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PRESENTATION

Operator

Welcome, and thank you, for joining the Oaktree Specialty Lending Corporation's Fourth Fiscal Quarter and Full Year 2018 Conference Call. Today's conference call is being recorded. (Operator Instructions)

Now I would like to introduce Michael Mosticchio of Investor Relations, who will host today's conference call.

Mr. Mosticchio, you may begin.

Michael Mosticchio ***Oaktree Specialty Lending Corporation - IR***

Thank you, operator, and welcome to Oaktree Specialty Lending Corporation's Fourth Fiscal Quarter and Full Year 2018 Conference Call.

Both our earnings release, which we issued this morning, and the accompanying slide presentation can be accessed on the Investor Section of our website at oaktreespecialtylending.com.

Our speakers today are as Oaktree Specialty Lending's Chief Executive Officer and Chief Investment Officer, Edgar Lee; Chief Financial Officer and Treasurer, Mel Carlisle; and Chief Operating Officer, Matt Pendo.

We will be happy to take your questions following their prepared remarks.

Before we begin, I want to remind you that comments on today's call include forward-looking statements reflecting our current views with respect to, among other things, our future operating results and financial performance. Our actual results could differ materially from those implied or expressed in the forward-looking statements.

Please refer to our SEC filings for a discussion of these factors and further detail. We undertake no duty to update or revise any forward-looking statements.

I'd also like to remind you that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase any interest in any Oaktree fund. Investors and others should note that Oaktree Specialty Lending uses the Investor Section of its corporate website to announce material information. Accordingly, the company encourages investors and media and others to visit our corporate website to obtain investor-related materials.

With that, I would now like to turn the call over to Edgar Lee.

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

Thank you, Mike, and welcome, everyone, to our fourth quarter and fiscal year-end earnings conference call. We appreciate your continued interest in OCSL and your participation in today's call.

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We are proud of the significant progress we have made since we took over the management of OCSL just over one year ago. Our portfolio repositioning efforts reflect our late-cycle approach to investing in private credit, as we have reduced the overall risk of the OCSL portfolio by exiting most of the non-core investments and are actively investing in larger, more diversified companies.

As of September 30, 2018, non-core investments represented only 24% of OCSL's portfolio, a decrease from 63% as of September 30, 2017.

During the last fiscal year, we also made great strides in enhancing OCSL's borrowing capacity and lowering our cost of capital. In the first fiscal quarter, we entered into a new $600 million revolving credit facility with ING and 13 other banking partners. We subsequently amended the facility in July to allow for additional flexibility and to further reduce our interest rate margin. We also improved operating efficiencies and reduced cost by consolidating the two credit facilities at our JV.

And finally, we successfully integrated OCSL into Oaktree's operational platform, realizing substantial cost savings and efficiencies. Through this integration, we upgraded OCSL's systems and processes related to the accounting valuation compliance and information technology functions. In total, run-rate operating expenses have declined 28% from the first fiscal quarter.

The benefits of our portfolio repositioning efforts and disciplined balance sheet and expense management are evident in our improved financial performance and stability in our NAV. In the fourth quarter, we delivered net investment income of $0.12 per share, a 30% increase from the first quarter. And we have had three consecutive quarters of NAV increases.

Turning to the fiscal fourth quarter. We successfully continued our portfolio repositioning efforts. Core holdings totaled $1 billion or 76% of the portfolio as of September 30, compared to 37% at the beginning of the fiscal year. Another 14% of the portfolio was non-core, but performing, and the remaining 10% was non-core and underperforming.

During the fourth quarter, we exited $32 million of non-core positions, including $18 million from the monetization of one of our aviation investments. We also rotated out of the majority of our lower-yielding broadly syndicated loans.

Despite the solid overall progress in portfolio repositioning in the fourth quarter, we did reclassify one investment totaling $44 million from non-core performing to non-accrual because the loan was not paid off at maturity. We subsequently entered into a forbearance agreement, and the borrower has remained current on its monthly interest payment.

The company is in advanced stages of a refinancing process involving multiple lenders. However, there can be no assurance that this process will be successful. As reflected in the current valuation, we do not anticipate any further impairments to this investment.

With respect to our remaining non-core assets, we expect to continue exiting these investments at a steady pace, while also optimizing value for our shareholders. And we are cautiously optimistic that there could be additional upside value in some of our remaining legacy investments.

For example, in October, BeyondTrust was acquired by a strategic buyer at a premium to its June 30 fair value mark. And Yeti priced its initial public offering. Combined we wrote up the valuations of these equity positions for a total of $18 million. Approximately 50% of the remaining non-core assets are either already monetized, liquid positions or engaged in active sale or refinancing processes, and we expect to exit them over the next several quarters.

Going forward, in fiscal 2019, we plan to disclose our non-core holdings as one category, given these investments have decreased to a nominal amount of the portfolio. We will continue to disclose all investments by type and provide details that are important in evaluating the overall health of the portfolio. This new presentation of the portfolio can be found on Pages 4 and 5 of the earnings presentation, and our 2018 portfolio disclosures can be found in the appendix.

Now shifting attention to the investment environment. Direct lending remains highly competitive, especially in the private equity owned segment of the market. We continue to see an oversupply of funds in the marketplace competing for transactions at a time when

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borrower demand is showing signs of moderating from the strong pace of the last couple of years.

The current economic cycle is long by historical standards, but there are still no widespread signs of credit deterioration. That said, there has been some recent volatility in the equity, high-yield bond and broadly syndicated loan markets, largely driven by concerns about the impact that higher interest rates might have on company profitability and the overall economy, global geopolitical issues and weakness in energy-related commodities. We haven't seen this volatility spread meaningfully into the direct lending market, but we are monitoring the situation closely.

Against this backdrop, we continue to position our portfolio defensively, taking a highly selective and disciplined approach when evaluating new opportunities. At September 30, the portfolio was well diversified with a fair value of $1.5 billion invested across 113 companies, resulting in an average investment size of $13 million or 0.9% of the portfolio at fair value. 75% of the overall portfolio was in senior secured loans.

During the fourth quarter, we originated $228 million of new commitments across 16 companies and 12 industries, of which, 88% were senior secured loans.

We also continue to focus on lending to larger companies in non-cyclical, defensive or structurally growing industries with lower overall amounts of leverage. The median debt portfolio company EBITDA has nearly doubled since we began managing the portfolio. And now over half of our borrowers have EBITDAs greater than $100 million. The underlying leverage at our portfolio companies has declined over the past year from 5.5x to 4.8x, a stark contrast to the increasing leverage levels we have observed in the middle market over the past year. We believe investing in larger, more diversified companies with lower amounts of leverage will help reduce the risk of credits impairment in the portfolio.

While the market for direct lending remains competitive, our team has been able to uncover unique opportunities away from the private equity owned segment of the market. At Oaktree, we dedicate significant resources to evaluating companies in less efficient segments of the market, where non-traditional or infrequent borrowers may require highly structured financing. This allows us to structure transactions with more creditor friendly terms, while also generating strong risk-adjusted returns for our shareholders.

A great example of this was the Allen Media loan we originated in March. As you may recall, Oaktree originated a $310 million first lien loan to Allen Media to fund the acquisition of a well-known media asset, of which, OCSL provided $64 million. During the quarter, our loan was refinanced by debt issued in the public markets, generating a gross unlevered IRR of over 50% in the short time we held it.

Another unique origination in the fourth quarter included a $90 million term loan to EHR Canada that was used to fund the acquisition of a bottling operation for one of the world's largest beverage companies. Oaktree provided the entire financing commitment and OCSL was allocated $23 million. The loan is favorably structured and attractively priced at LIBOR plus 800. Both of these transactions underscore the value of the sourcing capability of Oaktree and our ability to provide complete capital solutions to private companies.

Looking ahead, despite the broader competitive market dynamics, we are currently evaluating a number of interesting opportunities in our pipeline, including investments in more non-cyclical, defensive or structurally growing industries, such as healthcare, life sciences and software. We will continue to be patient, yet opportunistic in our investment approach, and believe our platform positions us well to find opportunities that can generate attractive risk-adjusted returns.

All told, we are pleased with our fourth quarter and the year-end results and the significant progress we have made in repositioning the portfolio over the past year.

We believe we have built a strong foundation for OCSL and look forward to carry this momentum into 2019.

And now I'd like to turn the call over to Mel Carlisle to discuss our financial results in more detail.

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Mel Carlisle ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

Thank you, Edgar. OCSL reported strong earnings for the fourth quarter. Net investment income for the fourth quarter was $17 million or $0.12 per basic and diluted share. This was up from $14.4 million or $0.10 per share last quarter. The increase was mostly due to higher investment income, which was partially offset by increased interest expense.

Total investment income for the quarter was $38.2 million, up from $31.8 million in the June quarter due to higher prepayment fees and OID acceleration on loan payoffs. This was offset by lower PIK interest and dividend income due to the sale of one of our aviation investments and the restructuring of the notes at the Kemper JV.

Net expenses were $21.2 million, up from $17.4 million last quarter. The increase was mainly due to higher part 1 incentive fees, net of fees waived and an increase in interest expense due to a higher level of debt outstanding during the quarter.

Now turning to credit quality. At September 30, 7% of our debt investments at fair value were on non-accrual status as compared to 4.6% in the third quarter. This increase was primarily driven by the $44 million investment placed on non-accrual status as Edgar mentioned earlier.

Net realized gains on investments we exited during the quarter were $1 million, with the majority of these sales executed above their June 30 fair value marks.

Net asset value increased for the third consecutive quarter to $6.09 per share. This compares to $5.95 per share at June 30. On Page 13 of the earnings presentation, we have provided a bridge that explains the key factors that led to the increase in NAV.

At September 30, total debt outstanding was $637 million and had a weighted average interest rate of 5.1%. Our leverage ratio increased slightly to 0.75x from 0.73x at June 30, reflecting higher borrowings on our credit facility. In the current market environment, we are taking a conservative approach to managing leverage, and the amount of leverage we deploy will also depend on the growth of our portfolio.

As we previously announced, in July, we amended our credit facility with ING. As part of the amendment, we reduced our interest rate on amounts drawn by 25 basis points. We also continue to review options to refinance the 2019 bonds, which we have the ability to repay with our credit facility.

Cash and cash equivalents were $13 million at quarter-end, and we had $359 million of undrawn capacity on our $600 million credit facility. Unfunded commitments at quarter-end were $52.7 million. These commitments are mostly related to portfolio companies with revolving credit facilities or delayed draw term loans.

Turning to the Kemper joint venture, at September 30, the JV had $314 million of total assets invested in senior secured loans to 40 companies. This compares to $357 million of total assets invested in senior secured loans to 44 companies last quarter. These decreases reflect seven early loan payoffs during the fourth quarter.

At quarter-end, the leverage ratio at the JV was 1.0x, down slightly from 1.1x at June 30. The credit facility had $47 million of undrawn capacity at quarter-end. Together with our joint venture partner, we continue to evaluate adding primarily first lien, senior secured investments to the portfolio. And over time, we expect to increase debt capacity as needed, depending on market conditions.

Before I turn the call over to Matt, I want to discuss the tax assets available to us, which were primarily generated by legacy realized losses and assets we inherited from the prior manager. As of September 30, we had net capital loss carryforwards of $535 million. These tax losses are beneficial as they can be used to offset future taxable capital gains, meaning that if we generate realized capital gains in the future, they would be offset by the existing capital loss carryforwards. Demonstrating this benefit, the capital gains associated with

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the recent realization of our investment in BeyondTrust can be offset by these tax losses.

Now I will turn the call over to Matt Pendo.

Mathew Pendo ***Oaktree Specialty Lending Corporation - COO***

Thank you, Mel. We made great progress executing on our strategic plan to position OCSL for improved performance and returns to our shareholders over the past year. While we are encouraged by the progress made to date, there continues to be a significant opportunity for us to further increase OCSL's long-term return on equity.

During the year, we successfully rotated out of over $65 million of non-interest generating investments including equity, limited partnership interests and non-accrual loans. As of September 30, $173 million of non-interest generating assets remain, which continue to negatively affect our overall portfolio yield. To illustrate the impact that these investments have, our weighted average yield on interest generating investments is 8.9%, which is well above our current portfolio's weighted average yield of 8.1%.

In addition, as we rotated out of various non-core positions over the past year, we accessed the broadly syndicated loan market to help us redeploy assets due to the elevated pace of loan repayments. We reduced our exposure to such broadly syndicated loans by $40 million during the quarter and $17 million remained as of September 30. Depending on market conditions, we expect to continue temporarily investing in these liquid loans to earn spread income during quarters of elevated repayments.

OCSL continues to benefit from rising interest rates given that our portfolio is primarily comprised of floating rate loans with a mostly fixed rate liability structure. As of September 30, 83% of the portfolio consisted of floating rate instruments. We expect to benefit if rates continued to increase in 2019.

Finally, we have additional investment capacity at the Kemper JV totaling $47 million of available capital. Together with our joint venture partner, we have taken a highly selective approach to growing the JV given current market conditions. As we continue to grow the joint venture, we expect it will be further accretive to ROE.

Now turning to the dividend. As noted in our press release, we declared a $0.095 dividend today. We remain focused on maintaining a distribution level that is both consistent and sustainable based on the performance of our portfolio.

I'll conclude by saying that we're very proud of the progress we've made in our first year of managing OCSL. Looking ahead, we will continue to leverage Oaktree's substantial resources and expertise to further enhance our return equity and deliver value to our shareholders.

Thank you for joining us on today's call and for your continued interest in OCSL.

With that, we're delighted to take your questions. Operator, please open up the lines.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Chris York of JMP Securities.

Christopher York ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

So Edgar, you exited the aircraft leasing investment to First Star Bermuda during the quarter. It appears you exited that investment at or above your previous mark. So I'm curious, what was the input that led to the write-down in the equity investment to First Star Speir?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

Part of the movement in First Star Speir is just as we're undergoing a potential monetization process right now, some initial indications around that investment that's helped inform us around that mark.

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Christopher York ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Okay. So is it reasonable to expect that, that potentially be exited, maybe over the next 12 months?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

That is potentially possible.

Christopher York ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Okay. And then obviously Yeti was a sizable movement in the book value. Are you guys subject to a lockup period for selling shares of Yeti?

Mathew Pendo ***Oaktree Specialty Lending Corporation - COO***

We are. It's Matt. Yes, we are.

Christopher York ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Is that 180 day?

Mathew Pendo ***Oaktree Specialty Lending Corporation - COO***

180 days. Yes.

Christopher York ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Okay. And then maybe Mel, your unsecured notes mature in March of '19. Is it your plan to use your revolver to pay that off? And then what is your level of interest in diversifying your funding sources longer term?

Mel Carlisle ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

Great question, Chris. In terms of the 2019 notes, we continue to evaluate our options. As we stated in our prepared remarks, we do have the ability to take those notes out with our credit facility. As far as the future in terms of diversifying our funding sources, we're evaluating that all the time. The fixed-rate capital structure that we have in place now has been beneficial in this environment, given rising interest rates. So we'll keep you posted as we make decisions in terms of our funding sources.

Christopher York ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Understood. That's helpful. And then net investment income was positive for the first time in 3 quarters at the JV, yet the equity was written down. Do you think there is recovery potential in the equity value there?

Mel Carlisle ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

In terms of the Kemper JV, given the steps that we took over the last couple of quarters in terms of our liabilities, we are seeing a positive NII there. The write-down of the equity is a function of our valuation process. And as we ramp that vehicle and become more fully invested, we think that'll be accretive.

Christopher York ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Okay. And the last one, how much prepayment and/or make-whole fees did you receive from Allen Media in the quarter?

Mel Carlisle ***Oaktree Specialty Lending Corporation - CFO & Treasurer***

In terms of Allen Media, that was $7.4 million of prepayment fees received.

Christopher York ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Great. And congrats on that investment and on the 50% IRR.

Operator

Our next question comes from Ryan Lynch of KBW.

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Ryan Lynch ***Keefe, Bruyette, & Woods, Inc., Research Division - MD***

You guys just made really significant progress of reducing non-core investments from about $900 million to just over $300 million today. I know that, that took a lot of significant amount of time and resources to do that, especially early on. So can you maybe just frame how much of the team's time and resources were spent working on really rotating and focusing on these non-core investments kind of at the beginning of this process when you took over the portfolio versus where we are today? Are there are a lot of additional sort of resource you guys have to kind of be out there sourcing and originating new deals? And then what is this kind of mean for the BDC?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

Ryan, it's Edgar here. Thanks for the question and thanks for joining us today. I think your comments are correct. When we first took over the BDCs, managing the BDCs, there was a significant amount of effort placed on stabilizing these investments, monetizing these investments quickly.

And given the size of Oaktree, we have over 200 investment professionals at Oaktree, a number of them who are helping focus on dealing with these non-core investments. You should assume that the effort focusing on the non-core investments has reduced, and that's been reflective of the reduction in the number of non-core investments that we have left. I think we've got a good handle on those non-core investments at this point. And a number of those non-core investments, as we've showed on Page 4 of the presentation, a number of them are sitting in investments that are continuing to perform, they may be in equity or aviation assets, other liquid securities, with a small portion still sitting in underperforming assets. I highlight that only because that I think our time and focus on those assets has declined commensurate with that. And today our investment resources are much more focused on finding new investments and continuing to optimize the existing portfolio.

Ryan Lynch ***Keefe, Bruyette, & Woods, Inc., Research Division - MD***

Okay. That's helpful. And then if I look at your slide of the weighted average EBITDA and the portfolio. You guys have clearly been focusing on $100-plus million EBITDA deals. As I know you kind of mentioned as a defensive approach to kind of move to some of these larger companies. But those companies with $100-plus million EBITDA are also companies I think that can access the broadly syndicated loan market and we would feel like those are some pretty competitive deals in the market today. So can you just maybe provide a little background and color on why you guys are targeting that large market which feels like it could be pretty competitive, given they can bump up against the BSL market, and what sort of advantage you guys think you have in that market?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

I think in terms of the BSL market, the BSL market has been accessible for companies over $100 million of EBITDA, if they have strong private equity support. So for example, acquisition financings for private equity firms tend to tap that market quite frequently. What we've tried to focus on is that non-sponsored part of the marketplace where oftentimes we may have borrowers who are not as familiar in terms of utilizing the broadly syndicated loan market. And therefore, oftentimes seek the private lending market as a cleaner, faster way for them to execute a transaction, one. And two, a number of these borrowers have unique financing needs that don't fit a standard type of BSL credit agreement and don't fit a standard CLO buyers credit box. And therefore, while they're larger in size, the oftentimes can't access that market because of the uniqueness of some of the aspects of their financing.

Ryan Lynch ***Keefe, Bruyette, & Woods, Inc., Research Division - MD***

Okay. That's helpful. And then one more I wanted to follow up on Yeti to just make sure I'm understanding that -- your investment correctly. I mean, it look like you guys have 2 million shares of the common stock. You guys have it marked as of 9/30 with a $12 million fair value. It looks like on today's current price, which of course that can fluctuate day-to-day, looks like that investment should have a $36 million fair value, which would represent about a $24 million gain in the calendar fourth quarter. Am I thinking about that correctly?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

No. so there was a split -- share split done, right? So right now we've got the pre-split shares and the post-split shares. I don't know what shares you're using. But you've got to adjust for the .397 to one share split.

Ryan Lynch ***Keefe, Bruyette, & Woods, Inc., Research Division - MD***

Okay. So the 2 million common shares in your 10-Q at 9/30 needs to be basically divided by 3.9 to get to the...

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Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

Yes. To get -- yes.

Operator

Our next question comes from Finian O'Shea with Wells Fargo Securities.

Finian O'Shea ***Wells Fargo Securities, LLC, Research Division - Associate Analyst***

Just to expand a little bit on what Ryan was asking on the larger market, names coming in the last couple of quarters. Is this break -- we see basically 50% is $100 million plus, but within that could be interesting too. What's the -- is it pretty consistent between senior, second lien and in high-yield bonds for these non-sponsored companies? Or is there kind of a lot underneath there? If you could provide some color?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

I think it's reasonably evenly distributed. But why don't we follow up with you with a little bit more color on that.

Finian O'Shea ***Wells Fargo Securities, LLC, Research Division - Associate Analyst***

Okay. So even just for example a senior loan would be to a large market non-sponsor, just trying to delineate that versus with a lot of your peers would do with senior debt being, say, just below the syndicated market? In size that is.

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

In terms of EBITDA? They would be below? I'm sorry, I'm not sure I understand your question.

Finian O'Shea ***Wells Fargo Securities, LLC, Research Division - Associate Analyst***

Yes. Just kind of bracketing the different BDC channels sort of 8%, 9%, 10% stuff for senior debt, the companies are often smaller naturally. You kind of described that you're doing a lot of larger market non-sponsor, bespoke-type situations kind of seeing if that applies to your senior debt as well?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

That does. It still applies to our senior debt as well. And I think you'll see that even in the coming quarters. Transactions we're doing right now where you'll see billion-plus type of enterprise companies where we are providing first lien financing to them.

Finian O'Shea ***Wells Fargo Securities, LLC, Research Division - Associate Analyst***

Okay. That helps. Just one more. In terms of, I think, we talked about Yeti was the large improvement driver this quarter. But you've had a couple -- I think, 3 consecutive quarters of NAV improvement. I'm assuming that, that kind of stabilizes outside of equity names given you've rotated so much of the non-core to date. But was this -- if you were to kind of summarize the performance of sort of the legacy book rebounding, how much of it was sort of valuation improvement versus EBITDA or fundamentals?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

Well, I think -- just pausing for a second to think about some of those investments. I would say the vast majority have been a reflection of just improving company fundamentals. We've had the benefit of, in some cases, of improving multiples, whether it's in the public markets and allowing for IPOs or whether it's just robust M&A processes that have led to some improvement in the valuations. But I would say in all of those situations, it's also been in combination with improvements and company fundamentals or changes in certain operational aspects of those companies, whether it's a change of management, business model, business strategy or something of the sort.

Finian O'Shea ***Wells Fargo Securities, LLC, Research Division - Associate Analyst***

Okay. That helps. And just one more, if I may. Do you have any updated -- and apologies if I missed it, any updated guidance on your dividend policy?

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Mathew Pendo ***Oaktree Specialty Lending Corporation - COO***

No. I mean, I think what we discussed in our prepared remarks and what we continue to focus on is a stable dividend, looking at the performance of the portfolio, the income that comes out of the portfolio. And we look at it every quarter with our board. But that's kind of how we're managing it right now.

Operator

Our next question comes from Christopher Testa of National Securities Corporation.

Christopher Testa ***National Securities Corporation, Research Division - Equity Research Analyst***

Just wondering on Refac. Could you give some more color on this? I know you had mentioned that they missed the principal payment. But now have recently been paying coupons. And you're expecting a refinance. So A, is that something you're looking to be placed back on accrual status within the next quarter or 2? And B, to the extent they are refinanced, will that refinancing be done by you or by another firm?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

Chris, it's Edgar here, and thanks for the question. In terms of Refac, just to clarify something you said. So the company has always remained current. It has always been paying our interest and amortization payments on time. That loan did mature at the end of September. We elected not to extend the maturity of that, instead entered into a forbearance arrangement with the company. We have been in constant dialogue, almost daily dialogue, with the private equity owners, as well as the company over the past several months about a refinancing. The company is engaged in a refinancing process. It is in advanced stages right now. And we have remained supportive of that refinancing process. But that refinancing process would not include, at this point, would not include Oaktree extending any capital to the company. We're optimistic on the outcome of the refinancing process. But the process still remains on going.

Christopher Testa ***National Securities Corporation, Research Division - Equity Research Analyst***

Got it. Okay, that's helpful, Edgar. And just some color on Edmentum, now PLATO. This was held by several other of your peers. And you guys by and far have much lower marks than your peers. I'm just wondering what do you think is causing that differential? And what's -- what are your -- what's your outlook on the company? And any potential resolution there?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

I think this is a name that has been written about quite extensively by individuals. As you know, the company is a private company. So there's a limit to what I can comment on with respect to the outlook and performance of the company. And as you know, valuations -- well, I'd love to tell you it is a science. There is a certain level of subjectivity that gets wrapped into the valuation process. I think from our perspective, while we're encouraged by what the new CEO has been trying to achieve there, we think the company has a decent amount of work ahead of it. Again, we remain encouraged, but there's still wood to chop there. And I think that's helped inform our view. There are others who take a more constructive view on the investment, and we hope they're right. We are rooting for this company to perform well. And we are hopeful that the future results of the company start to play out in an even more robust fashion.

Christopher Testa ***National Securities Corporation, Research Division - Equity Research Analyst***

And could you remind me when the new CEO put in there?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

I'm sorry?

Christopher Testa ***National Securities Corporation, Research Division - Equity Research Analyst***

Could you remind me when the new CEO was put in place of Edmentum?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

This was in 2017.

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Christopher Testa ***National Securities Corporation, Research Division - Equity Research Analyst***

Okay. Got it. And looking at the potential to replace the 2019 notes, (inaudible) -- obviously, you guys have many different options to pursue. Given that you have a brand name in the market and largely in your secured portfolio new originations that shouldn't run off anytime soon. Is securitization something that you are potentially evaluating, given it gives you more flexibly than another revolver or upsizing the current revolver?

Mathew Pendo ***Oaktree Specialty Lending Corporation - COO***

So this is Matt. So we're evaluating everything. So yes, securitization, secured, unsecured revolver. All the options. We have a great group of banks, both in the revolver and in other things we do at the BDC and the other parts of Oaktree. So everything's on the -- being considered in terms of just optimizing the capital structure.

Christopher Testa ***National Securities Corporation, Research Division - Equity Research Analyst***

Got it. That's helpful. And just last one for me. With hung deals in the loan market at the end of October and into November, and significant outflows from loan markets. Should we maybe expect some more kind of liquid loans to be put into Kemper that were -- obviously, you're able to get favorable leverage and make the ROE math work? Is that something that you guys are potentially evaluating?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

That is definitely something on the menu of opportunities for us.

Operator

Our next question comes from Rick Shane of JPMorgan.

Charles Arestia ***JP Morgan Chase & Co, Research Division - Analyst***

This is Charlie Arestia on for Rick. Most of my questions have been covered. But can you just talk a little bit about your appetite for increasing leverage going forward at this presumably late stage of the credit cycle?

Edgar Lee ***Oaktree Specialty Lending Corporation - CEO & CIO***

So that's something that we continue to monitor and discuss with our board. There's obviously been action taken by other BDCs. We actually took action in our other BDC, OCSI. So it's something that we're monitoring. There's lots of different constituencies from rating agencies to shareholders to the banks to just the asset investment environment. So all those things are kind of going into the mix. And we look at it every month, every board meeting. And we'll keep looking at it.

Operator

We have no further questions. Mr. Mosticchio.

Michael Mosticchio ***Oaktree Specialty Lending Corporation - IR***

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Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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