

**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 June 30, 2020

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)

Securities registered pursuant to Section 12(b) of the Act:
None.

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 every Interactive Data File required to be submitted 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 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.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

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 38,343,577 shares of common stock, par value \$0.001 per share, outstanding as of August 14, 2020.

AUDAX CREDIT BDC INC.
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

Statements of Assets and Liabilities as of June 30, 2020 (unaudited) and December 31, 2019	2
Statements of Operations for the three and six months ended June 30, 2020 (unaudited) and 2019 (unaudited)	3
Statements of Changes in Net Assets for the six months ended June 30, 2020 (unaudited) and 2019 (unaudited)	4
Statements of Cash Flows for the six months ended June 30, 2020 (unaudited) and 2019 (unaudited)	5
Schedules of Investments as of June 30, 2020 (unaudited) and December 31, 2019	6
Notes to Financial Statements (unaudited)	16

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

Overview	37
Results of Operations	39
Financial Condition, Liquidity and Capital Resources	41

Item 3. Quantitative and Qualitative Disclosures About Market Risk 48

Item 4. Controls and Procedures 49

PART II. OTHER INFORMATION:

Item 1. Legal Proceedings 50

Item 1A. Risk Factors 50

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 51

Item 3. Defaults Upon Senior Securities 51

Item 4. Mine Safety Disclosures 51

Item 5. Other Information 51

Item 6. Exhibits 51

SIGNATURES 52

Audax Credit BDC Inc.
Statements of Assets and Liabilities
June 30, 2020 and December 31, 2019
(Expressed in U.S. Dollars)

	June 30, 2020 (unaudited)	December 31, 2019
Assets		
Investments, at fair value		
Non-Control/Non-Affiliate investments (Cost of \$342,780,598 and \$332,722,006, respectively)	\$ 327,764,913	\$ 330,874,911
Cash and cash equivalents	15,722,499	5,506,217
Interest receivable	974,912	942,329
Receivable from investments sold	-	1,993,379
Receivable from bank loan repayment	9,984	80,161
Other assets	98,529	-
Total assets	\$ 344,570,837	\$ 339,396,997
Liabilities		
Accrued expenses and other liabilities	\$ 322,172	\$ 297,938
Fee due to administrator ^(a)	66,250	66,250
Fees due to investment advisor, net of waivers ^(a)	683,370	688,136
Payable for investments purchased	-	6,945,000
Total liabilities	\$ 1,071,792	\$ 7,997,324
Commitments and contingencies ^(b)		
Net Assets		
Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 37,793,522 and 35,109,246 shares issued and outstanding, respectively	\$ 37,793	\$ 35,110
Capital in excess of par value	359,092,751	334,095,408
Total distributable earnings	(15,631,499)	(2,730,845)
Total Net Assets	\$ 343,499,045	\$ 331,399,673
Net Asset Value per Share of Common Stock at End of Period	\$ 9.09	\$ 9.44
Shares Outstanding	37,793,522	35,109,246

^(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 June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Investment Income				
Interest income				
Non-Control/Non-Affiliate	\$ 4,961,112	\$ 5,216,545	\$ 10,163,820	\$ 10,086,548
Other	1,325	42,795	29,995	93,515
Total interest income	4,962,437	5,259,340	10,193,815	10,180,063
Other income				
Non-Control/Non-Affiliate	124,633	15,340	139,373	33,150
Total income	5,087,070	5,274,680	10,333,188	10,213,213
Expenses				
Base management fee ^(a)	\$ 942,530	\$ 808,440	\$ 1,823,382	\$ 1,547,094
Incentive fee ^(a)	623,599	647,108	1,284,958	1,259,236
Administrative fee ^(a)	66,250	66,250	132,500	132,500
Directors' fees	52,500	52,500	105,000	105,000
Professional fees	139,116	233,450	237,058	388,131
Other expenses	59,805	83,452	108,190	188,053
Expenses before waivers from investment adviser and administrator	1,883,800	1,891,200	3,691,088	3,620,014
Base management fee waivers ^(a)	(329,886)	(282,954)	(638,184)	(541,483)
Incentive fee waivers ^(a)	(552,873)	(521,159)	(1,116,651)	(1,010,450)
Total expenses, net of waivers	1,001,041	1,087,087	1,936,253	2,068,081
Net Investment Income	4,086,029	4,187,593	8,396,935	8,145,132
Realized and Unrealized Gain (Loss) on Investments				
Net realized gain (loss) on investments	384	73,812	(3,392)	101,731
Net change in unrealized appreciation (depreciation) on investments	2,368,943	(318,214)	(13,168,590)	(661,736)
Net realized and unrealized loss on investments	2,369,327	(244,402)	(13,171,982)	(560,005)
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>\$ 6,455,356</u>	<u>\$ 3,943,191</u>	<u>\$ (4,775,047)</u>	<u>\$ 7,585,127</u>
Basic and Diluted per Share of Common Stock:				
Net investment income	\$ 0.11	\$ 0.13	\$ 0.23	\$ 0.26
Net increase (decrease) in net assets resulting from operations	<u>\$ 0.17</u>	<u>\$ 0.12</u>	<u>\$ (0.13)</u>	<u>\$ 0.24</u>
Weighted average shares of common stock outstanding basic				
diluted	37,769,447	31,880,752	37,155,262	31,019,614

^(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)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Operations		
Net investment income	\$ 8,396,935	\$ 8,145,132
Net realized (loss) gain on investments	(3,392)	101,731
Net change in unrealized depreciation on investments	(13,168,590)	(661,736)
Net (decrease) increase in net assets resulting from operations	(4,775,047)	7,585,127
Distributions:		
Distributions to common stockholders	(8,125,607)	(8,246,864)
Return of capital to common stockholders	-	(60,025)
Total distributions	(8,125,607)	(8,306,889)
Capital Share Transactions:		
Issuance of common stock	25,000,000	35,000,000
Reinvestment of common stock	26	30
Net increase in net assets from capital share transactions	25,000,026	35,000,030
Net Increase in Net Assets	12,099,372	34,278,268
Net Assets, Beginning of Period	331,399,673	267,423,235
Net Assets, End of Period	\$ 343,499,045	\$ 301,701,503

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)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net (decrease) increase in net assets resulting from operations	\$ (4,775,047)	\$ 7,585,127
Adjustments to reconcile net (decrease) increase in net assets from operations to net cash used in operating activities:		
Net realized loss (gain) on investments	3,392	(101,733)
Net change in unrealized depreciation on investments	13,168,590	661,736
Accretion of original issue discount interest and payment-in-kind interest	(216,568)	(135,319)
Decrease in receivable from investments sold	1,993,379	-
Increase in interest receivable	(32,583)	(269,162)
Decrease in receivable from bank loan repayment	70,177	679
Increase in other assets	(98,529)	(90,000)
Increase (decrease) in accrued expenses and other liabilities	24,234	(182,307)
(Decrease) increase in fees due to investment advisor ^(a)	(4,766)	115,520
Decrease in payable for investments purchased	(6,945,000)	(1,154,706)
Investment activity:		
Investments purchased	(36,506,991)	(75,349,578)
Proceeds from investments sold	5,743,556	1,951,362
Repayment of bank loans	20,918,019	29,011,639
Total investment activity	(9,845,416)	(44,386,577)
Net cash used in operating activities	(6,658,137)	(37,956,742)
Cash flows from financing activities:		
Issuance of shares of common stock	25,000,000	35,000,000
Distributions paid to common stockholders	(8,125,581)	(8,306,859)
Net cash provided by financing activities	16,874,419	26,693,141
Net increase (decrease) in cash and cash equivalents	10,216,282	(11,263,601)
Cash and cash equivalents:		
Cash and cash equivalents, beginning of period	5,506,217	17,715,145
Cash and cash equivalents, end of period	\$ 15,722,499	\$ 6,451,544
Supplemental non-cash information		
Issuance of common shares in connection with dividend reinvestment plan	\$ 26	\$ 30
Payment-in-kind ("PIK") interest income	\$ 35,921	\$ 32,822

^(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 June 30, 2020
(Expressed in U.S. Dollars)
(unaudited)

Portfolio Investments (a) (b) (c) (d) (e) (f)	Par	Cost	Value
BANK LOANS: NON-CONTROL/NON-AFFILIATE INVESTMENTS - (95.2%)^{(g)(h)}:			
<i>Healthcare & Pharmaceuticals</i>			
Radiology Partners, Senior Secured Term B Loan (First Lien), 5.25% (Libor + 4.25%), maturity 7/9/25 ⁽ⁱ⁾	\$ 4,215,792	\$ 4,344,174	\$ 4,068,238
Advarra, Senior Secured Initial Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 7/9/26	3,919,680	3,882,232	3,826,429
Tecomet, Senior Secured 2017 Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 5/1/24	3,939,086	3,923,830	3,816,501
Young, Senior Secured Initial Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 11/7/24	3,814,497	3,805,012	3,677,174
Specialty Care, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 9/1/23	3,325,899	3,329,021	3,238,659
Veritext, Senior Secured Initial Term Loan (First Lien), 3.80% (Libor + 3.50%), maturity 8/1/25	3,169,448	3,155,109	3,070,815
Zest Dental, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 3/14/25	3,247,592	3,266,486	2,870,871
Confluent Health, Senior Secured Initial Term Loan, 5.30% (Libor + 5.00%), maturity 6/24/26	2,970,000	2,944,579	2,870,327
Physicians Endoscopy, Senior Secured Initial Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 8/18/23	2,892,017	2,873,776	2,780,848
Waystar, Senior Secured Term Loan B, 4.30% (Libor + 4.00%), maturity 10/22/26 ⁽ⁱ⁾	2,493,750	2,483,602	2,468,813
PharMedQuest, Senior Secured Initial Term Loan, 6.25% (Libor + 5.25%), maturity 10/31/24	2,487,500	2,456,918	2,422,253
MedRisk, Senior Secured Initial Term Loan (First Lien), 3.05% (Libor + 2.75%), maturity 12/27/24	2,437,500	2,442,258	2,379,512
Eating Recovery Center, Senior Secured Initial Term Loan (First Lien), 5.50% (Libor + 4.50%), maturity 9/23/24	2,433,767	2,415,621	2,363,991
OB Hospitalist Group, Senior Secured Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 8/1/24	2,316,088	2,306,383	2,260,988
Premise Health, Senior Secured Initial Term Loan (First Lien), 3.80% (Libor + 3.50%), maturity 7/10/25	2,317,990	2,324,968	2,251,533
MedRisk, Senior Secured Initial Loan (Second Lien), 7.05% (Libor + 6.75%), maturity 12/29/25	2,100,000	2,076,795	2,050,041
Zelis RedCard, Senior Secured Initial Term Loan, 5.05% (Libor + 4.75%), maturity 9/30/26 ⁽ⁱ⁾	1,990,000	1,974,819	1,964,997
Press Ganey, Senior Secured Initial Term Loan (First Lien), 3.80% (Libor + 3.50%), maturity 7/24/26 ⁽ⁱ⁾	1,985,000	1,978,295	1,934,081
Avalign Technologies, Senior Secured Initial Term Loan (First Lien), 5.50% (Libor + 4.50%), maturity 12/22/25	1,970,000	1,955,277	1,889,466
CareCentrix, Senior Secured Initial Term Loan, 4.80% (Libor + 4.50%), maturity 4/3/25 ⁽ⁱ⁾	1,887,500	1,880,587	1,687,899
Alpaca, Senior Secured Term Loan, 5.50% (Libor + 4.50%), maturity 4/19/24	1,665,714	1,643,582	1,609,813
Upstream Rehabilitation, Senior Secured Term Loan, 4.80% (Libor + 4.50%), maturity 11/20/26	1,496,250	1,494,062	1,444,210
CPS, Unitranche, 6.50% (Libor + 5.50%), maturity 2/28/25	1,485,054	1,466,877	1,431,592
Stepping Stones, Unitranche, 6.75% (Libor + 5.75%), maturity 12/12/24	1,476,599	1,470,002	1,430,647
Ensemble, Senior Secured Closing Date Term Loan, 4.05% (Libor + 3.75%), maturity 8/3/26 ⁽ⁱ⁾	992,500	988,042	992,500
Athena, Senior Secured Term B Loan (First Lien), 4.80% (Libor + 4.50%), maturity 2/11/26 ⁽ⁱ⁾	992,469	983,375	969,453
Veritext, Senior Secured Initial Term Loan (Second Lien), 7.30% (Libor + 7.00%), maturity 7/31/26	1,000,000	995,868	968,880
Packaging Coordinators, Senior Secured Initial Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 6/30/23	979,592	984,493	951,507
Dermatologists of Central States, Senior Secured Term Loan, 7.50% (Libor + 6.50%), maturity 4/20/22	972,344	972,344	938,526
Alcami, Senior Secured Initial Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 7/14/25	982,500	978,726	935,144
Aegis Sciences, Senior Secured Initial Term Loan (2018) (First Lien), 6.50% (Libor + 5.50%), maturity 5/9/25	982,500	971,432	927,952
ATI Physical Therapy, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 5/10/23 ⁽ⁱ⁾	917,245	921,451	857,624
Specialty Care, Senior Secured Initial Term Loan (Second Lien), 9.25% (Libor + 8.25%), maturity 9/1/24	850,000	843,914	829,779
RMP & MedA/Rx, Senior Secured Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 2/6/25	436,126	435,287	422,554
Injured Workers Pharmacy, Senior Secured Term Loan (First Lien), 5.75% (Libor + 4.75%), maturity 7/22/20 ⁽ⁱ⁾	375,681	379,005	375,681
Alpaca, Senior Secured Revolver, 5.50% (Libor + 4.50%), maturity 4/19/24	258,852	254,969	250,165
Advarra, Senior Secured Initial Revolving Loan (First Lien), 4.55% (Libor + 4.25%), maturity 7/9/26	-	(7,619)	-
<i>High Tech Industries</i>			
Qlik, Senior Secured 2019 Incremental Term Loan, 5.25% (Libor + 4.25%), maturity 4/26/24 ⁽ⁱ⁾	3,960,000	3,937,219	3,945,150
Barracuda, Senior Secured 2019 Incremental Term Loan (First Lien), 4.25% (Libor + 3.25%), maturity 2/12/25 ⁽ⁱ⁾	3,433,703	3,445,545	3,370,046
Masergy, Senior Secured Initial Loan (Second Lien), 8.50% (Libor + 7.50%), maturity 12/16/24	3,428,571	3,420,963	3,330,274
Syncsort, Senior Secured 2018 Refinancing Term Loan (First Lien), 6.55% (Libor + 6.25%), maturity 8/16/24	3,404,363	3,382,210	3,298,419
Jaggaer, Senior Secured Initial Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 8/14/26 ⁽ⁱ⁾	3,138,534	3,133,758	3,061,322
Infogroup, Senior Secured Term Loan (First Lien), 6.00% (Libor + 5.00%), maturity 4/3/23	2,904,925	2,883,805	2,821,641
McAfee, Senior Secured Term B USD Loan, 4.05% (Libor + 3.75%), maturity 9/30/24 ⁽ⁱ⁾	2,849,928	2,860,058	2,801,449
Idera, Senior Secured Initial Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 6/28/24	2,632,524	2,630,694	2,569,896
EverCommerce, Senior Secured Initial Term Loan, 5.80% (Libor + 5.50%), maturity 8/23/25	2,596,070	2,549,994	2,527,975
ECi Software Solutions, Senior Secured Initial Term Loan, 5.25% (Libor + 4.25%), maturity 9/27/24 ⁽ⁱ⁾	2,450,978	2,441,163	2,418,363
QuickBase, Senior Secured Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 4/2/26	1,980,000	1,971,503	1,918,382
Sophos, Senior Secured Dollar Tranche Term Loan (First Lien), 3.80% (Libor + 3.50%), maturity 3/5/27 ^{(i)(g)}	2,000,000	1,878,750	1,933,619
Flexera Software, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 2/26/25 ⁽ⁱ⁾	1,955,000	1,960,759	1,915,979
Corsair, Senior Secured Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 8/28/24	1,966,242	1,952,904	1,914,668
Intermedia, Senior Secured New Term Loan (First Lien), 7.00% (Libor + 6.00%), maturity 7/21/25	1,970,000	1,957,371	1,913,520
GlobalLogic, Senior Secured Initial Term Loan, 3.05% (Libor + 2.75%), maturity 8/1/25 ⁽ⁱ⁾	1,724,063	1,716,163	1,663,181
Bongar, Senior Secured Initial Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 4/18/25	1,715,000	1,724,186	1,657,445
Liaison, Senior Secured Initial Term Loan, 5.50% (Libor + 4.50%), maturity 12/20/26	1,492,500	1,488,750	1,453,352
OECConnection, Senior Secured Initial Term Loan, 5.00% (Libor + 4.00%), maturity 9/25/26	1,488,750	1,482,131	1,446,068
Navex Global, Senior Secured Initial Term Loan (First Lien), 3.55% (Libor + 3.25%), maturity 9/5/25 ⁽ⁱ⁾	1,473,750	1,460,732	1,434,420
Ultimate Software, Senior Secured Initial Term Loan (First Lien), 4.05% (Libor + 3.75%), maturity 5/4/26 ⁽ⁱ⁾	1,075,208	1,077,046	1,071,176
Unison, Senior Secured 2020 Term Loan, 8.00% (Libor + 7.00%), maturity 6/25/26 ^{(i)(g)}	1,000,000	975,000	975,000
Insurity, Senior Secured Closing Date Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 7/31/26	995,000	990,542	968,901

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

Audax Credit BDC Inc.
Schedule of Investments (Continued)
As of June 30, 2020
(Expressed in U.S. Dollars)
(unaudited)

Portfolio Investments (a) (b) (c) (d) (e) (f)	Par	Cost	Value
BANK LOANS: NON-CONTROL/NON-AFFILIATE INVESTMENTS^(h) (Continued):			
<i>High Tech Industries (continued)</i>			
LANDesk, Senior Secured Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 1/20/24 ⁽ⁱ⁾	\$ 973,876	\$ 965,948	\$ 954,399
Community Brands, Senior Secured Initial Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 12/2/22	830,009	826,616	801,141
Sparta, Senior Secured New Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 8/21/24	791,973	792,375	748,002
Global Knowledge, Senior Secured Initial Term Loan (Second Lien), 13.25% (Libor + 12.25%), maturity 1/20/22 ^(m)	1,000,000	996,457	650,000
Idera, Senior Secured Loan (Second Lien), 10.00% (Libor + 9.00%), maturity 6/28/27	500,000	505,000	488,105
HelpSystems, Senior Secured Initial Term Loan (First Lien), 5.75% (Libor + 4.75%), maturity 11/19/26	498,750	497,500	485,668
DigiCert, Senior Secured Initial Term Loan (First Lien), 4.00% (Libor + 4.00%), maturity 10/16/26 ⁽ⁱ⁾	498,750	470,000	486,828
McAfee, Senior Secured Initial Loan (Second Lien), 9.50% (Libor + 8.50%), maturity 9/29/25 ⁽ⁱ⁾	500,000	492,500	502,956
Masergy, Senior Secured 2017 Replacement Term Loan (First Lien), 4.25% (Libor + 3.25%), maturity 12/15/23	482,408	481,070	468,578
Endurance Int'l Group, Senior Secured Refinancing Loan (2018), 4.75% (Libor + 3.75%), maturity 2/9/23 ⁽ⁱ⁾	399,855	399,248	389,963
<i>Services: Business</i>			
CoAdvantage, Senior Secured Initial Term Loan (First Lien), 6.00% (Libor + 5.00%), maturity 9/23/25	3,970,000	3,936,667	3,865,867
RevSpring, Senior Secured Initial Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 10/11/25	3,940,000	3,936,001	3,817,387
Addison, Senior Secured Initial Term Loan, 5.05% (Libor + 4.75%), maturity 4/15/26	2,970,000	2,920,689	2,884,850
Fleetwash, Senior Secured Incremental Term Loan, 5.75% (Libor + 4.75%), maturity 10/1/24	2,947,725	2,925,510	2,855,992
Service Logic, Senior Secured Initial Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 12/31/24	2,922,063	2,912,851	2,823,998
Aimbridge, Senior Secured Initial Term Loan (2019) (First Lien), 4.05% (Libor + 3.75%), maturity 2/2/26 ⁽ⁱ⁾	2,967,575	2,958,760	2,599,642
Duff & Phelps, Senior Secured Initial Dollar Term Loan (First Lien), 4.75% (Libor + 3.75%), maturity 4/9/27 ⁽ⁱ⁾	2,500,000	2,475,000	2,487,500
Allied Universal, Senior Secured Initial Term Loan, 4.55% (Libor + 4.25%), maturity 7/10/26 ⁽ⁱ⁾	2,478,577	2,460,808	2,426,175
HireRight, Senior Secured Initial Term Loan (Second Lien), 7.55% (Libor + 7.25%), maturity 7/10/26	2,500,000	2,481,051	2,422,200
Newport Group, Senior Secured Initial Term Loan (First Lien), 3.80% (Libor + 3.50%), maturity 9/12/25	2,458,719	2,446,824	2,394,226
Vistage, Senior Secured Term B Loan (First Lien), 5.00% (Libor + 4.00%), maturity 2/10/25	2,452,455	2,447,096	2,394,112
Sterling Backcheck, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 6/19/24	2,381,940	2,381,940	2,313,650
Cast & Crew, Senior Secured Initial Term Loan (First Lien), 4.05% (Libor + 3.75%), maturity 2/9/26 ⁽ⁱ⁾	2,468,750	2,471,910	2,283,271
Eliassen Group, Senior Secured Initial Term B Loan, 4.80% (Libor + 4.50%), maturity 11/5/24	1,489,371	1,483,537	1,446,671
OSG Billing Services, Senior Secured Term B Loan (First Lien), 5.50% (Libor + 4.50%), maturity 3/27/24	1,466,891	1,462,724	1,415,873
DBi Services, Senior Secured Term B Loan (Second Lien), 8.00% (Libor + 9.00%), maturity 2/2/26	1,268,604	1,268,604	1,268,604
WCG, Senior Secured Term Loan, 5.00% (Libor + 4.00%), maturity 1/8/27 ⁽ⁱ⁾	1,000,000	990,000	979,767
Diversified, Senior Secured Initial Term Loan, 5.75% (Libor + 4.75%), maturity 12/23/23	987,538	981,799	959,225
First Advantage, Senior Secured Term Facility (First Lien), 4.50% (Libor + 3.50%), maturity 1/31/27 ⁽ⁱ⁾	1,000,000	995,000	938,631
Franklin Energy, Senior Secured Term B Loan (First Lien), 4.30% (Libor + 4.00%), maturity 8/14/26	992,500	990,121	908,138
Worley Claims Services, Senior Secured Initial Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 6/3/26	496,241	492,624	482,013
<i>Chemicals, Plastics & Rubber</i>			
Plaskolite, Senior Secured Initial Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 12/15/25 ⁽ⁱ⁾	3,940,000	3,881,267	3,861,200
Transcendia, Senior Secured 2017 Refinancing Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 5/30/24	3,410,112	3,398,302	3,237,424
DuBois Chemicals, Senior Secured Term Loan (Second Lien), 8.80% (Libor + 8.50%), maturity 9/30/27	3,000,000	2,966,037	2,906,640
Universal Fiber Systems, Senior Secured Initial Term Loan (First Lien), 5.75% (Libor + 4.75%), maturity 10/4/21	2,796,460	2,792,694	2,620,731
Spectrum Plastics, Senior Secured Closing Date Term Loan (First Lien), 4.25% (Libor + 3.25%), maturity 1/31/25 ⁽ⁱ⁾	2,668,575	2,677,060	2,361,952
Unifrax, Senior Secured USD Term Loan (First Lien), 4.75% (Libor + 3.75%), maturity 12/12/25 ⁽ⁱ⁾	2,463,734	2,443,131	2,099,671
Boyd Corp, Senior Secured Initial Loan (Second Lien), 7.05% (Libor + 6.75%), maturity 9/6/26	2,000,000	2,002,087	1,930,440
Q Holding, Senior Secured Term B Loan (2019), 6.00% (Libor + 5.00%), maturity 12/29/23	1,985,000	1,976,564	1,913,540
DuBois Chemicals, Senior Secured Term Loan B (First Lien), 4.80% (Libor + 4.50%), maturity 9/30/26	1,804,471	1,763,762	1,743,913
Zep, Senior Secured Initial Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 8/12/24	1,946,219	1,944,439	1,751,597
Spartech, Senior Secured Term Loan, 5.50% (Libor + 4.50%), maturity 10/17/25	995,000	980,936	968,901
Vantage Specialty Chemicals, Senior Secured Closing Date Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 10/28/24 ⁽ⁱ⁾	982,368	967,013	853,162
Prince Minerals, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 3/31/25 ⁽ⁱ⁾	977,500	973,923	846,225
<i>Services: Consumer</i>			
CIBT Holdings, Senior Secured Initial Term Loan (First Lien), 4.75% (Libor + 3.75%), maturity 6/3/24	5,396,449	5,380,824	4,284,781
A Place For Mom, Senior Secured Term Loan, 4.75% (Libor + 3.75%), maturity 8/10/24	2,652,506	2,651,953	2,531,127
Weld North, Senior Secured Initial Term Loan, 4.55% (Libor + 4.25%), maturity 2/15/25 ⁽ⁱ⁾	2,451,137	2,430,902	2,426,625
Cambium Learning, Senior Secured Initial Term Loan (First Lien), 4.80% (Libor + 4.50%), maturity 12/18/25	2,462,500	2,360,487	2,391,900
Smart Start, Senior Secured Initial Term Loan (First Lien), 5.50% (Libor + 4.50%), maturity 2/21/22	2,405,195	2,405,195	2,342,107
Valet Living, Senior Secured Initial Term Loan, 4.05% (Libor + 3.75%), maturity 9/28/25	1,973,674	1,969,813	1,921,905
Mister Car Wash, Senior Secured Initial Term Loan (First Lien), 4.25% (Libor + 3.25%), maturity 5/14/26 ⁽ⁱ⁾	2,079,500	2,075,091	1,890,728
LegalShield, Senior Secured Initial Term Loan (First Lien), 3.55% (Libor + 3.25%), maturity 5/1/25 ⁽ⁱ⁾	1,927,000	1,915,235	1,864,373
Ned Stevens, Senior Secured Term A Loan, 6.75% (Libor + 5.75%), maturity 9/30/25	1,535,229	1,510,962	1,487,452
Spring Education, Senior Secured Initial Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 7/30/25	982,500	980,613	954,332
Valet Living, Senior Secured Initial Term Loan, 6.75% (Libor + 5.75%), maturity 9/28/25 ⁽ⁱ⁾	500,000	495,000	495,000
LegalShield, Senior Secured Initial Term Loan (Second Lien), 7.80% (Libor + 7.50%), maturity 5/1/26	500,000	500,000	485,665
StubHub, Senior Secured USD Term B Loan, 3.80% (Libor + 3.50%), maturity 2/12/27 ⁽ⁱ⁾	497,500	495,000	437,230
Ned Stevens, Senior Secured Revolver, 5.75% (Libor + 4.75%), maturity 9/30/25	-	(2,614)	-

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

Audax Credit BDC Inc.

Schedule of Investments (Continued)

As of June 30, 2020

(Expressed in U.S. Dollars)

(unaudited)

Portfolio Investments (a) (b) (c) (d) (e) (f)	Par	Cost	Value
BANK LOANS: NON-CONTROL/NON-AFFILIATE INVESTMENTS^(h) (Continued):			
<i>Aerospace & Defense</i>			
CPI International, Senior Secured TL, 5.75% (Libor + 4.75%), maturity 7/26/24	\$ 5,301,835	\$ 5,248,817	\$ 5,149,831
StandardAero, Senior Secured 2020 Term B-1 Loan, 3.80% (Libor + 3.50%), maturity 4/6/26 ⁽ⁱ⁾	3,550,096	3,539,519	3,102,756
Whitcraft, Unitranche, 7.00% (Libor + 6.00%), maturity 4/3/23	1,992,479	1,982,479	1,930,473
Consolidated Precision Products, Senior Secured Initial Term Loan (Second Lien), 8.75% (Libor + 7.75%), maturity 4/30/26	2,000,000	2,008,964	1,928,000
StandardAero, Senior Secured 2020 Term B-2 Loan, 3.80% (Libor + 3.50%), maturity 4/6/26 ⁽ⁱ⁾	1,908,654	1,902,967	1,668,149
Tronair, Senior Secured Initial Term Loan (First Lien), 5.75% (Libor + 4.75%), maturity 9/8/23	1,448,611	1,443,186	1,378,788
Amentum, Senior Secured Initial Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 1/29/27 ⁽ⁱ⁾	1,000,000	967,500	988,009
API Technologies, Senior Secured Initial Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 5/9/26	994,975	964,975	956,728
Eton, Senior Secured Initial Term Loan (First Lien), 4.80% (Libor + 4.50%), maturity 5/1/25 ⁽ⁱ⁾	497,462	497,462	488,497
Eton, Senior Secured Initial Term Loan (Second Lien), 8.30% (Libor + 8.00%), maturity 5/1/26	500,000	495,000	484,440
Consolidated Precision Products, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 4/30/25	495,127	492,774	477,907
Novaria Group, Senior Secured Initial Term Loan, 6.50% (Libor + 5.50%), maturity 1/27/27	481,818	476,818	466,824
<i>Banking, Finance, Insurance & Real Estate</i>			
American Beacon Advisors, Senior Secured Tranche C Term Loan (Second Lien), 8.50% (Libor + 7.50%), maturity 4/30/23	2,500,000	2,506,250	2,440,525
Kestra Financial, Senior Secured Initial Term Loan, 4.55% (Libor + 4.25%), maturity 6/3/26	1,985,000	1,967,691	1,932,933
Integro Insurance Brokers, Senior Secured Initial Term Loan (First Lien), 6.75% (Libor + 5.75%), maturity 10/31/22	1,973,502	1,945,385	1,916,922
EPIC Insurance, Senior Secured Initial Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 9/6/24	1,462,500	1,460,291	1,411,634
Advisor Group, Senior Secured Initial Term B Loan, 5.30% (Libor + 5.00%), maturity 7/31/26 ⁽ⁱ⁾	1,492,500	1,478,544	1,404,421
AmeriLife, Senior Secured Initial Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 3/18/27	1,329,545	1,326,222	1,284,926
Aperio, Senior Secured Initial Commitment, 5.30% (Libor + 5.00%), maturity 10/25/24	933,889	930,021	911,672
Sedgwick Claims, Senior Secured Initial Term Loan, 3.55% (Libor + 3.25%), maturity 12/31/25 ⁽ⁱ⁾	497,475	496,850	474,911
<i>Capital Equipment</i>			
MW Industries, Senior Secured 2018 New Term Loan (First Lien), 4.05% (Libor + 3.75%), maturity 9/30/24 ⁽ⁱ⁾	2,431,250	2,431,250	2,088,313
BAS, Senior Secured Repricing Term Loan, 4.75% (Libor + 3.75%), maturity 5/21/24	1,959,512	1,961,434	1,908,114
Excelitas, Senior Secured Initial Term Loan (Second Lien), 8.50% (Libor + 7.50%), maturity 12/1/25 ⁽ⁱ⁾	1,500,000	1,477,500	1,437,896
Edward Don, Senior Secured Initial Term Loan, 5.25% (Libor + 4.25%), maturity 7/2/25	1,471,281	1,465,982	1,400,366
Cole-Palmer, Senior Secured Closing Date Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 11/4/26	997,500	993,274	966,458
Duravant, Senior Secured Incremental Amendment No. 2 Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 7/19/24	497,475	497,475	483,212
Excelitas, Senior Secured Initial USD Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 12/2/24 ⁽ⁱ⁾	491,184	494,618	482,525
Restaurant Technologies, Senior Secured Initial Loan (Second Lien), 6.80% (Libor + 6.50%), maturity 10/1/26	500,000	503,750	482,000
TriMark, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 8/28/24 ⁽ⁱ⁾	488,695	490,010	373,663
<i>Construction & Building</i>			
Tangent, Senior Secured Closing Date Term Loan (First Lien), 5.05% (Libor + 4.75%), maturity 11/30/24	1,820,383	1,807,423	1,759,291
PlayPower, Senior Secured Initial Term Loan, 5.80% (Libor + 5.50%), maturity 5/8/26	1,896,764	1,896,764	1,729,849
PlayCore, Senior Secured Initial Term Loan (Second Lien), 8.75% (Libor + 7.75%), maturity 9/29/25	1,500,000	1,467,188	1,447,830
DiversiTech Corporation, Senior Secured Tranche B-1 Term Loan (First Lien), 4.00% (Libor + 3.00%), maturity 6/3/24	1,467,272	1,456,630	1,418,030
PlayCore, Senior Secured Initial Term Loan (First Lien), 4.75% (Libor + 3.75%), maturity 9/30/24	971,915	970,219	938,112
CHI Overhead Doors, Senior Secured Initial Term Loan (First Lien), 4.25% (Libor + 3.25%), maturity 7/29/22 ⁽ⁱ⁾	625,170	619,973	613,114
Hoffman Southwest, Senior Secured Initial Term Loan, 5.50% (Libor + 4.50%), maturity 8/14/23	527,876	524,689	510,161
DiversiTech Corporation, Senior Secured Initial Term Loan (Second Lien), 8.50% (Libor + 7.50%), maturity 6/2/25	500,000	488,750	484,440
Acuren, Senior Secured Initial Term Loan, 4.55% (Libor + 4.25%), maturity 1/23/27	498,750	496,250	483,229
<i>Containers, Packaging & Glass</i>			
ProAmpac, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 11/20/23 ⁽ⁱ⁾	2,985,068	2,999,580	2,962,680
Anchor Packaging, Senior Secured Initial Term Loan (First Lien), 4.05% (Libor + 3.75%), maturity 7/18/26	2,422,500	2,413,456	2,364,869
Pregis Corporation, Senior Secured Initial Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 7/31/26 ⁽ⁱ⁾	995,000	992,811	973,083
Tank Holding, Senior Secured 2020 Refinancing Term Loan (First Lien), 3.80% (Libor + 3.50%), maturity 3/26/26 ⁽ⁱ⁾	992,500	988,691	941,131
Berlin Packaging, Senior Secured Initial Term Loan (First Lien), 3.00% (Libor + 3.00%), maturity 11/7/25 ⁽ⁱ⁾	497,462	475,019	478,652
Alpha Packaging, Senior Secured Tranche B-1 Term Loan, 7.00% (Libor + 6.00%), maturity 11/12/21	486,337	485,895	468,829
TricorBraun, Senior Secured Closing Date Term Loan (First Lien), 4.75% (Libor + 3.75%), maturity 11/30/23 ⁽ⁱ⁾	484,858	484,858	466,337
<i>Consumer Goods: Non-durable</i>			
Manna Pro, Senior Secured Term Loan, 7.00% (Libor + 6.00%), maturity 12/8/23	3,421,250	3,385,428	3,314,781
Augusta Sportswear Group, Senior Secured Initial Term Loan, 5.50% (Libor + 4.50%), maturity 10/26/23	2,212,521	2,200,118	1,991,269
Badger Sportswear, Senior Secured Initial Term Loan (First Lien), 6.00% (Libor + 5.00%), maturity 9/11/23	1,906,766	1,896,793	1,819,512
Varsity Brands, Senior Secured Initial Term Loan (First Lien), 4.50% (Libor + 3.50%), maturity 12/16/24 ⁽ⁱ⁾	982,385	988,271	845,300
<i>Automotive</i>			
Mavis, Senior Secured Closing Date Term Loan (First Lien), 3.55% (Libor + 3.25%), maturity 3/20/25 ⁽ⁱ⁾	3,917,710	3,904,276	3,672,853
Truck Hero, Senior Secured Initial Term Loan (Second Lien), 9.25% (Libor + 8.25%), maturity 4/21/25	1,800,000	1,798,621	1,757,178
Safe Fleet, Senior Secured Tranche B-1 Term Loan (First Lien), 4.75% (Libor + 3.75%), maturity 2/3/25	975,849	953,692	945,481
Safe Fleet, Senior Secured Initial Term Loan (Second Lien), 7.05% (Libor + 6.75%), maturity 2/2/26	500,000	488,750	483,220
IXS, Senior Secured Initial Term Loan, 6.00% (Libor + 5.00%), maturity 3/5/27 ⁽ⁱ⁾	498,718	493,718	469,713
<i>Transportation: Cargo</i>			
Odyssey Logistics & Technology, Senior Secured New Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 10/12/24	3,614,314	3,610,311	3,488,608
Transplace, Senior Secured Closing Date Term Loan (First Lien), 4.75% (Libor + 3.75%), maturity 10/7/24	2,454,271	2,448,373	2,389,896
Capstone Logistics, Senior Secured Term Loan (First Lien), 5.50% (Libor + 4.50%), maturity 10/7/21 ⁽ⁱ⁾	1,161,707	1,161,868	1,150,090

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

Audax Credit BDC Inc.
Schedule of Investments (Continued)
As of June 30, 2020
(Expressed in U.S. Dollars)
(unaudited)

Portfolio Investments ^{(a) (b) (c) (d) (e) (f)}	Par	Cost	Value
BANK LOANS: NON-CONTROL/NON-AFFILIATE INVESTMENTS ^(h) (Continued):			
<i>Wholesale</i>			
Carlisle FoodService, Senior Secured Initial Term Loan (First Lien), 4.00% (Libor + 3.00%), maturity 3/20/25	\$ 3,915,746	\$ 3,916,177	\$ 3,779,556
PetroChoice, Senior Secured Initial Term Loan (First Lien), 6.00% (Libor + 5.00%), maturity 8/19/22	1,905,184	1,887,552	1,729,907
ABB Optical, Senior Secured Initial Term Loan (First Lien), 6.00% (Libor + 5.00%), maturity 6/15/23	1,447,387	1,445,742	1,374,091
<i>Forest Products & Paper</i>			
Hoffmaster Group, Senior Secured Tranche B-1 Term Loan (First Lien), 5.00% (Libor + 4.00%), maturity 11/21/23 ⁽ⁱ⁾	2,912,188	2,901,708	2,424,397
Loparex, Senior Secured Initial Term Loan (First Lien), 4.80% (Libor + 4.50%), maturity 7/31/26	1,488,750	1,475,376	1,446,068
Hoffmaster Group, Senior Secured Initial Term Loan (Second Lien), 10.50% (Libor + 9.50%), maturity 11/21/24	1,250,000	1,250,000	1,201,950
<i>Media: Advertising, Printing & Publishing</i>			
Ansira, Unitranche, 7.50% (Libor + 6.50%), maturity 12/20/24	1,940,398	1,929,827	1,649,339
Northstar, Senior Secured Term Loan, 7.25% (Libor + 6.25%), maturity 6/7/22	1,424,055	1,424,055	1,379,739
Vestcom International, Senior Secured L/C Collateralized, 5.00% (Libor + 4.00%), maturity 12/19/23	783,750	786,245	757,447
Imagine! Print Solutions, Senior Secured Term B-1 Loan (First Lien), 5.75% (Libor + 4.75%), maturity 6/21/22	1,451,250	1,445,269	435,375
<i>Beverage, Food & Tobacco</i>			
Sovos Brands, Senior Secured Initial Term Loan (2018), 5.75% (Libor + 4.75%), maturity 11/20/25	1,970,000	1,953,963	1,908,694
Kettle Cuisine, Senior Secured Initial Term Loan (First Lien), 4.75% (Libor + 3.75%), maturity 8/25/25	1,965,000	1,958,117	1,903,849
<i>Consumer Goods: Durable</i>			
Strategic Partners, Senior Secured Initial Term Loan, 4.75% (Libor + 3.75%), maturity 6/30/23 ⁽ⁱ⁾	2,297,675	2,294,918	2,194,280
<i>Retail</i>			
Grocery Outlet, Senior Secured 2020 Term Loan (First Lien), 3.05% (Libor + 2.75%), maturity 10/22/25 ⁽ⁱ⁾	1,269,483	1,267,299	1,250,441
<i>Hotel, Gaming & Leisure</i>			
Auto Europe, Senior Secured Initial Dollar Term Loan, 6.00% (Libor + 5.00%), maturity 10/21/23	1,119,231	1,111,922	1,007,308
<i>Metals & Mining</i>			
Dynatect, Senior Secured Term B Loan, 5.50% (Libor + 4.50%), maturity 9/30/22	992,738	989,866	954,577
<i>Health Care Equipment & Services</i>			
MyEyeDr, Senior Secured Initial Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 8/31/26 ⁽ⁱ⁾	583,320	577,854	534,149
Total Bank Loans		\$ 341,660,017	\$ 326,911,360
Portfolio Investments ^{(a) (b) (c) (d) (e) (f)}			
EQUITY AND PREFERRED SHARES: NON-CONTROL/NON-AFFILIATE INVESTMENTS- (0.2%) ^{(g)(h)}:			
<i>Services: Business</i>			
DBi Services, Class A-1 Preferred Units (800.53 units) ^(k)		\$ 800,535	\$ 576,385
DBi Services, Class B Common Shares (169,362.31 shares) ^{(l)(m)}		-	-
<i>Services: Consumer</i>			
Ned Stevens, Class B Common Units (261,438 Common B units, Fair value of \$237,077) ^{(f)(j)(m)(n)(o)}		261,438	237,077
<i>Healthcare & Pharmaceuticals</i>			
Alpaca, Class A Units (33,300.04 Class A Units, Fair value of \$40,091) ^{(f)(j)(m)(n)(o)(p)}		58,608	40,091
Total Equity and Preferred Shares		\$ 1,120,581	\$ 853,553
Total Portfolio Investments ^(r)		\$ 342,780,598	\$ 327,764,913

(a) All companies are located in the United States of America, unless otherwise noted.

(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) All investments are exempt from registration under the Securities Act of 1933 (the "Securities Act"), and may be deemed to be "restricted securities" under the Securities Act.

(f) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB Accounting Standard Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") fair value hierarchy. Refer to Note 3 – Investments in the accompanying Notes to Financial Statements for additional information.

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

(h) As defined in 1940 Act, the Company is not deemed to be an "Affiliated Person" or of "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).

(i) Investment was valued using Level 2 inputs within the ASC 820 fair value hierarchy. Refer to Note 3 – Investments in the accompanying Notes to Financial Statements for additional information.

(j) Three of our affiliated funds, Audax Direct Lending Solutions Fund - A, L.P., Audax Direct Lending Solutions Fund - C, L.P., and Audax Direct Lending Solutions Fund - D, L.P., 'co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.

(k) Represents an investment owned by APD Dbi Preferred, Inc., a holding company for the investment in DBi.

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

Audax Credit BDC Inc.
Schedule of Investments (Continued)
As of June 30, 2020
(Expressed in U.S. Dollars)
(unaudited)

- (l) Represents an investment owned by APD Dbi Common, Inc., a holding company for the investment in DBi.
- (m) Investment is non-income producing.
- (n) Represents an investment in APD NS Equity, L.P., a holding company, made through an affiliated equity aggregator vehicle.
- (o) Other net assets of \$0 at the aggregator levels are included in the fair value of the investments when using the net asset value as a practical expedient.
- (p) Represents an investment in APD ALP Equity, L.P., a holding company, made through an affiliated equity aggregator vehicle.
- (q) The borrower for Sophos, Surf Holdings S.a.r.l, is located in United Kingdom.
- (r) At June 30, 2020, the cost of investments for income tax purposes was \$342,780,598 the gross unrealized depreciation for federal tax purposes was \$15,188,515, the gross unrealized appreciation for federal income tax purposes was \$172,830, and the net unrealized depreciation was \$15,015,685.

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

Audax Credit BDC Inc.

Schedule of Investments

As of December 31, 2019

(Expressed in U.S. Dollars)

Portfolio Investments (a) (b) (c) (d) (e) (f)	Par	Cost	Value
BANK LOANS: NON-CONTROL/NON-AFFILIATE INVESTMENTS - (99.6%)^{(g)(h)}:			
<i>Healthcare & Pharmaceuticals</i>			
Radiology Partners, Senior Secured Term B Loan (First Lien), 6.66% (Libor + 4.75%), maturity 7/9/25 ⁽ⁱ⁾	\$ 5,187,469	\$ 5,149,488	\$ 5,211,316
Pathway, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 12/20/24	4,956,161	4,911,269	4,943,769
Tecomet, Senior Secured 2017 Term Loan (First Lien), 5.16% (Libor + 3.25%), maturity 5/1/24	3,959,391	3,942,690	3,949,491
Advarra, Senior Secured Initial Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 7/9/26 ⁽ⁱ⁾	3,939,427	3,899,562	3,909,879
Young, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 11/7/24	3,834,156	3,823,748	3,805,398
Specialty Care, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 9/1/23	3,342,954	3,346,536	3,334,596
Zest Dental, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 3/14/25 ⁽ⁱ⁾	3,333,213	3,356,177	3,199,884
Veritext, Senior Secured Initial Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 8/1/25	3,187,891	3,173,500	3,171,951
Confluent Health, Senior Secured Initial Term Loan, 6.91% (Libor + 5.00%), maturity 6/24/26	2,985,000	2,957,225	2,962,613
Physicians Endoscopy, Senior Secured Initial Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 8/18/23	2,906,775	2,886,868	2,874,073
PharMedQuest, Senior Secured Initial Term Loan, 7.41% (Libor + 5.50%), maturity 10/31/24	2,500,000	2,463,488	2,481,250
Waystar, Senior Secured Term Loan B, 5.91% (Libor + 4.00%), maturity 10/22/26	2,500,000	2,487,836	2,481,250
MedRisk, Senior Secured Initial Term Loan (First Lien), 4.66% (Libor + 2.75%), maturity 12/27/24	2,450,000	2,455,219	2,450,000
Eating Recovery Center, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 9/23/24	2,446,014	2,426,873	2,421,554
OB Hospitalist Group, Senior Secured Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 8/1/24	2,316,088	2,305,375	2,316,088
MedRisk, Senior Secured Initial Loan (Second Lien), 8.66% (Libor + 6.75%), maturity 12/29/25	2,100,000	2,074,832	2,100,000
Zellis RedCard, Senior Secured Initial Term Loan, 6.66% (Libor + 4.75%), maturity 9/30/26 ⁽ⁱ⁾	2,000,000	1,980,688	2,014,889
Press Ganey, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 7/24/26 ⁽ⁱ⁾	1,995,000	1,987,841	2,011,774
Avalign Technologies, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 12/22/25	1,980,000	1,962,728	1,957,725
CareCentrix, Senior Secured Initial Term Loan, 6.41% (Libor + 4.50%), maturity 4/3/25	1,912,500	1,904,900	1,912,500
Premise Health, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 7/10/25	1,829,786	1,838,127	1,825,212
Alpaca, Senior Secured Term Loan, 6.16% (Libor + 4.25%), maturity 4/19/24 ⁽ⁱ⁾	1,674,127	1,650,502	1,669,942
CPS, Unitranche, 7.16% (Libor + 5.25%), maturity 2/28/25	1,492,500	1,472,625	1,488,769
Stepping Stones, Unitranche, 7.41% (Libor + 5.50%), maturity 12/12/24	1,484,409	1,477,320	1,467,709
Ensemble, Senior Secured Closing Date Term Loan, 5.66% (Libor + 3.75%), maturity 8/3/26 ⁽ⁱ⁾	997,500	992,719	1,006,949
Veritext, Senior Secured Initial Term Loan (Second Lien), 8.91% (Libor + 7.00%), maturity 7/31/26	1,000,000	995,613	995,000
Upstream Rehabilitation, Senior Secured Term Loan, 6.41% (Libor + 4.50%), maturity 11/20/26	1,000,000	995,045	992,500
Packaging Coordinators, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 6/30/23 ⁽ⁱ⁾	984,694	990,391	978,540
Alkami, Senior Secured Initial Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 7/14/25	987,500	983,389	972,688
Aegis Sciences, Senior Secured Initial Term Loan (2018) (First Lien), 7.41% (Libor + 5.50%), maturity 5/9/25	987,500	975,453	960,344
Dermatologists of Central States, Senior Secured Term Loan, 8.41% (Libor + 6.50%), maturity 4/20/22	977,310	970,785	960,207
ATI Physical Therapy, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 5/10/23 ⁽ⁱ⁾	922,022	926,900	920,657
Specialty Care, Senior Secured Initial Term Loan (Second Lien), 10.16% (Libor + 8.25%), maturity 9/1/24	850,000	843,325	850,000
Athena, Senior Secured Term B Loan (First Lien), 6.41% (Libor + 4.50%), maturity 2/11/26 ⁽ⁱ⁾	497,494	495,129	500,973
RMP & MedA/Rx, Senior Secured Term Loan, 6.41% (Libor + 4.50%), maturity 3/2/22	441,647	440,553	441,647
Injured Workers Pharmacy, Senior Secured Term Loan (First Lien), 6.66% (Libor + 4.75%), maturity 7/22/20	378,724	375,038	375,883
Alpaca, Senior Secured Revolver, 6.16% (Libor + 4.25%), maturity 4/19/24 ⁽ⁱ⁾	134,215	130,332	133,879
Advarra, Senior Secured Initial Revolving Loan (First Lien), 6.16% (Libor + 4.25%), maturity 7/9/26 ⁽ⁱ⁾	-	(7,619)	-
<i>High Tech Industries</i>			
Qlik, Senior Secured 2019 Incremental Term Loan, 6.16% (Libor + 4.25%), maturity 4/26/24	3,980,000	3,954,501	3,950,150
Barracuda, Senior Secured 2019 Incremental Term Loan (First Lien), 5.16% (Libor + 3.25%), maturity 2/12/25 ⁽ⁱ⁾	3,451,222	3,464,246	3,477,852
Masergy, Senior Secured Initial Loan (Second Lien), 9.41% (Libor + 7.50%), maturity 12/16/24	3,428,571	3,420,116	3,411,429
Syncsort, Senior Secured 2018 Refinancing Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 8/16/24	3,421,688	3,397,118	3,387,471
Sparta, Senior Secured New Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 8/21/24	3,421,250	3,423,008	3,344,272
Jaggaer, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 8/14/26 ⁽ⁱ⁾	3,154,345	3,150,077	3,166,174
Infogroup, Senior Secured Term Loan (First Lien), 6.91% (Libor + 5.00%), maturity 4/3/23	2,919,937	2,895,405	2,890,738
McAfee, Senior Secured Term B USD Loan, 5.66% (Libor + 3.75%), maturity 9/30/24 ⁽ⁱ⁾	2,864,431	2,875,358	2,883,023
eResearch (ERT), Senior Secured Initial Term Loan, 5.66% (Libor + 3.75%), maturity 5/2/23 ⁽ⁱ⁾	2,538,022	2,538,022	2,538,022
ECi Software Solutions, Senior Secured Initial Term Loan, 6.16% (Libor + 4.25%), maturity 9/27/24 ⁽ⁱ⁾	2,463,579	2,451,402	2,468,662
EverCommerce, Senior Secured Initial Term Loan, 7.41% (Libor + 5.50%), maturity 8/23/25	2,184,679	2,142,420	2,179,217
Idera, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 6/28/24	2,146,089	2,145,337	2,146,089
Intermedia, Senior Secured New Term Loan (First Lien), 7.91% (Libor + 6.00%), maturity 7/21/25 ⁽ⁱ⁾	1,980,000	1,963,699	1,985,107
Flexera Software, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 2/26/25 ⁽ⁱ⁾	1,965,000	1,970,591	1,973,626
QuickBase, Senior Secured Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 4/2/26	1,990,000	1,981,139	1,970,100
GlobalLogic, Senior Secured Initial Term Loan, 5.16% (Libor + 3.25%), maturity 8/1/25 ⁽ⁱ⁾	1,728,438	1,719,948	1,728,438
Bomgar, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 4/18/25	1,723,750	1,733,891	1,702,203
Liaison, Senior Secured Initial Term Loan, 6.41% (Libor + 4.50%), maturity 12/20/26 ⁽ⁱ⁾	1,500,000	1,496,250	1,496,250
OECConnection, Senior Secured Initial Term Loan, 5.91% (Libor + 4.00%), maturity 9/25/26	1,496,250	1,488,267	1,485,028
Navax Global, Senior Secured Initial Term Loan (First Lien), 5.16% (Libor + 3.25%), maturity 9/5/25 ⁽ⁱ⁾	1,481,250	1,467,074	1,484,310
Compusearch Software Systems, Senior Secured Term Loan C, 6.16% (Libor + 4.25%), maturity 5/8/23	1,432,979	1,432,391	1,425,814
Ultimate Software, Senior Secured Initial Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 5/4/26 ⁽ⁱ⁾	1,080,625	1,082,379	1,089,829
Insurity, Senior Secured Closing Date Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 7/31/26	1,000,000	995,219	997,500
Global Knowledge, Senior Secured Initial Term Loan (Second Lien), 12.16% (Libor + 10.25%), maturity 1/20/22	1,000,000	995,441	988,750
LANDesk, Senior Secured Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 1/20/24 ⁽ⁱ⁾	978,627	969,988	981,924
Corsair, Senior Secured Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 8/28/24	982,444	978,622	967,707
Community Brands, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 12/2/22	834,254	830,477	825,912
HelpSystems, Senior Secured Initial Term Loan (First Lien), 6.66% (Libor + 4.75%), maturity 11/19/26 ⁽ⁱ⁾	500,000	498,750	498,750
Masergy, Senior Secured 2017 Replacement Term Loan (First Lien), 5.16% (Libor + 3.25%), maturity 12/15/23	484,908	483,405	482,484
Endurance Int'l Group, Senior Secured Refinancing Loan (2018), 5.66% (Libor + 3.75%), maturity 2/9/23 ⁽ⁱ⁾	404,507	403,788	401,013

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

Audax Credit BDC Inc.

Schedule of Investments

As of December 31, 2019 (Continued)

(Expressed in U.S. Dollars)

Portfolio Investments (a) (b) (c) (d) (e) (f)	Par	Cost	Value
BANK LOANS: NON-CONTROL/NON-AFFILIATE INVESTMENTS^(h) (Continued):			
<i>Services: Business</i>			
CoAdvantage, Senior Secured Initial Term Loan (First Lien), 6.91% (Libor + 5.00%), maturity 9/23/25	\$ 3,990,000	\$ 3,950,952	\$ 3,970,050
RevSpring, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 10/11/25	3,960,000	3,955,758	3,950,100
Aimbridge, Senior Secured Initial Term Loan (2019) (First Lien), 5.66% (Libor + 3.75%), maturity 2/2/26	2,982,525	2,973,315	2,975,069
Addison, Senior Secured Initial Term Loan, 6.91% (Libor + 5.00%), maturity 4/15/26	2,985,000	2,931,090	2,962,613
Fleetwash, Senior Secured Incremental Term Loan, 6.66% (Libor + 4.75%), maturity 10/1/24	2,962,613	2,938,051	2,947,799
Sterling Backcheck, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 6/19/24 ⁽ⁱ⁾	2,894,218	2,894,218	2,883,365
Allied Universal, Senior Secured Initial Term Loan, 6.16% (Libor + 4.25%), maturity 7/10/26 ⁽ⁱ⁾	2,613,149	2,591,810	2,635,788
Cast & Crew, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 2/9/26 ⁽ⁱ⁾	2,481,250	2,484,662	2,497,618
HireRight, Senior Secured Initial Term Loan (Second Lien), 9.16% (Libor + 7.25%), maturity 7/10/26	2,500,000	2,479,365	2,481,250
Newport Group, Senior Secured Initial Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 9/12/25	2,471,231	2,458,304	2,452,697
First Advantage, Senior Secured Term Loan (First Lien), 7.16% (Libor + 5.25%), maturity 6/30/22	2,000,000	1,996,094	1,990,000
Vistage, Senior Secured Term B Loan (First Lien), 5.91% (Libor + 4.00%), maturity 2/10/25	1,965,000	1,961,739	1,960,088
Service Logic, Senior Secured Initial Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 12/31/24	2,339,998	2,333,703	2,316,598
Eliassen Group, Senior Secured Initial Term B Loan, 6.41% (Libor + 4.50%), maturity 11/5/24	1,493,123	1,486,683	1,489,390
OSG Billing Services, Senior Secured Term B Loan (First Lien), 6.41% (Libor + 4.50%), maturity 3/27/24	1,474,855	1,470,192	1,467,481
DBi Services, Senior Secured Term B Loan (Second Lien), 8.00% (Libor + 8.00%), maturity 2/2/26	1,268,869	1,268,869	1,268,869
Diversified, Senior Secured Initial Term Loan, 6.66% (Libor + 4.75%), maturity 12/23/23	992,500	986,007	990,019
WCG, Senior Secured Term Loan, 5.91% (Libor + 4.00%), maturity 1/8/27 ⁽ⁱ⁾	1,000,000	990,000	990,000
Franklin Energy, Senior Secured Term B Loan (First Lien), 5.91% (Libor + 4.00%), maturity 8/14/26	997,500	995,123	987,525
Worley Claims Services, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 6/3/26 ⁽ⁱ⁾	498,747	494,694	498,747
<i>Chemicals, Plastics & Rubber</i>			
Plaskolite, Senior Secured Initial Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 12/15/25	3,960,000	3,896,852	3,920,400
Transcendia, Senior Secured 2017 Refinancing Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 5/30/24	3,427,599	3,413,966	3,341,909
Universal Fiber Systems, Senior Secured Initial Term Loan (First Lien), 6.66% (Libor + 4.75%), maturity 10/4/21	2,811,462	2,806,249	2,741,176
Spectrum Plastics, Senior Secured Closing Date Term Loan (First Lien), 5.16% (Libor + 3.25%), maturity 1/31/25	2,682,225	2,691,463	2,615,169
Unifrax, Senior Secured USD Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 12/12/25 ⁽ⁱ⁾	2,476,241	2,454,997	2,286,895
Q Holding, Senior Secured Term B Loan (2019), 6.91% (Libor + 5.00%), maturity 12/29/23	1,995,000	1,985,388	1,985,025
Boyd Corp, Senior Secured Initial Loan (Second Lien), 8.66% (Libor + 6.75%), maturity 9/6/26	2,000,000	2,002,217	1,985,000
DuBois Chemicals 2019, Senior Secured Term Loan (Second Lien), 10.41% (Libor + 8.50%), maturity 9/30/27	2,000,000	1,950,862	1,985,000
Borchers, Senior Secured Term Loan, 6.41% (Libor + 4.50%), maturity 11/1/24	1,910,136	1,905,332	1,900,585
Zep, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 8/12/24	1,956,225	1,954,251	1,584,542
DuBois Chemicals 2019, Senior Secured Term Loan B (First Lien), 6.41% (Libor + 4.50%), maturity 9/30/26	1,560,865	1,516,107	1,549,159
Spartech, Senior Secured Term Loan, 6.91% (Libor + 5.00%), maturity 10/17/25	1,000,000	985,134	992,500
Vantage Specialty Chemicals, Senior Secured Closing Date Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 10/28/24	987,406	970,460	967,657
Prince Minerals, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 3/31/25 ⁽ⁱ⁾	982,500	978,584	892,145
<i>Services: Consumer</i>			
CIBT Holdings, Senior Secured Initial Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 6/3/24	5,424,266	5,407,341	5,370,023
A Place For Mom, Senior Secured Term Loan, 5.66% (Libor + 3.75%), maturity 8/10/24	2,666,144	2,665,484	2,599,490
Weld North, Senior Secured Initial Term Loan, 6.16% (Libor + 4.25%), maturity 2/15/25	2,463,674	2,441,530	2,463,674
Cambium Learning, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 12/18/25	2,475,000	2,365,058	2,462,625
Smart Start, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 2/21/22	2,417,625	2,417,625	2,399,493
Mister Car Wash, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 5/14/26 ⁽ⁱ⁾	1,990,000	1,985,439	2,002,726
SMG, Senior Secured Initial Term Loan (First Lien), 4.91% (Libor + 3.00%), maturity 1/23/25 ⁽ⁱ⁾	1,976,118	1,963,737	1,976,118
Valet Living, Senior Secured Initial Term Loan, 5.91% (Libor + 4.00%), maturity 9/28/25	1,983,718	1,979,195	1,973,800
LegalShield, Senior Secured Initial Term Loan (First Lien), 5.16% (Libor + 3.25%), maturity 5/1/25	1,940,510	1,927,273	1,935,659
Ned Stevens, Senior Secured Term A Loan, 7.66% (Libor + 5.75%), maturity 9/30/25 ⁽ⁱ⁾	1,603,824	1,572,794	1,591,795
Spring Education, Senior Secured Initial Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 7/30/25	987,500	985,450	982,563
Ned Stevens, Senior Secured Revolver, 6.66% (Libor + 4.75%), maturity 9/30/25 ⁽ⁱ⁾	-	(2,614)	-
<i>Aerospace & Defense</i>			
CPI International, Senior Secured TL, 6.66% (Libor + 4.75%), maturity 7/26/24	4,000,000	3,960,000	3,970,000
StandardAero, Senior Secured Initial Term B-1 Loan, 5.91% (Libor + 4.00%), maturity 4/6/26 ⁽ⁱ⁾	3,567,981	3,556,378	3,599,650
StandardAero, Senior Secured Initial Term B-2 Loan, 5.91% (Libor + 4.00%), maturity 4/6/26 ⁽ⁱ⁾	1,918,269	1,912,031	1,935,296
Consolidated Precision Products, Senior Secured Initial Term Loan (Second Lien), 9.66% (Libor + 7.75%), maturity 4/30/26	1,500,000	1,514,877	1,485,000
Tronair, Senior Secured Initial Term Loan (First Lien), 6.66% (Libor + 4.75%), maturity 9/8/23	1,459,899	1,453,639	1,427,051
Consolidated Precision Products, Senior Secured Initial Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 4/30/25 ⁽ⁱ⁾	497,481	495,124	494,358
<i>Banking, Finance, Insurance & Real Estate</i>			
American Beacon Advisors, Senior Secured Tranche C Term Loan (Second Lien), 9.41% (Libor + 7.50%), maturity 4/30/23	2,000,000	2,000,000	1,995,000
Kestra Financial, Senior Secured Initial Term Loan, 6.16% (Libor + 4.25%), maturity 6/3/26	1,995,000	1,976,368	1,990,013
Integro Insurance Brokers, Senior Secured Initial Term Loan (First Lien), 7.66% (Libor + 5.75%), maturity 10/31/22	1,989,457	1,951,565	1,939,721
Advisor Group, Senior Secured Initial Term B Loan, 6.91% (Libor + 5.00%), maturity 7/31/26 ⁽ⁱ⁾	1,490,625	1,465,245	1,478,349
EPIC Insurance, Senior Secured Initial Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 9/6/24	1,470,000	1,467,280	1,458,975
AmeriLife Group, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 6/12/26	978,070	973,369	970,735
Aperio, Senior Secured Loan, 6.91% (Libor + 5.00%), maturity 10/25/24	933,889	929,619	933,889
<i>Consumer Goods: Non-durable</i>			
Manna Pro, Senior Secured Term Loan, 7.91% (Libor + 6.00%), maturity 12/8/23	3,438,750	3,399,412	3,412,959
Augusta Sportswear Group, Senior Secured Initial Term Loan, 6.41% (Libor + 4.50%), maturity 10/26/23	2,228,517	2,214,540	2,211,804
Badger Sportswear, Senior Secured Initial Term Loan (First Lien), 6.91% (Libor + 5.00%), maturity 9/11/23	1,906,766	1,895,349	1,873,398
Varsity Brands, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 12/16/24 ⁽ⁱ⁾	987,418	993,636	973,861

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

Audax Credit BDC Inc.
Schedule of Investments (Continued)
As of December 31, 2019
(Expressed in U.S. Dollars)

Portfolio Investments (a) (b) (c) (d) (e) (f)	Par	Cost	Value
BANK LOANS: NON-CONTROL/NON-AFFILIATE INVESTMENTS^(b) (Continued):			
<i>Containers, Packaging & Glass</i>			
ProAmpac, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 11/20/23 ⁽¹⁾	\$ 3,000,535	\$ 3,017,391	\$ 2,972,870
Anchor Packaging, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 7/18/26	1,995,000	1,985,448	1,995,000
Tank Holding, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 3/26/26 ⁽¹⁾	997,500	993,032	1,003,416
Pregis Corporation, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 7/31/26	1,000,000	997,605	995,000
TricorBraun, Senior Secured Closing Date Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 11/30/23 ⁽¹⁾	494,901	494,901	491,978
Alpha Packaging, Senior Secured Tranche B-1 Term Loan, 6.16% (Libor + 4.25%), maturity 5/12/20	488,837	488,275	483,338
<i>Capital Equipment</i>			
MW Industries, Senior Secured 2018 New Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 9/30/24	2,443,750	2,443,750	2,419,313
BAS, Senior Secured Repricing Term Loan, 5.66% (Libor + 3.75%), maturity 5/21/24	1,969,661	1,971,159	1,959,812
Edward Don, Senior Secured Initial Term Loan, 6.16% (Libor + 4.25%), maturity 7/2/25	1,478,769	1,472,799	1,452,890
Cole-Parmer, Senior Secured Closing Date Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 11/4/26	1,000,000	995,111	992,500
Excelitas, Senior Secured Initial USD Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 12/2/24	493,703	497,366	490,000
TriMark, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 8/28/24 ⁽¹⁾	491,207	492,665	406,376
<i>Wholesale</i>			
Carlisle FoodService, Senior Secured Initial Term Loan (First Lien), 4.91% (Libor + 3.00%), maturity 3/20/25	3,935,671	3,936,089	3,906,153
PetroChoice, Senior Secured Initial Term Loan (First Lien), 6.91% (Libor + 5.00%), maturity 8/19/22	1,915,184	1,893,658	1,891,245
ABB Optical, Senior Secured Initial Term Loan (First Lien), 6.91% (Libor + 5.00%), maturity 6/15/23	1,454,906	1,452,426	1,422,170
<i>Transportation: Cargo</i>			
Odyssey Logistics & Technology, Senior Secured New Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 10/12/24	3,615,344	3,611,340	3,588,229
Transplace, Senior Secured Closing Date Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 10/7/24 ⁽¹⁾	2,466,458	2,459,768	2,460,292
Capstone Logistics, Senior Secured Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 10/7/21	1,161,707	1,161,868	1,144,282
<i>Construction & Building</i>			
PlayPower, Senior Secured Initial Term Loan, 7.41% (Libor + 5.50%), maturity 5/8/26	1,934,722	1,934,722	1,920,212
Tangent, Senior Secured Closing Date Term Loan (First Lien), 6.66% (Libor + 4.75%), maturity 11/30/24	1,496,238	1,480,815	1,488,757
DiversiTech Corporation, Senior Secured Tranche B-1 Term Loan (First Lien), 4.91% (Libor + 3.00%), maturity 6/3/24	1,474,832	1,462,983	1,460,084
PlayCore, Senior Secured Initial Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 9/30/24 ⁽¹⁾	976,912	975,059	964,701
CHI Overhead Doors, Senior Secured Initial Term Loan (First Lien), 5.16% (Libor + 3.25%), maturity 7/29/22 ⁽¹⁾	628,442	623,246	630,799
Hoffman Southwest, Senior Secured Initial Term Loan, 6.41% (Libor + 4.50%), maturity 8/14/23	527,876	523,556	525,237
<i>Automotive</i>			
Mavis, Senior Secured Closing Date Term Loan (First Lien), 5.16% (Libor + 3.25%), maturity 3/20/25 ⁽¹⁾	3,592,566	3,578,510	3,516,090
Truck Hero, Senior Secured Initial Term Loan (Second Lien), 10.16% (Libor + 8.25%), maturity 4/21/25	1,800,000	1,798,507	1,795,500
Safe Fleet, Senior Secured Tranche B-1 Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 2/3/25	987,500	963,545	982,563
<i>Media: Advertising, Printing & Publishing</i>			
Ansira, Unitranchise, 7.66% (Libor + 5.75%), maturity 12/20/22	1,905,523	1,893,460	1,872,177
Northstar, Senior Secured Term Loan, 8.16% (Libor + 6.25%), maturity 6/7/22	1,449,510	1,449,510	1,438,639
Imagine! Print Solutions, Senior Secured Term B-1 Loan (First Lien), 6.66% (Libor + 4.75%), maturity 6/21/22	1,458,750	1,451,152	1,035,712
Vestcom International, Senior Secured L/C Collateralized, 5.91% (Libor + 4.00%), maturity 12/19/23	783,878	786,703	777,999
<i>Forest Products & Paper</i>			
Hoffmaster Group, Senior Secured Tranche B-1 Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 11/21/23	2,927,277	2,915,319	2,898,005
Loparex, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 7/31/26	1,496,250	1,481,906	1,481,288
<i>Beverage, Food & Tobacco</i>			
Sovos Brands, Senior Secured Initial Term Loan (2018), 6.91% (Libor + 5.00%), maturity 11/20/25	1,980,000	1,962,677	1,960,200
Kettle Cuisine, Senior Secured Initial Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 8/25/25	1,975,000	1,966,820	1,970,063
<i>Hotel, Gaming & Leisure</i>			
On Location, Senior Secured Second Amendment Term Loan, 6.91% (Libor + 5.00%), maturity 9/29/21	2,396,566	2,384,489	2,384,584
Auto Europe, Senior Secured Initial Dollar Term Loan, 6.91% (Libor + 5.00%), maturity 10/21/23	1,119,231	1,110,756	1,119,231
<i>Consumer Goods: Durable</i>			
Strategic Partners, Senior Secured Initial Term Loan, 5.66% (Libor + 3.75%), maturity 6/30/23	2,309,428	2,306,211	2,309,428
<i>Retail</i>			
GroceryOutlet, Senior Secured 2019 Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 10/22/25 ⁽¹⁾	1,269,483	1,266,905	1,286,070
<i>Metals & Mining</i>			
Dynatect, Senior Secured Term B Loan, 6.41% (Libor + 4.50%), maturity 9/30/22	997,579	990,633	987,604
<i>Health Care Equipment & Services</i>			
MyEyeDr, Senior Secured Initial Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 8/31/26 ⁽¹⁾	525,311	519,256	526,851
Total Bank Loans		\$ 331,601,425	\$ 330,155,654

Audax Credit BDC Inc.

Schedule of Investments (Continued)

As of December 31, 2019

(Expressed in U.S. Dollars)

Portfolio Investments (a) (b) (c) (d) (e) (f)	Par	Cost	Value
BANK LOANS: NON-CONTROL/NON-AFFILIATE INVESTMENTS^(b) (Continued):			
<i>Containers, Packaging & Glass</i>			
ProAmpac, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 11/20/23 ⁽¹⁾	\$ 3,000,535	\$ 3,017,391	\$ 2,972,870
Anchor Packaging, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 7/18/26	1,995,000	1,985,448	1,995,000
Tank Holding, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 3/26/26 ⁽¹⁾	997,500	993,032	1,003,416
Pregis Corporation, Senior Secured Initial Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 7/31/26	1,000,000	997,605	995,000
TricorBraun, Senior Secured Closing Date Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 11/30/23 ⁽¹⁾	494,901	494,901	491,978
Alpha Packaging, Senior Secured Tranche B-1 Term Loan, 6.16% (Libor + 4.25%), maturity 5/12/20	488,837	488,275	483,338
<i>Capital Equipment</i>			
MW Industries, Senior Secured 2018 New Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 9/30/24	2,443,750	2,443,750	2,419,313
BAS, Senior Secured Repricing Term Loan, 5.66% (Libor + 3.75%), maturity 5/21/24	1,969,661	1,971,159	1,959,812
Edward Don, Senior Secured Initial Term Loan, 6.16% (Libor + 4.25%), maturity 7/2/25	1,478,769	1,472,799	1,452,890
Cole-Palmer, Senior Secured Closing Date Term Loan (First Lien), 6.16% (Libor + 4.25%), maturity 11/4/26	1,000,000	995,111	992,500
Excellitas, Senior Secured Initial USD Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 12/2/24	493,703	497,366	490,000
TriMark, Senior Secured Initial Term Loan (First Lien), 5.41% (Libor + 3.50%), maturity 8/28/24 ⁽¹⁾	491,207	492,665	406,376
<i>Wholesale</i>			
Carlisle FoodService, Senior Secured Initial Term Loan (First Lien), 4.91% (Libor + 3.00%), maturity 3/20/25	3,935,671	3,936,089	3,906,153
PetroChoice, Senior Secured Initial Term Loan (First Lien), 6.91% (Libor + 5.00%), maturity 8/19/22	1,915,184	1,893,658	1,891,245
ABB Optical, Senior Secured Initial Term Loan (First Lien), 6.91% (Libor + 5.00%), maturity 6/15/23	1,454,906	1,452,426	1,422,170
<i>Transportation: Cargo</i>			
Odyssey Logistics & Technology, Senior Secured New Term Loan (First Lien), 5.91% (Libor + 4.00%), maturity 10/12/24	3,615,344	3,611,340	3,588,229
Transplace, Senior Secured Closing Date Term Loan (First Lien), 5.66% (Libor + 3.75%), maturity 10/7/24 ⁽¹⁾	2,466,458	2,459,768	2,460,292
Capstone Logistics, Senior Secured Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 10/7/21	1,161,707	1,161,868	1,144,282
<i>Construction & Building</i>			
PlayPower, Senior Secured Initial Term Loan, 7.41% (Libor + 5.50%), maturity 5/8/26	1,934,722	1,934,722	1,920,212
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<i>Forest Products & Paper</i>			
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<i>Hotel, Gaming & Leisure</i>			
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<i>Consumer Goods: Durable</i>			
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<i>Metals & Mining</i>			
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Total Bank Loans		\$ 331,601,425	\$ 330,155,654

Audax Credit BDC Inc.
Schedule of Investments (Continued)
As of December 31, 2019
(Expressed in U.S. Dollars)

Portfolio Investments ^{(a) (b) (c) (d) (e) (f)}	Par	Cost	Value
EQUITY AND PREFERRED SHARES: NON-CONTROL/NON-AFFILIATE INVESTMENTS- (0.2%)^{(g)(h)}:			
<i>Services: Business</i>			
DBi Services, Class A-1 Preferred Units (800.53 units) ^(k)		\$ 800,535	\$ 400,267
DBi Services, Class B Common Shares (169,362.31 shares) ^{(l)(m)}		-	-
<i>Services: Consumer</i>			
Ned Stevens, Class B Common Units (261,438 Common B units, Fair value of \$261,438) ^{(i)(j)(m)(n)(o)}		261,438	261,438
<i>Healthcare & Pharmaceuticals</i>			
Alpaca, Class A Units (33,300.04 Class A Units, Fair value of \$57,552) ^{(d)(i)(j)(m)(n)(o)(p)}		58,608	57,552
<i>Total Equity and Preferred Shares</i>		\$ 1,120,581	\$ 719,257
Total Portfolio Investments ^(q)		\$ 332,722,006	\$ 330,874,911

(a) All companies are located in the United States of America, unless otherwise noted.

(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) All investments are exempt from registration under the Securities Act of 1933 (the "Securities Act"), and may be deemed to be "restricted securities" under the Securities Act.

(f) Unless indicated otherwise, all of our investments are valued using Level 3 inputs within the FASB Accounting Standard Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") fair value hierarchy. Refer to Note 3 – Investments in the accompanying Notes to Financial Statements for additional information.

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

(h) As defined in 1940 Act, the Company is not deemed to be an "Affiliated Person" 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).

(i) Investment was valued using Level 2 inputs within the ASC 820 fair value hierarchy. Refer to Note 3 – Investments in the accompanying Notes to Financial Statements for additional information.

(j) Three of our affiliated funds, Audax Direct Lending Solutions Fund - A, L.P., Audax Direct Lending Solutions Fund - C, L.P., and Audax Direct Lending Solutions Fund - D, L.P., co-invested with us in this portfolio company pursuant to an exemptive order granted by the U.S. Securities and Exchange Commission.

(k) Represents an investment owned by APD DBi Preferred, Inc., a holding company for the investment in DBi.

(l) Represents an investment owned by APD DBi Common, Inc., a holding company for the investment in DBi.

(m) Investment is non-income producing.

(n) Represents an investment in APD NS Equity, L.P., a holding company, made through an affiliated equity aggregator vehicle.

(o) Other net assets of \$0 at the aggregator levels are included in the fair value of the investments when using the net asset value as a practical expedient.

(p) Represents an investment in APD ALP Equity, L.P., a holding company, made through an affiliated equity aggregator vehicle.

(q) At December 31, 2019, the cost of investments for income tax purposes was \$332,722,006 the gross unrealized depreciation for federal tax purposes was \$2,951,506, the gross unrealized appreciation for federal income tax purposes was \$1,104,411, and the net unrealized depreciation was \$1,847,095.

Audax Credit BDC Inc.
Notes to Financial Statements
June 30, 2020
(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 (“ASC Topic 946”), which incorporates the requirements for reporting on Form 10-Q and Articles 6 and 10 of Regulation S-X, as well as generally accepted accounting principles 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 June 30, 2020 and December 31, 2019. At such dates, cash was not subject to any restrictions on withdrawal.

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 (the "Board of Directors"), with the assistance of the Company's Audit Committee (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*," ("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 in accordance with 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 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. Inputs for these valuation techniques include relative credit information, observed market movement, industry sector information, and other market data, which may include benchmarking of comparable securities, issuer spreads, reported trades, and reference data, such as market research publications, when available. 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. Additionally, as a part of the Company's valuation process, the Adviser may employ the services of one or more independent valuation firms engaged by the Company;

(ii) Preliminary valuation conclusions are documented and discussed with the Company's senior management and members of the Adviser's valuation team;

(iii) The Audit Committee reviews the assessments of the Adviser or independent valuation firm (to the extent applicable) and provides the Board of Directors with recommendations with respect to the fair value of the investments in the Company's portfolio; and

(iv) The Board of Directors discusses the valuation recommendations of the 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, the independent valuation firm (to the extent applicable) and in accordance with the Company's valuation policy.

The 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 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 the trade date (the 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* 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"), are 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. As of June 30, 2020, the Company had one investment on non-accrual which totaled 0.29% and 0.20% of its total portfolio at cost and fair market value, respectively. The Company did not have any investments on non-accrual as of December 31, 2019.

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 June 30, 2020, the Company held 179 investments in loans with OID. The Company accrued OID income of \$93,473 and \$180,647 for the three and six months ended June 30, 2020, respectively. The unamortized balance of OID on debt investments as of June 30, 2020, totaled \$1,734,689. As of December 31, 2019, the Company held 162 investments in loans with OID. The Company accrued OID income of \$72,568 and \$102,497 for the three and six months ended June 30, 2019, respectively. The unamortized balance of OID investments as of December 31, 2019, totaled \$1,733,632.

As of June 30, 2020, the Company held two investments which had a PIK interest component. The Company recorded \$35,921 of PIK interest income for three and six months ended June 30, 2020, respectively. As of June 30, 2019, the Company held one investment which had a PIK interest component. The Company recorded \$32,822 of PIK interest income for three and six months ended June 30, 2019, respectively.

As of June 30, 2020 and December 31, 2019, the Company held \$15,722,499 and \$5,506,217 cash and cash equivalents, respectively. For the three and six months ended June 30, 2020, the Company earned \$1,325 and \$29,995, respectively, of interest income related to cash, which is included in other interest income within the accompanying statement of operations. For the three and six months ended June 30, 2019, the Company earned \$42,795 and \$93,515, 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 and amendment fees upon receipt of cash or as soon as the Company becomes aware of the prepayment or amendment.

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, amendment fees and dividend income are accrued in other income in the accompanying statements of operations.

For the three and six months ended June 30, 2020, the Company accrued \$124,633 and \$139,373 of other income, respectively, related to amendment fees. For the three and six months ended June 30, 2019, the Company accrued \$15,340 and \$33,150 of other income, respectively, related to amendment and documentation fees.

New Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13") which introduces new fair value disclosure requirements as well as eliminates and

modifies certain existing fair value disclosure requirements. ASU 2018-13 would be effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The adoption of ASU 2018-13 did not have a material impact on the Company's disclosures.

Note 3. Investments

Fair Value

In accordance with ASC 820, the fair value of the Company's investments 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 June 30, 2020, \$225,185,264 of the Company's investments were valued using unobservable inputs, and \$102,579,649 were valued using observable inputs. During the six months ended June 30, 2020, \$15,459,994 transferred into Level 3 due to a decrease in observable prices in the market and \$33,853,439 out of Level 3 due to price transparency.

As of December 31, 2019, \$249,452,590 of the Company's investments were valued using unobservable inputs, and \$81,422,321 were valued using observable inputs. During the six months ended June 30, 2019, \$44,029,798 transferred into Level 3 due to a decrease in observable prices in the market and \$31,502,321 out of Level 3 due to price transparency.

The following table presents the Company's investments carried at fair value as of June 30, 2020 and December 31, 2019, by caption on the Company's accompanying statements of assets and liabilities and by security type.

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
First lien debt	\$ -	\$ 100,638,797	\$ 196,291,500	\$ 296,930,297
Second lien debt	-	1,940,852	28,040,211	29,981,063
Equity and Preferred Shares	-	-	853,553	853,553
Total	<u>\$ -</u>	<u>\$ 102,579,649</u>	<u>\$ 225,185,264</u>	<u>\$ 327,764,913</u>

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
First lien debt	\$ -	\$ 81,422,321	\$ 227,392,535	\$ 308,814,856
Second lien debt	-	-	21,340,798	21,340,798
Equity and Preferred Shares	-	-	719,257	719,257
Total	<u>\$ -</u>	<u>\$ 81,422,321</u>	<u>\$ 249,452,590</u>	<u>\$ 330,874,911</u>

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 June 30, 2020. 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 June 30, 2020	
	Fair Value	Valuation Technique	Unobservable Inputs ⁽¹⁾	Range ⁽²⁾	Weighted Average ⁽³⁾
First lien debt	\$ 177,933,066	Matrix Pricing	Senior Leverage	3.12x - 8.89x	5.06x
			Total Leverage	3.12x - 9.72x	6.17x
			Interest Coverage	0.93x - 5.40x	2.22x
			Debt Service Coverage	0.85x - 4.43x	1.87x
			TEV Coverage	0.90x - 5.44x	2.20x
			Liquidity	15.04% - 218.23%	129.25%
			Spread Comparison	275bps - 650bps	442bps
			Market Yield Discount	2.38%	2.38%
	18,358,434	Market Analysis	Senior Leverage	4.86x - 21.07x	6.63x
			Total Leverage	4.86x - 25.51x	8.13x
			Interest Coverage	0.36x - 2.67x	1.68x
			Debt Service Coverage	0.32x - 2.14x	1.33x
			TEV Coverage	0.31x - 2.06x	1.53x
			Liquidity	41.60% - 200.13%	122.12%
Second lien debt	26,121,607	Matrix Pricing	Spread Comparison	350bps - 650bps	445bps
			Senior Leverage	4.51x - 7.11x	5.74x
			Total Leverage	4.60x - 7.11x	5.83x
			Interest Coverage	1.38x - 3.21x	2.21x
			Debt Service Coverage	1.20x - 2.86x	1.91x
			TEV Coverage	1.07x - 2.61x	1.91x
			Liquidity	79.62% - 347.60%	155.72%
			Spread Comparison	650bps - 950bps	765bps
		Market Yield Discount	2.38%	2.38%	

Total \$ 222,413,107

- (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.

The table above does not include \$2,772,157 of debt, equity and preferred shares which management values using other unobservable inputs, such as earnings before interest, taxes, depreciation and amortization ("EBITDA") and EBITDA multiples, as well as other qualitative information, including company specific information.

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, 2019. 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, 2019	
	Fair Value	Valuation Technique	Unobservable Inputs ⁽¹⁾	Range ⁽²⁾	Weighted Average ⁽³⁾
First lien debt	\$ 224,772,281	Matrix Pricing	Senior Leverage	2.33x - 7.55x	4.89x
			Total Leverage	3.10x - 9.79x	6.07x
			Interest Coverage	1.14x - 4.80x	2.10x
			Debt Service Coverage	0.93x - 3.68x	1.76x
			TEV Coverage	1.27x - 5.70x	2.42x
			Liquidity	5.75% - 587.90%	141.43%
			Spread Comparison	275bps - 650bps	435bps
Second lien debt	20,071,929	Matrix Pricing	Senior Leverage	4.60x - 7.06x	5.87x
			Total Leverage	4.60x - 7.06x	5.88x
			Interest Coverage	1.54x - 3.21x	2.17x
			Debt Service Coverage	1.38x - 2.86x	1.89x
			TEV Coverage	1.52x - 2.44x	1.98x
			Liquidity	52.00% - 347.60%	149.91%
			Spread Comparison	675bps - 1025bps	764bps
Total	\$ 244,844,210				

(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.

The table above does not include \$4,608,380 of debt, equity and preferred shares which management values using other unobservable inputs, such as EBITDA and EBITDA multiples, as well as other qualitative information, including company specific information.

Fair value measurements can be sensitive to changes in one or more of the valuation inputs. Changes in market yields, discounts rates, leverage, 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 six months ended June 30, 2020 and 2019 for all investments for which the Company determines fair value using unobservable (Level 3) factors.

Six Months Ended June 30, 2020	First lien debt	Second lien debt	Equity and Preferred Shares	Total
Fair Value as of December 31, 2019	\$ 227,392,535	\$ 21,340,798	\$ 719,257	\$ 249,452,590
Transfers into Level 3	15,459,994	-	-	15,459,994
Transfers out of Level 3	(33,853,439)	-	-	(33,853,439)
Total gains:				
Net realized loss ^(a)	(206,472)	-	-	(206,472)
Net unrealized depreciation ^(b)	(7,200,104)	(1,020,874)	134,296	(8,086,682)
New investments, repayments and settlements: ^(c)				
Purchases	13,610,048	7,709,688	-	21,319,736
Settlements/repayments	(16,227,619)	-	-	(16,227,619)
Net amortization of premiums, PIK, discounts and fees	164,241	10,599	-	174,840
Sales	(2,847,684)	-	-	(2,847,684)
Fair Value as of June 30, 2020	\$ 196,291,500	\$ 28,040,211	\$ 853,553	\$ 225,185,264

- (a) Included in net realized loss on the accompanying *Statement of Operations* for the six months ended June 30, 2020.
- (b) Included in net change in unrealized depreciation on the accompanying *Statement of Operations* for the six months ended June 30, 2020.
- (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.

Six Months Ended June 30, 2019	First lien debt	Second lien debt	Equity and Preferred Shares	Total
Fair Value as of December 31, 2018	\$ 124,975,467	\$ 17,044,607	\$ -	\$ 142,020,074
Transfers into Level 3	42,526,048	1,503,750	-	44,029,798
Transfers out of Level 3	(30,410,571)	(1,091,750)	-	(31,502,321)
Total gains:				
Net realized gain ^(a)	68,003	5,476	-	73,479
Net unrealized depreciation ^(b)	(23,300)	8,688	(400,268)	(414,880)
New investments, repayments and settlements: ^(c)				
Purchases	11,947,299	1,209,731	800,535	13,957,565
Settlements/repayments	(12,004,057)	(1,000,000)	-	(13,004,057)
Net amortization of premiums, PIK, discounts and fees	91,810	4,908	-	96,718
Fair Value as of June 30, 2019	\$ 137,170,699	\$ 17,685,410	\$ 400,267	\$ 155,256,376

- (a) Included in net realized gain on the accompanying *Statement of Operations* for the six months ended June 30, 2019.
- (b) Included in net change in unrealized depreciation on the accompanying *Statement of Operations* for the six months ended June 30, 2019.
- (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.

The change in unrealized value attributable to investments still held at June 30, 2020 and 2019 were \$(8,084,718) and \$(590,452), respectively.

Investment Activities

The Company held a total of 196 investments with an aggregate fair value of \$327,764,913 as of June 30, 2020. During the six months ended June 30, 2020, the Company invested in 30 new investments for a combined \$25,148,863 and in existing investments for a combined \$11,358,128. The Company also

received \$20,918,019 in repayments from investments and \$5,743,556 from investments sold during the six months ended June 30, 2020.

The Company held a total of 176 investments with an aggregate fair value of \$330,874,911 as of December 31, 2019. During the six months ended June 30, 2019, the Company invested in 31 new investments for a combined \$57,384,637 and in existing investments for a combined \$17,964,941. The Company also received \$29,011,639 in repayments from investments and \$1,951,362 from investments sold during the six months ended June 30, 2019.

Investment Concentrations

As of June 30, 2020, the Company's investment portfolio consisted of investments in 172 companies located in 34 states across 22 different industries, with an aggregate fair value of \$327,764,913. The five largest investments at fair value as of June 30, 2020 totaled \$21,313,867 or 6.50% of the Company's total investment portfolio as of such date. As of June 30, 2020, the Company's average investment by obligor was \$1,748,881 at cost.

As of December 31, 2019, the Company's investment portfolio consisted of investments in 164 companies located in 33 states across 22 different industries, with an aggregate fair value of \$330,874,911. The five largest investments at fair value as of December 31, 2019 totaled \$21,465,158 or 7.16% of the Company's total investment portfolio as of such date. As of December 31, 2019, the Company's average investment by obligor was \$2,028,793 at cost.

The following table outlines the Company's investments by security type as of June 30, 2020 and December 31, 2019:

	June 30, 2020				December 31, 2019			
	Cost	Percentage of Total Investments	Fair Value	Percentage of Total Investments	Cost	Percentage of Total Investment	Fair Value	Percentage of Total Investment
First lien debt	\$ 310,625,968	90.62%	\$ 296,930,297	90.59%	\$ 310,257,401	93.25%	\$ 308,814,856	93.33%
Second lien debt	31,034,049	9.05%	29,981,063	9.15%	21,344,024	6.41%	21,340,798	6.46%
Total Debt Investments	341,660,017	99.67%	326,911,360	99.74%	331,601,425	99.66%	330,155,654	99.79%
Equity and Preferred Shares	1,120,581	0.33%	853,553	0.26%	1,120,581	0.34%	719,257	0.21%
Total Equity Investments	1,120,581	0.33%	853,553	0.26%	1,120,581	0.34%	719,257	0.21%
Total Investments	\$ 342,780,598	100.00%	\$ 327,764,913	100.00%	\$ 332,722,006	100.00%	\$ 330,874,911	100.00%

Investments at fair value consisted of the following industry classifications as of June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
Industry	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Healthcare & Pharmaceuticals	\$ 69,269,554	21.13 %	\$ 76,108,451	23.00 %
High Tech Industries	56,385,886	17.20	58,327,844	17.63
Services: Business	44,781,254	13.66	44,376,771	13.41
Chemicals, Plastics & Rubber	27,095,396	8.27	28,747,162	8.69
Services: Consumer	23,513,225	7.17	25,757,966	7.78
Aerospace & Defense	19,020,402	5.80	12,911,355	3.90
Banking, Finance, Insurance & Real Estate	11,777,944	3.59	10,766,682	3.25
Capital Equipment	9,622,547	2.94	7,720,891	2.33
Construction & Building	9,384,056	2.86	6,989,790	2.11
Containers, Packaging & Glass	8,655,581	2.64	7,941,602	2.40
Consumer Goods: Non-durable	7,970,862	2.43	8,472,022	2.56
Automotive	7,328,445	2.24	6,294,153	1.90
Transportation: Cargo	7,028,594	2.14	7,192,803	2.17
Wholesale	6,883,554	2.10	7,219,568	2.18
Forest Products & Paper	5,072,415	1.55	4,379,293	1.32
Media: Advertising, Printing & Publishing	4,221,900	1.29	5,124,527	1.55
Beverage, Food & Tobacco	3,812,543	1.16	3,930,263	1.19
Consumer Goods: Durable	2,194,280	0.67	2,309,428	0.70
Retail	1,250,441	0.38	1,286,070	0.39
Hotel, Gaming & Leisure	1,007,308	0.32	3,503,815	1.06
Metals & Mining	954,577	0.30	987,604	0.31
Health Care Equipment & Services	534,149	0.16	526,851	0.17
	<u>\$ 327,764,913</u>	<u>100.00 %</u>	<u>\$ 330,874,911</u>	<u>100.00 %</u>

Investments at fair value were included in the following geographic regions of the United States as of June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
Geographic Region	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Northeast	\$ 82,701,470	25.23 %	\$ 87,146,010	26.34 %
Midwest	68,571,724	20.92	68,357,102	20.66
West	53,575,667	16.35	52,320,288	15.81
East	38,725,069	11.81	39,053,575	11.80
Southwest	38,406,229	11.72	42,469,487	12.84
Southeast	37,214,216	11.35	35,674,150	10.78
Northwest	3,965,548	1.21	4,083,800	1.23
South	2,671,371	0.82	1,770,499	0.54
Other ^(a)	1,933,619	0.59	-	-
Total Investments	<u>\$ 327,764,913</u>	<u>100.00 %</u>	<u>\$ 330,874,911</u>	<u>100.00 %</u>

(a) The borrower for Sophos, Surf Holdings S.a.r.l., is located in United Kingdom.

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 June 30, 2020:

For the Fiscal Years Ending December 31:	Amount
2020	\$ 1,885,307
2021	8,811,004
2022	23,193,342
2023	45,904,094
2024	81,523,790
Thereafter	182,077,169
Total contractual repayments	343,394,706
Adjustments to cost basis on debt investments ^(a)	(1,734,689)
Total Cost Basis of Debt Investments Held at June 30, 2020:	\$ 341,660,017

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

COVID-19 Developments

In addition, during the three and six months ended June 30, 2020 and subsequent to June 30, 2020, the COVID-19 pandemic has had a significant impact on the U.S. economy. Certain of the Company's portfolio companies have been adversely impacted by the effects of the COVID-19 pandemic, which have resulted in a material adverse impact on the Company's net asset value, net investment income, the fair value of its portfolio investments, its financial condition and the results of operations and financial condition of the Company's portfolio companies and may continue to adversely affect the Company's future net asset value, net investment income, the fair value of its portfolio investments, its financial condition and the results of operations and financial condition of the Company's portfolio companies.

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 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 six months ended June 30, 2020, the Company recorded base management fees of \$942,530 and \$1,823,382, respectively, and waivers to the base management fees of \$329,886 and \$638,184, respectively, as set forth within the accompanying statements of operations. For the three and six months ended June 30, 2019, the Company recorded base management fees of \$808,440 and \$1,547,094, respectively, and waivers to the base management fees of \$282,954 and \$541,483, respectively, as set forth within the accompanying statements of operations.

Incentive Fee

The Incentive Fee has two parts, as follows: the first part of the Incentive Fee 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 (as defined below) 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 debt instruments with PIK interest, OID securities and 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 1.0% 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 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 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 10.0% (instead of 15.0%) 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 15.0% of the Company's realized capital gains, if any, on a cumulative basis from June 16, 2015, the effective date of our registration statement on Form 10 (file no. 000-55426), 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 10.0% (instead of 15.0%).

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 12.0% in any calendar quarter.

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

For the three and six months ended June 30, 2020, the Company recorded incentive fees related to net investment income of \$623,599 and \$1,284,958, respectively. Offsetting the incentive fees were waivers of the incentive fees of \$552,873 and \$1,116,651 for the three and six months ended June 30, 2020, respectively, as set forth within the accompanying statements of operations. For the three and six months ended June 30, 2019, the Company recorded incentive fees related to net investment income of \$647,108 and \$1,259,236, respectively. Offsetting the incentive fees were waivers of the incentive fees of \$521,159 and \$1,010,450 for the three and six months ended June 30, 2019, respectively, 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 \$132,500 for the three and six months ended June 30, 2020, respectively, as set forth within the accompanying statements of operations. The Company accrued administrative fees of \$66,250 and \$132,500 for the three and six months ended June 30, 2019, respectively, as set forth within the accompanying statements of operations.

Related Party Fees

Fees due to related parties as of June 30, 2020 and December 31, 2019 on the Company's accompanying statements of assets and liabilities were as follows:

	June 30, 2020	December 31, 2019
Net base management fee due to Adviser	\$ 612,644	\$ 569,600
Net incentive fee due to Adviser	70,726	118,536
Total fees due to Adviser, net of waivers	683,370	688,136
Fee due to Administrator, net of waivers	66,250	66,250
Total Related Party Fees Due	\$ 749,620	\$ 754,386

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

The following table sets forth the computation of basic and diluted net increase (decrease) in net assets resulting from operations per weighted average share of the Company's common stock, par value \$0.001 per share (the "Common Stock"), for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Numerator for basic and diluted net increase (decrease) in net assets resulting from operations per common share	\$ 6,455,356	\$ 3,943,191	\$ (4,775,047)	\$ 7,585,127
Denominator for basic and diluted weighted average common shares	37,769,447	31,880,752	37,155,262	31,019,614
Basic and diluted net increase (decrease) in net assets resulting from operations per common share	\$ 0.17	\$ 0.12	\$ (0.13)	\$ 0.24

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 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 stockholders for the year ended December 31, 2019 of \$17,084,202, or \$0.52 per share. The tax character of the distributions declared and

paid represented \$16,941,968 from ordinary income and \$142,234 from tax return of capital. The Company had aggregate distributions declared and paid to its stockholders for the year ended December 31, 2018 of \$13,002,172, or \$0.52 per share. The tax character of the distributions declared and paid represented \$12,537,786 from ordinary income, \$450,049 capital gains, and \$14,337 from tax return of capital.

During the three and six months ended June 30, 2020, the Company declared and paid distributions of \$8,125,607, or \$0.215 per share. The tax character of the distributions declared and paid represented \$8,125,607 from ordinary income. During the three and six months ended June 30, 2019, the Company declared and paid distributions of \$8,306,889, or \$0.26 per share. The tax character of the distributions declared and paid represented \$8,280,510 from ordinary income and \$26,379 from capital gains.

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.

As of December 31, 2019, 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.

	As of December 31, 2019
Other temporary book/tax differences	\$ (213,307)
Net tax basis unrealized depreciation	(1,847,095)
Accumulated net realized loss	(670,443)
Components of tax distributable deficit at period end	<u>\$ (2,730,845)</u>

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, 2019.

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, 2019. 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 2017, 2018 and 2019 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 six months ended June 30, 2020 and 2019, 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. On December 7, 2017, the same investor made an additional capital commitment of \$100,000,000. On March 22, 2019, the same investor made an additional capital commitment of \$40,000,000. On September 23, 2019, the same investor made an additional capital commitment of \$30,000,000. On March 20, 2020, the same investor made an additional capital commitment of \$11,200,000. As of June 30, 2020, \$11,200,000 of total capital commitments remained unfunded by the Company's investors.

The number of shares of Common Stock issued and outstanding as of June 30, 2020 and December 31, 2019, were 37,793,522 and 35,109,246, respectively.

The following table details the activity of Stockholders' Equity for the three and six months ended June 30, 2020 and 2019:

	Common Stock	Capital in Excess of Par Value	Total Distributable (Loss) Earnings	Total Stockholders' Equity
<u>Three Months Ended June 30, 2020</u>				
Balance as of March 31, 2020	\$ 36,698	\$ 349,093,820	\$ (13,961,248)	\$ 335,169,270
Net investment income	-	-	4,086,029	4,086,029
Net realized gains from investment transactions	-	-	384	384
Net change in unrealized appreciation on investments	-	-	2,368,943	2,368,943
Issuance of shares	1,095	9,998,905	-	10,000,000
Distributions to Stockholders	-	-	(8,125,607)	(8,125,607)
Reinvested Dividends	-	26	-	26
Balance as of June 30, 2020	\$ 37,793	\$ 359,092,751	\$ (15,631,499)	\$ 343,499,045
<u>Three Months Ended June 30, 2019</u>				
Balance as of March 31, 2019	\$ 30,384	\$ 289,243,891	\$ 1,790,897	\$ 291,065,172
Net investment income	-	-	4,187,593	4,187,593
Net realized gains from investment transactions	-	-	73,811	73,811
Net change in unrealized depreciation on investments	-	-	(318,214)	(318,214)
Issuance of shares	1,566	14,998,434	-	15,000,000
Distributions to Stockholders	-	-	(8,306,889)	(8,306,889)
Reinvested Dividends	-	30	-	30
Balance as of June 30, 2019	\$ 31,950	\$ 304,242,355	\$ (2,572,802)	\$ 301,701,503
<u>Six Months Ended June 30, 2020</u>				
Balance as of December 31, 2019	\$ 35,110	\$ 334,095,408	\$ (2,730,845)	\$ 331,399,673
Net investment income	-	-	8,396,935	8,396,935
Net realized losses from investment transactions	-	-	(3,392)	(3,392)
Net change in unrealized depreciation on investments	-	-	(13,168,590)	(13,168,590)
Issuance of shares	2,683	24,997,317	-	25,000,000
Distributions to Stockholders	-	-	(8,125,607)	(8,125,607)
Reinvested Dividends	-	26	-	26
Balance as of June 30, 2020	\$ 37,793	\$ 359,092,751	\$ (15,631,499)	\$ 343,499,045

Six Months Ended June 30, 2019	Common Stock	Capital in Excess of Par Value	Total Distributable (Loss) Earnings	Total Stockholders' Equity
Balance as of December 31, 2018	\$ 28,270	\$ 269,246,005	\$ (1,851,040)	\$ 267,423,235
Net investment income	-	-	8,145,132	8,145,132
Net realized gains from investment transactions	-	-	101,731	101,731
Net change in unrealized depreciation on investments	-	-	(661,736)	(661,736)
Issuance of shares	3,680	34,996,320	-	35,000,000
Distributions to Stockholders	-	-	(8,306,889)	(8,306,889)
Reinvested Dividends	-	30	-	30
Balance as of June 30, 2019	\$ 31,950	\$ 304,242,355	\$ (2,572,802)	\$ 301,701,503

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 June 30, 2020 and December 31, 2019:

Investment	Industry	June 30, 2020	December 31, 2019
Advarra, Senior Secured Initial Revolving Loan (First Lien), 4.55% (Libor + 4.25%), maturity 7/9/26	Healthcare & Pharmaceuticals	\$ 761,905	\$ 761,905
Service Logic, Senior Secured Initial Term Loan (First Lien), 5.25% (Libor + 4.25%), maturity 12/31/24	Services: Business	540,000	136,667
Advarra, Senior Secured Initial Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 7/9/26	Healthcare & Pharmaceuticals	288,796	288,796
AmeriLife, Senior Secured Initial Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 3/18/27	Banking, Finance, Insurance & Real Estate	170,455	-
OEConnection, Senior Secured Initial Term Loan, 5.00% (Libor + 4.00%), maturity 9/25/26	High Tech Industries	142,180	142,180
Ned Stevens, Senior Secured Revolver, 5.75% (Libor + 4.75%), maturity 9/30/25	Services: Consumer	130,719	130,719
Stepping Stones, Unitranche, 6.75% (Libor + 5.75%), maturity 12/12/24	Healthcare & Pharmaceuticals	101,130	9,519
Worley Claims Services, Senior Secured Initial Term Loan (First Lien), 4.30% (Libor + 4.00%), maturity 6/3/26	Services: Business	50,125	50,125
EverCommerce, Senior Secured Initial Term Loan, 5.80% (Libor + 5.50%), maturity 8/23/25	High Tech Industries	40,747	464,713
MyEyeDr, Senior Secured Initial Term Loan (First Lien), 4.55% (Libor + 4.25%), maturity 8/31/26(i)	Health Care Equipment & Services	37,278	98,225
Anchor Packaging, Senior Secured Initial Term Loan (First Lien), 4.05% (Libor + 3.75%), maturity 7/18/26	Containers, Packaging & Glass	-	437,500
Premise Health, Senior Secured Initial Term Loan (First Lien), 3.80% (Libor + 3.50%), maturity 7/10/25	Healthcare & Pharmaceuticals	-	147,052
Mavis, Senior Secured Closing Date Term Loan (First Lien), 3.55% (Libor + 3.25%), maturity 3/20/25(i)	Automotive	-	345,141
Tangent, Senior Secured Closing Date Term Loan (First Lien), 5.05% (Libor + 4.75%), maturity 11/30/24	Construction & Building	-	333,333
DuBois Chemicals, Senior Secured Term Loan B (First Lien), 4.80% (Libor + 4.50%), maturity 9/30/26	Chemicals, Plastics & Rubber	-	252,692
Alpaca, Senior Secured Term Loan, 5.50% (Libor + 4.50%), maturity 4/19/24	Healthcare & Pharmaceuticals	-	124,637
Mister Car Wash, Senior Secured Initial Term Loan (First Lien), 4.25% (Libor + 3.25%), maturity 5/14/26(i)	Services: Consumer	-	100,000
Ansira, Unitranche, 7.50% (Libor + 6.50%), maturity 12/20/24	Media: Advertising, Printing & Publishing	-	38,214
AmeriLife Group, Senior Secured Initial Term Loan (First Lien), 6.41% (Libor + 4.50%), maturity 6/12/26	Banking, Finance, Insurance & Real Estate	-	17,544
		\$ 2,263,335	\$ 3,878,962

Unfunded commitments represent all amounts unfunded as of June 30, 2020 and December 31, 2019. These amounts may or may not be funded to the borrowing party now or in the future.

Note 9. Financial Highlights

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Per Share Data:				
Net asset value, beginning of period	\$ 9.13	\$ 9.58	\$ 9.44	\$ 9.46
Net investment income ^(a)	0.11	0.13	0.23	0.26
Net realized (loss) gain on investments and change in unrealized depreciation on investments ^{(a)(b)}	0.06	(0.01)	(0.37)	(0.02)
Net increase (decrease) in net assets resulting from operations	<u>\$ 0.17</u>	<u>\$ 0.12</u>	<u>\$ (0.14)</u>	<u>\$ 0.24</u>
Effect of equity capital activity				
Distributions to stockholders from net investment income	(0.21)	(0.26)	(0.21)	(0.26)
Net asset value at end of period	<u>\$ 9.09</u>	<u>\$ 9.44</u>	<u>\$ 9.09</u>	<u>\$ 9.44</u>
Total return ^{(c)(g)}	1.91 %	1.21 %	(1.44) %	2.50 %
Shares of common stock outstanding at end of period	37,793,522	31,949,579	37,793,522	31,949,579
Statement of Assets and Liabilities Data:				
Net assets at end of period	\$ 343,499,045	\$ 301,701,503	\$ 343,499,045	\$ 301,701,503
Average net assets ^(d)	346,800,278	306,084,630	345,465,958	299,820,875
Ratio/Supplemental Data:				
Ratio of gross expenses to average net assets-annualized ^(e)	2.18 %	2.48 %	2.15 %	2.43 %
Ratio of net expenses to average net assets- annualized ^(f)	1.16 %	1.42 %	1.13 %	1.39 %
Ratio of net investment income to average net assets- annualized	4.74 %	5.49 %	4.89 %	5.48 %
Portfolio turnover ^(g)	0.67 %	0.65 %	1.75 %	0.65 %

(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

On July 3, 2020, the Company delivered a capital drawdown notice to an investor relating to the sale of 550,055 shares of the Common Stock for an aggregate offering price of \$5 million. The sale closed on July 14, 2020.

The sale of Common Stock was made pursuant to a subscription agreement entered into by the Company and the investor. Under the terms of the subscription agreement, the investor is required to fund drawdowns to purchase shares of Common Stock up to the amount of its capital commitment on an as-needed basis with a minimum of 10 calendar days' prior notice.

The issuance of the Common Stock is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(a)(2) thereof. The Company has not engaged in general solicitation or advertising with regard to the issuance and sale of the Common Stock and has not offered securities to the public in connection with such issuance and sale.

COVID-19

The Company is continuing to assess the additional adverse financial and operational consequences that may result from the COVID-19 pandemic and the associated economic turbulence. The potential impact to our results will depend to a large extent on future developments and new information that may emerge regarding the duration and severity of the COVID-19 pandemic and the actions taken by authorities and other entities to contain the spread of COVID-19, prevent a second wave of infections or reduce its impact, all of which are beyond our control. As such, the Company cannot predict the extent to which its financial condition and results of operations will continue to be affected, and the magnitude of such consequences remains uncertain as of the filing of this quarterly report.

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;
- our ability to continue to effectively manage our business due to COVID-19 and similar pandemics;
- 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;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, which could result in changes to the value of our assets;
- 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 on Form 10-K filed on March 17, 2020 (file no. 814-01154) (the “Annual Report”) and our Current Report on Form 8-K filed on May 18, 2020 (file no. 814-01154) (“Form 8-K”).

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 entitled “Item 1A. Risk Factors” of this quarterly report and our Annual Report as well as risk factors described or identified in the Form 8-K. 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 quarterly report are excluded from the safe harbor protection provided by Section 27A of the Securities Act 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. Under the 1940 Act, a BDC generally is required to maintain asset coverage of 200% for senior securities representing indebtedness (such as borrowings from banks or other financial institutions) or stock (such as preferred stock). The Small Business Credit Availability Act, which was signed into law on March 23, 2018, provides that a BDC's required asset coverage under the 1940 Act may be reduced from 200% (i.e., \$1 of debt outstanding for each \$1 of equity) to 150% (i.e., \$2 of debt outstanding for each \$1 of equity). This reduction in asset coverage permits a BDC to double the amount of leverage it may utilize, subject to certain approval, timing and reporting requirements, including either stockholder approval or approval of a majority of the directors who are not “interested persons” (as defined in the 1940 Act) of the BDC and who have no financial interest in the arrangement. In addition, as a non-traded BDC, if we receive the relevant approval to increase our authorized leverage, we will be required to offer our stockholders the opportunity to sell their shares of Common Stock over the next year following the calendar quarter in which the approval was obtained. 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.

COVID-19

The market disruptions caused by the COVID-19 pandemic have continued to adversely affect the business operations of some, if not all, of our portfolio companies and have affected, and may continue to affect, our operations and the operations of our Adviser. While we are closely monitoring this situation, we cannot predict the impact of COVID-19 on our future financial condition with any level of certainty. However, we expect that the COVID-19 pandemic will continue to have a material adverse impact on our future net asset value, net investment income, the fair value of our portfolio investments, and the results of operations and financial condition of our portfolio companies. For more information, see “*Recent Developments—COVID-19 Developments*” below.

PORTFOLIO COMPOSITION AND INVESTMENT ACTIVITY

Portfolio Composition

The fair value of our investments, comprised of syndicated loans and equity, as of June 30, 2020, was approximately \$327,764,913 and held in 172 portfolio companies as of June 30, 2020. The fair value of our investments, comprised of syndicated loans and equity, as of December 31, 2019, was approximately \$330,874,911 and held in 164 portfolio companies as of December 31, 2019.

During the six months ended June 30, 2020, we invested in 30 new syndicated investments for a combined \$25,148,863 and in existing investments for a combined \$11,358,128. We also received \$20,918,019 in repayments from investments and \$5,743,556 from investments sold during the six months ended June 30, 2020. During the six months ended June 30, 2019, we invested in 31 new syndicated investments for a combined \$57,384,637 and in existing investments for a combined \$17,964,941. We also received \$29,011,639 in repayments from investments and \$1,951,362 from investments sold during the six months ended June 30, 2019. The decrease in the value of our investments during the six months ended June 30, 2020 as compared to the same period during the previous year was primarily due to the COVID-19 pandemic impact on market conditions.

. In addition, for the three and six months ended June 30, 2020, we had a change in unrealized appreciation (depreciation) of approximately \$2,368,943 and \$(13,168,590) respectively, and realized gains (losses) of \$384 and \$(3,392), respectively. For the three and six months ended June 30, 2019, we had a change in unrealized depreciation of approximately \$318,214 and \$661,736, respectively, and realized gains of \$73,812 and \$101,731, respectively.

Our investment activity for the six months ended June 30, 2020 and 2019, is presented below:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Beginning investment portfolio, at fair value	\$ 330,874,911	\$ 264,662,881
Investments in new portfolio investments	25,148,863	57,384,637
Investments in existing portfolio investments	11,358,128	17,964,941
Principal repayments	(20,918,019)	(29,011,639)
Proceeds from investments sold	(5,743,556)	(1,951,362)
Change in premiums, discounts and amortization	216,568	135,319
Net change in unrealized depreciation on investments	(13,168,590)	(661,736)
Realized (loss) gain on investments	(3,392)	101,733
Ending portfolio investment activity, at fair value	<u>\$ 327,764,913</u>	<u>\$ 308,624,774</u>
Number of portfolio investments	196	157
Average investment amount, at cost	\$ 1,748,881	\$ 1,980,280
Percentage of investments at floating rates	99.40 %	100.00 %

As of June 30, 2020 and December 31, 2019, our entire portfolio consisted of non-controlled/non-affiliated investments.

RECENT DEVELOPMENTS

Subsequent to June 30, 2020 and through August 14, 2020, we invested \$1,509,070 at cost in four portfolio companies.

On July 3, 2020, the Company delivered a capital drawdown notice to an investor relating to the sale of 550,055 shares of the Common Stock for an aggregate offering price of \$5 million. The sale closed on July 14, 2020.

The sale of Common Stock was made pursuant to a subscription agreement entered into by the Company and the investor. Under the terms of the subscription agreement, the investor is required to fund drawdowns to purchase shares of Common Stock up to the amount of its capital commitment on an as-needed basis with a minimum of 10 calendar days' prior notice.

The issuance of the Common Stock is exempt from the registration requirements of the Securities Act pursuant to Section 4(a)(2) thereof. The Company has not engaged in general solicitation or advertising with regard to the issuance and sale of the Common Stock and has not offered securities to the public in connection with such issuance and sale.

COVID-19 Developments

As the COVID-19 outbreak continues to evolve, we cannot reasonably predict its full impact on our business operations, including its duration in the United States and worldwide and the magnitude of the economic impact of the outbreak, including with respect to the travel restrictions, business closures and other quarantine measures imposed on service providers and other individuals by various local, state, and federal governmental authorities, as well as non-U.S. governmental authorities. As such, the extent to which COVID-19 and/or other health pandemics may continue to negatively affect our operating results and financial condition and the operating results and financial condition of our portfolio companies, or the duration of any potential business or supply-chain disruption for us, our Adviser and/or our portfolio companies, is uncertain.

We will continue to monitor the rapidly evolving developments relating to the COVID-19 pandemic and guidance from U.S. and international authorities, including federal, state and local public health officials and may take additional actions based on their recommendations. In these circumstances, there may be developments beyond our control requiring us to adjust our plan of operation. As such, given the dynamic nature of this situation, we cannot reasonably estimate the impacts of COVID-19 on our financial condition, results of operations or cash flows in the future. However, we do expect that it will continue to have a material adverse impact on our future net asset value, net investment income, the fair value of our portfolio investments, and the results of operations and financial condition of our portfolio companies, and that such adverse effects will persist for the duration of the pandemic and potentially for some time thereafter.

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. This “*Results of Operations*” section should be read in conjunction with the “*COVID-19 Developments*” section above.

Revenue

Total investment income for the three and six months ended June 30, 2020 and 2019 is presented in the table below.

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Total interest income from non-controlled/non-affiliated investments	\$ 4,961,112	\$ 5,216,545	\$ 10,163,820	\$ 10,086,548
Total other interest income	1,325	42,795	29,995	93,515
Total other income	124,633	15,340	139,373	33,150
Total investment income	<u>\$ 5,087,070</u>	<u>\$ 5,274,680</u>	<u>\$ 10,333,188</u>	<u>\$ 10,213,213</u>

Total investment income for the three months ended June 30, 2020 decreased to \$5,087,070 from \$5,274,680 for the three months ended June 30, 2019, and was driven by the decrease in LIBOR rates. Total investment income for the six months ended June 30, 2020 increased to \$10,333,188 from \$10,213,213 for the six months ended June 30, 2019, and was driven by our interest income from our increasing investment balance which was partially offset by the decrease in LIBOR rates. As of June 30, 2020 and 2019, the size of our debt portfolio was \$343,394,706 and \$310,903,928 at amortized cost, respectively, with total debt principal amount outstanding of \$341,660,017 and \$311,472,169, respectively.

Expenses

Total expenses net of waivers for the three and six months ended June 30, 2020 and 2019, were as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Base management fee ^(a)	\$ 942,530	\$ 808,410	\$ 1,823,382	\$ 1,547,094
Incentive fee ^(a)	623,599	647,108	1,284,958	1,259,236
Administrative fee ^(a)	66,250	66,250	132,500	132,500
Directors' fees	52,500	52,500	105,000	105,000
Professional fees	139,116	233,450	237,058	388,131
Other expenses	59,805	83,452	108,190	188,053
Total expenses	1,883,800	1,891,170	3,691,088	3,620,014
Base management fee waivers ^(a)	(329,886)	(282,954)	(638,184)	(541,483)
Incentive fee waivers ^(a)	(552,873)	(521,159)	(1,116,651)	(1,010,450)
Total expenses, net of waivers	<u>\$ 1,001,041</u>	<u>\$ 1,087,057</u>	<u>\$ 1,936,253</u>	<u>\$ 2,068,081</u>

(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 June 30, 2020 in comparison to the three months ended June 30, 2019 was driven by our increasing invested balance. For the three months ended June 30, 2020 and 2019, we accrued gross base management fees before waivers of \$942,530 and \$808,440, respectively. Offsetting those fees, we recognized base management fee waivers of \$329,886 and \$282,954, respectively. For the three months ended June 30, 2020, we accrued incentive fees related to net investment income before waivers of \$623,599, offset by incentive fee waivers of \$552,873. For the three months ended June 30, 2019, we accrued incentive fees related to net investment income before waivers of \$647,108, offset by incentive fee waivers of \$521,159. Additionally, we accrued \$66,250 of administrative fees for each of the three months ended June 30, 2020 and 2019. 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 June 30, 2020 and 2019, we incurred professional fees of \$139,116 and \$233,450, 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 three months ended June 30, 2020 as compared to the three months ended June 30, 2019. We also incurred expenses related to fees paid to our independent directors of \$52,500 for each of the three months ended June 30, 2020 and 2019.

The increase in base management fees before waivers for the six months ended June 30, 2020 in comparison to the six months ended June 30, 2019 was driven by our increasing invested balance. For the six months ended June 30, 2020 and 2019, we accrued gross base management fees before waivers of \$1,823,382 and \$1,547,094, respectively. Offsetting those fees, we recognized base management fee waivers of \$638,184 and \$541,483, respectively. For the six months ended June 30, 2020, we accrued incentive fees related to net investment income before waivers of \$1,823,382, offset by incentive fee waivers of \$1,116,651. For the six months ended June 30, 2019, we accrued incentive fees related to net investment income before waivers of \$1,259,236, offset by incentive fee waivers of \$1,010,450. Additionally, we accrued \$132,500 of administrative fees for the six months ended June 30, 2020 and 2019. 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 six months ended June 30, 2020 and 2019, we incurred professional fees of \$237,058 and \$388,131, 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 six months ended June 30, 2020 as compared to the six months ended June 30, 2019. We also incurred expenses related to fees paid to our independent directors of \$105,000 and \$97,500 for each of the six months ended June 30, 2020 and 2019.

Realized and Unrealized Gains and Losses

We recognized \$384 and \$73,812 in net realized gains for the three months ended June 30, 2020 and 2019, respectively. We recognized \$(3,392) and \$101,731 in net realized (losses) gains for the six months ended June 30, 2020 and 2019, respectively.

Net change in unrealized appreciation (depreciation) on investments for the three and six months ended June 30, 2020 and 2019 was as follows:

Type	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
First Lien Debt	\$ 2,080,606	\$ (197,770)	\$ (12,253,129)	\$ (143,049)
Second Lien Debt	124,110	(120,444)	(1,049,757)	(118,470)
Equity and Preferred Shares	164,227	-	134,296	(400,267)
Net change in unrealized appreciation (depreciation) on investments	<u>\$ 2,368,943</u>	<u>\$ (318,214)</u>	<u>\$ (13,168,590)</u>	<u>\$ (661,786)</u>

Net change in unrealized appreciation (depreciation) on investments during the three and six months ended June 30, 2020 was primarily due to the change in the results and financial position of the portfolio companies. Net change in unrealized depreciation on investments during the three and six months ended June 30, 2019 was primarily due to the change in the results and financial position of the portfolio companies.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

We generate cash primarily from the net proceeds of any offering of shares of our common stock (“Shares”), 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 June 30, 2020 and December 31, 2019, we had cash of \$15,722,499 and \$5,506,217, respectively. This “*Financial Condition, Liquidity and Capital Resources*” section should be read in conjunction with the “*COVID-19 Developments*” section above.

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2020 was \$6,658,137. The primary operating activities during this period were investments in portfolio companies. This was partially offset by repayments of bank loans. Net cash used in operating activities for the six months ended June 30, 2019 was

\$37,956,742. The primary operating activities during this period were investments in portfolio companies. This was partially offset by repayments of bank loans.

As of June 30, 2020 and December 31, 2019, we had ten and eighteen investments, respectively, with unfunded commitments of \$2,263,335 and \$3,878,962, respectively. We believe that, as of June 30, 2020 and December 31, 2019, we had sufficient assets to adequately cover any obligations under our unfunded commitments.

The following table summarizes our total portfolio activity during the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Beginning investment portfolio	\$ 330,874,911	\$ 264,662,881
Investments in new portfolio investments	25,148,863	57,384,637
Investments in existing portfolio investments	11,358,128	17,964,941
Principal repayments	(20,918,019)	(29,011,639)
Proceeds from sales of investments	(5,743,556)	(1,951,362)
Net change in unrealized depreciation on investments	(13,168,590)	(661,736)
Net realized (loss) gain on investments	(3,392)	101,733
Net change in premiums, discounts and amortization	216,568	135,319
Investment Portfolio, at Fair Value	\$ 327,764,913	\$ 308,624,774

Financing Activities

Net cash provided by our financing activities for the six months ended June 30, 2020 was \$25,000,000 from issuances of 2,684,276 Shares to our stockholders, in connection with our capital calls and our dividend reinvestment program during the period. This was partially offset by \$8,125,581 of distributions paid to our common stockholders. Net cash provided by our financing activities for the six months ended June 30, 2019 was \$35,000,000 from issuances of 3,679,930 Shares to our stockholders, in connection with our capital calls and our dividend reinvestment program during the period. This was partially offset by \$8,306,859 of distributions paid to our common stockholders.

Equity Activity

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. On December 7, 2017, the same investor made an additional capital commitment of \$100,000,000. On March 22, 2019, the same investor made an additional capital commitment of \$40,000,000. On September 23, 2019, the same investor made an additional capital commitment of \$30,000,000. On March 20, 2020, the same investor made an additional capital commitment of \$11,200,000. As of June 30, 2020, \$11,200,000 of total capital commitments remained unfunded by the Company's investors.

The number of shares of Common Stock issued and outstanding as of June 30, 2020 and December 31, 2019, were 37,793,522 and 35,109,246, 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 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 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 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 and paid distributions of \$8,125,607, or \$0.215 per share during the three and six months ended June 30, 2020. We declared and paid distributions of \$8,306,889, or \$0.26 per share during the three and six months ended June 30, 2019.

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 June 30, 2020 and 2019, we recorded base management fees of \$942,530 and \$808,440, respectively. Offsetting these fees were waivers to the base management fees of \$329,886 and \$282,954, respectively, as set forth within the accompanying statements of operations.

For the six months ended June 30, 2020 and 2019, we recorded base management fees of \$1,823,382 and \$1,547,094, respectively. Offsetting those fees were waivers to the base management fees of \$638,184 and \$541,483, respectively, as set forth within the accompanying statements of operations.

For the three and six months ended June 30, 2020, we recorded incentive fees of \$623,599 and \$1,284,958, respectively. Offsetting these fees were waivers to the incentive fees of \$552,873 and \$1,116,651, respectively, as set forth within the accompanying statements of operations. For the three and six months ended June 30, 2019, we recorded incentive fees of \$647,108 and \$1,259,236, respectively. Offsetting these fees were waivers to the incentive fees of \$521,159 and \$1,010,450, respectively, as set forth within the accompanying statements of operations.

For the three months ended June 30, 2020 and 2019, we recorded administrative fees of \$62,500, as set forth within the accompanying statements of operations. For the six months ended June 30, 2020 and 2019, we recorded administrative fees of \$132,500, as set forth within the accompanying statements of operations.

Fees due to related parties as of June 30, 2020 and December 31, 2019 on our accompanying statements of assets and liabilities were as follows:

	June 30, 2020	December 31, 2019
Net base management fee due to Adviser	\$ 612,644	\$ 569,600
Net incentive fee due to Adviser	70,726	118,536
Total fees due to Adviser, net of waivers	<u>683,370</u>	<u>688,136</u>
Fee due to Administrator, net of waivers	66,250	66,250
Total Related Party Fees Due	<u>\$ 749,620</u>	<u>\$ 754,386</u>

Tender Offers

We do not currently intend to list shares of our Common Stock on any securities exchange, and we do not expect a public market for them to develop in the foreseeable future. Therefore, stockholders should not expect to be able to sell their shares of 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 shares of 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 hierarchal 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 may 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 the 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. Inputs for these valuation techniques include relative credit information, observed market movement, industry sector information, and other market data, which may include benchmarking of comparable securities, issuer spreads, reported trades, and reference data, such as market research publications, when available. 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. Additionally, as a part of our valuation process, the Adviser may employ the services of one or more independent valuation firms engaged by us;

(ii) Preliminary valuation conclusions are documented and discussed with our senior management and members of the Adviser's valuation team;

(iii) Our Audit Committee reviews the assessments of the Adviser or independent valuation firm (to the extent applicable) 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, the independent valuation firm (to the extent applicable) 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 the trade date (the 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 as a receivable interest on loans and debt securities 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.

U.S. 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, 2019, 2018, and 2017.

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 June 30, 2020, we had ten investments with unfunded commitments of \$2,263,335. As of December 31, 2019, we had eighteen investments with unfunded commitments of \$3,878,962. We believe that, as of June 30, 2020 and December 31, 2019, 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. During the period covered by our financial statements, many of the loans in our portfolio had floating interest rates, and we expect that many of our loans to portfolio companies in the future will also have floating interest rates based on LIBOR or an equivalent risk-free index rate. Interest rate fluctuations may have a substantial negative impact on our investments, the value of our Common Stock and our rate of return on invested capital. In addition, U.S. and global capital markets and credit markets have experienced a higher level of stress due to the global COVID-19 pandemic, which has resulted in an increase in the level of volatility across such markets and a general decline in value of the securities held by us. 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 June 30, 2020 and December 31, 2019, all of our investments included variable rates with a minimum guaranteed rate, or floor, and bore interest at the minimum guaranteed rate.

In addition, the COVID-19 pandemic has resulted in a decrease in LIBOR and a general reduction of certain interest rates by the U.S. Federal Reserve and other central banks. A continued decline in interest rates, including LIBOR, could result in a reduction of our gross investment income.

Change in interest rates	Increase (decrease) in investment income
Down 300 basis points	(207,967)
Down 200 basis points	(207,967)
Down 100 basis points	(207,967)
Up 100 basis points	1,630,959

Up 200 basis points	5,064,906
Up 300 basis points	8,498,853

Although we believe that this measure is indicative of our sensitivity to interest rate changes, it does not reflect potential changes in the credit market, credit quality, size and composition of the assets on the Consolidated Statements of Assets and Liabilities and other business developments that could affect our net increase in net assets resulting from operations or net investment income. Accordingly, no assurances can be given that actual results would not differ materially from those shown above.

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 the period covered by this report, 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.

As of June 30, 2020, our management completed its assessment of the remediation efforts related to the material weakness in internal control over financial reporting reported in our Form 10-Q for the three months ended March 31, 2020. Our management has designed and implemented additional control and review procedures, to help us better achieve our disclosure objectives. As a result of the adoption of such procedures and the internal controls implemented during the three months ended June 30, 2020, our management has determined that the previously reported material weakness had been remediated as of June 30, 2020.

Changes in Internal Control Over Financial Reporting

Other than the disclosure above, 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

In addition to the risks discussed below, important risk factors that could cause results or events to differ from current expectations are described in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on March 17, 2020 as well as our Current Report on Form 8-K filed on May 18, 2020.

Legislation passed in 2018 allows us to incur additional leverage and would require us to offer liquidity to our stockholders.

Under the 1940 Act, a BDC generally is required to maintain asset coverage of 200% for senior securities representing indebtedness (such as borrowings from banks or other financial institutions) or stock (such as preferred stock). The Small Business Credit Availability Act, which was signed into law on March 23, 2018, provides that a BDC’s required asset coverage under the 1940 Act may be reduced from 200% (i.e., \$1 of debt outstanding for each \$1 of equity) to 150% (i.e., \$2 of debt outstanding for each \$1 of equity). This reduction in asset coverage permits a BDC to double the amount of leverage it may utilize, subject to certain approval, timing and reporting requirements, including either stockholder approval or approval of a majority of the directors who are not “interested persons” (as defined in the 1940 Act) of the BDC and who have no financial interest in the arrangement. As a result, if we receive the relevant approval and we comply with the applicable disclosure requirements, we would be able to incur additional leverage, which may increase the risk of investing in us. In addition, since our base management fee is payable based upon our average adjusted gross assets, which includes any borrowings for investment purposes, our base management fee expenses may increase if we incur additional leverage.

We have not commenced any tender offers, and we do not currently intend to conduct any tender offers. As a non-traded BDC, however, if we receive the relevant approval to increase our authorized leverage, we will be required to offer our stockholders the opportunity to sell their Shares over the next year following the calendar quarter in which the approval was obtained. The timing and method for such offers has not been determined at this time.

Global capital markets could enter a period of severe disruption and instability due to future recessions, political instability, geopolitical turmoil and foreign hostilities, disease pandemics and other serious health events. These market disruptions have historically had and could again have a materially adverse effect on debt and equity capital markets in the United States, which could have a materially adverse impact on our business and financial condition.

The U.S. capital markets have experienced extreme volatility and disruption following the global outbreak of COVID-19. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets and valuation impacts. Such disruptions

are adversely affecting our business, and future market disruptions and/or illiquidity could continue to impact us negatively. These events have limited, and could continue to limit, our investment opportunities, may limit our ability to grow and could negatively impact our operating results and the fair values of our investments.

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

Please refer to “Item 1. *Financial Statements—Notes to Consolidated Financial Statements—Note 11. Subsequent Events*” and “Item 2. *Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*” in this quarterly report and our current reports on Form 8-K filed on July 16, 2020 for issuances of our Common Stock during the period subsequent to June 30, 2020 and through August 14, 2020. Such issuances were made pursuant to Section 4(a)(2) of the Securities Act and Regulation D thereunder.

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).

* Filed herewith

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: August 14, 2020

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

Date: August 14, 2020

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