
CareCentrix, Senior Secured Initial Term Loan, 6.34% (Libor + 5.00%), maturity 7/8/21	1,474,949	1,459,314	1,487,607
NAPA, Senior Secured Initial Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 4/19/23	903,118	895,778	896,345
Dermatologists of Central States, Senior Secured Term Loan, 7.84% (Libor + 6.50%), maturity 4/20/22	828,786	819,073	822,570
RMP & MedA/Rx, Senior Secured Term Loan, 6.09% (Libor + 4.75%), maturity 3/2/22	493,750	491,506	490,047
<i>Services: Business</i>			
Sungard Public Sector, Senior Secured Term Loan (Second Lien), 9.84% (Libor + 8.50%), maturity 2/1/25	3,500,000	3,519,577	3,482,500
Systems Maintenance Services, Senior Secured Initial Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 10/28/23	2,977,500	2,950,808	2,955,169
Insight Global, Senior Secured Replacement Facility Term Loan, 5.34% (Libor + 4.00%), maturity 10/31/21	2,941,549	2,941,066	2,926,841
Kellermeyer Bergensons Services, Senior Secured Initial Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 10/29/21	2,348,861	2,335,278	2,351,797
Sterling Backcheck, Senior Secured Initial Term Loan (First Lien), 5.59% (Libor + 4.25%), maturity 6/19/24	1,967,284	1,967,284	1,967,284
CoAdvantage, Senior Secured Term Loan (First Lien), 5.84% (Libor + 4.50%), maturity 10/7/21	1,965,000	1,950,988	1,945,350
First Advantage, Senior Secured Term Loan (First Lien), 6.59% (Libor + 5.25%), maturity 6/30/22	2,000,000	1,988,731	1,945,000
General Info Solutions, Senior Secured Initial Term Loan, 6.09% (Libor + 4.75%), maturity 1/26/23	1,218,750	1,207,305	1,206,563
Service Logic, Senior Secured Initial Term Loan (First Lien), 5.59% (Libor + 4.25%), maturity 7/31/23	1,000,000	995,066	992,500
DBi Services, Senior Secured Term B Loan, 6.59% (Libor + 5.25%), maturity 8/1/21	992,489	983,908	987,526
ACA Compliance Group, Senior Secured Term Loan, 6.09% (Libor + 4.75%), maturity 1/30/21	498,750	494,038	495,009
Sungard Public Sector, Senior Secured Term Loan, 5.59% (Libor + 4.25%), maturity 2/1/24	248,750	247,609	250,616
<i>Chemicals, Plastics & Rubber</i>			
Transcendia, Senior Secured Initial Term Loan (First Lien), 5.34% (Libor + 4.00%), maturity 5/30/24	2,992,500	2,992,612	2,970,056
Universal Fiber Systems, Senior Secured Initial Term Loan (First Lien), 6.09% (Libor + 4.75%), maturity 10/2/21	2,947,496	2,936,151	2,918,021
Zep, Senior Secured Initial Term Loan (First Lien), 5.34% (Libor + 4.00%), maturity 8/12/24	1,500,000	1,492,549	1,507,500
Unifrax, Senior Secured Initial Dollar Term Loan, 5.09% (Libor + 3.75%), maturity 4/4/24	1,246,875	1,243,916	1,257,458
Houghton International, Senior Secured Term Loan (Second Lien), 9.84% (Libor + 8.50%), maturity 12/21/20	1,000,000	1,000,000	1,005,000
Borchers, Senior Secured Term Loan, 6.09% (Libor + 4.75%), maturity 1/13/24	995,000	990,424	987,538
<i>Wholesale</i>			
SRP, Senior Secured Term Loan, 7.84% (Libor + 6.50%), maturity 9/8/23	2,973,434	2,946,256	2,988,301
Ohio Transmission, Senior Secured Initial Term Loan, 5.59% (Libor + 4.25%), maturity 10/2/21	1,974,545	1,960,575	1,974,545
Colony Hardware, Senior Secured Initial Term Loan, 7.34% (Libor + 6.00%), maturity 10/23/21	1,968,753	1,952,961	1,953,988
PetroChoice, Senior Secured Initial Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 8/19/22	1,960,000	1,922,369	1,935,500
ABB Optical, Senior Secured Initial Term Loan (First Lien), 6.34% (Libor + 5.00%), maturity 6/15/23	1,488,741	1,482,762	1,492,462
<i>Banking, Finance, Insurance & Real Estate</i>			
Inst. Shareholder Services, Senior Secured Term Loan (Second Lien), 9.84% (Libor + 8.50%), maturity 4/30/22	3,000,000	2,962,908	2,985,000
Integro Insurance Brokers, Senior Secured Initial Term Loan (First Lien), 7.09% (Libor + 5.75%), maturity 10/30/22	2,948,354	2,854,865	2,915,185
AmeriLife Group, Senior Secured Initial Term Loan (First Lien), 6.09% (Libor + 4.75%), maturity 7/10/22	1,950,647	1,930,029	1,931,140

GENEX Services, Senior Secured Initial Term Loan (Second Lien), 9.09% (Libor + 7.75%), maturity 5/30/22	1,271,000	1,214,397	1,256,701
<i>Services: Consumer</i>			
A Place For Mom, Senior Secured Term Loan, 5.34% (Libor + 4.00%), maturity 7/31/24	2,225,000	2,221,176	2,236,125
CIBT Holdings, Senior Secured Initial Term Loan (First Lien), 5.34% (Libor + 4.00%), maturity 6/1/24	1,995,000	1,990,186	2,005,428
Stratford Schools, Senior Secured Initial Term Loan, 6.34% (Libor + 5.00%), maturity 12/18/21	1,965,000	1,950,266	1,960,088
Smart Start, Senior Secured Initial Term Loan (First Lien), 6.09% (Libor + 4.75%), maturity 2/21/22	1,473,750	1,473,750	1,470,066
<i>Consumer Goods: Durable</i>			
Pelican Products, Senior Secured Term Loan (First Lien), 5.59% (Libor + 4.25%), maturity 4/10/20	3,988,319	3,971,378	4,010,230
Strategic Partners, Senior Secured Initial Term Loan, 5.84% (Libor + 4.50%), maturity 6/30/23	1,985,025	1,979,653	1,985,025

The accompanying notes are an integral part of these financial statements.

Audax Credit BDC Inc.
Schedule of Investments (Continued)
As of September 30, 2017
(Expressed in U.S. Dollars)
(unaudited)

Portfolio Investments ^{(a) (b) (c) (d)}	Par	Cost	Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(d) (Continued):			
<i>Media: Advertising, Printing & Publishing</i>			
Ansira, Senior Secured Initial Term Loan, 7.84% (Libor + 6.50%), maturity 12/20/22	\$ 1,873,209	\$ 1,854,996	\$ 1,859,161
Northstar, Senior Secured Term Loan, 7.59% (Libor + 6.25%), maturity 6/7/22	1,641,513	1,620,358	1,629,202
Imagine! Print Solutions, Senior Secured Term B-1 Loan (First Lien), 6.09% (Libor + 4.75%), maturity 6/21/22	1,492,500	1,478,169	1,481,306
Mspark, Senior Secured Term Loan, 6.84% (Libor + 5.50%), maturity 4/22/21	926,356	918,964	926,356
<i>Aerospace & Defense</i>			
StandardAero, Senior Secured Initial Term Loan, 5.09% (Libor + 3.75%), maturity 7/7/22	2,000,000	2,015,000	2,015,000
MB Aerospace, Senior Secured Initial Term Loan, 6.84% (Libor + 5.50%), maturity 12/15/22	1,967,462	1,951,241	1,967,462
Tronair, Senior Secured Initial Term Loan (First Lien), 6.09% (Libor + 4.75%), maturity 9/8/23	990,000	981,330	980,100
Cadence Aerospace, Senior Secured Term Loan, 7.59% (Libor + 6.25%), maturity 5/9/18	633,841	623,025	633,841
<i>Beverage, Food & Tobacco</i>			
Lipari, Senior Secured Term Loan A, 5.84% (Libor + 4.50%), maturity 10/1/22	1,987,180	1,972,459	1,972,276
Kettle Cuisine, Senior Secured Term Loan, 6.34% (Libor + 5.00%), maturity 8/21/21	1,963,066	1,963,066	1,948,343
Sovos Brands, Senior Secured Initial Term Loan, 5.84% (Libor + 4.50%), maturity 7/18/24	1,000,000	995,089	992,500
<i>Hotel, Gaming & Leisure</i>			
TravelCLICK, Senior Secured Term-1 Loan (First Lien), 5.34% (Libor + 4.00%), maturity 5/6/21	2,940,820	2,940,820	2,959,200
Auto Europe, Senior Secured Initial Dollar Term Loan, 6.34% (Libor + 5.00%), maturity 10/21/23	1,407,692	1,394,506	1,400,654
<i>Capital Equipment</i>			
MW Industries, Senior Secured Term Loan, 5.34% (Libor + 4.00%), maturity 9/29/24	2,500,000	2,487,500	2,487,500
FCx Performance, Senior Secured Term Loan, 5.84% (Libor + 4.50%), maturity 8/4/20	990,000	982,017	987,525
United Flexible, Senior Secured Term Loan, 6.09% (Libor + 4.75%), maturity 2/16/21	490,511	486,336	488,058
<i>Construction & Building</i>			
PlayPower, Senior Secured Initial Term Loan (First Lien), 6.09% (Libor + 4.75%), maturity 6/23/21	1,974,747	1,959,119	1,969,811
PlayPower, Senior Secured Initial Term Loan (Second Lien), 10.09% (Libor + 8.75%), maturity 6/23/22	1,000,000	992,386	1,000,000
PlayCore, Senior Secured Initial Term Loan (First Lien), 5.09% (Libor + 3.75%), maturity 9/30/24	880,952	878,452	878,750
<i>Consumer Goods: Non-durable</i>			
Badger Sportswear, Senior Secured Initial Term Loan (First Lien), 5.84% (Libor + 4.50%), maturity 9/9/23	1,980,000	1,962,439	1,965,150
Augusta Sportswear Group, Senior Secured Initial Term Loan, 5.84% (Libor + 4.50%), maturity 10/26/23	1,873,418	1,855,736	1,854,684
<i>Media: Broadcasting & Subscription</i>			
Encompass, Senior Secured Tranche B Term Loan (Second Lien), 9.09% (Libor + 7.75%), maturity 6/6/22	1,500,000	1,479,940	1,477,500
Encompass, Senior Secured Tranche B Term Loan (First Lien), 5.84% (Libor + 4.50%), maturity 6/6/21	977,273	977,273	965,057
<i>Forest Products & Paper</i>			
Hoffmaster Group, Senior Secured Initial Term Loan (First Lien), 5.84% (Libor + 4.50%), maturity 11/21/23	1,985,000	1,967,007	2,003,609
<i>Automotive</i>			
Truck Hero, Senior Secured Initial Term Loan (Second Lien), 9.59% (Libor + 8.25%), maturity 5/16/25	1,800,000	1,798,053	1,786,500
<i>Utilities: Electric</i>			
CLEARresult, Senior Secured Initial Term Loan, 6.84% (Libor + 5.50%), maturity 8/31/23	1,390,987	1,377,875	1,384,032
<i>Transportation: Cargo</i>			
Capstone Logistics, Senior Secured Term Loan (First Lien), 5.84% (Libor + 4.50%), maturity 10/7/21	1,280,194	1,280,527	1,286,595
<i>Media: Diversified & Production</i>			
Vubiquity, Senior Secured Initial Term Loan, 6.84% (Libor + 5.50%), maturity 8/12/21	982,500	975,669	972,675
<i>Containers, Packaging & Glass</i>			
Tapp Label Company, Senior Secured Term Loan, 6.84% (Libor + 5.50%), maturity 7/6/20	463,487	461,995	324,441
Alpha Packaging, Senior Secured Tranche B-1 Term Loan, 5.59% (Libor + 4.25%), maturity 5/12/20	320,863	319,675	320,060
Total Portfolio Investments^(e)		\$ 161,783,344	\$ 162,115,628

(a) All companies are located in the United States of America.

(b) Interest rate percentages represent actual interest rates which are indexed from then 30-day London Interbank Offered Rate ("LIBOR") unless otherwise noted. LIBOR rates are subject to interest rate floors which can vary based on the contractual agreement with the borrower. Due dates represent the contractual maturity date.

(c) All loans are income-producing, unless otherwise noted.

- (d) All investments are qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended (the "1940 Act") unless otherwise noted.
- (e) Percentages are calculated using fair value of investments over net assets.
- (f) As defined in 1940 Act, the Company is not deemed to be an "Affiliated Person" of or "Control" this portfolio company because it neither owns 5% or more of the portfolio company's outstanding voting securities nor has the power to exercise control over the management or policies of such portfolio company (including through a management agreement).
- (g) At September 30, 2017, the cost of investments for income tax purposes was \$161,783,344 the gross unrealized appreciation for federal tax purposes was \$748,441, the gross unrealized depreciation for federal income tax purposes was \$416,157, and the net unrealized appreciation was \$332,284.

The accompanying notes are an integral part of these financial statements.

Audax Credit BDC Inc.
Schedule of Investments
As of December 31, 2016
(Expressed in U.S. Dollars)

Portfolio Investments ^{(a) (b) (c) (d)}	Par	Cost	Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS - (84.4%)^{(e)(f)}:			
<i>Healthcare & Pharmaceuticals</i>			
Beaver-Visitec, Senior Secured Closing Date Term Loan (First Lien), 6.00% (Libor + 5.00%), maturity 8/19/23	\$ 3,491,250	\$ 3,457,559	\$ 3,504,342
MedRisk, Senior Secured Term Loan, 6.25% (Libor + 5.25%), maturity 3/1/23	2,977,500	2,950,398	2,977,500
Mediware, Senior Secured Initial Term Loan, 5.75% (Libor + 4.75%), maturity 9/28/23	2,992,500	2,963,111	2,970,056
ATI Physical Therapy, Senior Secured Initial Term Loan (First Lien), 5.50% (Libor + 4.50%), maturity 5/10/23	2,736,250	2,743,373	2,770,754
Physicans Endoscopy, Senior Secured Initial Term Loan, 6.00% (Libor + 5.00%), maturity 8/18/23	2,301,923	2,272,866	2,284,659
Sarnova, Senior Secured Term Loan, 5.75% (Libor + 4.75%), maturity 1/28/22	1,985,000	1,967,645	1,980,037
Upstream Rehabilitation, Senior Secured Term Loan, 5.25% (Libor + 4.25%), maturity 12/15/21	1,980,000	1,940,437	1,980,000
CareCentrix, Senior Secured Initial Term Loan, 6.00% (Libor + 5.00%), maturity 7/8/21	1,486,237	1,467,829	1,489,953
NAPA, Senior Secured Term Loan, 6.00% (Libor + 5.00%), maturity 4/19/23	903,118	894,830	896,344
<i>Services: Business</i>			
Systems Maintenance Services, Senior Secured Initial Term Loan (First Lien), 6.00% (Libor + 5.00%), maturity 10/28/23	3,000,000	2,970,501	3,015,000
Insight Global, Senior Secured Extended Tranche B Term Loan, 6.00% (Libor + 5.00%), maturity 10/31/21	2,964,049	2,963,488	2,982,960
Sterling Backcheck, Senior Secured Second Lien Initial Loan, 8.75% (Libor + 7.75%), maturity 6/19/23	2,500,000	2,512,429	2,512,500
Sterling Backcheck, Senior Secured Initial Term Loan, 5.75% (Libor + 4.75%), maturity 6/20/22	1,982,254	1,965,595	1,989,688
CoAdvantage, Senior Secured Term Loan, 5.50% (Libor + 4.50%), maturity 10/7/21	1,980,000	1,963,640	1,970,100
First Advantage, Senior Secured Term Loan, 6.25% (Libor + 5.25%), maturity 6/30/22	2,000,000	1,987,004	1,960,000
Allied Universal, Senior Secured Incremental Term Loan, 5.50% (Libor + 4.50%), maturity 7/28/22	1,832,493	1,813,442	1,845,669
Oasis Outsourcing, Senior Secured Initial Term Loan (First Lien), 5.75% (Libor + 4.75%), maturity 12/26/21	987,133	987,133	993,303
Kellermeyer Bergensons Services, Senior Secured Initial Term Loan, 6.00% (Libor + 5.00%), maturity 10/29/21	979,960	971,807	975,060
Service Logic, Senior Secured Initial Term Loan, 6.00% (Libor + 5.00%), maturity 7/19/21	878,474	868,966	876,276
<i>High Tech Industries</i>			
Idera, Senior Secured Term Loan, 6.50% (Libor + 5.50%), maturity 4/9/21	2,970,004	2,724,422	2,970,004
Masergy, Senior Secured Initial Loan (Second Lien), 9.50% (Libor + 8.50%), maturity 12/15/24	3,000,000	2,970,000	2,970,000
GlobalLogic, Senior Secured Closing Date Term Loan, 5.50% (Libor + 4.50%), maturity 5/20/22	2,000,000	1,980,000	1,980,000
Flexera Software, Senior Secured Term Loan (Second Lien), 8.00% (Libor + 7.00%), maturity 4/2/21	1,000,000	977,315	995,000
SciQuest, Senior Secured Term Loan, 5.75% (Libor + 4.75%), maturity 7/28/23	995,000	990,193	990,025
Global Knowledge, Senior Secured Second Lien Initial Term Loan, 10.50% (Libor + 9.50%), maturity 1/20/22	1,000,000	990,415	987,500
LANDesk, Senior Secured Term Loan (First Lien), 5.50% (Libor + 4.50%), maturity 9/27/22	925,234	916,213	925,233
EAG, Senior Secured Term Loan, 5.00% (Libor + 4.00%), maturity 7/27/17	927,474	926,032	925,155
Masergy, Senior Secured Term B Loan (First Lien), 5.50% (Libor + 4.50%), maturity 12/15/23	500,000	497,500	497,500
<i>Banking, Finance, Insurance & Real Estate</i>			
Inst. Shareholder Services, Senior Secured Second Lien Term Loan, 8.50% (Libor + 7.50%), maturity 4/30/22	3,000,000	2,958,130	2,992,500
Integro Insurance Brokers, Senior Secured Initial Term Loan, 6.75% (Libor + 5.75%), maturity 10/30/22	2,970,854	2,866,331	2,985,708
Edgewood Partners Insurance Centers, Senior Secured Initial Term Loan, 7.00% (Libor + 6.00%), maturity 3/16/23	1,985,000	1,948,455	1,965,150
AmeriLife Group, Senior Secured Initial Term Loan, 5.75% (Libor + 4.75%), maturity 7/10/22	1,972,469	1,949,020	1,947,813
GENEX Services, Senior Secured Second Lien Initial Term Loan, 8.75% (Libor + 7.75%), maturity 5/30/22	1,271,000	1,207,484	1,261,468
<i>Wholesale</i>			
SRP, Senior Secured Term Loan, 7.50% (Libor + 6.50%), maturity 9/8/23	2,472,527	2,443,113	2,466,346
Ohio Transmission, Senior Secured Initial Term Loan, 5.25% (Libor + 4.25%), maturity 10/2/21	1,987,727	1,971,392	1,987,727
Colony Hardware, Senior Secured Initial Term Loan, 7.00% (Libor + 6.00%), maturity 10/23/21	1,984,962	1,966,646	1,980,000
PetroChoice, Senior Secured Initial Term Loan, 6.00% (Libor + 5.00%), maturity 8/19/22	1,975,000	1,932,391	1,955,250
ABB Optical, Senior Secured Initial Term Loan (First Lien), 6.00% (Libor + 5.00%), maturity 6/15/23	997,500	988,273	1,008,383
<i>Chemicals, Plastics & Rubber</i>			
Universal Fiber Systems, Senior Secured Initial Term Loan, 6.50% (Libor + 5.50%), maturity 10/2/21	2,969,999	2,956,750	2,947,724
Plaskolite, Senior Secured Term Loan, 5.75% (Libor + 4.75%), maturity 11/3/22	1,985,005	1,967,823	1,985,005
Pexco, Senior Secured Initial Term Loan, 5.50% (Libor + 4.50%), maturity 8/19/20	1,453,125	1,441,950	1,453,125
PQ Corporation, Senior Secured First Amendment Tranche B-1 Term Loan, 5.25% (Libor + 4.25%), maturity 11/4/22	997,500	997,500	1,010,348
Houghton International, Senior Secured Second Lien Incremental Term Loan, 9.75% (Libor + 8.50%), maturity 12/21/20	1,000,000	1,000,000	995,000
Transilwrap, Senior Secured Incremental Term Loan B1, 5.50% (Libor + 4.50%), maturity 11/22/19	992,500	988,256	985,055
<i>Automotive</i>			
Caliber Collision, Senior Secured Second Restatement Date Incremental, 6.25% (Libor + 5.25%), maturity 11/20/19	3,974,975	3,959,612	4,014,725
TruckHero, Senior Secured Initial Term Loan, 5.75% (Libor + 4.75%), maturity 8/24/23	2,992,500	2,963,356	2,970,056
DYK Automotive, Senior Secured Term Loan, 5.75% (Libor + 4.75%), maturity 4/1/22	962,500	953,449	960,094
<i>Construction & Building</i>			
DiversiTech Corporation, Senior Secured Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 11/19/21	2,365,778	2,337,194	2,353,949
PlayPower, Senior Secured Initial Term Loan, 5.75% (Libor + 4.75%), maturity 6/23/21	1,989,899	1,971,392	1,989,899
TK Enterprises, Senior Secured Term Loan, 6.00% (Libor + 5.00%), maturity 4/4/23	1,985,000	1,957,558	1,985,000
PlayPower, Senior Secured Second Initial Term Loan, 9.75% (Libor + 8.75%), maturity 6/23/22	1,000,000	991,474	1,000,000
<i>Media: Advertising, Printing & Publishing</i>			

Ansira, Senior Secured Initial Term Loan, 7.50% (Libor + 6.50%), maturity 12/20/22	1,745,454	1,725,455	1,728,000
Northstar, Senior Secured Term Loan, 7.25% (Libor + 6.25%), maturity 6/7/22	1,706,250	1,681,810	1,693,453
Imagine! Print Solutions, Senior Secured Initial Term Loan, 7.00% (Libor + 6.00%), maturity 3/30/22	1,489,994	1,475,746	1,478,819
Vestcom International, Senior Secured L/C Collateralized, 5.25% (Libor + 4.25%), maturity 12/19/23	1,000,000	995,000	995,000
Mspark, Senior Secured Term Loan, 6.50% (Libor + 5.50%), maturity 4/22/21	987,500	978,701	985,031
<i>Services: Consumer</i>			
Stratford Schools, Senior Secured Initial Term Loan, 6.00% (Libor + 5.00%), maturity 12/18/21	1,980,000	1,962,950	1,970,100
CIBT Holdings, Senior Secured U.S. Term Loan, 6.25% (Libor + 5.25%), maturity 6/28/22	1,684,494	1,666,129	1,671,860
Smart Start, Senior Secured Initial Term Loan, 5.75% (Libor + 4.75%), maturity 2/21/22	1,485,000	1,472,723	1,477,575

The accompanying notes are an integral part of these financial statements.

Audax Credit BDC Inc.
Schedule of Investments (Continued)
As of December 31, 2016
(Expressed in U.S. Dollars)

Portfolio Investments ^{(a) (b) (c) (d)}	Par	Cost	Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(f) (Continued):			
<i>Consumer Goods: Durable</i>			
Strategic Partners, Senior Secured Initial Term Loan, 6.25% (Libor + 5.25%), maturity 6/30/23	\$ 1,995,000	\$ 1,989,045	\$ 1,990,013
Pelican Products, Senior Secured Term Loan, 5.25% (Libor + 4.25%), maturity 4/11/20	2,014,162	1,981,680	1,988,985
Water Pik, Senior Secured Term Loan, 5.75% (Libor + 4.75%), maturity 7/8/20	1,000,000	1,002,248	1,005,000
<i>Aerospace & Defense</i>			
MB Aerospace, Senior Secured Initial Term Loan, 6.50% (Libor + 5.50%), maturity 12/15/22	1,982,481	1,964,289	1,967,613
StandardAero, Senior Secured Initial Term Loan, 5.25% (Libor + 4.25%), maturity 7/7/22	987,500	987,500	993,672
TronAir, Senior Secured Initial Term Loan (First Lien), 5.75% (Libor + 4.75%), maturity 9/8/23	997,500	987,760	992,513
Cadence Aerospace, Senior Secured Term Loan, 7.00% (Libor + 5.75%), maturity 5/9/18	637,175	613,657	629,211
<i>Hotel, Gaming & Leisure</i>			
TravelCLICK, Senior Secured Initial Term Loan, 5.50% (Libor + 4.50%), maturity 5/12/21	2,962,999	2,956,963	2,948,184
Auto Europe, Senior Secured Initial Dollar Term Loan, 6.00% (Libor + 5.00%), maturity 10/21/23	1,500,000	1,485,291	1,488,750
<i>Consumer Goods: Non-durable</i>			
Badger Sportswear, Senior Secured Initial Term Loan (First Lien), 5.50% (Libor + 4.50%), maturity 9/9/23	1,995,000	1,975,540	1,980,038
Augusta, Senior Secured Initial Term Loan, 5.50% (Libor + 4.50%), maturity 10/26/23	1,913,924	1,894,335	1,918,709
<i>Beverage, Food & Tobacco</i>			
Kettle Cuisine, Senior Secured Term Loan, 6.00% (Libor + 5.00%), maturity 8/21/21	1,977,557	1,977,557	1,947,894
Lipari, Senior Secured Term Loan A, 5.50% (Libor + 4.50%), maturity 10/1/22	1,705,029	1,686,071	1,692,241
<i>Capital Equipment</i>			
MW Industries, Senior Secured Initial Term Loan (First Lien), 6.50% (Libor + 5.50%), maturity 6/28/20	995,000	996,198	998,731
TriMark, Senior Secured Initial Term Loan, 5.25% (Libor + 4.25%), maturity 10/1/21	985,665	985,665	988,169
FCx Performance, Senior Secured Term Loan, 5.50% (Libor + 4.50%), maturity 8/4/20	997,500	987,618	987,525
United Flexible, Senior Secured Term Loan, 5.75% (Libor + 4.75%), maturity 12/16/21	500,000	495,000	495,000
<i>Media: Broadcasting & Subscription</i>			
Encompass, Senior Secured Second Lien Tranche B Term Loan, 8.75% (Libor + 7.75%), maturity 6/6/22	1,500,000	1,477,443	1,473,750
Encompass, Senior Secured Tranche B Term Loan, 5.50% (Libor + 4.50%), maturity 6/6/21	984,849	984,849	970,076
<i>Forest Products & Paper</i>			
Hoffmaster Group, Senior Secured Initial Term Loan (First Lien), 5.50% (Libor + 4.50%), maturity 11/21/23	2,000,000	1,980,109	2,022,500
<i>Utilities: Electric</i>			
CLEARresult, Senior Secured Initial Term Loan, 6.50% (Libor + 5.50%), maturity 8/31/23	1,496,250	1,481,750	1,485,028
<i>Transportation: Cargo</i>			
Capstone Logistics, Senior Secured Term Loan, 5.50% (Libor + 4.50%), maturity 10/7/21	994,950	994,950	985,000
<i>Media: Diversified & Production</i>			
Vubiquity, Senior Secured Initial Term Loan, 6.50% (Libor + 5.50%), maturity 8/12/21	990,000	981,965	972,675
<i>Containers, Packaging & Glass</i>			
Tapp Label Company, Senior Secured Term Loan, 5.75% (Libor + 4.75%), maturity 7/6/20	472,045	468,962	453,163
Total Portfolio Investments^(g)		\$ 142,646,651	\$ 143,789,221

(a) All companies are located in the United States of America.

(b) Interest rate percentages represent actual interest rates which are indexed from then 30-day London Interbank Offered Rate ("LIBOR") unless otherwise noted. LIBOR rates are subject to interest rate floors which can vary based on the contractual agreement with the borrower. Due dates represent the contractual maturity date.

(c) All loans are income-producing, unless otherwise noted.

(d) All investments are qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended (the "1940 Act") unless otherwise noted.

(e) Percentages are calculated using fair value of investments over net assets.

(f) As defined in 1940 Act, the Company is not deemed to be an "Affiliated Person" of or "Control" this portfolio company because it neither owns 5% or more of the portfolio company's outstanding voting securities nor has the power to exercise control over the management or policies of such portfolio company (including through a management agreement).

(g)

At December 31, 2016, the cost of investments for income tax purposes was \$142,646,651 the gross unrealized appreciation for federal tax purposes was \$1,284,007, the gross unrealized depreciation for federal income tax purposes was \$141,437, and the net unrealized appreciation was \$1,142,570.

The accompanying notes are an integral part of these financial statements.

Audax Credit BDC Inc.
Notes to Financial Statements
September 30, 2017
(unaudited)

Note 1. Organization

Audax Credit BDC Inc. (the “Company”) is a Delaware corporation that was formed on January 29, 2015. The Company is an externally managed, closed-end, non-diversified management investment company that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, effective with the Company’s taxable year ended December 31, 2015, the Company has elected to be treated for federal income tax purposes as a regulated investment company (“RIC”) under Subchapter M of the U.S. Internal Revenue Code of 1986, as amended (the “Code”).

The Company commenced business operations on July 8, 2015, the date on which the Company made its first investment. The Company has been formed for the purpose of investing primarily in the debt of leveraged, non-investment grade middle market companies, with the principal objective of generating income and capital appreciation. The Company’s investment strategy is to invest primarily in first lien senior secured loans and selectively in second lien loans to middle market companies. During the period prior to July 8, 2015, the Company was a development stage company, as defined in Paragraph 915-10-05, *Development Stage Entity*, of the Financial Accounting Standards Board’s (“FASB’s”) Accounting Standards Codification, as amended (“ASC”). During this time, the Company was devoting substantially all of its efforts to establishing its business and its planned principal operations had not commenced. All losses incurred during the period prior to July 8, 2015 have been considered a part of the Company’s development stage activities.

Audax Management Company (NY), LLC (the “Adviser”) is the investment adviser of the Company. The Adviser is registered as an investment adviser with the U.S. Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended.

Note 2. Significant Accounting Policies

Basis of Presentation

As an investment company, the accompanying financial statements of the Company are prepared in accordance with the investment company accounting and reporting guidance of ASC Topic 946, “*Financial Services – Investment Companies*,” as amended, which incorporates the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X, as well as accounting principles generally accepted in the United States of America (“GAAP”).

Certain financial information that is normally included in annual financial statements, including certain financial statement footnotes, prepared in accordance with GAAP, is not required for interim reporting purposes and has been condensed or omitted herein. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of management of the Company, the unaudited financial results included herein contain all adjustments, consisting solely of normal accruals, considered necessary for the fair presentation of financial statements for the interim period included herein. The current period’s results of operations are not necessarily indicative of the operating results to be expected for future periods. The accounting records of the Company are maintained in U.S. dollars.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ and these differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents are stated at fair value. The Company considers all highly liquid investments purchased with maturities of three months or less and money market mutual funds to be cash equivalents. No cash equivalent balances were held at September 30, 2017 and December 31, 2016. At such dates, cash was not subject to any restrictions on withdrawal.

Offering Expenses

The Company incurred offering costs of \$145,358 in prior periods. The Company's offering costs included legal fees and other costs pertaining to the preparation of the Company's registration statement on Form 10 (the "Registration Statement") and sale of the Company's shares of common stock. The Company capitalized these expenses and amortized them on a straight-line basis over a twelve-month period. The Company did not amortize offering costs during the three and nine months ended September 30, 2017. The amortization is included within professional fees and other expenses within the statement of operations and amounted to \$36,339 and \$72,679 for the three and nine months ended September 30, 2016, respectively.

Expenses

The Company is responsible for investment expenses, legal expenses, auditing fees and other expenses related to the Company's operations. Such fees and expenses, including expenses initially incurred by the Adviser, may be reimbursed by the Company.

Investment Valuation Policy

The Company conducts the valuation of the Company's investments, pursuant to which the Company's net asset value is determined, at all times consistent with GAAP and the 1940 Act. The Company's Board of Directors, with the assistance of the Audit Committee, determines the fair value of the Company's investments, for investments with a public market and for investments with no readily available public market, on at least a quarterly basis, in accordance with the terms of ASC Topic 820, "*Fair Value Measurement and Disclosures*," ("ASC 820"). The Company's valuation procedures are set forth in more detail below.

ASC 820 defines fair value 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 value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price when an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

ASC 820 establishes a hierarchical disclosure framework which ranks the observability of inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instruments and their specific characteristics. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

The three-level hierarchy for fair value measurement is defined as follows:

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical financial instruments as of the measurement date. The types of financial instruments in this category include unrestricted securities, including equities and derivatives, listed in active markets. The Company does not adjust the quoted price for these instruments, even in situations where the Company holds a large position, and a sale could reasonably be expected to impact the quoted price.

Level 2 — Inputs to the valuation methodology are quoted prices in markets that are not active or for which all significant inputs are either directly or indirectly observable as of the measurement date. The types of financial instruments in this category include less liquid and restricted securities listed in active markets, securities traded in markets that are not active, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the overall fair value measurement, and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments in this category include investments in privately held entities, non-investment grade residual interests in securitizations, collateralized loan obligations, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Pursuant to the framework set forth above, the Company values securities traded in active markets on the measurement date by multiplying the exchange closing price of such traded securities/instruments by the quantity of shares or amount of the instrument held. The Company may also obtain quotes with respect to certain of its investments from pricing services, brokers or dealers' quotes, or counterparty marks in order to value liquid assets that are not traded in active markets.

Pricing services aggregate, evaluate and report pricing from a variety of sources including observed trades of identical or similar securities, broker or dealer quotes, model-based valuations and internal fundamental analysis and research. When doing so, the Company determines whether the quote obtained is sufficient according to GAAP to determine the fair value of the security. If determined adequate, the Company uses the quote obtained.

Securities that are illiquid or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of the Company's Board of Directors, does not represent fair value, are each valued as of the measurement date using all techniques appropriate under the circumstances and for which sufficient data are available. These valuation techniques vary by investment but include comparable public market valuations, comparable precedent transaction valuations and discounted cash flow analyses. The process used to determine the applicable value is as follows: (i) each portfolio company or investment is initially valued by the investment professionals of the Adviser responsible for the portfolio investment using a standardized template designed to approximate fair market value based on observable market inputs and updated credit statistics and unobservable inputs; (ii) preliminary valuation conclusions are documented and discussed with the Company's senior management and members of the Company's Adviser's valuation team; (iii) the Company's Audit Committee reviews the assessments of the Adviser and provides the Company's Board of Directors with recommendations with respect to the fair value of the investments in the Company's portfolio; and (iv) the Company's Board of Directors discusses the valuation recommendations of the Company's Audit Committee and determines the fair value of the investments in the Company's portfolio in good faith based on the input of the Adviser and in accordance with the Company's valuation policy.

The Company's Audit Committee's recommendation of fair value is generally based on its assessment of the following factors, as relevant:

- the nature and realizable value of any collateral;

- call features, put features and other relevant terms of debt;
- the portfolio company's ability to make payments;
- the portfolio company's actual and expected earnings and discounted cash flow;
- prevailing interest rates for like securities and expected volatility in future interest rates;
- the markets in which the portfolio company does business and recent economic and/or market events; and
- comparisons to publicly traded securities.

Investment performance data utilized are the most recently available as of the measurement date, which in many cases may reflect up to a one quarter lag in information.

Securities for which market quotations are not readily available or for which a pricing source is not sufficient may include the following:

- private placements and restricted securities that do not have an active trading market;
- securities whose trading has been suspended or for which market quotes are no longer available;
- debt securities that have recently gone into default and for which there is no current market;
- securities whose prices are stale; and
- securities affected by significant events.

The Company's Board of Directors is responsible for the determination, in good faith, of the fair value of the Company's portfolio investments.

Determination of fair value involves subjective judgments and estimates. Accordingly, these notes to the Company's financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on the Company's financial statements.

Security transactions are recorded on trade date (date the order to buy or sell is executed or, in the case of privately issued securities, the closing date, which is when all terms of the transactions have been defined).

Realized gains and losses on investments are determined based on the identified cost method.

Refer to Note 3 — *Investments* in the notes accompanying the financial statements for additional information regarding fair value measurements and the Company's application of ASC 820.

Interest Income Recognition

Interest income, adjusted for amortization of premium, acquisition costs, and amendment fees and the accretion of original issue discount ("OID"), is recorded on an accrual basis to the extent that such amounts are expected to be collected. Generally, when a loan becomes 120 days or more past due, or if the Company's qualitative assessment indicates that the debtor is unable to service its debt or other obligations, the Company will place the loan on non-accrual status and cease recognizing interest income on that loan for financial reporting purposes until the borrower has demonstrated the ability and intent to pay contractual amounts due. However, the Company will remain contractually entitled to this interest. Interest payments received on non-accrual loans are restored to accrual status when past due principal and interest are paid and, in management's judgment, are likely to remain current or, due to a restructuring, the interest income is deemed to be collectible.

The Company currently holds loans in the portfolio that contain OID and expects to hold loans in the future that contain payment-in-kind (“PIK”) provisions. The Company recognizes OID for loans originally issued at a discount and recognizes the income over the life of the obligation based on an effective yield calculation. PIK interest, computed at the contractual rate specified in a loan agreement, is added to the principal balance of a loan and recorded as income over the life of the obligation. Therefore, the actual collection of PIK income may be deferred until the time of debt principal repayment. To maintain the ability to be taxed as a RIC, the Company may need to pay out of both OID and PIK non-cash income amounts in the form of distributions, even though the Company has not yet collected the cash on either.

As of September 30, 2017, the Company held 84 investments in loans with OID. The Company accrued OID income of \$46,520 and \$179,181 for the three and nine months ended September 30, 2017, respectively. The unamortized balance of OID investments as of September 30, 2017, totaled \$1,012,766. As of December 31, 2016, the Company held 75 investments in loans with OID. The unamortized balance of OID investments as of December 31, 2016, totaled \$1,578,300. The Company accrued OID income of \$57,327 and \$130,467 for the three and nine months ended September 30, 2016, respectively.

As of September 30, 2017 and December 31, 2016, the Company held \$18,567,470 and \$30,566,068 cash and cash equivalents, respectively. For the three and nine months ended September 30, 2017, the Company earned \$35,903 and \$92,533, respectively, of interest income related to cash, which is included in other interest income within the accompanying statement of operations. For the three and nine months ended September 30, 2016, the Company earned \$12,061 and \$40,615, respectively, of interest income related to cash, which is included in other interest income within the accompanying statement of operations.

Other Income Recognition

The Company generally records prepayment fees upon receipt of cash or as soon as the Company becomes aware of the prepayment.

Dividend income on equity investments is accrued to the extent that such amounts are expected to be collected and if the Company has the option to collect such amounts in cash.

Prepayment fees and dividend income are both accrued in other income in the accompanying statements of operations.

For the three and nine months ended September 30, 2017, the Company accrued \$36,146 and \$97,608 of other income, respectively, related to amendment fees. For the three and nine months ended September 30, 2016, the Company accrued \$7,948 and \$25,261 of other income, respectively, related to amendment fees.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 (“ASU 2014-09”), “*Revenue from Contracts with Customers (Topic 606)*.” The guidance in this ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted for annual reporting periods beginning after December 15, 2016 and interim periods therein. This standard will not have a material impact on the financial statements, primarily because the majority of the Company’s revenue is accounted for under FASB ASC Topic 320, “*Investments – Debt and Equity Securities*”, which is scoped out of this standard.

In December 2016, the FASB issued ASU 2016-19, “*Technical Corrections and Improvements*.” As part of this guidance, ASU 2016-19 amends FASB ASC Topic 820, “*Fair Value Measurement and Disclosures*” (“ASC 820”) to clarify the difference between a valuation approach and a valuation technique. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. ASU 2016-19 is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 on a prospective basis. The Company adopted this guidance during the quarter ended June 30, 2017. The adoption of this guidance did not have a material impact on the Company’s financial position, results of operations, cash flows or disclosures.

Note 3. Investments*Fair Value*

In accordance with ASC 820, the Company's investments' fair value is determined to be the price that would be received for an investment in a current sale, assuming an orderly transaction between willing market participants on the measurement date. This fair value definition focuses on exit price in the principal, or most advantageous, market and prioritizes, within a measurement of fair value, the use of market-based inputs over entity-specific inputs. ASC 820 also establishes the three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial instrument as of the measurement date as described in Note-2 – *Significant Accounting Policies*.

As of September 30, 2017, \$97,940,632 of the Company's investments were valued using unobservable inputs, and \$64,174,996 were valued using observable inputs. During the nine months ended September 30, 2017, \$21,056,634 and \$12,902,470 of investments transferred into and out of Level 3, respectively.

As of December 31, 2016, \$93,175,844 of the Company's investments were valued using unobservable inputs, and \$50,613,377 were valued using observable inputs. During the nine months ended September 30, 2016, \$22,725,349 and \$7,954,014 of investments transferred into and out of Level 3, respectively.

The following tables present the Company's investments carried at fair value as of September 30, 2017 and December 31, 2016, by caption on the Company's accompanying statements of assets and liabilities and by security type.

Assets at Fair Value as of September 30, 2017				
	Level 1	Level 2	Level 3	Total
First lien debt	\$ -	\$ 63,169,996	\$ 79,987,431	\$ 143,157,427
Second lien debt		1,005,000	17,953,201	18,958,201
Total	\$ -	\$ 64,174,996	\$ 97,940,632	\$ 162,115,628

Assets at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
First lien debt	\$ -	\$ 45,130,877	\$ 83,470,626	\$ 128,601,503
Second lien debt		5,482,500	9,705,218	15,187,718
Total	\$ -	\$ 50,613,377	\$ 93,175,844	\$ 143,789,221

In accordance with ASC 820, the following table provides quantitative information about the Level 3 fair value measurements of the Company's investments as of September 30, 2017. The weighted average calculations in the table below are based on the fair value balances for all debt related calculations for the particular input.

				As of September 30, 2017	
	Fair Value	Valuation Technique	Unobservable Inputs ⁽¹⁾	Range ⁽²⁾	Weighted Average ⁽³⁾
First lien debt	\$ 79,662,990	Matrix Pricing	Senior Leverage	2.01x - 6.42x	4.32x
			Total Leverage	3.05x - 8.79x	5.33x
			Interest Coverage	0.99x - 4.89x	2.65x
			Debt Service Coverage	0.73x - 3.86x	2.06x
			TEV Coverage	1.36x - 4.52x	2.51x
			Liquidity	54.12% - 676.19%	133.85%
			Spread Comparison	400bps - 650bps	485bps
	324,441	Market Analysis	Senior Leverage	37.55x	37.55x
			Total Leverage	80.02x	80.02x
			Interest Coverage	(0.34)x	(0.34)x
			Debt Service Coverage	(0.28)x	(0.28)x
			TEV Coverage	0.13x	0.13x
			Liquidity	42.16%	42.16%
			Spread Comparison	550bps	550bps
Second lien debt	17,953,201	Matrix Pricing	Senior Leverage	4.58x - 6.86x	6.19x
			Total Leverage	4.58x - 6.86x	6.20x
			Interest Coverage	0.99x - 2.96x	1.92x
			Debt Service Coverage	0.73x - 2.40x	1.58x
			TEV Coverage	1.31x - 2.33x	1.86x
			Liquidity	32.50% - 214.20%	134.95%
			Spread Comparison	700bps - 1025bps	839bps
Total \$ 97,940,632					

(1) For any portfolio company, the unobservable input "Liquidity" is a fraction, expressed as a percentage, the numerator of which is the sum of the company's undrawn revolving credit facility capacity plus cash, and the denominator of which is the total amount that may be borrowed under the company's revolving credit facility. The unobservable input "Spread Comparison" is a comparison of the spread over LIBOR for each investment to the spread over LIBOR for general leveraged loan transactions.

(2) Each range represents the variance of outputs from calculating each statistic for each portfolio company within a specific credit seniority. The range may be a single data point when there is only one company represented in a specific credit seniority.

(3) Inputs are weighted based on the fair value of the investments included in the range.

In accordance with ASC 820, the following table provides quantitative information about the Level 3 fair value measurements of the Company's investments as of December 31, 2016. The weighted average calculations in the table below are based on the fair value balances for all debt related calculations for the particular input.

				As of December 31, 2016	
	Fair Value	Valuation Technique	Unobservable Inputs ⁽¹⁾	Range ⁽²⁾	Weighted Average ⁽³⁾
First lien debt	\$ 83,470,626	Matrix Pricing	Senior Leverage	2.74x - 5.66x	4.12x
			Total Leverage	2.94x - 9.82x	5.09x
			Interest Coverage	0.36x - 4.98x	2.59x
			Debt Service Coverage	0.28x - 3.76x	1.98x
			TEV Coverage	1.40x - 3.74x	2.57x
			Liquidity	21.13% - 1122.20%	151.61%
			Spread Comparison	400bps - 650bps	502bps
Second lien debt	9,705,218	Matrix Pricing	Senior Leverage	4.31x - 6.24x	5.65x
			Total Leverage	4.31x - 6.24x	5.65x
			Interest Coverage	0.61x - 3.32x	2.32x
			Debt Service Coverage	0.43x - 2.96x	1.96x
			TEV Coverage	1.46x - 2.67x	2.09x
			Liquidity	55.08% - 253.25%	145.54%
			Spread Comparison	700bps - 950bps	795bps
Total \$ 93,175,844					

(1) For any portfolio company, the unobservable input "Liquidity" is a fraction, expressed as a percentage, the numerator of which is the sum of the company's undrawn revolving credit facility capacity plus cash, and the denominator of which is the total amount that may be borrowed under the company's revolving credit facility. The unobservable input "Spread Comparison" is a comparison of the spread over LIBOR for each investment to the spread over LIBOR for general leveraged loan transactions.

(2) Each range represents the variance of outputs from calculating each statistic for each portfolio company within a specific credit seniority. The range may be a single data point when there is only one company represented in a specific credit seniority.

(3) Inputs are weighted based on the fair value of the investments included in the range.

Fair value measurements can be sensitive to changes in one or more of the valuation inputs. Changes in market yields, discounts rates, leverage, earnings before interest, taxes, depreciation and amortization ("EBITDA") or EBITDA multiples (or revenue or revenue multiples), each in isolation, may change the fair value of certain of the Company's investments. Generally, an increase or decrease in market yields, discount rates or leverage or a decrease in EBITDA or EBITDA multiples (or revenue or revenue multiples) may result in a corresponding decrease or increase, respectively, in the fair value of certain of the Company's investments.

The following tables provide the changes in fair value, broken out by security type, during the nine months ended September 30, 2017 and 2016 for all investments for which the Company determines fair value using unobservable (Level 3) factors.

Nine Months Ended September 30, 2017	First lien debt	Second lien debt	Total
Fair Value as of December 31, 2016	\$ 83,470,626	\$ 9,705,218	\$ 93,175,844
Transfers into Level 3	18,086,634	2,970,000	21,056,634
Transfers out of Level 3	(11,907,470)	(995,000)	(12,902,470)
Total gains:			
Net realized gain ^(a)	445,302	(55,270)	390,032
Net unrealized depreciation ^(b)	(571,068)	(80,556)	(651,624)
New investments, repayments and settlements: ^(c)			
Purchases	22,998,713	9,393,000	32,391,713
Settlements/repayments	(32,658,286)	(3,000,000)	(35,658,286)
Net amortization of premiums, discounts and fees	122,980	15,809	138,789
Fair Value as of September 30, 2017	\$ 79,987,431	\$ 17,953,201	\$ 97,940,632

(a) Included in net realized gain on the accompanying *Statement of Operations* for the nine months ended September 30, 2017.

(b) Included in net change in unrealized depreciation on the accompanying *Statement of Operations* for the nine months ended September 30, 2017.

(c) Includes increases in the cost basis of investments resulting from portfolio investments, the amortization of discounts, and PIK, as well as decreases in the costs basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs and other cost-basis adjustments.

Nine Months Ended September 30, 2016	First lien debt	Second lien debt	Total
Fair Value as of December 31, 2015	\$ 18,885,005	\$ 8,434,311	\$ 27,319,316
Transfers into Level 3	21,730,349	995,000	22,725,349
Transfers out of Level 3	(7,954,014)	-	(7,954,014)
Total gains:			
Net realized gain ^(a)	3,737	21,479	25,216
Net unrealized appreciation ^(b)	519,761	72,889	592,650
New investments, repayments and settlements: ^(c)			
Purchases	34,546,363	4,686,181	39,232,544
Settlements/repayments	(857,927)	(1,010,000)	(1,867,927)
Net amortization of premiums, discounts and fees	99,605	17,285	116,890
Fair Value as of September 30, 2016	\$ 66,972,879	\$ 13,217,145	\$ 80,190,024

(a) Included in net realized (gain on our accompanying *Statements of Operations* for the nine months ended September 30, 2016.

(b) Included in net change in unrealized appreciation on the accompanying *Statements of Operations* for the nine months ended September 30, 2016.

(c) Includes increases in the cost basis of investments resulting from portfolio investments, the amortization of discounts, and PIK, as well as decreases in the costs basis of investments resulting from principal repayments or sales, the amortization of premiums and acquisition costs and other cost-basis adjustments.

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. For the nine months ended September 30, 2017 and 2016, transfers from Level 2 to Level 3 were primarily due to increased or decreased price transparency.

Investment Activities

The Company held a total of 93 syndicated investments with an aggregate fair value of \$162,115,628 as of September 30, 2017. During the nine months ended September 30, 2017, the Company invested in 42 new syndicated investments for a combined \$70,731,883 and in existing investments for a combined \$9,107,853. The Company also received \$61,357,297 in repayments from investments during the period.

The Company held a total of 83 syndicated investments with an aggregate fair value of \$143,789,221 as of December 31, 2016. During the nine months ended September 30, 2016, the Company invested in 28 new syndicated investments for a combined \$73,742,764 and \$4,738,963 in existing investments. The Company also received \$9,986,123 in repayments from investments and \$986,294 from investments sold during the nine months.

Investment Concentrations

As of September 30, 2017, the Company's investment portfolio consisted of investments in 89 companies located in 27 states across 22 different industries, with an aggregate fair value of \$162,115,628. The five largest investments at fair value as of September 30, 2017 totaled \$19,534,092, or 12.05% of the Company's total investment portfolio as of such date. As of September 30, 2017, the Company's average investment by obligor was \$1,739,606 at cost.

As of December 31, 2016, the Company's investment portfolio consisted of investments in 79 companies located in 26 states across 22 different industries, with an aggregate fair value of \$143,789,221. The five largest investments at fair value as of December 31, 2016 totaled \$16,512,275, or 11.48% of the Company's total investment portfolio as of such date. As of December 31, 2016, the Company's average investment by obligor was \$1,718,634 at cost.

	September 30, 2017				December 31, 2016			
	Percentage of Total		Percentage of Total		Percentage of Total		Percentage of Total	
	Cost	Investments	Fair Value	Investments	Cost	Investments	Fair Value	Investments
First lien debt	\$142,857,544	88.30%	\$143,157,427	88.31%	\$127,561,961	89.43%	\$128,601,503	89.44%
Second lien debt	18,925,800	11.70%	18,958,201	11.69%	15,084,690	10.57%	15,187,718	10.56%
Total Investments	\$161,783,344	100.00%	\$162,115,628	100.00%	\$142,646,651	100.00%	\$143,789,221	100.00%

Investments at fair value consisted of the following industry classifications as of September 30, 2017 and December 31, 2016:

Industry	September 30, 2017		December 31, 2016	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
High Tech Industries	\$ 30,351,861	18.72%	\$ 13,240,417	9.21%
Healthcare & Pharmaceuticals	23,594,907	14.55	20,853,645	14.50
Services: Business	21,506,155	13.27	19,120,556	13.30
Chemicals, Plastics & Rubber	10,645,573	6.57	9,376,257	6.52
Wholesale	10,344,796	6.38	9,397,706	6.54
Banking, Finance, Insurance & Real Estate	9,088,026	5.61	11,152,639	7.76
Services: Consumer	7,671,707	4.73	5,119,535	3.56
Consumer Goods: Durable	5,995,255	3.70	4,983,998	3.47
Media: Advertising, Printing & Publishing	5,896,025	3.64	6,880,303	4.78
Aerospace & Defense	5,596,403	3.45	4,583,009	3.19
Beverage, Food & Tobacco	4,913,119	3.03	3,640,135	2.53
Hotel, Gaming & Leisure	4,359,854	2.69	4,436,934	3.09
Capital Equipment	3,963,083	2.44	3,469,425	2.41
Construction & Building	3,848,561	2.37	7,328,848	5.10
Consumer Goods: Non-durable	3,819,834	2.36	3,898,747	2.71
Media: Broadcasting & Subscription	2,442,557	1.51	2,443,826	1.70
Forest Products & Paper	2,003,609	1.24	2,022,500	1.41
Automotive	1,786,500	1.10	7,944,875	5.53
Utilities: Electric	1,384,032	0.85	1,485,028	1.03
Transportation: Cargo	1,286,595	0.79	985,000	0.68
Media: Diversified & Production	972,675	0.60	972,675	0.67
Containers, Packaging & Glass	644,501	0.40	453,163	0.31
	<u>\$162,115,628</u>	<u>100.00%</u>	<u>\$143,789,221</u>	<u>100.00%</u>

Investments at fair value were included in the following geographic regions of the United States as of September 30, 2017 and December 31, 2016:

Geographic Region	September 30, 2017		December 31, 2016	
	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Northeast	\$ 43,630,492	26.91%	\$ 37,826,147	26.31%
Midwest	30,416,209	18.76	28,974,175	20.15
Southeast	26,677,433	16.46	20,017,167	13.92
East	22,629,926	13.96	19,347,167	13.46
West	18,067,798	11.15	16,641,821	11.57
Southwest	14,961,208	9.23	16,393,504	11.40
Northwest	2,869,966	1.77	629,210	0.44
South	2,862,596	1.76	3,960,030	2.75
Total Investments	<u>\$ 162,115,628</u>	<u>100.00%</u>	<u>\$ 143,789,221</u>	<u>100.00%</u>

The geographic region indicates the location of the headquarters of the Company's portfolio companies. A portfolio company may have a number of other business locations in other geographic regions.

Investment Principal Repayments

The following table summarizes the contractual principal repayments and maturity of the Company's investment portfolio by fiscal year, assuming no voluntary prepayments, as of September 30, 2017:

For the Fiscal Years Ending December 31:	Amount
2017	\$ 407,245
2018	3,050,442
2019	3,378,915
2020	8,062,606
2021	39,736,676
Thereafter	108,160,226
Total contractual repayments	162,796,110
Adjustments to cost basis on debt investments ^(a)	(1,012,766)
Total Cost Basis of Investments Held at September 30, 2017:	\$ 161,783,344

(a) Adjustment to cost basis related to unamortized balance of OID investments.

Note 4. Related Party Transactions*Investment Advisory Agreement*

The Company has entered into an investment advisory agreement (the "Investment Advisory Agreement") with the Adviser. In accordance with the Investment Advisory Agreement, the Company pays the Adviser certain fees as compensation for its services, such fees consisting of a base management fee and an incentive fee (the "Incentive Fee"). The services the Adviser provides to the Company, subject to the overall supervision of the Company's Board of Directors, include managing the day-to-day operations of, and providing investment services to, the Company. The Company also entered into a management fee waiver agreement with the Adviser (the "Waiver Agreement"), which the Company or the Adviser may terminate upon 60 days' prior written notice.

Management Fee

The base management fee is calculated at an annual rate of 1.0% of the Company's average gross assets including cash and any temporary investments in cash-equivalents, including U.S government securities and other high-quality investment grade debt investments that mature in 12 months or less from the date of investment, payable quarterly in arrears on a calendar quarter basis.

Pursuant to the Waiver Agreement, the Adviser has agreed to waive the right to receive the base management fee to the extent necessary so that the base management fee payable under the Investment Advisory Agreement equals, and is calculated in the same manner as if, the base management fee otherwise payable by the Company were calculated at an annual rate equal to 0.65% (instead of an annual rate of 1.00%).

For the three and nine months ended September 30, 2017, the Company recorded base management fees of \$444,812 and \$1,322,060, respectively, and waivers to the base management fees of \$155,685 and \$462,721, respectively, as set forth within the accompanying statements of operations. For the three and nine months ended September 30, 2016, the Company recorded management fees of \$327,577 and \$856,763, respectively, and waivers to the management fees of \$114,652 and \$299,867 respectively, as set forth within the accompanying statements of operations.

Incentive Fee

The Incentive Fee has two parts, as follows: one is calculated and payable quarterly in arrears based on the Company's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies) accrued during the calendar quarter, minus the Company's operating expenses accrued for the quarter (including the base management fee, expenses payable under the Administration Agreement and any interest expense on any credit facilities or outstanding debt and dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee).

The Company determines pre-incentive fee net investment income in accordance with GAAP, including, in the case of investments with a deferred interest feature, such as OID, debt instruments with PIK interest and OID securities, accrued income that the Company has not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of the Company's net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 1.0% per quarter (4.0% annualized). The Company determines its average gross assets during each fiscal quarter and calculates the base management fee payable with respect to such amount at the end of each fiscal quarter. As a result, a portion of the Company's net investment income is included in its gross assets for the period between the date on which such income is earned and the date on which such income is distributed. Therefore, the Company's net investment income used to calculate part of the Incentive Fee is also included in the amount of the Company's gross assets used to calculate the 1% annual base management fee. The Company pays its Adviser an Incentive Fee with respect to its pre-incentive fee net investment income in each calendar quarter as follows:

- no amount is paid on the income-portion of the Incentive Fee in any calendar quarter in which the Company's pre-incentive fee net investment income does not exceed the hurdle of 1.0% (4.0% annualized);
- 100% of the Company's 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 1.1765 % in any calendar quarter (4.706% annualized). The Company refers to this portion of its pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 1.1765%) as the "catch-up" provision. The catch-up is meant to provide the Company's Adviser with 15.0% of the pre-incentive fee net investment income as if a hurdle rate did not apply if net investment income exceeds 1.1765% in any calendar quarter (4.706% annualized); and
- 15.0% of the amount of the Company's pre-incentive fee net investment income, if any, that exceeds 1.1765% in any calendar quarter (4.706% annualized) is payable to the Company's Adviser.

Pursuant to the Waiver Agreement, the Adviser has agreed to waive its right to receive the Incentive Fee on pre-incentive fee net investment income to the extent necessary so that such Incentive Fee equals, and is calculated in the same manner as, the corresponding Incentive Fee on pre-incentive fee net investment income, if such Incentive Fee (i) were calculated based upon the Adviser receiving 10% (instead of 15%) of the applicable pre-incentive fee net investment income and (ii) did not include any "catch-up" feature in favor of the Adviser.

The second part of the Incentive 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 equals 15% of the Company's realized capital gains, if any, on a cumulative basis from June 16, 2015, the effectiveness of the Registration Statement, through the end of each calendar year, 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 with respect to each of the investments in the Company's portfolio.

Pursuant to the Waiver Agreement, the Adviser has agreed to waive the right to receive the Incentive Fee on capital gains to the extent necessary so that such portion of the Incentive Fee equals, and is calculated in the same manner as, the corresponding Incentive Fee on capital gains, if such portion of the Incentive Fee were calculated based upon the Adviser receiving 10% (instead of 15%).

In addition, pursuant to the Waiver Agreement, the Adviser has agreed to waive the right to receive both components of the Incentive Fee to the extent necessary so that it does not receive Incentive Fees which are attributable to income and gains of the Company that exceed an annualized rate of 12% in any calendar quarter.

The waivers from the Adviser will remain effective until terminated earlier by either party on 60 days' prior to written notice.

For the three and nine months ended September 30, 2017, the Company recorded incentive fees related to net investment income of \$309,149 and \$733,773, respectively. Offsetting the incentive fees were waivers of the incentive fees of \$273,477 and \$654,847 for the three and nine months ended September 30, 2017, respectively, as set forth within the accompanying statements of operations. For the three and nine months ended September 30, 2016, the Company recorded incentive fees of \$231,638 and waivers to the incentive fees of \$200,218, as set forth within the accompanying statements of operations.

Administrative Fee

The Company has also entered into an administration agreement (the "Administration Agreement") with Audax Management Company, LLC (the "Administrator") under which the Administrator provides administrative services to the Company. Under the Administration Agreement, the Administrator performs, or oversees the performance of administrative services necessary for the operation of the Company, which include being responsible for the financial records which the Company is required to maintain and prepare reports filed with the SEC. In addition, the Administrator assists in determining and publishing the Company's net asset value, oversees the preparation and filing of the Company's tax returns and the printing and dissemination of reports to the Company's stockholders, and generally oversees the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others. The Company reimburses the Administrator for its allocable portion of the costs and expenses incurred by the Administrator for overhead in performance by the Administrator of its duties under the Administration Agreement, including the cost of facilities, office equipment and the Company's allocable portion of cost of compensation and related expenses of its Chief Financial Officer and Chief Compliance Officer and their respective staffs, as well as any costs and expenses incurred by the Administrator relating to any administrative or operating services provided by the Administrator to the Company. Such costs are reflected as an administrative fee in the accompanying statements of operations.

The Company has also entered into a fee waiver agreement with the Administrator, pursuant to which the Administrator may waive, in whole or in part, its entitlement to receive reimbursements from the Company.

The Company accrued administrative fees of \$66,250 and \$198,750 for the three and nine months ended September 30, 2017, respectively, as set forth within the accompanying statements of operations. For the three and nine months ended September 30, 2016, the Company recorded administrative fees of \$66,250 and \$198,750, respectively, and waivers to the administrative fees of \$44,375 for both periods, as set forth within the accompanying statements of operations.

Related Party Fees

Fees due to related parties as of September 30, 2017 and December 31, 2016 on the Company's accompanying statements of assets and liabilities were as follows:

	September 30, 2017	December 31, 2016
Net base management fee due to Adviser	\$ 289,127	\$ 254,066
Net incentive fee due to Adviser	35,672	65,823
Other expenses due to Adviser ^(a)	96,943	120,736
Total fees due to Adviser, net of waivers	421,742	440,625
Fee due to Administrator, net of waivers	66,250	21,875
Total Related Party Fees Due	\$ 487,992	\$ 462,500

(a) Expenses paid on behalf of the Company by the Adviser

Note 5. Net Increase in Net Assets Resulting from Operations Per Share of Common Stock:

The following table sets forth the computation of basic and diluted net increase in net assets resulting from operations per weighted average share of Company's common stock for the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Numerator for basic and diluted net increase in net assets resulting from operations per common share	\$ 1,730,490	\$ 1,927,525	\$ 5,504,224	\$ 3,837,530
Denominator for basic and diluted weighted average common shares	17,831,896	12,770,357	17,831,895	11,443,330
Basic and diluted net increase in net assets resulting from operations per common share	\$ 0.10	\$ 0.15	\$ 0.31	\$ 0.34

Note 6. Income Tax

The Company has elected to be regulated as a BDC under the 1940 Act, as well as elected to be treated as a RIC under Subchapter M of the Code. As a RIC, the Company generally is not subject to corporate-level U.S. federal income taxes on any ordinary income or capital gains that it timely distributes as dividends for U.S. federal income tax purposes to its stockholders. To qualify to be treated as a RIC, the Company is required to meet certain source of income and asset diversification requirements, and to timely distribute dividends out of assets legally available for distributions to its stockholders of an amount generally equal to at least 90% of the sum of its net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any (i.e., "investment company taxable income," determined without regard to any deduction for dividends paid), for each taxable year. The amount to be paid out as distributions to the Company's stockholders is determined by the Company's Board of Directors and is based on management's estimate of the fiscal year earnings. Based on that estimate, the Company intends to make the requisite distributions to its stockholders, which will generally relieve the Company from corporate-level U.S. federal income taxes. Although the Company currently intends to distribute its net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, recognized in respect of each taxable year as dividends out of the Company's assets legally available for distribution, the Company in the future may decide to retain for investment and be subject to entity-level income tax on such net capital gains. Additionally, depending on the level of taxable income earned in a taxable year, the Company may choose to carry forward taxable income in excess of current year distributions into the next taxable year and incur a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year annual taxable income will be in excess of estimated current year distributions, the Company will accrue an excise tax, if any, on estimated excess taxable income as such excess taxable income is earned.

The Company had aggregate distributions declared and paid to its shareholders for the year ended December 31, 2016 of \$5,144,149, or \$0.35 per share. The tax character of the distributions declared and paid represented \$4,798,829 from ordinary income, \$103,499 capital gains, and \$241,821 from tax return of capital. A portion of the distributions were reinvested in shares through the Company's dividend reinvestment plan. During the nine months ended September 30, 2017, the Company declared and paid distributions of \$3,744,698, or \$0.21 per share. The tax character of the distributions declared and paid represented \$3,606,521 from ordinary income and \$138,177 from capital gains. The Company had aggregate distributions declared and paid to its shareholders for the nine months ended September 30, 2016 of \$152,734, or \$0.012 per share. We estimate that the full amount of the distributions declared and paid during such period will be characterized, for U.S. federal income tax purposes, as ordinary income.

The determination of the tax attributes of the Company's distributions is made annually at the end of the Company's taxable year, based upon the Company's taxable income for the full taxable year and distributions paid for the full taxable year. Therefore, a determination made on an interim basis may not be representative of the actual tax attributes of distributions for a full taxable year. The actual tax characteristics of distributions to stockholders will be reported to the Company's stockholders subject to information reporting after the close of each calendar year on Form 1099-DIV.

At December 31, 2016, the components of accumulated net unrealized appreciation on investments and net investment losses and losses on a tax basis as detailed below differ from the amounts reflected in the Company's statements of assets and liabilities by temporary book/tax differences primarily arising from amortization of organizational expenditures.

Temporary Differences

	As of December 31, 2016
Accumulated net investment loss	\$ (274,252)
Accumulated net appreciation on investments	1,142,570
Components of tax distributable earnings (deficit) at period end	\$ 868,318

Certain losses incurred by the Company after October 31 of a taxable year are deemed to arise on the first business day of the Company's next taxable year. The Company did not incur such losses after October 31 of the Company's taxable year ended December 31, 2016.

Capital losses are generally eligible to be carried forward indefinitely, and retain their status as short-term or long-term in the manner originally incurred by the company. The Company did not maintain any capital losses as of December 31, 2016. The Company has evaluated tax positions it has taken, expects to take, or that are otherwise relevant to the Company for purposes of determining whether any relevant tax positions would "more-likely-than-not" be sustained by the applicable tax authority in accordance with ASC Topic 740, "Income Taxes," as modified by ASC Topic 946. The Company has analyzed such tax positions and has concluded that no unrecognized tax benefits should be recorded for uncertain tax positions for taxable years that may be open. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The Company's U.S. federal tax returns for fiscal years 2015 and 2016 remain subject to examination by the Internal Revenue Service. The Company records tax positions that are not deemed to meet a more-likely-than-not threshold as tax expenses as well as any applicable penalties or interest associated with such positions. During each of the three and nine months ended September 30, 2017 and 2016, no tax expense or any related interest or penalties were incurred.

Note 7. Equity

On June 23, 2015, an investor made a \$140,000,000 capital commitment to the Company. On December 2, 2016, the same investor made an additional capital commitment of \$50,000,000. As of September 30, 2017, \$20,000,000 of total capital commitments remained unfunded by the Company's investors.

The number of shares of the Company's common stock issued and outstanding as of each of September 30, 2017 and December 31, 2016 was 17,831,896 and 17,831,894, respectively.

Note 8. Commitments and Contingencies

The Company may enter into certain credit agreements that include loan commitments where all or a portion of such commitment may be unfunded. The Company is generally obligated to fund the unfunded loan commitments at the borrowers' discretion. Funded portions of credit agreements are presented on the accompanying schedule of investments. Unfunded loan commitments and funded portions of credit agreements are fair valued and unrealized appreciation or depreciation, if any, have been included in the accompanying statements of assets and liabilities and statements of operations.

The following table summarizes the Company's significant contractual payment obligations as of September 30, 2017 and December 31, 2016:

Investment	Industry	September 30, 2017	December 31, 2016
Alpha Packaging, Senior Secured Tranche B-1 Term Loan, 5.59% (Libor + 4.25%), maturity 5/12/20	Containers, Packaging & Glass	\$ 178,333	\$ -
Dermatologists of Central States, Senior Secured Term Loan, 7.84% (Libor + 6.50%), maturity 4/20/22	Healthcare & Pharmaceuticals	169,134	-
PlayCore, Senior Secured Initial Term Loan (First Lien), 5.09% (Libor + 3.75%), maturity 9/30/24	Construction & Building	119,048	-
Ansira, Senior Secured Initial Term Loan, 7.84% (Libor + 6.50%), maturity 12/20/22	Media: Advertising, Printing & Publishing	113,346	-
Lipari, Senior Secured Term Loan A, 5.84% (Libor + 4.50%), maturity 10/1/22	Beverage, Food & Tobacco	-	290,698
Service Logic, Senior Secured Initial Term Loan, 6.30% (Libor + 5.00%), maturity 7/19/21	Services: Business	-	119,326
SRP, Senior Secured Term Loan, 7.84% (Libor + 6.50%), maturity 9/8/23	Wholesale	-	527,473
Allied Universal, Senior Secured Incremental Term Loan, 5.65% (Libor + 4.50%), maturity 7/28/22	Services: Business	-	162,914
CIBT Holdings, Senior Secured U.S. Term Loan, 6.40% (Libor + 5.25%), maturity 6/28/22	Services: Consumer	-	311,284
DiversiTech Corporation, Senior Secured Term Loan (First Lien), 5.65% (Libor + 4.50%), maturity 11/19/21	Construction & Building	-	627,027
Physicans Endoscopy, Senior Secured Initial Term Loan, 6.20% (Libor + 5.00%), maturity 8/18/23	Healthcare & Pharmaceuticals	-	692,308
		\$ 579,861	\$ 2,731,030

Note 9. Financial Highlights

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Per Share Data:				
Net asset value, beginning of period	\$ 9.56	\$ 9.63	\$ 9.55	\$ 9.45
Net investment income ^(a)	0.11	0.12	0.33	0.26
Net realized gain on investments and change in unrealized (depreciation) appreciation on investments ^{(a)(b)}	(0.02)	0.02	(0.02)	0.06
Net increase in net assets resulting from operations	\$ 0.09	\$ 0.14	\$ 0.31	\$ 0.32
Effect of equity capital activity				
Distributions to stockholders from net investment income	-	(0.01)	(0.20)	(0.01)
Distributions to stockholders from capital gains	-	-	(0.01)	-
Net asset value at end of period	\$ 9.65	\$ 9.76	\$ 9.65	\$ 9.76
Total return ^{(c)(g)}	3.14%	1.48%	3.25%	3.41%
Shares of common stock outstanding at end of period	17,831,896	14,680,630	17,831,896	14,680,630
Statement of Assets and Liabilities Data:				
Net assets at end of period	\$ 172,129,209	\$ 143,323,297	\$ 172,129,209	\$ 143,323,297
Average net assets ^(d)	171,650,889	130,001,232	172,005,655	113,835,793
Ratio/Supplemental Data:				
Ratio of gross expenses to average net assets-annualized ^(e)	2.42%	2.08%	2.22%	2.37%
Ratio of net expenses to average net assets-annualized ^(f)	1.43%	0.98%	1.35%	1.73%
Ratio of net investment income (loss) to average net assets-annualized	4.68%	4.65%	4.54%	3.42%
Portfolio turnover ^(g)	12.03%	30.63%	41.02%	1.07%

(a) Based on weighted average basic per share of Common Stock data.

(b) The per share amount varies from the net realized and unrealized gain/loss for the period because of the timing of sales of fund shares and the per share amount of realized and unrealized gains and losses at such time.

(c) Total return is based on the change in net asset value during the respective periods. Total return also takes into account dividends and distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan.

(d) Average net assets are computed using the average balance of net assets at the end of each month of the reporting period.

(e) Ratio of gross expenses to average net assets is computed using expenses before waivers from the Adviser and Administrator.

- (f) Ratio of net expenses to average net assets is computed using total expenses net of waivers from the Adviser and Administrator.
- (g) Not annualized.

Note 10. Indemnification

In the normal course of business, the Company may enter into certain contracts that provide a variety of indemnities. The Company's maximum exposure under these indemnities is unknown. The Company does not consider it necessary to record a liability in this regard.

Note 11. Subsequent Events

The Company has considered the effects, if any, of events occurring after the date of the Company's Statement of Assets and Liabilities through November 14, 2017, the date the quarterly report on Form 10-Q was issued. The Company has concluded there are no material items that warrant disclosure.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this quarterly report on Form 10-Q, except where the context suggests otherwise, the terms "we," "us," "our" and the "Company" refer to Audax Credit BDC Inc. The information contained in this section should be read in the conjunction with the financial statements and notes to the financial statements appearing elsewhere in this report.

This report and other statements contain forward-looking statements that involve substantial risks and uncertainties. Such statements involve known and unknown risks, uncertainties and other factors and undue reliance should not be placed thereon. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our company, our current and prospective portfolio investments, our industry, our beliefs and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "will," "may," "continue," "believes," "seeks," "estimates," "would," "could," "should," "targets," "projects," and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the ability of our portfolio companies to achieve their objectives;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of our Adviser to locate suitable investments for us and to monitor and administer our investments;
- changes in the general economy;
- risk associated with possible disruptions in our operations or the economy generally;
- the effect of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- actual and potential conflicts of interest with Adviser and its affiliates;
- the dependence of our future success on the general economy and its effect on the industries in which we invest;
- the adequacy of our financing sources and working capital;
- the ability of our Adviser and its affiliates to attract and retain highly talented professionals;
- our ability to qualify and maintain our qualification as a BDC and as a RIC; and
- the risks, uncertainties and other factors we identify under "Item 1A. Risk Factors" and elsewhere in our Annual Report (file no. 814-01154) (the "Annual Report").

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this report should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in the section of our Annual Report entitled "Item 1A. Risk Factors". You should not place undue reliance on these forward-looking statements, which apply only as of the date of this quarterly report. Moreover, we assume no duty and do not undertake to update the forward-looking statements. The forward-looking statements and projections contained in this report are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and provided by Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

OVERVIEW

Audax Credit BDC Inc. is a Delaware corporation that was formed on January 29, 2015. We are an externally managed, closed-end, non-diversified management investment company that has elected to be treated as a BDC under the 1940 Act. In addition, we have elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code.

Our investment objective is to generate current income and, to a lesser extent, long-term capital appreciation. We intend to meet our investment objective by investing primarily in senior secured debt of privately owned U.S. middle- market companies. We intend to invest at least 80% of our net assets plus the amount of any borrowings in “credit instruments,” which we define as any fixed income instruments.

Although we have no present intention of doing so, we may decide to incur leverage. If we do incur leverage, however, we anticipate that it will be used in limited circumstances and on a short-term basis for purposes such as funding distributions. As a BDC, we are limited in our use of leverage under the 1940 Act. Specifically, as a BDC we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing. In determining whether to use leverage, we will analyze the maturity, covenants and interest rate structure of the proposed borrowings, as well as the risks of such borrowings within the context of our investment outlook and the impact of leverage on our investment portfolio. The amount of any leverage that we will employ as a BDC will be subject to oversight by our Board of Directors.

We generate revenue in the form of interest on the debt securities that we hold in our portfolio companies. The senior debt we invest in generally has stated terms of three to ten years. Our senior debt investments generally bear interest at a floating rate. Interest on debt securities is generally payable quarterly or semiannually. In some cases, some of our investments may provide for deferred interest payments or PIK interest. The principal amount of the debt securities and any accrued but unpaid interest generally will become due at the maturity date. In addition, we may generate revenue in the form of commitment and other fees in connection with transactions, although we do not expect to do so. OID as well as market discount and premium are accreted and amortized in determining our interest income. We record any prepayment premiums on loans and debt securities as income.

PORTFOLIO COMPOSITION AND INVESTMENT ACTIVITY

Portfolio Composition

The fair value of our investments, all of which were syndicated loans as of September 30, 2017, was approximately \$162,115,628 and held in 89 portfolio companies as of September 30, 2017. The fair value of our investments, all of which were syndicated loans as of December 31, 2016, was approximately \$143,789,221 and held in 79 portfolio companies as of December 31, 2016.

During the nine months ended September 30, 2017, we invested in 42 new syndicated investments for a combined \$70,731,883 and in existing investments for a combined \$9,107,853. We also received \$61,357,297 in repayments from investments. During the nine months ended September 30, 2016, the Company invested in 28 new syndicated investments for a combined \$73,742,764 and \$4,738,963 in existing investments. The Company also received \$9,986,123 in repayments from investments and \$986,294 from investments sold during the nine months. In addition, for the three and nine months ended September 30, 2017, we had a change in unrealized depreciation of approximately \$328,689 and \$810,286, respectively, and realized gains of \$34,143 and \$475,073, respectively. During the three and nine months ended September 30, 2016, we had a change in unrealized appreciation of approximately \$375,577 and \$878,400, respectively, and realized gains of \$39,318 and \$35,642, respectively.

Our investment activity for the nine months ended September 30, 2017 and 2016, is presented below:

	<u>Nine Months Ended September 30, 2017</u>	<u>Nine Months Ended September 30, 2016</u>
Beginning investment portfolio, at fair value	\$ 143,789,221	\$ 61,378,152
Investments in new portfolio investments	70,731,883	73,742,764
Investments in existing portfolio investments	9,107,853	4,738,963
Principal repayments	(61,357,297)	(9,986,123)
Proceeds from investments sold	-	(986,294)
Change in premiums, discounts and amortization	179,181	130,770
Net unrealized (depreciation) appreciation on investments	(810,286)	878,401
Realized gain on investments	475,073	35,642
Ending portfolio investment activity, at fair value	<u>\$ 162,115,628</u>	<u>\$ 129,932,275</u>
Number of portfolio investments	93	76
Average investment amount, at cost	\$ 1,739,606	\$ 1,696,402
Percentage of investments at floating rates	100.00%	100.00%

As of September 30, 2017 and December 31, 2016, our entire portfolio consisted of non-controlled/non-affiliated investments.

RECENT DEVELOPMENTS

Subsequent to September 30, 2017 and through November 14, 2017, we invested \$17,620,382 at cost in eight portfolio companies.

RESULTS OF OPERATIONS

The net increase or decrease in net assets from operations may vary substantially from period to period as a result of various factors, including the recognition of realized gains and/or losses and net change in unrealized appreciation and depreciation.

Revenue

Total investment income for the three and nine months ended September 30, 2017 and 2016, is presented in the table below.

	<u>Three Months Ended September 30, 2017</u>	<u>Three Months Ended September 30, 2016</u>	<u>Nine Months Ended September 30, 2017</u>	<u>Nine Months Ended September 30, 2016</u>
Total interest income from non-controlled/non-affiliated investments	\$ 2,571,239	\$ 1,810,166	\$ 7,392,141	\$ 4,333,380
Total other interest income	35,903	12,061	92,533	40,615
Total other income	36,146	7,948	97,608	25,261
Total investment income	<u>\$ 2,643,288</u>	<u>\$ 1,830,175</u>	<u>\$ 7,582,282</u>	<u>\$ 4,399,256</u>

Total investment income for the three months ended September 30, 2017 increased to \$2,643,288 from \$1,830,175 for the three months ended September 30, 2016, and was driven by our interest income from our increasing investment balance. Total investment income for the nine months ended September 30, 2017 increased to \$7,582,282 from \$4,399,256 for the nine months ended September 30, 2016, and was driven by our interest income from our increasing investment balance. As of September 30, 2017 and 2016, the size of our portfolio was \$161,783,344 and \$128,926,584 at amortized cost, respectively, with total principal amount outstanding of \$162,796,110 and \$130,449,894, respectively.

Expenses

Total expenses net of waivers for the three and nine months ended September 30, 2017 and 2016, were as follows:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Base management fee ^(a)	\$ 444,812	\$ 327,577	\$ 1,322,060	\$ 856,763
Incentive fee ^(a)	309,149	231,638	733,773	231,638
Administrative fee ^(a)	66,250	66,250	198,750	198,750
Directors' fees	48,750	45,000	146,250	135,000
Professional fees	139,085	125,825	326,822	523,107
Other expenses	39,368	(119,499)	132,758	74,971
Total expenses	1,047,414	676,791	2,860,413	2,020,229
Base management fee waivers ^(a)	(155,685)	(114,652)	(462,721)	(299,867)
Incentive fee waivers ^(a)	(273,477)	(200,218)	(654,847)	(200,218)
Administrative fee waivers ^(a)	-	(44,375)	-	(44,375)
Total expenses, net of waivers	\$ 618,252	\$ 317,546	\$ 1,742,845	\$ 1,475,769

^(a) Refer to Note 4-Related Party Transactions within the financial statements for a description of the relevant fees.

The increase in base management fees before waivers for the three months ended September 30, 2017 in comparison to the three months ended September 30, 2016 was driven by our increasing invested balance. For the three months ended September 30, 2017 and 2016, we accrued gross base management fees before waivers of \$444,812 and \$327,577, respectively. Offsetting those fees, we recognized base management fee waivers of \$155,685 and \$114,652, respectively. For the three months ended September 30, 2017 and 2016, we accrued incentive fees related to net investment income before waivers of \$309,149 and \$231,638, respectively. Offsetting those fees, we recognized incentive fee waivers of \$273,477 and \$200,218, respectively. Additionally, we accrued \$66,250 of administrative fees for each of the three months ended September 30, 2017 and 2016. Offsetting those fees during the three months ended September 30, 2016, were base administrative fee waivers of \$44,375. Refer to Note 4 — Related Party Transactions in the notes accompanying our financial statements for more information related to base management fees, incentive fees and waivers.

During the three months ended September 30, 2017 and 2016, we incurred professional fees of \$139,085 and \$125,825, respectively, related to audit fees, tax fees, and legal fees. The increase in professional fees was driven by an increase in audit expenses during the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. We also incurred expenses related to fees paid to our independent directors of \$48,750 and \$45,000 for the three months ended September 30, 2017 and 2016, respectively.

During the three months ended September 30, 2016, we received a rebate from Delaware related to the 2015 Delaware state corporate franchise tax of \$145,828, which was included within other expenses within the Statement of Operations.

The increase in base management fees before waivers for the nine months ended September 30, 2017 in comparison to the nine months ended September 30, 2016 was driven by our increasing invested balance. For the nine months ended September 30, 2017 and 2016, we accrued gross base management fees before waivers of \$1,322,060 and \$856,763, respectively. Offsetting those fees, we recognized base management fee waivers of \$462,721 and \$299,867, respectively. For the nine months ended September 30, 2017 and 2016, we accrued incentive fees related to net investment income before waivers of \$733,773 and \$231,638, respectively. Offsetting those fees, we recognized incentive fee waivers of \$654,847 and \$200,218, respectively. Additionally, we accrued \$198,750 of administrative fees for each of the nine months ended September 30, 2017 and 2016. Offsetting those fees during the nine months ended September 30, 2016, were base administrative fee waivers of \$44,375. Refer to Note 4 — Related Party Transactions in the notes accompanying our financial statements for more information related to base management fees, incentive fees and waivers. From time to time, our expenses may include reimbursement to the Adviser or the Administrator for payment of certain of our expenses paid by the Adviser or the Administrator on our behalf.

During the nine months ended September 30, 2017 and 2016, we incurred professional fees of \$326,822 and \$523,107, respectively, related to audit fees, tax fees, and legal fees. The decrease in professional fees was driven by a decrease in legal expenses during the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. We also incurred expenses related to fees paid to our independent directors of \$146,250 and \$135,000 for the nine months ended September 30, 2017 and 2016, respectively.

During the nine months ended September 30, 2016, we received a rebate from Delaware related to the 2015 Delaware state corporate franchise tax of \$145,828, which was included within other expenses within the Statement of Operations.

Realized and Unrealized Gains and Losses

We recognized \$34,143 and \$39,318 in net realized gains for the three months ended September 30, 2017 and 2016, respectively. We recognized \$475,073 and \$35,642 in net realized gains for the nine months ended September 30, 2017 and 2016, respectively.

Net change in unrealized (depreciation) appreciation on investments for the three and nine months ended September 30, 2017 and 2016 was as follows:

Type	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
First Lien Debt	\$ (175,850)	\$ 276,009	\$ (739,659)	\$ 748,859
Second Lien Debt	(152,839)	99,568	(70,627)	129,542
Net change in unrealized (depreciation) appreciation on investments	<u>\$ (328,689)</u>	<u>\$ 375,577</u>	<u>\$ (810,286)</u>	<u>\$ 878,401</u>

Net change in unrealized depreciation on investments during the three and nine months ended September 30, 2017 was primarily due to the reversal of previously appreciated investments due to full principal paydowns. Net change in unrealized appreciation on investments for the three and nine months ended September 30, 2016 was primarily due to an increase in performance of our portfolio companies and changes in the capital market conditions.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We generate cash primarily from the net proceeds of any offering of shares of our common stock, from cash flows from interest and fees earned from our investments, and from principal repayments and proceeds from sales of our investments. Our primary use of cash is investments in portfolio companies, payments of our expenses and cash distributions to our stockholders. As of September 30, 2017 and December 31, 2016, we had cash of \$18,567,470 and \$30,566,068, respectively.

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2017 was \$8,253,922. The primary operating activity during this period was investment in portfolio companies. This was partially offset by repayments of bank loans. Net cash used in the operating activities for the nine months ended September 30, 2016 was \$60,087,589. The primary operating activity during this period was investment in portfolio companies. This was partially offset by repayments of bank loans and proceeds from investments sold.

As of September 30, 2017 and December 31, 2016, we had four and seven investments with unfunded commitments of \$579,861 and \$2,731,030, respectively. We believe that, as of September 30, 2017 and December 31, 2016, we had sufficient assets to adequately cover any obligations under our unfunded commitments.

The following table summarizes our total portfolio activity during the nine months ended September 30, 2017 and 2016:

	<u>Nine Months Ended September 30, 2017</u>	<u>Nine Months Ended September 30, 2016</u>
Beginning investment portfolio	\$ 143,789,221	\$ 61,378,152
Investments in new portfolio investments	70,731,883	73,742,764
Investments in existing portfolio investments	9,107,853	4,738,963
Principal repayments	(61,357,297)	(9,986,123)
Proceeds from sales of investments	-	(986,294)
Net unrealized (depreciation) appreciation on investments	(810,286)	878,401
Net realized gain on investments	475,073	35,642
Net change in premiums, discounts and amortization	179,181	130,770
Investment Portfolio, at Fair Value	<u><u>\$ 162,115,628</u></u>	<u><u>\$ 129,932,275</u></u>

Financing Activities

Net cash used in our financing activities for the nine months ended September 30, 2017 was \$3,744,676 from distributions paid to our common stockholders. Net cash provided by our financing activities for the nine months ended September 30, 2016 was \$37,847,266 from issuances of 3,929,831 of Shares to our shareholders, in connection with our capital calls during the period. These capital calls were partially offset by a distribution of \$152,734, or \$0.012 per share.

Equity Activity

On June 23, 2015, an investor made a \$140,000,000 capital commitment to us. On December 2, 2016, the same investor made an additional capital commitment of \$50,000,000. From time to time, we may seek to increase the amount of capital committed to the Company to make investments. As of September 30, 2017, \$20,000,000 of total capital commitments remained unfunded by our investors.

The number of shares of our common stock issued and outstanding as of each of September 30, 2017 and December 31, 2016 was 17,831,896 and 17,831,894, respectively.

Distributions to Stockholders – Common Stock Distributions

We have elected to be treated as a RIC for U.S. federal income tax purposes. As a RIC, we generally are not subject to corporate-level U.S. federal income taxes on ordinary income or capital gains that we timely distribute as dividends for U.S. federal income tax purposes to our stockholders. To qualify to be taxed as a RIC and thus avoid corporate-level income tax on the income that we distribute as dividends to our stockholders, we are required to distribute dividends to our stockholders each taxable year generally of an amount at least equal to 90% of our investment company taxable income, determined without regard to the deduction for any dividends paid. To avoid the imposition of a 4% excise tax on undistributed earnings, we are required to distribute dividends to our stockholders in respect of each calendar year of an amount at least equal to the sum of (i) 98% of our ordinary income (taking into account certain deferrals and elections) for such calendar year, (ii) 98.2% of our capital gain net income, adjusted for certain ordinary losses, for the one-year period ending October 31 of that calendar year and (iii) any income or capital gains recognized, but not distributed, in preceding calendar years and on which we incurred no U.S. federal income tax. We intend to make distributions to stockholders on an annual basis of substantially all of our net investment income. Although we intend to make distributions of net realized capital gains, if any, at least annually, out of assets legally available for such distributions, we may in the future decide to retain such capital gains for investment. In addition, the extent and timing of special dividends, if any, will be determined by our Board of Directors and will largely be driven by portfolio specific events and tax considerations.

We may fund our cash distributions from any sources of funds available, including offering proceeds, borrowings, net investment income from operations, capital gains proceeds from the sale of assets, non-capital gains proceeds from the sale of assets, dividends or other distributions paid to us on account of preferred and common equity investments in portfolio companies and fee waivers from our Adviser. Our distributions may exceed our earnings, especially during the period before we have substantially invested the proceeds from an offering. As a result, a portion of the distributions we may represent a return of capital for U.S. federal income tax purposes. Thus the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our income or gains. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings applicable to us as a BDC under the 1940 Act. We declared or paid distributions of \$3,744,698, or \$0.21 per share during the nine months ended September 30, 2017. We declared and paid to our shareholders aggregate distributions for the nine months ended September 30, 2016 of \$152,734, or \$0.012 per share. This distribution was declared and recorded on September 20, 2016 and payable on September 23, 2016. We estimate that the full amount of the distributions declared and paid during such period will be characterized, for U.S. federal income tax purposes, as ordinary income.

The determination of the tax attributes of our distributions is made annually at the end of our taxable year, based upon our taxable income for the full taxable year and distributions paid for the full taxable year. Therefore, estimates made on an interim basis may not be representative of the actual tax attributes of distributions for a full year. The actual tax characteristics of distributions to stockholders will be reported to stockholders subject to information reporting after the close of each calendar year on Form 1099-DIV.

Related Party Fees

For the three months ended September 30, 2017 and 2016, we recorded base management fees of \$444,812 and \$327,577, respectively. Offsetting these fees were waivers to the base management fees of \$155,685 and \$114,652, respectively, as set forth within the accompanying statements of operations.

For the nine months ended September 30, 2017 and 2016, we recorded base management fees of \$1,322,060 and \$856,763, respectively. Offsetting those fees were waivers to the base management fees of \$462,721 and \$299,867, respectively, as set forth within the accompanying statements of operations.

For the three months ended September 30, 2017 and 2016, we recorded incentive fees of \$309,149 and \$231,638, respectively. Offsetting these waivers to the incentive fees of \$273,477 and \$200,218, respectively, as set forth within the accompanying statements of operations. For the nine months ended September 30, 2017 and 2016, we recorded incentive fees of \$733,773 and \$231,638, respectively. Offsetting these waivers to the incentive fees of \$654,847 and \$200,218, respectively, as set forth within the accompanying statements of operations.

For each of the three months ended September 30, 2017 and 2016, we recorded administrative fees of \$62,500, respectively. Offsetting those fees, we recorded waivers of the administrative fees of \$44,375 for the three months ended September 30, 2016, as set forth within the accompanying statements of operations. For each of the nine months ended September 30, 2017 and 2016, we recorded administrative fees of \$198,750, respectively. Offsetting those fees, we recorded waivers of the administrative fees of \$44,375 for the nine months ended September 30, 2016, as set forth within the accompanying statements of operations.

Fees due to related parties as of September 30, 2017 and December 31, 2016 on our accompanying statements of assets and liabilities were as follows:

	September 30, 2017	December 31, 2016
Net base management fee due to Adviser	\$ 289,127	\$ 254,066
Net incentive fee due to Adviser	35,672	65,823
Other expenses due to Adviser ^(a)	96,943	120,736
Total fees due to Adviser, net of waivers	421,742	440,625
Fee due to Administrator, net of waivers	66,250	21,875
Total Related Party Fees Due	\$ 487,992	\$ 462,500

(a) Expenses paid on behalf of the Company by the Adviser

Tender Offers

We do not currently intend to list our common stock on any securities exchange, and we do not expect a public market for it to develop in the foreseeable future. Therefore, stockholders should not expect to be able to sell our common stock promptly or at a desired price. To provide our stockholders with limited liquidity, we may, in the absolute discretion of our Board of Directors, conduct an annual tender offer. Our tenders for the common stock, if any, would be conducted on such terms as may be determined by our Board of Directors and in accordance with the requirements of applicable law, including Section 23(c) of the 1940 Act and Regulation M under the Exchange Act. We have not commenced any tender offers, and we do not currently intend to conduct any tender offers.

CRITICAL ACCOUNTING POLICIES

This discussion of our operations is based upon our financial statements, which are prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, we describe our critical accounting policies in the notes to our financial statements.

Valuation of Investments

We conduct the valuation of our investments, pursuant to which our net asset value is determined, at all times consistent with GAAP and the 1940 Act. Our Board of Directors, with the assistance of our Audit Committee, determines the fair value of our investments, for investments with a public market and for investments with no readily available public market, on at least a quarterly basis, in accordance with the terms of ASC 820. Our valuation procedures are set forth in more detail below.

ASC 820 defines fair value 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 value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price when an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

ASC 820 establishes a hierarchical disclosure framework which ranks the observability of inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instruments and their specific characteristics. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

The three-level hierarchy for fair value measurement is defined as follows:

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical financial instruments as of the measurement date. The types of financial instruments in this category include unrestricted securities, including equities and derivatives, listed in active markets. We do not adjust the quoted price for these instruments, even in situations where we hold a large position, and a sale could reasonably be expected to impact the quoted price.

Level 2 — Inputs to the valuation methodology are quoted prices in markets that are not active or for which all significant inputs are either directly or indirectly observable as of the measurement date. The types of financial instruments in this category include less liquid and restricted securities listed in active markets, securities traded in markets that are not active, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the overall fair value measurement, and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments in this category include investments in privately held entities, non-investment grade residual interests in securitizations, collateralized loan obligations, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Pursuant to the framework set forth above, we value securities traded in active markets on the measurement date by multiplying the exchange closing price of such traded securities/instruments by the quantity of shares or amount of the instrument held. We also obtain quotes with respect to certain of our investments from pricing services, brokers or dealers' quotes, or counterparty marks in order to value liquid assets that are not traded in active markets.

Pricing services aggregate, evaluate and report pricing from a variety of sources including observed trades of identical or similar securities, broker or dealer quotes, model-based valuations and internal fundamental analysis and research. When doing so, we determine whether the quote obtained is sufficient according to GAAP to determine the fair value of the security. If determined adequate, we use the quote obtained.

Securities that are illiquid or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of our Board of Directors, does not represent fair value, are each valued as of the measurement date using all techniques appropriate under the circumstances and for which sufficient data are available. These valuation techniques vary by investment but include comparable public market valuations, comparable precedent transaction valuations and discounted cash flow analyses. The process used to determine the applicable value is as follows: (i) each portfolio company or investment is initially valued by the investment professionals of the Adviser responsible for the portfolio investment using a standardized template designed to approximate fair market value based on observable market inputs and updated credit statistics and unobservable inputs; (ii) preliminary valuation conclusions are documented and discussed with our senior management and members of our Adviser's valuation team; (iii) our Audit Committee reviews the assessments of the Adviser and provides our Board of Directors with recommendations with respect to the fair value of the investments in our portfolio; and (iv) our Board of Directors discusses the valuation recommendations of our Audit Committee and determines the fair value of the investments in our portfolio in good faith based on the input of the Adviser and in accordance with our valuation policy.

Our Audit Committee's recommendation of fair value is generally based on its assessment of the following factors, as relevant:

- the nature and realizable value of any collateral;

- call features, put features and other relevant terms of debt;
- the portfolio company's ability to make payments;
- the portfolio company's actual and expected earnings and discounted cash flow;
- prevailing interest rates for like securities and expected volatility in future interest rates;
- the markets in which the portfolio company does business and recent economic and/or market events; and
- comparisons to publicly traded securities.

Investment performance data utilized are the most recently available as of the measurement date, which in many cases may reflect up to a one quarter lag in information.

Securities for which market quotations are not readily available or for which a pricing source is not sufficient may include the following:

- private placements and restricted securities that do not have an active trading market;
- securities whose trading has been suspended or for which market quotes are no longer available;
- debt securities that have recently gone into default and for which there is no current market;
- securities whose prices are stale; and
- securities affected by significant events.

Our Board of Directors is responsible for the determination, in good faith, of the fair value of our portfolio investments.

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to our financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

Security transactions are recorded on trade date (date the order to buy or sell is executed or, in the case of privately issued securities, the closing date, which is when all terms of the transactions have been defined). Realized gains and losses on investments are determined based on the identified cost method.

Refer to Note 3 — *Investments* in the notes to our accompanying financial statements included elsewhere in this quarterly report for additional information regarding fair value measurements and our application of ASC 820.

Revenue Recognition

We record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt securities with contractual PIK interest, which represents contractual interest accrued and added to the principal balance, we generally will not accrue PIK interest for accounting purposes if the portfolio company valuation indicates that such PIK interest is not collectible. We do not accrue interest on loans and debt securities as a receivable for accounting purposes if we have reason to doubt our ability to collect such interest. OID, market discounts or premiums are accreted or amortized using the effective interest method as interest income. We record prepayment premiums on loans and debt securities as interest income.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

We measure net realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

PIK Interest

We may have investments in our portfolio that contain a PIK interest provision. Any PIK interest will be added to the principal balance of such investments and is recorded as income if the portfolio company valuation indicates that such PIK interest is collectible. In order to maintain our status as a RIC, substantially all of this income must be included in the amounts paid out by us to stockholders in the form of dividends, even if we have not collected any cash.

Organization and Offering Expenses

We incurred offering costs of \$145,358 in prior periods. Our offering costs included legal fees and other costs pertaining to the preparation of the Registration Statement and sale of our shares of common stock. We capitalized these expenses and amortized them on a straight-line basis over a twelve-month period. We did not amortize offering costs during the three and nine months ended September 30, 2017. The amortization is included within professional fees and other expenses within the statement of operations and amounted to \$36,339 and \$72,679 for the three and nine months ended September 30, 2016.

U.S. Federal Income Taxes

We have elected to be subject to tax as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to incur any corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute as dividends to our stockholders. To qualify and maintain our qualification as a RIC, we must meet certain source-of-income and asset diversification requirements as well as distribute dividends to our stockholders each taxable year of an amount generally at least equal to 90% of our investment company taxable income, determined without regard to any distributions paid.

Depending on the level of taxable income earned in a taxable year, we may choose to retain taxable income in excess of current year distributions into the next taxable year. We would then incur a 4% excise tax on such taxable income, as required. To the extent that we determine that our estimated current year annual taxable income may exceed estimated current year distributions, we will accrue an excise tax, if any, on estimated excess taxable income as taxable income is earned. We did not accrue any excise tax for the fiscal years ended December 31, 2016 and 2015.

Because U.S. federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified within capital accounts in the financial statements to reflect their tax character. Permanent differences may also result from differences in classification in certain items, such as the treatment of short-term gains as ordinary income for tax purposes. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

We evaluate tax positions taken or expected to be taken in the course of preparing our financial statements to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the “more-likely-than-not” threshold are reversed and recorded as a tax benefit or expense in the current fiscal year. All penalties and interest associated with any income taxes accrued are included in income tax expense. Conclusions regarding tax positions are subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analyses of tax law, regulations and interpretations thereof. Our accounting policy on income taxes is critical because if we are unable to qualify, or once qualified, maintain our tax status as a RIC, we would be required to record a provision for corporate-level U.S. federal income taxes, as well as any related state or local taxes which may be significant to our financial results.

COMMITMENTS AND CONTINGENCIES

From time to time, we, or the Adviser, may become party to legal proceedings in the ordinary course of business, including proceedings related to the enforcement of our rights under contracts with our portfolio companies. Neither we nor the Adviser is currently subject to any material legal proceedings.

Unfunded commitments to provide funds to portfolio companies are not reflected in our accompanying statements of assets and liabilities. Our unfunded commitments may be significant from time to time. These commitments are subject to the same underwriting and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn, the total commitment amount does not necessarily represent future cash requirements. We use cash flow from normal and early principal repayments and proceeds from borrowings and offerings to fund these commitments. As of September 30, 2017, we had four investments with unfunded commitments of \$579,861. As of December 31, 2016, we had seven investments with unfunded commitments of \$2,731,030. We believe that, as of September 30, 2017 and December 31, 2016, we had sufficient assets to adequately cover any obligations under our unfunded commitments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including changes in interest rates. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. As of September 30, 2017 and December 31, 2016, all of our investments included variable rates with a minimum guaranteed rate, or floor, and bore interest at the minimum guaranteed rate.

Assuming that the accompanying statement of assets and liabilities as of September 30, 2017 was to remain constant and that we took no actions to alter interest rate sensitivity as of such date, the following table shows the annualized impact of hypothetical base rate changes in interest rates.

Change in interest rates	Increase (decrease) in investment income
Down 100 basis points	(539,475)
Up 100 basis points	1,629,332
Up 200 basis points	3,255,922
Up 300 basis points	4,883,883

In addition, any investments we make that are denominated in a foreign currency will be subject to risks associated with changes in currency exchange rates. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved.

We may hedge against interest rate and currency exchange rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in benefits of lower interest rates with respect to our portfolio of investments with fixed interest rates.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of September 30, 2017, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness and design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective at a reasonable assurance level in timely alerting management, including the Chief Executive Officer and Chief Financial Officer, of material information about us required to be included in periodic SEC filings. However, in evaluation of the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceeding, nor, to our knowledge, is any material legal proceeding threatened against us.

From time to time, we, our Adviser or Administrator may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

From time to time, we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us.

ITEM 1A. RISK FACTORS

There have been no changes to the risk factors described in Part I, Item 1A “Risk Factors” of our Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

- [3.1](#) [Amended and Restated Certificate of Incorporation \(Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 10 \(File no. 000-55426\), filed on April 17, 2015\).](#)
- [3.2](#) [Form of Bylaws \(Incorporated by reference to Exhibit 3.2 to the Registration Statement on Form 10 \(File no. 000-55426\), filed on April 17, 2015\).](#)
- [31.1](#) [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as amended.](#)
- [31.2](#) [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934, as amended.](#)
- [32.1](#) [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended \(18 U.S.C. 1350\).](#)
- [32.2](#) [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended \(18 U.S.C. 1350\).](#)
- [99.1](#) [Code of Ethics \(Incorporated by reference to Exhibit 99.1 to Pre-Effective Amendment No. 1 to the Registration Statement on Form 10, File No. 000-55426, filed on June 5, 2015\).](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Audax Credit BDC Inc.

Date: November 14, 2017

By: /s/ Michael P. McGonigleMichael P. McGonigle
Chief Executive Officer

Date: November 14, 2017

By: /s/ Richard T. JosephRichard T. Joseph
Chief Financial Officer

EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT
RULES 13a-14 AND 15d-14**

I, Michael P. McGonigle, Chief Executive Officer of Audax Credit BDC Inc., certify that:

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

Date: November 14, 2017

By: /s/ Michael P. McGonigle
Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT
RULES 13a-14 AND 15d-14**

I, Richard T. Joseph, Chief Financial Officer of Audax Credit BDC Inc., certify that:

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

Date: November 14, 2017

By: /s/ Richard T. Joseph
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Audax Credit BDC Inc. (the "Company") for the quarterly period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. McGonigle, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Michael P. McGonigle

Name: **Michael P. McGonigle**

Title: **Chief Executive Officer**

Date: November 14, 2017

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Audax Credit BDC Inc. (the "Company") for the quarterly period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard T. Joseph, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ Richard T. Joseph

Name: **Richard T. Joseph**

Title: **Chief Financial Officer**

Date: November 14, 2017
