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American Capital Senior Floating, Ltd.
Form 10-K
March 09, 2017

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2016

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 814-01025

AMERICAN CAPITAL SENIOR FLOATING, LTD.

(Exact name of registrant as specified in its charter)

Maryland

(State of Incorporation)

46-1996220

(I.R.S. Employer
Identification No.)

245 Park Avenue

42nd Floor

New York, NY 10167

(Address of principal executive offices)

212-750-7300

(Registrant's telephone number, including area
code)

Securities registered pursuant to Section 12(b) of
the Act:

Title of each class

Common Stock, \$0.01 par value per
share

Name of each exchange
on which registered

The NASDAQ Stock Market
LLC
(NASDAQ Global Select
Market)

Securities registered pursuant to Section 12(g) of
the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant as of June 30, 2016 was \$98,461,908 based upon a closing price of the registrant's common stock of \$10.26 per share as reported on the NASDAQ Global Select Market on that date. For this computation, the registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the registrant and certain other stockholders; such an exclusion shall not be deemed to constitute an admission that any such person is an “affiliate” of the registrant. The registrant had 10,000,100 shares of common stock outstanding as of March 7, 2017.

AMERICAN CAPITAL SENIOR FLOATING, LTD.
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PART I.

Item 1. Business

General

American Capital Senior Floating, Ltd. (which is referred to as “ACSF”, the “Company”, “we”, “us” and “our”) was organized February 2013 as a Maryland corporation and commenced operations on October 15, 2013. We are structured as an externally managed, non-diversified closed-end investment management company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “1940 Act”). For tax purposes, we have elected to be taxed as a regulated investment company (“RIC”), as defined in Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). On November 14, 2013, we formed a wholly owned consolidated special purpose financing vehicle, ACSF Funding I, LLC (“ACSF Funding”), a Delaware limited liability company.

In January 2014, we completed an initial public offering (“IPO”) of 10.0 million shares of common stock at the public offering price of \$15.00 per share for gross proceeds of \$150.0 million. Since our IPO we had been managed by American Capital ACSF Management, LLC (our “Prior Manager”), an indirect subsidiary of American Capital Asset Management, LLC (“ACAM”), which was a wholly owned portfolio company of American Capital, Ltd. (“American Capital”). On January 3, 2017, Ares Capital Corporation (“ARCC”) completed its acquisition of American Capital (the “Acquisition”). In connection with the Acquisition, ACAM merged with and into Ivy Hill Asset Management, L.P. (“IHAM” or our “Manager”), a wholly owned portfolio company of ARCC, with IHAM being the surviving entity in such merger. Our Prior Manager terminated its business and registration as an investment adviser upon the closing of the Acquisition and is now a wholly owned subsidiary of IHAM. See “Note 13 — Subsequent Events” in this Annual Report on Form 10-K for more information regarding IHAM becoming our investment adviser.

Our investment objective is to provide attractive, risk-adjusted returns over the long term primarily through current income while seeking to preserve our capital. Our Manager actively manages our leveraged portfolio composed primarily of diversified investments in first lien and second lien floating rate loans principally to large-market U.S.-based companies (collectively, “Senior Floating Rate Loans” or “SFRLs”), which are commonly referred to as leveraged loans. Standard and Poor's (“S&P”), an independent international financial data and investment services company and provider of global equity indexes, defines large-market loans as loans to issuers with earnings before interest, taxes, depreciation and amortization (“EBITDA”) of greater than \$50 million. We also invest in equity tranches of collateralized loan obligations (“CLOs”), which are securitized vehicles collateralized primarily by SFRLs, and we may invest in debt tranches of CLOs. In addition, we may selectively invest in loans issued by middle market companies, mezzanine and unitranche loans and high yield bonds. Additionally, we may from time to time hold or invest in other equity investments and other debt or equity securities generally arising from a restructuring of SFRL positions previously held by us. We utilize leverage to enhance our returns and we are limited under the 1940 Act as a BDC on the amount of leverage we can utilize.

As of December 31, 2016, our investment portfolio totaled \$244.9 million at fair value and our net asset value (“NAV”) was \$136.8 million. Our portfolio was composed of 149 loan obligors totaling \$203.5 million at fair value and 21 CLO equity investments totaling \$41.3 million at fair value, each as of December 31, 2016. During our fiscal year ended December 31, 2016, we invested \$94.3 million and investments sold or repaid totaled \$104.2 million.

Our Manager

As described above, our investment adviser is IHAM, a wholly owned portfolio company of ARCC. IHAM is a SEC-registered investment adviser, comprised of an experienced team of investment professionals focused on investing in and managing primarily middle market senior secured assets through structured investment vehicles and managed accounts. As of December 31, 2016, IHAM had total assets under management of approximately \$3.8 billion across 19 vehicles. ARCC is externally managed by its investment adviser, Ares Capital Management LLC, a subsidiary of Ares Management, L.P. (“Ares Management”), a publicly traded, leading global alternative asset manager. ARCC's administrator, Ares Operations LLC (“Ares Operations”), a subsidiary of Ares Management, provides certain administrative and other services necessary for ARCC and IHAM to operate, including for IHAM to manage ACSF. We are externally managed by our Manager and do not have any employees. Our Manager is responsible for administering our business activities and day-to-day operations pursuant to the Interim Management Agreement (as

defined below), subject to the supervision and oversight of our Board of Directors (our “Board”). Most of the services necessary for creating our investment portfolio and making our investment decisions are provided by investment professionals employed by our Manager or certain of its affiliates. Further, pursuant to the Interim Management Agreement, our Manager has agreed to provide us with certain administrative services. Our Manager provides such services to us via its administrative services agreement with Ares Operations, pursuant to which our Manager has access to their employees, providing such services as operations, finance, compliance, legal, capital markets, accounting, treasury, investor relations and information technology. See “—Management Agreement” below.

Investment Focus

Our investment focus is primarily on Senior Floating Rate Loans and CLOs and, under normal market conditions, we will have at least 80% of our assets in Senior Floating Rate Loans. As a BDC, we are restricted from holding more than 30% of our assets in nonqualified investments, as defined by Section 55(a) of the 1940 Act. Investments in debt and equity tranches of CLOs are generally deemed nonqualified assets for BDC compliance purposes and therefore we are limited as to the amount of CLO investments we hold at any given time in our portfolio.

Senior Floating Rate Loans

Senior Floating Rate Loans are loans generally issued by U.S.-based middle market and large market private and public companies. Issuers typically use Senior Floating Rate Loans to refinance existing debt, finance acquisitions or leveraged buyouts, to pay dividends and for other general corporate purposes.

Investors typically classify the loan market by issuer size. S&P defines large-market loans as loans to companies with EBITDA of greater than \$50 million and middle-market loans as loans to companies with EBITDA of less than \$50 million.

Senior Floating Rate Loans pay interest based on a floating rate typically calculated as a spread over the London Interbank Offered Rate (“LIBOR”) or another market index. Interest rates are periodically reset to reflect changes in market index rates. As a result of the recent low interest rate environment, many Senior Floating Rate Loans include provisions defining a minimum market index rate, also referred to as an interest rate floor. Spreads are typically expressed in basis points and are defined at origination and may be adjusted over the life of a loan to account for changes in a borrower’s credit profile according to predefined credit covenants. Market spreads vary according to market dynamics. Senior Floating Rate Loans are generally structured as minimally-amortizing loans with quarterly interest payments and are typically collateralized by a company’s assets.

Senior Floating Rate Loans may be structured with various lien priorities, such as first lien and second lien, on underlying collateral. Principal payments are generally applied based on lien position with second lien loans generally paid after payments to first lien loans or other loans with seniority in priority of payments. As a result, second lien loans are generally riskier and therefore have a higher spread compared to first lien loans. The market for second lien loans is significantly smaller and less liquid than the market for first lien loans.

Senior Floating Rate Loans are generally rated “Ba1” or lower by Moody’s Investor Services, “BB+” or lower by S&P or “BB+” or lower by Fitch Ratings, Inc. (collectively, “below investment grade”).

Senior Floating Rate Loans are typically arranged by a syndicate of investment or commercial banks, who syndicate loans to third-party investors (“the primary market”). After being placed into the primary market, investors may seek to buy and sell Senior Floating Rate Loan positions to other investors in over-the-counter transactions (the “secondary market”). We invest in Senior Floating Rate Loans through both the primary and secondary markets.

Our Manager seeks to concentrate our investment activities in Senior Floating Rate Loans to those issued by companies with free cash flow generation, defensible market positions and attractive market dynamics. Our Manager and its affiliates have significant experience underwriting and managing investments across a number of industries and seek to create a diversified portfolio of investments across various industries in which they have direct expertise. Listed below are the top ten industries using the Global Industry Classification Standard (“GICS®”) in which our Senior Floating Rate Loans were invested as of December 31, 2016 and 2015, represented as a percentage of our consolidated investment portfolio at fair value, excluding CLO equity investments:

Industry	2016	Industry	2015
Software	11.9%	Software	11.6%
Health Care Providers & Services	11.2%	Health Care Providers & Services	9.2%
Media	7.8%	Media	7.7%
Insurance	6.5%	Aerospace & Defense	6.6%
Commercial Services & Supplies	5.5%	Insurance	5.2%
Aerospace & Defense	4.6%	Commercial Services & Supplies	4.6%
Hotels, Restaurants & Leisure	4.2%	Hotels, Restaurants & Leisure	3.7%
Containers & Packaging	3.9%	Professional Services	2.7%
Professional Services	3.0%	IT Services	2.7%

Food Products

2.9% Capital Markets

2.6%

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Collateralized Loan Obligations

A CLO is a special purpose vehicle that is formed to finance a pool of loans that meet predefined investment criteria. It is typically a managed vehicle that may trade and reinvest the loans and generally raises capital by issuing both debt and equity securities. Typically, a CLO will issue various classes, or “tranches,” of debt broadly categorized as senior and subordinate debt tranches as well as an equity tranche.

CLO securities receive cash flows generated by underlying collateral according to a defined payment waterfall. Principal and interest payments to CLO debt tranches are typically paid sequentially, with senior debt tranches receiving cash flows prior to subordinate debt tranches. The risk and return to CLO debt tranches vary depending upon each tranche’s right to collect cash flows generated by the underlying collateral. CLO debt tranches are generally rated, with ratings ranging from the highest investment grade to below investment grade, with coupons commensurate with the risk of each tranche. CLO debt tranches are also generally structured with covenants which, if violated, divert cash flows to the senior tranches prior to making any interest or principal payments to subordinate debt tranches or equity tranches.

Unlike debt securities issued by CLOs, CLO equity securities are not rated and do not have contractually stated payment schedules. At origination, the weighted average interest rate of all CLO debt tranches is generally lower than the weighted average interest earned by a CLO’s underlying collateral, resulting in an interest rate spread. CLO equity securities receive residual cash flows, or the interest spread, generated by the underlying collateral after obligated payments for CLO debt securities and other expenses of the CLO have been made. CLO equity tranches typically comprise approximately 10% of total capital raised by a CLO.

CLOs are generally structured as managed entities, with a collateral manager assigned to manage the underlying CLO collateral within predefined investment criteria. CLOs are typically structured with a reinvestment period, during which prepayments and the sale of underlying collateral may be reinvested. Collateral managers are responsible for reinvesting proceeds for a CLO during the reinvestment period. By continuously reinvesting proceeds during the reinvestment period, the effective leverage on CLO equity securities is generally maintained during the reinvestment period.

A result of the typical CLO structure is that CLO equity tranches can generate front-end loaded cash flows. CLO equity cash flows are also highly dependent on the credit performance of their underlying collateral pool. If loans within the collateral pool default, the reduced amount of performing collateral leads to lower cash flows available for distribution through CLO waterfalls, resulting in lower residual cash flows available for equity tranches. Residual cash flows are also impacted by changes in portfolio spreads for CLO collateral. Declines in spreads on newly issued collateral during the reinvestment period result in lower residual cash flows available for equity tranches.

Our Manager focuses predominantly on CLOs collateralized primarily by Senior Floating Rate Loans. Under normal market conditions, we expect to limit these investments to no more than 20% of the fair value of our portfolio.

Current Market Conditions

Economic and market conditions can impact our business and our investments in multiple ways, including the financial condition of the portfolio companies in which we invest, our investment returns, our funding costs, our access to the capital markets and our access to credit.

The broad-based rally that began in mid-February 2016 continued through the fourth quarter of 2016 despite elevated apprehension and volatility around headline events (including the U.S. Presidential election, the U.S. Federal Open Markets Committee’s second interest rate hike and the November 30 OPEC meeting) as falling sovereign yields and compressing spreads drove investors to seek out higher yielding risk assets globally. Leveraged loans fared well with the Credit Suisse Leveraged Loan Index (“CSLLI”) increasing 2.25% during the fourth quarter of 2016 and 9.88% for the year versus negative returns of 1.96% and 0.38% for the fourth quarter of and full year ending 2015, respectively. During the second half of 2016, technical factors in the leveraged loan markets continued to swing in favor of issuers, as investor demand for loans accelerated, primarily driven by retail fund inflows into the asset class and an increase in CLO origination. After only issuing \$8 billion of new issuance in the first quarter of 2016, CLO origination rose to \$26 billion in the fourth quarter to finish the year at \$72 billion. As a result, total institutional loan issuance increased by 31% to \$336 billion from \$257 billion in 2015. The supply and demand dynamics coupled with positive investor sentiment, improvement in corporate earnings and declining default rates, which hit a 10-month low at the end of

December 2016, contributed to an overall increase in loan prices during the year ended December 31, 2016 as evidenced by the increase in the average bid of the S&P/LSTA All-Loans Index to 98.08, up from 95.12 at the end of the third quarter of 2016 and 91.26 at the start of 2017. Additionally, strong loan demand drove all-in institutional spreads for BB-rated and B-rated loans to tighten by 45% and 26%, respectively. These issuer friendly market conditions resulted in increased repricing activity in late 2016 with repricing volume reaching \$85 billion in the fourth quarter, up 44% versus the prior quarter. As a result of the market conditions described above, in 2016 we have generally experienced compression in the spreads on our SFRLs from 4.25% to 4.18%. Further, the market conditions described above have continued into 2017 at an even more pronounced level. The average new-issue yield to maturity for loans ticked down to 4.34% in January 2017 versus

4.81% in December 2016. See “Risk Factors — Risks Relating to Economic Conditions - Global economic, political and market conditions may materially and adversely affect our business, results of operations and financial condition, including our revenue growth and profitability” for additional information.

Portfolio Valuation

We value our investments on a quarterly basis, or more frequently if required, in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the 1940 Act. See “Note 6 — Investments” in this Annual Report on Form 10-K.

Employees

We do not have any employees. We are managed by our Manager pursuant to the Interim Management Agreement between our Manager and us.

Investment Committee

Our Manager has established an investment committee consisting of Steven Alexander, Kevin Braddish, Ryan Cascade, Shelly Cleary, Mitch Goldstein, David Sachs, Stephanie Setyadi and Michael Smith. Among other things, the Investment Committee is responsible for (i) determining the composition of our investment portfolio and (ii) evaluating and ultimately approving each investment decision that we make.

Underwriting Process

Our Manager's investment philosophy and portfolio construction generally involve deliberate company-specific research and analysis and an assessment of the overall macroeconomic environment and financial markets. Our Manager's investment process emphasizes due diligence on companies, with a focus on principal protection, relative value and adherence to portfolio guidelines.

Analysts conduct research in order to gain an understanding of the security, issuer and industry dynamics. This includes analyzing a company's business model, management team and industry positioning, with a focus on strong franchises with leading and defensible market share, margins and free cash flow. Particular attention is paid to the nature and tenure of a company's relationships with both customers and suppliers and management's ability to operate the business over the course of an industry cycle. In addition to management teams with significant industry experience and long standing track records, our Manager favors companies in which management's incentives are properly aligned with those of investors.

The process through which our Manager makes an investment decision generally involves research into the target company, its industry, its growth prospects and its ability to withstand adverse conditions. As part of the research process, our Manager's analysts may participate in a management meeting, speak with third party industry experts (suppliers, customers, competitors, etc.) and other sell-side and buy-side research analysts to formulate an investment thesis. Cash flow projection models are typically built and sensitized based upon a variety of scenarios to evaluate the target company's liquidity and financial flexibility, as well as its ability to generate consistent free cash flow and service its debt.

Structural analysis is also a key component of our Manager's credit research process through which the analysts seek to ensure adequate coverage and downside protection. Analysts pay close attention to an issuer's collateral (if applicable) and enterprise value as well as the investment's position within a capital structure in order to determine repayment priority and recovery value in a downside or stress-tested scenario. In addition, the analyst team reviews the legal terms of the debt instrument under consideration.

Our Manager's investment philosophy in conjunction with its due diligence process forces it to think critically about factors that drive credit performance. Each credit investment is subject to approval by the Investment Committee which includes senior members across our Manager and Ares Management. The ability to draw from this extensive knowledge base provides a level of experience, oversight and expertise that our Manager believes gives it a compelling competitive advantage.

Additionally, our Manager benefits from the broader Ares Management platform, which as of December 31, 2016, had approximately \$99 billion of assets under management, pro forma for the Acquisition, which closed on January 3, 2017, and approximately 925 employees, including approximately 430 investment professionals. In particular, our Manager is able to leverage the deal flow, research and credit expertise of Ares Management's Credit Group, which as of December 31, 2016, had approximately \$61 billion of assets under management (\$64 billion pro forma for the

Acquisition), including \$17 billion of assets under management in its broadly syndicated loan strategy and approximately \$4 billion of structured credit assets under management invested across multiple actively managed strategies.

Portfolio Management

Our Manager believes strong performance is driven by both insightful credit selection and vigilant risk management. As such, in order to maximize returns for stockholders, it employs robust portfolio and risk management processes. Such processes include monitoring market conditions, loan prices and the performance of our investments. As a result of such portfolio and risk management processes, our Manager may change the portfolio composition as it deems appropriate. Our Manager's investment professionals benefit from having invested through multiple industry and credit cycles and thus have the experience to recognize credit-specific events, both positive and negative (depending on the strategy), as well as sector rotation opportunities.

Our Manager performs a review and reevaluation of our investments on at least a quarterly basis. As part of this process, our Manager typically reviews the investment thesis for each position, as well as the financial performance, other credit issues, trading levels and relative value of our positions to similar securities in the market. That analysis provides the basis for, and updates to, our Manager's investment decisions for each portfolio position. Positions that are significantly underperforming or trading at depressed levels will be placed on a list (the "Watch List") and monitored more frequently.

Our Manager's portfolio management process typically extends beyond the quarterly review processes. The senior investment team often receives real-time updates on portfolio company earnings, significant announcements and secondary trading price levels from the team of credit analysts and traders.

Management Agreement

Prior to January 3, 2017 we were managed by our Prior Manager pursuant to a management agreement dated January 15, 2014 between us and our Prior Manager (the "Prior Management Agreement"). The Prior Management Agreement was terminated in accordance with its terms on January 3, 2017. In addition, on January 3, 2017, we entered into an interim management agreement with IHAM pursuant to Rule 15a-4 adopted under the 1940 Act (the "Interim Management Agreement"). The Interim Management Agreement will remain in effect until the earlier of (a) the date a new management agreement is approved by our stockholders and (b) June 3, 2017, unless terminated earlier by ACSF or IHAM.

Our Manager receives a management fee from us that is payable quarterly in arrears. Consistent with Rule 15a-4 of the 1940 Act, the Interim Management Agreement provides that IHAM will be compensated for serving as ACSF's investment adviser at the same rate as in the Prior Management Agreement. The management fee is calculated at an annual rate of 0.80% of our total consolidated assets, excluding cash and cash equivalents and net unrealized appreciation or depreciation, each as determined under GAAP at the end of the most recently completed fiscal quarter. There is no incentive compensation paid to our Manager. For the years ended December 31, 2016, 2015 and 2014, we recognized management fees of \$2.0 million, \$2.2 million and \$2.2 million, respectively, under the Prior Management Agreement. The management fees accrued and payable for 2016 remain unpaid and are recorded as a liability on our Consolidated Statement of Assets and Liabilities.

Pursuant to the Prior Management Agreement, our Prior Manager agreed to be responsible for certain of our operating expenses in excess of 0.75% of our consolidated net assets, less net unrealized appreciation or depreciation, each as defined under GAAP at the end of the most recently completed fiscal quarter for the first 24 months following the date of our IPO in January 2014 (the "Expense Cap"). Operating expenses that were subject to this reimbursement included both (i) our operating expenses reimbursed to our Prior Manager and its affiliates for the expenses related to our operations incurred on our behalf and (ii) our operating expenses directly incurred by us excluding the management fee, interest costs, taxes and accrued costs and fees related to actual, pending or threatened litigation, each as determined under GAAP for the most recently completed fiscal quarter. As a result of the Expense Cap, any reimbursements to our Prior Manager and its affiliates could be reduced or eliminated, and in certain instances, our Prior Manager could be required to reimburse us so that our other expenses do not exceed the Expense Cap. Our Prior Manager voluntarily extended the Expense Cap until the date of our 2016 Annual Meeting of Stockholders, which occurred on December 16, 2016 ("2016 Annual Meeting"). In connection with the 2016 Annual Meeting, we submitted to a vote of stockholders an amendment and restatement of the Prior Management Agreement which would have (i) extended the Expense Cap through December 31, 2020, (ii) subject to the Expense Cap, provided for reimbursement by us to our Prior Manager for certain compensation expenses related to legal, compliance and internal audit

personnel of our Prior Manager and its affiliates who provided services to us necessary for our operations that were not required to be provided by our Prior Manager under the Prior Management Agreement and (iii) made certain other immaterial changes (collectively, the “Proposal”). We failed to obtain the requisite votes to approve the Proposal. The Expense Cap was again voluntarily extended by our Prior Manager until the termination of the Prior Management Agreement, which occurred on January 3, 2017, thus the Expense Cap expired on January 3, 2017. For the years ended December 31, 2016, 2015 and 2014, our Prior Manager was responsible for \$1.3 million, \$0.9 million, and \$1.0 million, respectively, of operating expenses as a result of the Expense Cap.

In addition, our Manager has entered into an administrative services agreement with Ares Operations pursuant to which our Manager will be provided with personnel, services and resources necessary for our Manager to perform its obligations under the Interim Management Agreement including the provision of certain additional administrative services. See “Risk Factors — Risks Related to Our Relationship with our Manager and Ares Management” for additional information.

Additionally, ACSF Funding has entered into an investment advisory agreement, dated January 3, 2017, with our Manager to manage its assets. No additional compensation is payable to our Manager under such agreement.

Expenses

We do not have any employees and do not pay our officers any cash or non-cash equity compensation. We pay, or reimburse our Manager and its affiliates, for expenses related to our operations incurred on our behalf, but excluding employment-related expenses of our Manager's employees and any employees of Ares Management or its affiliates who provide services to us pursuant to the Interim Management Agreement or to our Manager pursuant to the administrative services agreement with Ares Operations. In accordance with the terms of our Prior Management Agreement, our Prior Manager voluntarily agreed to limit the amount of operating expenses subject to reimbursement by us to the amount of the Expense Cap. However, the Interim Management Agreement does not provide for such a limitation. See "—Management Agreement" above for more information. The costs and expenses required to be paid by us include, but are not limited to:

- certain costs incurred in connection with capital raising activities;
- transaction costs incident to the acquisition, disposition, financing, hedging and ownership of our investments;
- diligence costs incurred for prospective investments;
- expenses incurred in contracting with third-parties;
- external legal, auditing, accounting, consulting, investor relations, portfolio valuation, brokerage and administrative fees and expenses;
- the compensation and expenses of our independent directors and the cost of liability insurance to indemnify our directors and officers and the officers and employees of our Manager and its affiliates who provide services to us;
- the costs associated with our establishment and maintenance of any indebtedness (including interest expense, commitment fees, accounting fees, legal fees, closing costs, rating agency fees and similar expenses);
- expenses relating to the payment of distributions to stockholders;
- costs incurred by our Board and personnel of our Manager or its affiliates for travel on our behalf;
- expenses relating to communications to holders of our securities and in complying with the continuous reporting and other requirements of the U.S. Securities and Exchange Commission ("SEC") and other governmental bodies;
- tax and license fees applicable to us and our subsidiaries, including external fees for tax and regulatory compliance;
- insurance costs incurred by us and our subsidiaries;
- transfer agent, custodial, trustee, third-party loan administration and exchange listing fees;
- the costs of printing and mailing proxies and reports to our stockholders;
- the costs of establishing and maintaining our website;
- all costs of organizing, modifying or dissolving our company or any subsidiary and costs in preparation of entering into or exiting any business activity;
- our pro rata portion of costs associated with any computer software, hardware or information technology services that are used by us or our Manager on our behalf;
- our pro rata portion of the costs and expenses incurred with respect to market information systems and publications, research publications and materials used by us or our Manager on our behalf;
- settlement, clearing, trustee, prime brokerage and custodial fees and expenses relating to us;
- the costs of maintaining compliance with all federal, state and local rules and regulations or any other regulatory agency (as such costs relate to us), all taxes and license fees and all insurance costs incurred on behalf of us;
- the costs of administering our equity incentive plans, if any; and
- our pro rata portion of rent (including disaster recovery facility costs and expenses), telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of our Manager and its affiliates required for our operations.

Competitive Advantages

We believe we have competitive advantages over other operators in the leveraged loan market and other BDCs that allow us to deliver attractive risk-adjusted returns to our stockholders. Our advantages include the following characteristics:

Established Platform

IHAM's senior investment professionals and Investment Committee members have, on average, over 20 years of experience investing across the loan market and in multiple credit cycles. As of December 31, 2016, IHAM managed approximately \$3.8 billion of investments across multiple CLOs and other managed accounts. As of December 31, 2016, there are 14 investment professionals employed by IHAM who are dedicated to underwriting senior floating rate loans and CLO investments.

Ares Management Relationship

IHAM leverages its relationship with Ares Management, which was built upon the fundamental principle that each investment group benefits from being part of the larger whole. We believe Ares Management's current investment platform provides a competitive advantage in terms of access to extensive financial sponsor and intermediary relationships, which provide valuable insight and access to transactions and information. Ares Management's asset management platform also provides timely information about industry and market trends and deal flow that benefits IHAM's investment and due diligence process and enhance its ability to assess shifts in relative value and risk. Additionally, given Ares Management is one of the most active participants in the broadly syndicated and leveraged loan and CLO market, we benefit from both extensive and direct access to the primary and secondary markets.

Actively Managed Granular Portfolio

Our portfolio is granular with the maximum loan obligor exposure as of December 31, 2016 of 1.8% and an average position size of 0.6% of the portfolio, at fair value. Due to the size and liquidity available in the loan market, our Manager is able to actively manage our portfolio and respond to changes in credit quality or market tones to seek to ensure the portfolio is optimized for the benefit of our stockholders. During the year ended December 31, 2016, our portfolio turnover ratio was 41.6%.

Consistent Investment Philosophy and Process

IHAM's investment process, portfolio construction and portfolio management combine a value-oriented approach based on fundamental research and comprehensive due diligence designed to identify the most attractive risk adjusted return opportunities within our investable universe.

IHAM seeks to create value by focusing its efforts in three main areas:

Seeking an information advantage: IHAM believes that by integrating fundamental research, public and proprietary data, and information gleaned across the Ares Management platform, it has the opportunity to uncover or develop an information advantage about our investments, thereby capturing value or identifying downside risks;

Conducting rigorous, bottom-up research and analysis and mitigating downside risks: IHAM's investment process includes the integration of Ares Management's fundamental credit research and insights and involves daily judgments about risk and value within the loan markets based on these insights. IHAM's investment process is designed specifically to permit the team to conduct extensive, rigorous analysis on each investment it considers. Thus IHAM believes it adds value in terms of risk and long-term performance by avoiding certain credit securities and specifically selecting those that have both fundamental quality and structural integrity; and

Diversification: IHAM believes strongly in the benefits of diversification. Within a SFRL and CLO-focused strategy, diversification involves managing position sizes and having a diversification of credit strategies within the underlying loan portfolios, CLO managers, and structural features that IHAM believes will allow for differentiated performance across different market and economic conditions.

Portfolio Management

IHAM manages our portfolio through a well-defined underwriting and portfolio management process that leverages the established platform of IHAM. We believe this reduces the downside risk to our stockholders and provides a scalable framework for investing in the future.

Extensive Industry Focus

IHAM seeks to concentrate its investing activities in industries in which the Ares Management investment professionals have had extensive investment experience. IHAM organizes its investment professionals into industry groups, giving them added expertise in their field and provides access to approximately 60 industry research analysts within Ares Management. As of December 31, 2016, Ares Management oversaw a portfolio of investments in over 1,200 companies, approximately 505 structured assets and approximately 160 properties across over 55 industries. We benefit from these relationships, information and identification of potential trends in making investments.

Competition

Our primary competitors include other BDCs, CLO investors, other credit focused investment funds, commercial and investment banks, commercial financing companies, insurance companies and, to the extent they provide an alternative form of financing, hedge funds. Many of our competitors are substantially larger and may have greater financial, technical and marketing resources than we do. For example, we believe some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than we can. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC or the requirements we must satisfy to maintain our qualification as a RIC. For additional information concerning the competitive risks we face, see “Risk Factors — Risks Related to Our Business and Structure - We operate in a highly competitive market for investment opportunities”.

REGULATION

Business Development Company Requirements

We are an externally managed, non-diversified closed-end management investment company that has elected to be treated as a RIC under the Code. We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates (including any investment advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors of a BDC be persons other than “Interested Persons,” as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities. We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an “underwriter” as that term is defined in the Securities Act of 1933, as amended (the “Securities Act”). Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate currency or foreign exchange rate fluctuations.

However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investments. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the total outstanding voting stock of any registered investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest, in the aggregate, more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies is fundamental and may be changed without stockholder approval.

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

Qualifying Assets

As a BDC, we may not acquire any asset other than certain qualifying assets described in the 1940 Act, unless, at the time the acquisition is made, the value of such qualifying assets represent at least 70% of the value of our total assets.

The principal categories of qualifying assets relevant to our business include the following:

• securities purchased in transactions not involving any public offering from:

- an issuer that (i) is organized and has its principal place of business in the United States, (ii) is neither an investment company other than a wholly owned small business investment company nor an entity that would be an investment company but for certain statutory exemptions, and (iii) does not have any class of securities listed on a national securities exchange with a market capitalization in excess of \$250 million; or

an issuer that satisfies the criteria set forth in clauses (a) (i) and (ii) above but not clause (a)(iii), so long as, at the time of purchase, we own at least 50% of (i) the greatest amount of equity securities of the issuer, including securities convertible into such securities and (ii) the greatest amount of certain debt securities of such issuer, held by us at any point in time during the period when such issuer was an eligible portfolio company, except that (b) options, warrants, and similar securities which have by their terms expired and debt securities which have been converted, or repaid or prepaid in the ordinary course of business or incident to a public offering of securities of such issuer, shall not be considered to have been held by us, and we are one of the 20 largest holders of record of such issuer's outstanding voting securities;

- securities of an issuer described in clauses (a)(i) and (ii) above with respect to which we control (alone or together as a part of a group), we in fact exercise a controlling influence over such issuer's management or policies and a person affiliated with us is on the issuer's Board of Directors;

securities received in exchange for or distributed with respect to securities described above, or pursuant to the exercise of options, warrants or rights relating to such securities; and

cash, cash items, U.S. government securities, or high quality debt securities maturing in one year or less from the time of investment.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. This assistance could involve monitoring the operations of our portfolio companies, participating in board and management meetings, consulting and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services and will reimburse our Manager for its allocated costs in providing such assistance, subject to the review and approval by our Board of Directors, including our independent directors.

Temporary Investments

Pending investment in other types of qualifying assets described in the 1940 Act, we may invest our funds in cash items, government securities, agency paper or high quality debt securities maturing in one year or less from the time of investment in such high quality debt investments. We refer to such assets and cash herein as temporary investments.

Leverage

We have, and intend to utilize, leverage on our investment portfolio. Our leverage may vary periodically depending on market conditions, our portfolio composition and our Manager's assessment of risks and returns. We may finance our assets, subject to market conditions, through a combination of financing arrangements, including, but not limited to, warehouse facilities, securitizations and term financing facilities. The 1940 Act permits us, as a BDC, to issue senior securities in amounts such that our asset coverage is at least 200% after each issuance of senior securities. Asset coverage is defined in the 1940 Act as the ratio which the value of the total assets, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness. Such indebtedness may also be incurred for the purpose of effecting share repurchases. As a result, we are exposed to the risks of leverage. As permitted by the 1940 Act, we may, in addition, borrow amounts up to 5% of our total assets for temporary purposes.

Under the 1940 Act, if a BDC has any senior debt securities outstanding that were publicly issued, the BDC must make provision to prohibit the declaration of any dividend (except a dividend payable in the stock of the BDC) if its asset coverage is below 200% at the time of the distribution after deducting the amount of such dividend.

Issuance of Stock

As a BDC, we are generally not able to issue and sell our common stock at a price below our NAV per share, exclusive of any distributing commission or discount, except (i) with the prior approval of a majority of our stockholders, (ii) in connection with a rights offering to our existing stockholders or (iii) under such other circumstances as the SEC may permit.

Code of Ethics

We and our Manager have each adopted the Code of Ethics that applies to our officers and directors and the officers and employees of our Manager, Ares Operations and its affiliates who provide services to us. Among other matters, our Code of Ethics is designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the code to appropriate persons identified in the code; and accountability for adherence to the

code. Our Code of Ethics also establishes procedures for personal investments and restricts certain personal securities transactions pursuant to Rule 17j-1 under the 1940 Act. Personnel subject to the Code of Ethics may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the Code of Ethics' requirements. The Code of Ethics is available, free of charge, on our website at www.ACSF.com or www.AmericanCapitalSeniorFloating.com. In addition, the Code of Ethics is available on the SEC's website at www.sec.gov. The public may read and copy the Code of Ethics at the SEC's Public Reference Room in Washington, DC. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. A copy of our Code of Ethics can also be obtained, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section at 100 F Street, N.E., Washington, D.C 20549.

Proxy Voting Policies and Procedures

Our investments do not generally entitle us to voting rights in our portfolio companies. We have delegated our proxy voting responsibility to our Manager for portfolio companies in which we may have voting rights. Our Manager has adopted proxy voting policies and procedures, which will be reviewed periodically by our Manager and our disinterested directors, and accordingly, are subject to change.

As an investment adviser registered under the Advisers Act, our Manager has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, our Manager recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients. Our Manager's policies and procedures for voting proxies are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Our Manager's Policy

Under our Manager's proxy voting policies and procedures, officers of our Manager will consult with each other and our senior investment team in determining how to vote, taking into account our and our stockholders' interests, any potential conflicts of interest and any voting guidelines of our Manager. Our Manager will consult with legal counsel to identify potential conflicts of interest. Where a potential conflict of interest exists, our Manager may, if it so elects, resolve it by following the recommendation of a disinterested third-party, by seeking the direction of our disinterested directors or, in extreme cases, by abstaining from voting. While our Manager may retain an outside service to provide voting recommendations and to assist in analyzing votes, our Manager will not delegate its voting authority to any third-party.

An officer of our Manager will keep a written record of how all such proxies are voted. Our Manager will retain records of (i) proxy voting policies and procedures, (ii) all proxy statements received (or it may rely on proxy statements filed on the SEC's EDGAR system in lieu thereof), (iii) all votes cast, (iv) investor requests for voting information and (v) any specific documents prepared or received in connection with a decision on a proxy vote. If it uses an outside service, our Manager may rely on such service to maintain copies of proxy statements and records, so long as such service will provide a copy of such documents promptly upon request. You may obtain information regarding how we voted proxies, free of charge, by making a written request for proxy voting information to: American Capital Senior Floating, Ltd., 245 Park Avenue, 42nd Floor, New York, NY 10167 or by calling us collect at (212) 750-7300.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, or the Exchange Act, our Chief Executive Officer and Chief Financial Officer must certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;

- pursuant to Rule 13a-15 of the Exchange Act, beginning with our fiscal year ending December 31, 2015, our management must prepare an annual report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm beginning with the first fiscal year in which we do not qualify as an emerging growth company; and
-

pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance with that act.

JOBS Act

We are an “emerging growth company,” as defined in the Jumpstart our Business Startups Act of 2012 (the “JOBS Act”) until the earliest of:

- the last day of our fiscal year ending December 31, 2019;
- the last day of the fiscal year in which our total annual gross revenues first exceed \$1 billion;
- the date on which we have, during the prior three-year period, issued more than \$1 billion in non-convertible debt; or
- the last day of a fiscal year in which we (1) have an aggregate worldwide market value of our common stock held by non-affiliates of \$700 million or more, computed at the end of each fiscal year as of the last business day of our most recently completed second fiscal quarter and (2) have been an Exchange Act reporting company for at least one year (and filed at least one annual report under the Exchange Act).

Under the JOBS Act, we are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act, which would require that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. This may increase the risk that material weaknesses or other deficiencies in our internal control over financial reporting go undetected.

Under the JOBS Act, emerging growth companies are permitted to cover only two years of financial information in the Management’s Discussion and Analysis of Financial Condition and Results of Operations disclosures. In addition, for the presentation of “selected financial data,” which ordinarily covers five years, an emerging growth company may omit selected financial data for any period prior to the earliest audited period presented in its initial registration statement. Because we are not taking advantage of this relief under the JOBS Act, such relief has not impacted the disclosures we make in this Annual Report on Form 10-K.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have made an irrevocable election not to take advantage of this exemption from new or revised accounting standards. We will therefore be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Taxation as a RIC

We have elected to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we timely distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements, as described below. In addition, to be relieved of U.S. federal income taxes on income and gains distributed to our stockholders, we must distribute to our stockholders, for each taxable year, at least 90% of our “investment company taxable income,” which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the “Annual Distribution Requirement”).

If we qualify as a RIC and meet the Annual Distribution Requirement, then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gains, defined as net long-term capital gains in excess of net short-term capital losses, we distribute to stockholders. We will be subject to U.S. federal income tax at regular corporate rates on any investment company taxable income or net capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a nondeductible U.S. federal excise tax of 4% on our undistributed “ordinary income” and “capital gain net income” (each as defined below) unless for each calendar year we distribute (including through “deemed distributions” as described below) an amount equal to or greater than the sum of (a) 98% of our “ordinary income” (generally, our taxable income excluding net short-term and net long-term capital gains or losses for the calendar year), (b) 98.2% of our “capital gain net income” (including both net short-term and net long-term capital gains over capital losses) realized, subject to certain modifications, for the 12-month period ending October 31 of such calendar year, and (c) any income recognized, but not distributed, in the preceding years. For this purpose, however, any ordinary income or capital gain net income retained by us that is subject to corporate income tax for the tax year

ending in the calendar year will be considered to have been distributed by year end. See “Risk Factors — Risks Related to Our Business and Structure — We may be subject to additional corporate-level income taxes if we fail to maintain our status as a RIC” for additional information.

Privacy Principles

We endeavor to maintain the privacy of our recordholders and safeguard their non-public personal information. The following information is provided to help our recordholders understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we will not receive any non-public personal information about recordholders of our common stock, although certain of our recordholders' non-public information may become available to us. The non-public personal information that we may receive falls into the following categories:

- information we receive from recordholders, whether we receive it orally, in writing or electronically. This includes recordholders' communications to us concerning their investment;
- information about recordholders' transactions and history with us; and
- other general information that we may obtain about recordholders, such as demographic and contact information such as address.

We disclose non-public personal information about recordholders:

- to our affiliates (such as our Manager) and their employees for everyday business purposes;
- to our service providers (such as our accountants, attorneys, custodians, transfer agent, underwriters and proxy solicitors) and their employees, as is necessary to service recordholder accounts or otherwise provide the applicable service;
- to comply with court orders, subpoenas, lawful discovery requests or other legal or regulatory requirements; or
- as allowed or required by applicable law or regulation.

When we share non-public recordholder personal information referred to above, the information is made available for limited business purposes and under controlled circumstances designed to protect our recordholders' privacy. We do not permit use of recordholder information for any non-business or marketing purpose, nor do we permit third parties to rent, sell, trade or otherwise release or disclose information to any other party.

Our service providers, such as our Manager and transfer agent, are required to maintain physical, electronic, and procedural safeguards to protect recordholder non-public personal information, to prevent unauthorized access or use and to dispose of such information when it is no longer required.

Personnel of affiliates may access recordholder information only for business purposes. The degree of access is based on the sensitivity of the information and on personnel need for the information to service a recordholder's account or comply with legal requirements.

If a recordholder ceases to be a recordholder, we will adhere to the privacy policies and practices as described above. We may choose to modify our privacy policies at any time. Before we do so, we will notify recordholders and provide a description of our privacy policy.

In the event of a corporate change in control resulting from, for example, a sale to, or merger with, another entity, or in the event of a sale of assets, we reserve the right to transfer non-public personal information of holders of our securities to the new party in control or the party acquiring assets.

Information Available

Our address is 245 Park Avenue, 42nd Floor, New York, NY 10167. Our phone number is (212) 750-7300, and our internet address is www.ACSF.com. We make available, free of charge on our website, our proxy statement, Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K and you should not consider information contained on our website to be part of this Annual Report on Form 10-K or any other report we file with the SEC.

The SEC also maintains a website that contains reports, proxy and information statements and other information we file with the SEC at www.sec.gov. The public may read and copy these reports, proxy and information statements at the SEC's Public Reference Room in Washington, D.C. Copies of these reports, proxy and information statements and other information may also be obtained, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C.

20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

You should carefully consider the risks described below and all other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes thereto and the other reports and documents filed by us with the SEC, before you decide whether to invest in ACSF. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See “Forward-Looking Statements” in this Annual Report on Form 10-K.

Risks Relating to Economic Conditions

Economic recessions or downturns may have a material adverse effect on our business, financial condition and results of operations, and could impair the ability of our portfolio companies to repay loans

Economic recessions or downturns may result in a prolonged period of market illiquidity, which could have a material adverse effect on our business, financial condition and results of operations. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results. In addition, if a recession were to occur, the financial condition of the portfolio companies in which we invest may deteriorate, which could ultimately lead to difficulty in meeting their debt service obligations to us and an increase in defaults. Additionally, the end markets for certain of our portfolio companies’ products and services would likely experience negative economic trends. The performance of certain of our portfolio companies may be negatively impacted by these economic or other conditions, which may ultimately result in our receipt of a reduced level of interest income from our portfolio companies and/or losses or charge offs related to our investments, and, in turn, may adversely affect distributable income. Further, adverse economic conditions may decrease the value of collateral securing some of our Senior Floating Rate Loans and CLO investments. As a result, the payment terms of our investments and/or cash interest rates may be modified. These factors may result in our receipt of a reduced level of interest income from our portfolio companies and/or losses or charge offs related to our investments, and, in turn, may adversely affect distributable income and have a material adverse effect on our results of operations.

Global economic, political and market conditions may materially and adversely affect our business, results of operations and financial condition, including our revenue growth and profitability

Past recessions have had a significant negative impact on the operating performance and fair value of Senior Floating Rate Loans, which comprise the majority of our investment portfolio. Many of our portfolio companies could be adversely impacted again by any future economic downturn or recession and may be unable to repay our investments, may be unable to be sold at a price that would allow us to recover our investment, or may be unable to operate during such downturn or recession. Worldwide financial market crises, as well as various social and political tensions (including wars, terrorist acts and security operations) in the United States and around the world, may cause increased market volatility, may have long-term effects on the United States and worldwide financial markets, and may cause economic uncertainties or deterioration in the United States and worldwide. Since 2010, several European Union (“EU”) countries, including Greece, Ireland, Italy, Spain, and Portugal, have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. Furthermore, in June 2016, British voters passed a referendum to exit the E.U. leading to heightened volatility in global markets and foreign currencies. In addition, the fiscal and monetary policies of foreign nations, such as China, may have a severe impact on the worldwide and United States financial markets. In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell off of shares trading in Chinese markets. In addition, in August 2015, Chinese authorities sharply devalued China’s currency. Since then, the Chinese capital markets have continued to experience periods of instability. These market and economic disruptions have affected, and may in the future affect, the U.S.

capital markets, which could adversely affect our business, financial condition or results of operations. We do not know how the financial markets will be affected by these events and cannot predict the effects of these or similar events in the future on the United States economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so. Such investment performance could have a material adverse effect on our business, financial condition and results of operations.

As described earlier, the interest rates that our investments in Senior Floating Rate Loans pay to us as a lender are based in large part on negotiated spreads. Spreads will vary based on prevailing market conditions. As described in “- Current Market Conditions” above, current market conditions are generally favorable for borrowers, which in turn generally means spreads are

lower and we earn less interest income. This dynamic means that newly issued loans generally will pay less interest. Further, given the favorable market, borrowers may seek to amend existing loans in order to take advantage of the lower spread environment. When we are presented with such an amendment, our Manager is forced to make a decision whether or not to agree to the lower spread, on one hand, or risk losing the asset, on the other. As a result, to the extent our Manager agrees to an amendment which lowers the spread on an existing loan in our portfolio, we will earn less interest going forward which may adversely affect our distributable income and have a material adverse effect on our results of operations.

A disruption in capital markets could negatively affect our business

As a BDC, we may need access to the capital markets to maintain our ability to either refinance existing indebtedness, to manage our leverage ratio or to raise additional capital for investment and growth purposes. Without sufficient access to the capital markets, we may be forced to curtail our business operations or we may not be able to pursue new business opportunities. Disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and could adversely impact our results of operations and financial condition. If the fair value of our assets declines substantially, we may not maintain the asset coverage ratios required by the 1940 Act, which would affect our ability to issue senior securities, including borrowings, and pay dividends, and could materially impair our business operations. Our liquidity could be impaired further by an inability to access the capital markets. Equity capital may be difficult to raise because, subject to some limited exceptions, as a BDC, we will generally not be able to issue additional shares of our common stock at a price less than NAV. In addition, our ability to incur indebtedness or issue preferred stock will be limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% immediately after each time we incur indebtedness or issue preferred stock. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations. These situations may arise due to circumstances that we may be unable to control, such as inaccessibility to the credit markets, a severe decline in the value of the U.S. dollar, an economic downturn or an operational problem that affects third-parties or us, and could materially damage our business. Moreover, we are unable to predict when economic and market conditions may become more favorable or worsen. Even if such conditions improve broadly and significantly over the long term, adverse conditions in particular sectors of the financial markets could adversely impact our business.

Risks Related to Our Business and Structure

We have limited operating history

We were formed in February 2013, acquired our initial portfolio in the period from October through December 2013 and completed our IPO in January 2014. As a result of our short operating history, we are subject to many of the business risks and uncertainties associated with recently formed businesses, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially.

We have a new Manager

On January 3, 2017, IHAM became our investment adviser. The success of our business will depend in part on the integration of our investment portfolio into the platform used by our Manager. The dedication of management resources to such integration may detract attention from our day-to-day business. There can be no assurance that there will not be substantial or unexpected costs associated with the transition process or that there will not be other material adverse effects as a result of these integration efforts. Such effects could have a material adverse effect on our financial results.

We are dependent upon certain key personnel of our Manager and its affiliates for our future success and upon their access to other Ares Management investment professionals

We depend on the diligence and skill of senior management and other members of our Manager and certain of its affiliates for raising capital and the selection, structuring, closing and monitoring of our investments. Our future success depends to a significant extent on the continued service of such senior management and other members of our Manager and its affiliates. We cannot assure you that any such individual will not terminate his or her relationship with us. The departure of certain of our executive officers or key employees of our Manager and certain of its affiliates could materially adversely affect our ability to implement our business strategy. In addition, we can offer no

assurance that IHAM will remain our investment adviser. Our Manager's senior investment team is and may in the future become affiliated with entities engaged in business activities similar to those conducted by us, and may have conflicts of interest in allocating their time. Our Manager's senior investment team dedicates portion of their time to our activities; however, they may be engaged in other business activities that could divert their time and attention in the future. Further, there can be no assurance that our Manager will replicate its own or Ares Management's historical success, and we caution you that our investment returns could be substantially lower than the returns achieved by other Ares Management-managed funds.

We operate in a highly competitive market for investment opportunities

Many entities compete with us for investments in our target portfolio companies. Our primary competitors include other BDCs and CLO investors, other credit focused investment funds, commercial and investment banks, commercial financing companies, insurance companies and, to the extent they provide an alternative form of financing, hedge funds. Many of our potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that may not be available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments than we do, which could allow them to consider a wider variety of investments and establish more relationships than we can. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment goals.

We may experience material fluctuations in our quarterly results

We may experience material fluctuations in our quarterly operating results due to many factors, such as changes in the credit quality of our portfolio, changes in the fair value of our portfolio, including as a result of an overall decline in the market prices or an increase in industry sector risk, changes in the amount of loans on non-accrual status, changes in interest rates and changes in our expenses. Therefore, results for any historical period are not indicative of performance in future periods.

We incur significant costs as a result of being a publicly traded company

As a publicly-traded company, we incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act, and other rules implemented by the SEC and the listing standards of the NASDAQ Stock Market. Upon ceasing to qualify as an emerging growth company under the JOBS Act, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, which will increase costs associated with our periodic reporting requirements.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud, which could cause stockholders to lose confidence in our financial and other public reporting and harm our business and the trading price of our common stock

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm (when undertaken, as noted in the next paragraph), may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Ineffective internal controls over financial reporting could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

We are required to disclose changes made in our internal control on financial reporting on a quarterly basis and our management is required to assess the effectiveness of these controls annually. However, for as long as we are an “emerging growth company” under the recently enacted JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act. We could be an emerging growth company for up to five years from the date of our IPO. An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not detect. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

Our Manager and/or our Board of Directors may change our operating policies, guidelines and strategies without prior notice or stockholder approval, which may adversely affect your investment in us

Our Manager and/or our Board of Directors has the authority to modify or waive our operating policies, guidelines and strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our operating policies, guidelines and strategies would have on our business, NAV, operating results and the value of our stock. However, the effects could negatively impact our ability to pay distributions and cause a stockholder to lose part or all of its investment.

Changes in laws or regulations governing our operations or our non-compliance with those laws or regulations may adversely affect our business or cause us to alter our business strategy

We and our portfolio companies are subject to regulation by laws at the local, state, federal and foreign levels, including with respect to securities laws, tax and accounting standards. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations or our non-compliance with these laws or regulations could have a material adverse impact on our business. Certain of these laws and regulations pertain specifically to BDCs. Additionally, any changes to the laws and regulations governing our operations relating to permitted investments may cause us to alter our investment strategy in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in our public filings and may result in our investment focus shifting from the areas of expertise of our Manager and its affiliates to other types of investments in which our Manager and its affiliates may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment. On October 22, 2014, six federal agencies approved a final rule requiring sponsors of securitization transactions to retain risk in those transactions. The final rule implemented the risk retention requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act. The final rule largely retained the risk retention framework contained in the proposal issued by the agencies in August 2013 and generally required sponsors of asset-backed securities (“ABS”) to retain not less than five percent of the credit risk of the assets collateralizing the ABS issuance. The rule also set forth prohibitions on transferring or hedging the credit risk that the sponsor was required to retain. In spite of calls from CLO and leveraged loan market participants for certain exemptions from the risk retention requirements in the final rule for CLOs, the agencies declined to create an exemption for open market CLOs or to create a third-party risk retention alternative for open market CLOs, citing ongoing concerns about the leveraged loan market, including systemic risk resulting from the origination and pooling of leveraged loans with poor underwriting standards. Certain limited exemptions granted by the final rule were generally considered to be inconsistent with the current market practice in the leveraged loan market and were not expected to be widely utilized. The implementation of such risk retention rules by CLOs or any shift in the market practice in the leveraged loan market could have a material impact on our future investments in CLOs.

Reform proposals have been recently put forth by members of Congress and the President which, if ultimately proposed as legislation and enacted as law, would substantially change the U.S. federal taxation of (among other things) individuals and businesses. In 2016, the Speaker of the House of Representatives and the Chairman of the House Ways and Means Committee published “A Better Way.” Separately, the then-candidate, now-President published a one-page document on tax reform. Each of these proposals set forth a variety of principles to guide potential tax reform legislation. As of the date of this Annual Report, no legislation in respect of either of these proposals has been introduced in the Congress. However, the principles set forth in both “A Better Way” and the President’s one-page proposal, if ultimately reduced to legislation enacted by the Congress and signed into law by the President in a form that is consistent with those principles, could change dramatically the U.S. federal taxation of the Company and a holder of our securities. Under both “A Better Way” and President Trump’s proposal, individual and corporate tax rates would be meaningfully reduced. Under “A Better Way,” the U.S. federal tax system would be converted into a “destination-based cash-flow” tax system under which net interest expense would not be deductible, investment in tangible property (other than land) and intangible assets would be immediately deductible, export revenue would not be taxable, and the cost of imports would not be deductible. While it is impossible to predict whether and to what extent any tax reform legislation (or other legislative, regulatory or administrative change to the U.S. federal tax laws) will be proposed or enacted, any such change in the U.S. federal tax laws could materially impact us, our portfolio companies and the value of any investment in our securities. Prospective investors should consult their tax advisors regarding possible legislative and regulatory changes and the potential effect of such changes on an investment in us or our securities.

It is unclear how increased regulatory oversight and changes in the method for determining LIBOR may affect the value of the financial obligations to be held or issued by us that are linked to LIBOR, or how such changes could affect our results of operations or financial condition

Senior Floating Rate Loans pay interest based on a floating rate calculated as a spread over a market index. The London-Interbank Offered Rate (“LIBOR”) is generally used as the market index for Senior Floating Rate Loans. Beginning in 2012, a number of British Bankers’ Association (“BBA”) member banks entered into settlements with certain regulators and law enforcement agencies with respect to the alleged manipulation of LIBOR, and there remain ongoing investigations into the matter by regulators and governmental authorities in various jurisdictions. Following a review of LIBOR conducted at the request of the U.K. government, on September 28, 2012, recommendations for reforming the setting and governing of LIBOR were released, which are referred to as the Wheatley Review. The Wheatley Review made a number of recommendations for changes with respect to LIBOR, including the introduction of S-5 statutory regulation of LIBOR, the transfer of responsibility for LIBOR from the BBA to an independent administrator, changes to the method of the compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate setting and a reduction in the number of currencies and tenors for which LIBOR is published. Based on the Wheatley Review and on a subsequent public and governmental consultation process, on March 25, 2013, the U.K. Financial Services Authority published final rules for the U.K. Financial Conduct Authority’s regulation and supervision of LIBOR,

which are referred to as the FCA Rules. In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. The FCA Rules took effect on April 2, 2013. It is uncertain what additional regulatory changes or what changes, if any, in the method of determining LIBOR may be required or made by the U.K. government or other governmental or regulatory authorities. Accordingly, uncertainty as to the nature of such changes may adversely affect the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for or value of any LIBOR linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

We are an “emerging growth company,” and we do not know if such status makes our common stock less attractive to investors

We currently are an “emerging growth company,” as defined in the JOBS Act, until the earliest of:

• the last day of our fiscal year ending December 31, 2019;

• the year in which our total annual gross revenues first exceed \$1 billion;

• the date on which we have, during the prior three-year period, issued more than \$1 billion in non-convertible debt; or the last day of a fiscal year in which we (1) have an aggregate worldwide market value of our common stock held by non-affiliates of \$700 million or more, computed at the end of each fiscal year as of the last business day of our most recently completed second fiscal quarter, and (2) have been an Exchange Act reporting company for at least one year (and filed at least one annual report under the Exchange Act).

We intend to take advantage of some of the reduced regulatory and disclosure requirements permitted by the JOBS Act and, as a result, some investors may consider our common stock less attractive, which could reduce the market value of our common stock. For example, while we are an emerging growth company, we intend to take advantage of the exemption from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting. This may increase the risk that any material weaknesses or other deficiencies in our internal control over financial reporting may go undetected.

Any failure on our part to maintain our status as a BDC would reduce our operating flexibility

Our Board of Directors may determine that it is in our best interests to withdraw our BDC election, subject to the consent of the holders of a majority of our outstanding voting securities, as required under the 1940 Act. If we do not remain a BDC, we would likely be regulated as a closed-end investment company under the 1940 Act. Such regulation would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility, which could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to additional corporate-level income taxes if we fail to maintain our status as a RIC

We have elected to be treated as a RIC under the Code and operate in a manner so as to qualify for the U.S. federal income tax treatment applicable to RICs. As a RIC, we generally will not pay U.S. federal corporate-level income taxes on our income and net capital gains that we distribute to our stockholders as dividends on a timely basis. We will be subject to U.S. federal corporate-level income tax on any undistributed income and/or gains. To maintain our status as a RIC, we must meet certain source of income, asset diversification and annual distribution requirements. We may also be subject to certain U.S. federal excise taxes, as well as state, local and foreign taxes.

To maintain our RIC status, we must timely distribute an amount equal to at least 90% of our investment company taxable income (as defined by the Code, which generally includes net ordinary income and net short term capital gains) to our stockholders (the "Annual Distribution Requirement"). We have the ability to pay a large portion of our dividends in shares of our stock, and as long as a portion of such dividend is paid in cash and other requirements are met, such stock dividends will be taxable as a dividend for U.S. federal income tax purposes. This may result in our U.S. stockholders having to pay tax on such dividends, even if no cash is received, and may result in our non-U.S.

stockholders being subject to withholding tax in respect of amounts distributed in our stock. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under our indebtedness that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to maintain our status as a RIC and, thus, may be subject to corporate-level income tax on all of our income and/or gains.

To maintain our status as a RIC, in addition to the Annual Distribution Requirement, we must also meet certain annual source of income requirements at the end of each taxable year and asset diversification requirements at the end of each calendar quarter. Failure to meet these requirements may result in our having to (a) dispose of certain investments quickly or (b) raise

additional capital to prevent the loss of RIC status. Because most of our investments are in private companies and are generally illiquid, any such dispositions may be at disadvantageous prices and may result in losses. Also, the rules applicable to our qualification as a RIC are complex with many areas of uncertainty. Accordingly, no assurance can be given that we have qualified or will continue to qualify as a RIC. If we fail to maintain our status as a RIC for any reason and become subject to regular "C" corporation income tax, the resulting corporate-level income taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and on any investment in us. Certain provisions of the Code provide some relief from RIC disqualification due to failures of the source of income and asset diversification requirements, although there may be additional taxes due in such cases. We cannot assure you that we would qualify for any such relief should we fail the source of income or asset diversification requirements. In addition, our Board of Directors may determine, without stockholder approval, that it is in our best interests to withdraw our RIC tax status election.

We may have difficulty satisfying the Annual Distribution Requirement in order to qualify and maintain RIC status if we recognize income before or without receiving cash representing such income

For federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as original issue discount ("OID"). In addition, we may have to continue to recognize interest income for federal income tax purposes on a defaulted loan investment that has not paid the interest contractually owed to us. We also may be required to include in income certain other amounts that we will not receive in cash. For example, for certain investments, we may accrue income at some point after the trade date and before settlement, but we will not receive such income until settlement, which, in certain situations, can be as long as 90 days. Because in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty satisfying the annual distribution requirement applicable to RICs. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investments to meet these distribution requirements. If we are not able to obtain cash from other sources, we may not qualify for RIC tax treatment and thus be subject to corporate-level income tax. Additionally, we may never collect the cash representing such income.

Risks Related to Our Relationship with Our Manager and Ares Management

Our results are dependent upon the efforts of our Manager

Our Manager's success, which is largely determinative of our success, depends on many factors, including (i) the availability of attractive risk-adjusted investment opportunities that satisfy our Manager's targeted investment strategies, (ii) our Manager's ability to identify and cause us to consummate those investment opportunities on favorable terms, and (iii) the existence of appropriate levels and stability of interest rates and suitable conditions in the financial markets and the economy. There can be no assurance regarding the occurrence or existence of these factors. In addition, our Manager may face substantial competition for attractive investment opportunities. Our Manager may not be able to successfully cause us to make investments with attractive risk-adjusted returns.

We are completely dependent upon our Manager and certain personnel of Ares Management and its affiliates who provide services to us through the Interim Management Agreement and we may not find suitable replacements for our Manager and these personnel if the Interim Management Agreement is terminated or such personnel are no longer available to us

Because we have no employees, we are completely dependent on our Manager and its affiliates to conduct our operations pursuant to the Interim Management Agreement. Our Manager has limited employees and relies upon certain employees of Ares Management and its affiliates to conduct certain day-to-day administrative operations pursuant to its administrative services agreement with Ares Operations. Under such administrative services agreement, our Manager is provided with those services and resources necessary for our Manager to perform its obligations and responsibilities under the Interim Management Agreement. Neither such administrative services agreement nor the Interim Management Agreement requires our Manager or Ares Management to dedicate specific personnel to our operations. They also do not require any specific personnel of our Manager or Ares Management to dedicate a specific amount of time to our business. Additionally, because our Manager is relying upon Ares Management, we may be negatively impacted by events or factors that negatively impact Ares Management's business, financial condition or

results of operations.

The successful implementation of investment, financing and hedging strategies depends upon the experience of certain of our Manager's and Ares Management's personnel. However, none of these individuals' continued service is guaranteed. Furthermore, if the Interim Management Agreement is terminated or these individuals leave our Manager or Ares Management, as applicable, we may be unable to execute our business plan.

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There are conflicts of interest in our relationship with our Manager and Ares Management. Certain of our executive officers and directors, and members of the Investment Committee of our Manager, serve or may serve as officers, directors or principals of other entities and affiliates of our Manager and investment funds managed by our Manager, Ares Management or its affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our or our stockholders' best interests or may require them to devote time to services for other entities, which could interfere with the time available to provide services to us. Certain members of our Manager's Investment Committee may have significant responsibilities for other funds managed by our Manager, Ares Management or its affiliates. Similarly, although the professional staff of our Manager will devote as much time to the management of ACSF as appropriate to enable such person to perform its duties in accordance with the Interim Management Agreement, the investment professionals of our Manager, Ares Management and its affiliates may have conflicts in allocating their time and services among ACSF, on the one hand, and other investment vehicles they manage, on the other hand. These activities could be viewed as creating a conflict of interest insofar as the time and effort of the professional staff of our Manager, Ares Management and their respective employees will not be devoted exclusively to our business but will instead be allocated between our business and the management of such other investment vehicles.

However, we believe that the efforts of such individuals are synergistic with and beneficial to our affairs and these other investment vehicles managed by our Manager, Ares Management or their respective affiliates. In addition, certain funds managed by our Manager, Ares Management and its affiliates may have investment objectives that compete or overlap with, and may from time to time invest in asset classes similar to those targeted by us. Consequently, ACSF, on the one hand, and these other entities, on the other hand, may from time to time pursue the same or similar capital and investment opportunities. Our Manager endeavors to allocate investment opportunities in a fair and equitable manner, and in any event consistent with any fiduciary duties owed to ACSF. Nevertheless, it is possible that ACSF may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with our Manager or Ares Management. In addition, there may be conflicts in the allocation of investment opportunities among ACSF and the funds managed by investment managers affiliated with our Manager or among Ares Management and its affiliates.

Although our Manager, Ares Management and its affiliates have policies in place to seek to mitigate the effects of conflicts of interest, these policies will not eliminate the conflicts of interest that our and our Manager's officers and the employees of IHAM and certain of its affiliates will face in making investment decisions on behalf of any other Ares Management-sponsored investment vehicles and ACSF. Further, ACSF does not have any agreement or understanding with our Manager or Ares Management that would give us any priority over any such Ares Management-sponsored investment vehicle in opportunities to invest in Senior Floating Rate Loans, CLOs or any other investments we may make. Accordingly, we may compete for access to the benefits that we expect from our relationship with our Manager and Ares Management.

Our Manager can resign upon not more than 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

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

The Interim Management Agreement will expire on the earlier of (a) the date a new management agreement is approved by our stockholders and (b) June 3, 2017, unless terminated earlier by us or our Manager. Pursuant to Rule 15a-4 under the 1940 Act, the management fees earned by our Manager under the Interim Management Agreement are being held in an interest-bearing escrow account. If our stockholders approve a new management agreement during the term of the Interim Management Agreement, the amount held in the escrow account under the Interim Management Agreement will be paid to our Manager. If our stockholders do not approve a new management agreement during the term of the Interim Management Agreement, the Board will consider alternative actions, taking into account the best interests of stockholders, including (without limitation) approving one or more other investment advisers for us, subject to approval by our stockholders, the liquidation of the Company or merger of the Company with another party, and our Manager will be paid the lesser of its costs incurred in performing its services under the Interim Management Agreement or the total amount in the escrow account, plus interest earned.

Our Manager's management fee is based on the amount of our total consolidated assets and is payable regardless of our performance

Our Manager is entitled to receive a quarterly management fee from us that is based on the amount of our total consolidated assets, excluding our cash and cash equivalents and net unrealized appreciation or depreciation. The amount of the quarterly management fee is equal to one-fourth of 0.80% of our total consolidated assets, excluding our cash and cash equivalents and net unrealized appreciation or depreciation. Accordingly, if we experience a net loss during a quarter as a result of net unrealized depreciation of our investments, the decline in our total consolidated assets from such net unrealized depreciation will not reduce our management fee payable to our Manager. Also, any new investments funded with the cash proceeds received from the issuances of equity or debt will result in an increase in our total consolidated assets and therefore an increase in the management fee payable to our Manager, which could result in a conflict of interest between our Manager and our stockholders with respect to the timing and terms of our equity and debt issuances. While our stockholders will bear the risk of our future equity issuances reducing the price of our common stock and diluting the value of their stock holdings in us and will bear the risk of additional leverage from future debt issuances, the compensation payable to our Manager will increase as a result of future issuances of our equity and debt securities. Our Manager's entitlement to substantial nonperformance-based compensation may reduce its incentive to devote sufficient time and effort to seeking investments that provide attractive risk-adjusted returns for our investment portfolio. This in turn could harm both our ability to make distributions to our stockholders and the market price of our common stock.

Our Manager's liability is limited under the Interim Management Agreement, and we have agreed to indemnify our Manager against certain liabilities

The Interim Management Agreement provides that our Manager and its affiliates and their respective directors, officers, employees, members, managers, partners and stockholders shall not be liable to us or our subsidiaries or our and our subsidiaries' respective directors, officers, employees, members, managers, partners or stockholders for any action taken or omitted to be taken by our Manager in connection with the performance of any of its duties or obligations under the Interim Management Agreement or otherwise as a manager or investment adviser, except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services. The Interim Management Agreement also provides that our Manager and its affiliates and their respective directors, officers, employees, members, managers, partners and stockholders are entitled to indemnification from us from and against any claims or liabilities (including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Interim Management Agreement) to the fullest extent such indemnification is then permitted under our charter, the 1940 Act, the Investment Advisers Act of 1940, the laws of the State of Maryland and any other applicable law.

We may not replicate the historical results achieved by other entities managed by our Manager or by Ares Management or its affiliates

Our investments differ from those of other entities managed by our Manager and Ares Management and its affiliates. Investors in our securities are not acquiring an interest in any such entities. We may consider co-investing in portfolio investments with other investment vehicles sponsored or managed by our Manager, Ares Management or its affiliates as permitted under applicable regulations and our policies and procedures. We can offer no assurance, however, that we will develop such permitted opportunities. We also cannot assure you that we will replicate the historical results achieved by our Manager or other entities managed by Ares Management or its affiliates, and we caution you that our investment returns could be substantially lower than the returns achieved by such entities in prior periods.

Additionally, all or a portion of the prior results may have been achieved in particular market conditions that may never be repeated.

Our ability to enter into transactions with our affiliates is restricted

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of the members of our independent directors and, in some cases, the SEC. An affiliate under the 1940 Act includes, among others, any person that owns, directly or indirectly, 5% or more of our outstanding voting

securities. We generally are prohibited from buying or selling any securities (other than our securities) or other investments from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain “joint” transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors and, in some cases, the SEC. These restrictions limit our ability to transact business with our officers or directors or their affiliates. As a result of these restrictions, we may be prohibited from buying or selling any security (other than any security of which we are the issuer) or other investments from or to any portfolio company of a fund managed by an affiliate of Ares Management without the prior approval of the SEC, which may limit the scope of investment opportunities that would otherwise be available to us. We can offer no assurance that we will seek or be able to obtain such SEC approval.

Our Manager owns approximately 3% of our common stock, which could result in its influence over the outcome of matters submitted to the vote of our stockholders

ACAM previously owned approximately 3% of our common stock, as a result of the Acquisition, as of January 3, 2017, IHAM now owns approximately 3% of our outstanding common stock. As a result, our Manager may have influence over the outcome of matters submitted to a vote of our stockholders, including the election of our directors or transactions involving a change in control. Their interests may conflict with, or differ from, the interests of our other stockholders, including you. So long as our Manager continues to own shares of our common stock, it could influence our corporate decisions submitted to our stockholders for approval, regardless of whether we terminate the Interim Management Agreement with our Manager.

Risks Related to Liquidity and Capital Resources

We may need to raise additional capital to grow because we must distribute most of our income

We may need additional capital to fund growth in the future. A reduction in the availability of new capital could limit our ability to grow. We must distribute at least 90% of our investment company taxable income to our stockholders to maintain our RIC status. As a result, any such cash earnings may not be available to fund our investments. We may borrow from financial institutions and issue additional debt and equity securities. If we do not obtain funds from such sources or from other sources to fund our investments, it could limit our ability to grow, which may have an adverse effect on our stock price. In addition, as a BDC, our ability to borrow or issue preferred stock will be restricted if our total assets are less than 200% of our total borrowings and preferred stock.

The 1940 Act limits our ability to issue senior securities in certain circumstances

As a BDC, the 1940 Act generally limits our ability to issue senior securities if our asset coverage ratio does not exceed 200% immediately after each issuance of senior securities or is improved immediately upon the issuance. Asset coverage ratio is defined in the 1940 Act as the ratio that the value of the total assets, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness. There are no assurances that we will always operate above this ratio. The resulting restrictions on issuing senior securities could have a material adverse impact on our business operations to the extent we do not maintain such asset coverage ratio.

The 1940 Act limits our ability to issue equity below our NAV per share

As a BDC, the 1940 Act generally limits our ability to issue and sell our common stock at a price below our NAV per share, exclusive of any distributing commission or discount, without stockholder approval. As of the date of this filing, we do not have such approval; however, we may seek such approval in the future or we may elect to conduct a rights offering, which would not require stockholder approval under the 1940 Act. If our common stock trades at a price below our NAV per share, there are no assurances that we can issue or sell shares of our common stock if needed to fund our business. In addition, in certain instances where we could issue or sell shares of our common stock at a price below our NAV per share, including through our dividend reinvestment and stock purchase plan or through a rights offering, such issuance could result in dilution in our NAV per share, which could result in a decline in our stock price.

We may fund a portion of our investments with debt securities, which would magnify the potential for loss and the risks of investing in us

As a result of any issuance of debt securities, we would be exposed to typical risks associated with leverage, including an increased risk of loss and an increase in expenses, which are ultimately borne by our common stockholders.

Payment of interest on such debt securities must take preference over any other dividends or other payments in respect of our common stock (or any preferred stock that we may issue in the future). If we issue debt securities, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. In addition, such securities may be rated by rating agencies, and in obtaining a rating for such securities, we may be required to abide by operating and investment guidelines that could further restrict our operating flexibility. Furthermore, any amounts that we use to service our indebtedness would not be available for distributions in respect of our common stock (or any preferred stock that we may issue in the future).

We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for loss and the risks of investing in us in the same way as our borrowings

Preferred stock, which is another form of leverage, has similar risks to our common stockholders as borrowings because the dividends on any preferred stock we issue must be cumulative and they would rank “senior” to common stock in our capital structure. Payment of dividends on, and repayment of the liquidation preference of, such preferred stock would typically take preference over any dividends or other payments to our common stockholders. Also, preferred stockholders are not typically subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference. Furthermore, preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable

than those of our common stockholders. Also, the issuance of preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in our common stockholders' best interest.

The agreements governing our current and any future credit facilities may contain various covenants which, if not complied with, could accelerate repayment under the relevant facility, thereby materially and adversely affecting our liquidity, financial condition, results of operations and our ability to pay distributions to our stockholders

We finance our assets with secured debt. Our wholly owned consolidated financing subsidiary, ACSF Funding I, LLC ("ACSF Funding") is party to an amended and restated secured revolving credit facility with Bank of America, N.A. (as amended and restated, the "Credit Facility") which does, and any future such credit facilities are likely to, contain default provisions such as the failure to make principal and interest payments when due; the failure to maintain a certain borrowing base; the insolvency or bankruptcy of us or the relevant financing subsidiary (including ACSF Funding); and the decline of our or the relevant financing subsidiary's NAV, as applicable, below a specified threshold.

An event of default under the relevant facility may result, among other things, in the termination of the availability of further funds under the relevant facility and an accelerated maturity date for all amounts outstanding thereunder. This could disrupt our business, reduce our revenues, cause us to take losses, delay any dividends allowed to us under the facility until the lender has been paid in full, reduce our liquidity and cash flow and impair our ability to grow our business, make distribution payments to our stockholders and maintain our status as a RIC. In addition, each borrowing under the Credit Facility (and any future credit facilities) will be subject to the satisfaction of certain conditions. We cannot assure you that we will be able to borrow funds under the relevant facility at any particular time or at all.

Risks Related to Our Investing and Financing Strategy

There is uncertainty regarding the value of our portfolio investments

A substantial portion of our portfolio investments are not publicly traded. We determine the fair value of these investments in accordance with the 1940 Act and Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820") based on a determination made in good faith by our Board of Directors. For our investments that are not publicly traded, our determinations of fair value will be based upon certain inputs and our own assumptions about how market participants would price the asset or liability. Due to the uncertainty inherent in valuing investments that are not publicly traded, our determination of fair value may differ materially from the values that would exist if a ready market for these investments existed. Our determination of the fair value of our investments will have a material impact on our net earnings and NAV.

Changes in interest rates may increase our cost of capital, reduce the ability of our portfolio companies to service their debt obligations and adversely affect our profitability

General interest rate fluctuations and changes in credit spreads on floating rate loans may have a substantial negative impact on our investments and investment opportunities and, accordingly, may have a material adverse effect on our rate of return on invested capital, our net investment income, our NAV and the market price of our common stock. A substantial portion of our debt investments have variable interest rates that reset periodically based on benchmarks such as LIBOR and the prime rate. Thus, an increase in interest rates from their historically low present levels may make it more difficult for our portfolio companies to service their obligations under the debt investments that we hold. Given the relatively low absolute level of interest rates, many of our debt investments have floors or benchmark minimums which are currently in excess of the actual benchmark rate in the market. Currently ACSF Funding's Credit Facility is based on a similar benchmark but does not have any floors associated with it. Therefore any such increase to interest rates would make it more expensive to use debt to finance our investments. As such, our earnings will be affected by the spread between the interest rate on our investments and the interest rate at which we borrow funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use floating rate debt to finance our investments. Additionally, in periods of rising interest rates, our cost of funds could reset at rates faster than those of our assets, which could reduce our net investment income. These risks are also prevalent in our CLO investments where the floating rate collateral assets may have benchmark floors while its debt may have a floating component without a floor or minimum base

rate. As such, the spread compression risk explained above could be magnified in our CLO investments due to the higher leverage deployed resulting in a negative impact to our earnings and NAV.

A change in currency exchange rates may adversely affect our profitability

We may make investments in debt instruments that are denominated in currencies other than the U.S. dollar. Our domestic portfolio companies may also transact a significant amount of business in foreign countries and therefore their profitability may

be impacted by changes in foreign currency exchange rates. As a result, an adverse change in currency exchange rates may have a material adverse impact on our business, financial condition and results of operations.

We may be unable to invest proceeds from investment sales/repayments or follow-on offerings of shares of our common stock on acceptable terms within an attractive time frame

Delays in investing the proceeds from investment sales or repayments along with any net proceeds raised in follow-on offerings of shares of our common stock may cause our performance to be worse than that of other fully invested BDCs or other lenders or investors pursuing comparable investment strategies. We cannot assure you that we will be able to identify any new investments that meet our investment objective or that any additional investment that we make will produce a positive return. We may be unable to invest the proceeds from investments or net proceeds of any follow-on offering on acceptable terms within the time period that we anticipate or at all, which could harm our financial condition and operating results.

We have restrictions on the type of assets we can invest in as a BDC

As a BDC, we may not acquire any assets other than certain qualifying assets described in the 1940 Act, unless, at the time of and after giving effect to the acquisition, at least 70% of our total assets consist of such qualifying assets.

Thus, in certain instances, we may be precluded from investing in potentially attractive investments that are not qualifying assets for purposes of the 1940 Act. In addition, there is a risk that this restriction could prevent us from making additional investments in any non-qualifying investments we may acquire, which could cause our position to be diluted or limit our access to capital of non-qualifying investments.

Our portfolio may be concentrated in a limited number of industries, which will subject us to a risk of significant loss if there is a downturn in a particular industry

Our portfolio may be concentrated in a limited number industries. Beyond the asset diversification requirements associated with our qualification as a RIC under Subchapter M of the Code, we do not have fixed guidelines for diversification, and while we are not limited in targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

The investments in which we invest are generally traded over-the-counter, if at all, and may experience limited liquidity

Our investments may experience periods with limited or no liquidity. The absence of liquidity may make it difficult for us to ascertain a market value for our investments, may limit or preclude our ability to exit underperforming investments, and may negatively impact the ability for issuers of Senior Floating Rate Loans to refinance. As a result, periods of heightened illiquidity may adversely impact the performance of our portfolio and could persist for prolonged periods.

Because we generally do not hold controlling interests in the Senior Floating Rate Loans or the issuers of Senior Floating Rate Loans in which we invest, we may not be in a position to exercise control over issuers or to prevent decisions by management teams at issuers that could decrease the value of our investments

We generally do not hold equity positions or controlling interests in the issuers of Senior Floating Rate Loans in which we invest. As a result, we are subject to the risk that an issuer of Senior Floating Rate Loans may make business decisions with which we disagree, and that the management and/or stockholders of an issuer may take risks or otherwise act in ways that will be adverse to our interests.

An investment strategy focused primarily on privately held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns

We invest primarily in privately held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of our Manager to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately held companies frequently have less diverse product or service lines and smaller market presence than larger competitors. These factors could adversely affect our investment returns as compared to companies investing primarily in the securities of public companies.

We intend to continue to finance our investments with borrowed money, and may securitize our investments in the future, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. The use of leverage, including through the issuance of senior securities, magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. Our lenders will have fixed dollar claims on our assets that are superior to the claims of our common stockholders, and we would expect such holders to seek recovery against our assets in the event of a default. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments into which we

may enter. In addition, under the terms of any credit facility or other debt instrument we enter into, we may be required by its terms to use the net proceeds of investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses.

If the value of our assets decreases, leverage would cause NAV to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make distributions on our common stock. Our ability to service our debt will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expense and any increase in the management fee.

The following table illustrates the effect on returns to a holder of our common stock from the leverage created by our use of borrowing, using our average cost of funding of 2.66% as of December 31, 2016 together with (a) our total value of net assets as of December 31, 2016; (b) approximately \$124 million in aggregate principal amount of indebtedness outstanding as of December 31, 2016; and (c) hypothetical annual returns on our portfolio of minus 10% to plus 10%. As illustrated below, leverage generally increases the return to shareholders when the portfolio return is positive and decreases the return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed Return on Portfolio (Net of Expenses) ⁽¹⁾	(10)%	(5)%	—%	5%	10%
Corresponding Return to Stockholders ⁽²⁾	(23)%	(13)%	(2)%	8%	19%

(1) The assumed portfolio return is required by SEC regulations and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table.

In order to compute the “Corresponding Return to Shareholders,” the “Assumed Return on Portfolio” is multiplied by the total value of our assets at December 31, 2016 to obtain an assumed return to us. From this amount, estimated (2) annual interest expense, based on the amount of debt outstanding at December 31, 2016, is subtracted to determine the return available to shareholders. The return available to shareholders is then divided by the total value of our net assets as of December 31, 2016 to determine the “Corresponding Return to Shareholders”.

In order for us to cover our annual interest payments on our outstanding indebtedness as of December 31, 2016, we must achieve annual returns on our December 31, 2016 total investments of at least 1.1%.

As a BDC, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we cannot incur additional debt and could be required to sell a portion of our investments to repay some debt when it is disadvantageous to do so. This could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on our Manager’s and our Board of Directors’ assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

Our portfolio companies may be highly leveraged with debt

The debt levels of our portfolio companies may have significant adverse consequences to such companies and to us as an investor. Portfolio companies that are indebted may be subject to restrictive financial and operating covenants. The leverage may impair these companies’ ability to finance their future operations and capital needs. As a result, their flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A company’s income and net worth will tend to increase or decrease at a greater rate than if the company did not capitalize itself in part with debt.

Our portfolio companies may incur debt that ranks equally with, or senior to, some of our investments in such companies

Our portfolio companies typically may be permitted to incur other debt that ranks equally with, or senior to, some of such debt instruments, including unitranche, second lien, middle market loans and unsecured debt instruments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we will be entitled to receive payments in respect of the debt securities in which we will invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio

company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. In such cases, after repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we will invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Our borrowers may default on their payments, which may have a materially negative effect on our financial performance

Our primary business exposes us to credit risk, and the quality of our portfolio has a significant impact on our earnings. Credit risk is a component of our fair valuation of our portfolio companies. Negative credit events will lead to a decrease in the

fair value of our portfolio companies and may potentially disrupt or impact the ability to pay amounts due to us thereby resulting in a decline in our earnings and NAV.

In addition, market conditions can affect consumer confidence levels, which may harm the business of our portfolio companies and result in adverse changes in payment patterns. Additionally, if interest rates rise, some of our portfolio companies may not be able to pay the escalating interest on our loans and may default. Deterioration in the credit quality of our portfolio could have a material adverse effect on our business, financial condition and results of operations. Increased delinquencies and default rates would negatively impact our results of operations.

A general economic downturn or severe tightening in the credit markets could materially impact the ability of our borrowers to repay their loans, which could have a significant negative effect on us. Numerous other factors may affect a borrower's ability to repay its loan, including the failure to meet its business plan or a downturn in its industry. A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans or foreclosure on the secured assets. This could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the loans or debt securities that we hold. In addition, our portfolio companies may have, or may be permitted to incur, other debt that ranks senior to or equally with our securities. This means that payments on such senior-ranking securities may have to be made before we receive any payments on our subordinated loans or debt securities. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in any related collateral and may have a material adverse effect on our financial condition and results of operations.

Certain of the issuers of Senior Floating Rate Loans in which we invest may enter into bankruptcy proceedings. Senior Floating Rate Loan issuers may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the value of the issuer may be significantly less than the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs of a bankruptcy proceeding are frequently high and would be paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

Our investments in Senior Floating Rate Loans involve risk and we could lose all or part of our investment. Investing in Senior Floating Rate Loans involves a number of significant risks. Senior Floating Rate Loans in which we invest may be issued by companies with limited financial resources and limited access to alternative financing. Issuers of Senior Floating Rate Loans may be unable to meet their obligations under their debt securities that we hold. Such developments may be accompanied by deterioration in the value of collateral backing our investments. This could lead to a decline in value of our portfolio, which could result in a decline in our net earnings and NAV. Second priority liens on collateral securing loans in which we invest may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Some loans in which we invest may be secured on a second priority basis by the same collateral securing first priority debt of our portfolio companies. The first priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan

obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the loan obligations secured by the second priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the company's remaining assets, if any. The rights we may have with respect to the collateral securing the loans we may make to portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken with respect to the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability

to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. We may not have the ability to control or direct such actions, even if our rights are adversely affected.

Investments in non-investment grade CLO securities may be illiquid, may have a higher risk of default, and may not produce current returns

Our investments in CLO securities are generally non-investment grade. Non-investment grade CLO securities tend to be illiquid, have a higher risk of default and may be more difficult to value than investment grade bonds. Recessions or poor economic or pricing conditions in the markets associated with CLO securities may cause higher defaults or losses than expected. Non-investment grade securities are considered speculative, and their capacity to pay principal and interest in accordance with the terms of their issue is not certain.

We invest in equity securities of CLOs, and may invest in debt securities of CLOs, collateralized primarily by loans. Accordingly, such securities involve the same risks associated with investing in Senior Floating Rate Loans on a levered basis, including credit risk and market risk. Changes in a variety of factors, including interest rates, defaults, interest rate spreads, interest rate curves, investor perception of macroeconomic risks and market outlook, and demand for debt securities issued by CLOs may cause the cash flows provided by and the market prices for CLO securities to fluctuate significantly. CLOs are typically privately offered and sold and CLO securities may be thinly traded or have a limited trading market.

Some of our investments in CLOs may be in newly issued CLOs. Generally, new-issue CLOs make their initial distribution to underlying debt and equity tranches six to nine months after closing, and subsequent payments are generally made on a quarterly basis. Additionally, equity securities of CLOs do not have a stated coupon and only have claims to residual cash flows after payments to securities ranked senior to equity securities have been made. Changes in a variety of factors, including interest rates, defaults, interest rate spreads, interest rate curves and performance of collateral underlying CLO securities may cause the cash flows generated by our investments in the debt and equity tranches of CLOs to fluctuate significantly, and in certain instances may be shut off all together either temporarily or permanently. Therefore, the cash flows and earnings we receive from our CLO investments may fluctuate significantly.

We invest in CLO securities that are subordinate in right of payment to more senior securities

CLO equity securities are the first to bear losses resulting from defaults and losses from underlying collateral. As a result, investments in CLO equity securities carry significant risks, including, but not limited to the possibility that distributions from CLO equity securities may decline or cease altogether should the quality of the collateral deteriorate, decline in value or default. Therefore, we may fail to achieve our expected investment returns from CLO equity securities.

Our investments in CLO securities may be riskier and less transparent to us and our stockholders than direct investments in the underlying companies

We invest in equity tranches and may invest in debt tranches of CLOs. Generally, there will be less information available to us regarding the underlying investments held by such CLO vehicles than if we had invested directly in the underlying companies. As a result, our stockholders will not know the details of the underlying securities of the CLO vehicles in which we invest. Our CLO investments are subject to the risk of leverage associated with the debt issued by such CLOs and the repayment priority of senior debt holders in such CLO vehicles. The accounting and tax implications of such investments are complicated. In particular, reported revenue from the equity tranche investments of these CLO vehicles are recorded each quarter in accordance with GAAP under the effective interest rate method based on the future projected cash flows. Our current taxable earnings on these investments, however, will depend upon the ownership of the CLO equity tranche as well as for certain CLOs any election we make to mark-to-market our taxable income. Our current taxable income will generally not be determinable until after the end of the fiscal year of each individual CLO vehicle that ends within our fiscal year and may be materially different from both the cash distributions we receive and revenue we record in accordance with GAAP. We may be required to record current taxable income based on our proportionate share of the ordinary earnings and net capital gain of the CLO vehicle or based on changes to fair value if we elect mark-to-market treatment for certain eligible CLO investments, even if such

income is not distributed to us by the CLO vehicle. As a result, the reported revenue to our stockholders under GAAP from investments in these CLO vehicles may not be reflective of the taxable income we record for such investments, and the current cash flow we receive from these CLO investments may be less than the current taxable income we record from these investments that we are required to distribute to our stockholders.

CLOs typically will have no significant assets other than their underlying senior floating rate loans
CLOs typically will have no significant assets other than their underlying senior floating rate loans. Accordingly, payments on CLO investments are and will be payable solely from the cash flows from such loans, net of all management fees and other expenses. Payments to us as a holder of CLO junior securities are and will be made only after payments due on the senior securities. It may adversely impact our returns if the cash flows from the loans are insufficient to repay our CLO investments.

There is the potential for interruption and deferral of cash flow from CLO investments

If certain minimum collateral coverage ratios and/or interest coverage ratios are not met by a CLO, then cash flows that otherwise would have been available to pay distributions to us on our CLO investments may instead be used to redeem any senior notes or to purchase additional loans, until the ratios again exceed the minimum required levels or any senior notes are repaid in full. This could result in a reduction in the distribution and/or principal paid to the holders of the CLO investments, which would adversely impact our returns.

Senior floating rate loans that are collateral of our CLO investments are subject to prepayments and calls, increasing re-investment risk, and the inability of a CLO collateral manager to reinvest the proceeds of the prepayment of its loan collateral may adversely affect us

The underlying loans of our CLO investments may be prepaid more quickly than expected, which could have an adverse impact on the value of our CLO investment. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond our control, and consequently cannot be predicted with certainty. There can be no assurance that for any CLO investment, in the event that any of the loans of a CLO underlying such investment are prepaid, the CLO collateral manager will be able to reinvest such proceeds in new loans with equivalent investment returns. If the CLO collateral manager cannot reinvest in new loans with equivalent investment returns, the proceeds available to pay interest, principal or other distributions to the CLO securities may be adversely affected.

We may not have the ability to control the timing of a call position on our CLO investments

Our CLO investments generally contain optional call provisions, exercisable at the discretion of the holders of the equity tranches, after the expiration of an initial period in the deal (referred to as the “non-call period”) which provide for the senior notes and the junior secured notes to be paid in full. The exercise of the call option is by the relevant percentage (usually a majority) of the holders of the equity tranche. Therefore, where we do not hold the relevant percentage, we will not be able to control the timing of the exercise of the call option. The equity tranche also generally has a call at any time based on certain tax event triggers. In any event, the call can only be exercised by the holders of the equity tranche if they can demonstrate (in accordance with the detailed provisions in the transaction) that the senior notes and junior secured notes will be paid in full if the call is exercised.

We have limited control of the administration and amendment of loans owned by the CLOs in which we invest. We will not be able to directly enforce any rights and remedies in the event of a default of a Loan held by a CLO vehicle. In addition, the terms and conditions of the loans underlying our CLO investments may be amended, modified or waived only by the agreement of the underlying lenders. Generally, any such agreement must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligations arising from loans could be modified, amended or waived in a manner contrary to our preferences.

We have limited control of the administration and amendment of any CLO in which we invest

The terms and conditions of CLOs may be amended, modified or waived only by the agreement of the underlying security holders. Generally, any such agreement must include a majority or a super majority (measured by outstanding amounts) or, in certain circumstances, a unanimous vote of the security holders. Consequently, the terms and conditions of the payment obligation arising from the CLOs in which we invest may be modified, amended or waived in a manner contrary to our preferences.

We will have no influence on management of underlying investments managed by non-affiliated third-party CLO collateral managers

We are not responsible for and have no influence over the asset management of the portfolios underlying the CLO investments we hold as those portfolios are generally managed by non-affiliated third-party CLO collateral managers. Similarly, we are not responsible for and have no influence over the day-to-day management, administration or any other aspect of the issuers of the individual securities. As a result, the performance and values of the portfolios underlying our CLO investments could decrease as a result of decisions made by third-party CLO collateral managers. Engaging in hedging transactions may expose us to additional risks

We may enter into interest rate or currency hedges. Hedging against interest rate and currency fluctuations may expose us to additional risks and could harm our financial performance. Our use of hedging would not eliminate the

risk that the value of our investments could decline or that our investment performance would be better off if we did not hedge. The effectiveness of our hedging is dependent on the price we pay for the hedge and the correlation of the hedge to the risk it is designed to mitigate. It may arise that the cost of a hedging instrument exceeds its expected benefits or that an instrument may not hedge all of the risk for which it was designed to mitigate. Additionally, the use of hedging instruments exposes us to counterparty risk including the failure to perform under the contract such as nonpayment.

Risks Related to Our Common Stock

Investing in our common stock may involve an above average degree of risk

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies involve higher levels of risk, and therefore, an investment in our common stock may not be suitable for someone with lower risk tolerance.

There is a risk that our stockholders may not receive distributions or that our distributions may not grow over time, and a portion of our distributions may be a return of capital

We intend to make distributions on a monthly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions, in particular current market conditions will play a large part in determining our cash distributions. See “Risk Factors — Risks Relating to Economic Conditions - Global economic, political and market conditions may materially and adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.” In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions.

The market price of our common stock may fluctuate significantly

The market price and marketability of shares of our common stock may from time to time be significantly affected by numerous factors, including many over which we have no control and that may not be directly related to us. These factors include the following:

- price and volume fluctuations (including the limited amount of our shares that are outstanding) in the stock market from time to time, which are often unrelated to the operating performance of particular companies;
- significant volatility in the market price and trading volume of securities of BDCs, financial service companies, asset managers or other companies in our sector, which is not necessarily related to the operating performance of particular companies;
- changes in laws, regulatory policies, tax guidelines or financial accounting standards, particularly with respect to BDCs or RICs;
- not qualifying as a RIC, or the loss of RIC status;
- changes in our earnings or variations in operating results;
- any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts and the market in general;
- decreases in our NAV per share;
- general economic trends, market conditions and other external factors; and
- loss of a major funding source.

Fluctuations in the trading price of our common stock may adversely affect the liquidity of the trading market for our common stock and, in the event that we seek to raise capital through future equity financings, our ability to raise such equity capital.

Our shares of common stock may trade at a substantial discount from NAV and may continue to do so over the long term

Our shares of common stock may trade at a market price that is less than the NAV that is attributable to those shares. The possibility that our shares of common stock will trade at a substantial discount from NAV over the long term is separate and distinct from the risk that our NAV will decrease. We cannot predict whether shares of our common stock will trade above, at or below our NAV. If our common stock trades below its NAV, we will generally not be able to issue additional shares or sell our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. If additional funds are not available to us, we could be forced to curtail or cease our new lending and investment activities, and our NAV could decrease and our level of distributions could be impacted.

Our common stock may be difficult to resell

Investors may not be able to resell shares of our common stock at or above their purchase prices due to a number of factors, including:

actual or anticipated fluctuation in our operating results;

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- volatility in our common stock price;
- changes in expectations as to our future financial performance or changes in financial estimates of securities analysts; and
- departures of key personnel, or changes in our relationship with our Manager or its affiliates.

Certain provisions in our charter and bylaws could discourage a change of control that our stockholders may favor, which could also adversely affect the market price of our common stock

Provisions in our Articles of Amendment and Restatement (our “Charter”) and Bylaws, as amended (our “Bylaws”) may make it more difficult and expensive for a third-party to acquire control of us, even if a change of control would be beneficial to our stockholders. For example, our charter authorizes our Board of Directors to issue up to 50,000,000 shares of preferred stock in one or more classes or series and to fix the rights, preferences, privileges and restrictions of unissued classes or series of preferred stock, each without any vote or action by our stockholders. We could issue a class or series of preferred stock to impede the completion of a merger, tender offer or other takeover attempt. These and other provisions in our Charter and Bylaws may impede takeover attempts, or other transactions, that may be in the best interests of our stockholders and, in particular, our common stockholders. In addition, the market price of our common stock could be adversely affected to the extent that provisions of our Charter and Bylaws discourage potential takeover attempts, or other transactions, that our stockholders may favor.

Certain provisions of Maryland law may limit the ability of a third-party to acquire control of our company. Certain provisions of the Maryland General Corporation Law (the “MGCL”) may have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests.

Subject to certain limitations, provisions of the MGCL prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who beneficially owned 10% or more of the voting power of our then outstanding stock during the two-year period immediately prior to the date in question) or an affiliate of the interested stockholder for five years after the most recent date on which the stockholder became an interested stockholder. After the five-year period, business combinations between us and an interested stockholder or an affiliate of the interested stockholder must generally either provide a minimum price to our stockholders (as defined in the MGCL) in the form of cash or other consideration in the same form as previously paid by the interested stockholder or be recommended by our Board of Directors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of our outstanding shares of voting stock and at least two-thirds of the votes entitled to be cast by stockholders other than the interested stockholder and its affiliates and associates. These provisions of the MGCL relating to business combinations do not apply, however, to business combinations that are approved or exempted by our Board of Directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our Board of Directors has, by resolution, exempted business combinations between us and American Capital and its affiliates, and between us and any other person, provided that in the latter case the business combination is first approved by our Board of Directors (including a majority of our directors who are not affiliates or associates of such person). However, our Board of Directors may repeal or modify this resolution at any time in the future, in which case the applicable provisions of this statute will become applicable to business combinations between us and interested stockholders.

The “control share” provisions of the MGCL provide that holders of “control shares” of a Maryland corporation (defined as shares which, when aggregated with other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of “control shares”) have no voting rights with respect to such shares except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquiror of control shares, our officers and our employees who are also our directors. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the

future. However, so long as we are a BDC, we will amend our bylaws to be subject to the control share acquisition statute only if our Board of Directors determines that it would be in our best interests based on our determination that our being subject to the control share acquisition statute does not conflict with the 1940 Act.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to elect to be subject to certain provisions relating to corporate governance that may have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium to the market price of our common stock or otherwise be in our stockholders' best interests. Upon the consummation of this offering, we will already be subject to some of these provisions, either by provisions of our Charter and Bylaws unrelated to Subtitle 8 or by reason of an election in our charter to be subject to certain provisions of Subtitle 8.

Our Board of Directors has the power to cause us to issue additional shares of our stock without stockholder approval. Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our Board of Directors may, without stockholder approval, amend our charter to increase the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our Board of Directors may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our shares of common stock or otherwise be in the best interest of our stockholders.

Our common stockholders will bear the expenses associated with our borrowings, and the holders of our debt securities, if any, will have certain rights senior to our common stockholders.

All of the costs of offering and servicing our debt, including interest thereon, will be borne by our common stockholders. The interests of the holders of any debt we may issue will not necessarily be aligned with the interests of our common stockholders. In particular, the rights of holders of our debt to receive interest or principal repayment will be senior to those of our common stockholders. In addition, we may grant a lender a security interest in a significant portion or all of our assets, even if the total amount we may borrow from such lender is less than the amount of such lender's security interest in our assets.

Our shares of common stock have a limited trading history and we cannot assure you that the market price of shares of our common stock will not decline.

Our shares of common stock have a limited trading history and we cannot assure you that a public trading market will be sustained for such shares. We cannot predict the prices at which our common stock will trade. We cannot assure you that the market price of shares of our common stock will not decline at any time. In addition, if our common stock trades below our NAV per share, we will generally not be able to sell additional shares of our common stock to the public at the market price without first obtaining the approval of our stockholders (including our unaffiliated stockholders) and our independent directors for such issuance.

Our stockholders could experience dilution in their ownership percentage if they do not participate in our dividend reinvestment plan.

All distributions declared in cash and payable to stockholders that are participants in our dividend reinvestment plan are reinvested in shares of our common stock. As a result, our stockholders that do not participate in our dividend reinvestment plan could experience dilution in their ownership percentage of our common stock over time if we issue additional shares of our common stock as part of the dividend reinvestment plan.

You may have current tax liabilities on distributions that are reinvested in our common stock.

Under the dividend reinvestment plan, if you own shares of our common stock, you will have all cash distributions automatically reinvested in additional shares of our common stock unless you, or your nominee on your behalf, specifically “opt out” of the dividend reinvestment plan by delivering a written notice to the plan administrator prior to the record date of the next distribution. If you have not “opted out” of the dividend reinvestment plan, you will be deemed to have received, and for federal income tax purposes will be taxed on, the amount reinvested in our common stock to the extent the amount reinvested was not a tax-free return of capital. As a result, you may have to use funds from other sources to pay your federal income tax liability on the value of the common stock received. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition, Liquidity and Capital Resources” for more information.

We may in the future choose to pay distributions partly in our own stock, in which case you may be required to pay tax in excess of the cash you receive.

We may make taxable distributions that are payable in part in our stock. The Internal Revenue Service (the “IRS”) has issued private letter rulings to other RIC taxpayers in the past that allowed the RIC taxpayer to treat a distribution of its own stock as fulfilling its RIC annual distribution requirement under certain circumstances. In addition, the IRS has issued revenue procedures in the past that temporarily allowed a RIC to treat a distribution of its own stock as fulfilling its RIC annual distribution requirements under certain circumstances (although those periods to which those revenue procedures applied have expired). We may seek to obtain a similar private letter ruling from the IRS, or the IRS may issue revenue procedures in the future allowing RICs to treat a distribution of its own stock as fulfilling its

RIC annual distribution requirements. As a result, a stockholder may be required to pay tax with respect to such distributions in excess of any cash received.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We do not own any real estate or other physical properties materially important to our operation. Our and our Manager's executive offices are at 245 Park Avenue, 42nd Floor, New York, NY 10167.

Item 3. Legal Proceedings

From time to time, we may be a party to certain ordinary routine litigation incidental to our business, including the enforcement of our rights under contracts with our portfolio companies. We are not currently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock is traded on the NASDAQ Global Select Market under the symbol "ACSF." The following table lists the high and low closing sale prices for our common stock, the closing sale prices as a premium or (discount) to our NAV per share and distributions per share for the years ended December 31, 2016 and 2015.

Period	NAV ⁽¹⁾	Closing Sales Price		Premium (Discount) of High Sales Price to NAV ⁽²⁾ per Share	Premium (Discount) of Low Sales Price to NAV ⁽²⁾ per Share	Distributions Declared
		High	Low			
Fiscal year ended December 31, 2016						
Fourth quarter	\$13.68	\$12.05	\$10.91	(11.9)%	(20.2)%	\$0.291
Third quarter	\$13.20	\$11.45	\$10.20	(13.3)%	(22.7)%	\$0.291
Second quarter	\$12.45	\$10.79	\$9.80	(13.3)%	(21.3)%	\$0.291
First quarter	\$11.72	\$10.06	\$7.86	(14.2)%	(32.9)%	\$0.291
Fiscal year ended December 31, 2015						
Fourth quarter	\$11.79	\$11.72	\$9.56	(0.6)%	(18.9)%	\$0.291
Third quarter	\$13.53	\$13.20	\$10.91	(2.4)%	(19.4)%	\$0.291
Second quarter	\$14.54	\$13.45	\$12.65	(7.5)%	(13.0)%	\$0.291
First quarter	\$14.51	\$13.49	\$12.11	(7.0)%	(16.5)%	\$0.290

NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per (1) share on the date of the high and low sales prices. The NAVs shown are based on outstanding common shares at the end of the each period.

(2) Calculated as of the respective high or low closing sales price divided by the quarter-end NAV.

The last reported price for our common stock on March 7, 2017 was \$13.07 per share. As of March 7, 2017, we had three stockholders of record. Most of the shares of our common stock are held by brokers and other institutions on behalf of stockholders.

Shares of BDCs may trade at a market price both above and below the NAV that is attributable to those shares. Our shares have historically traded below our NAV per share. For example, our shares closed on the NASDAQ Global Select Market at \$11.90 on December 31, 2016. Our NAV per share was \$13.68 as of the same date as shown in the table above. The possibility that our shares of common stock will trade at a discount from NAV per share or at a premium that is unsustainable over the long term is separate and distinct from the risk that our NAV per share will decrease. It is not possible to predict whether our shares will trade at, above or below our NAV per share in the future.

Distributions to Stockholders

We intend to continue making regular distributions to our stockholders. The timing and amount of our distributions, if any, will be determined by our Board of Directors. All distributions to our stockholders are declared out of assets legally available for distribution. We expect that our distributions to stockholders will generally be from accumulated net investment income and from net realized capital gains, if any, as applicable. To the extent our taxable earnings fall below the total amount of our distributions for any given fiscal year, a portion of those distributions may be deemed to be a tax return of capital to our stockholders. Thus, the source of a distribution to our stockholders may be the original capital invested by the stockholder rather than our taxable ordinary income or capital gains. Stockholders should read any written disclosure accompanying a distribution payment carefully and should not assume that the source of any distribution is our taxable ordinary income or capital gain.

We have elected to be taxed as a RIC under Subchapter M of the Code. To maintain our RIC status, we must distribute at least 90% of our ordinary income and the excess of net short term gains over the net long term losses, if any, out of the assets legally available for distribution. During the years ended December 31, 2016 and 2015, 100% of our distributions were made from net investment income. A written statement identifying the nature of these distributions for tax reporting purposes for the year was posted on our website. We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amounts of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage requirements applicable to us as a BDC under the 1940 Act. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of favorable RIC tax treatment. We cannot assure stockholders that they will receive any distributions.

All distributions declared in cash and payable to stockholders that are participants in our dividend reinvestment and stock purchase plan are generally automatically reinvested in shares of our common stock. As a result, stockholders that opt out of our dividend reinvestment and stock purchase plan may experience dilution over time.

The following table reflects the cash distributions that we have declared on our common stock for the fiscal years ended December 31, 2016 and 2015:

(\$ in thousands, except per share data)

Declaration Date	Ex-Dividend Date	Record Date	Payment Date	Per Share Amount	Total Amount
March 19, 2015	March 27, 2015	March 31, 2015	April 6, 2015	\$0.29	\$2,900
March 19, 2015	April 17, 2015	April 21, 2015	May 4, 2015	\$0.097	\$970
May 4, 2015	May 20, 2015	May 22, 2015	June 2, 2015	\$0.097	\$970
May 4, 2015	June 17, 2015	June 19, 2015	July 2, 2015	\$0.097	\$970
May 4, 2015	July 22, 2015	July 24, 2015	August 4, 2015	\$0.097	\$970
August 3, 2015	August 19, 2015	August 21, 2015	September 2, 2015	\$0.097	\$970
August 3, 2015	September 18, 2015	September 22, 2015	October 2, 2015	\$0.097	\$970
August 3, 2015	October 21, 2015	October 23, 2015	November 3, 2015	\$0.097	\$970
November 2, 2015	November 18, 2015	November 20, 2015	December 2, 2015	\$0.097	\$970
November 2, 2015	December 22, 2015	December 24, 2015	January 5, 2016	\$0.097	\$970
November 2, 2015	January 20, 2016	January 22, 2016	February 2, 2016	\$0.097	\$970
Total declared for 2015				\$1.26	\$12,600
February 8, 2016	February 17, 2016	February 19, 2016	March 2, 2016	\$0.097	\$970
February 8, 2016	March 21, 2016	March 23, 2016	April 4, 2016	\$0.097	\$970
February 8, 2016	April 19, 2016	April 21, 2016	May 3, 2016	\$0.097	\$970
May 2, 2016	May 19, 2016	May 23, 2016	June 2, 2016	\$0.097	\$970
May 2, 2016	June 21, 2016	June 23, 2016	July 5, 2016	\$0.097	\$970
May 2, 2016	July 19, 2016	July 21, 2016	August 2, 2016	\$0.097	\$970
August 3, 2016	August 19, 2016	August 23, 2016	September 2, 2016	\$0.097	\$970
August 3, 2016	September 20, 2016	September 22, 2016	October 4, 2016	\$0.097	\$970
August 3, 2016	October 19, 2016	October 21, 2016	November 2, 2016	\$0.097	\$970
November 4, 2016	November 18, 2016	November 22, 2016	December 2, 2016	\$0.097	\$970
November 4, 2016	December 21, 2016	December 23, 2016	January 5, 2017	\$0.097	\$970
November 4, 2016	January 19, 2017	January 23, 2017	February 2, 2017	\$0.097	\$970
Total declared for 2016				\$1.16	\$11,640

Sale of Unregistered Securities

We did not engage in any sales of unregistered securities during the fiscal years ended December 31, 2016 and 2015.

Stock Performance Graph

This graph compares the return on our common stock with that of the S&P/LSTA U.S. All Loans Index and the Russell 2000 Index, for the period from January 16, 2014 (initial public offering) through December 31, 2016. The graph assumes that, on January 16, 2014, a person invested \$100 in each of our common stock, the S&P/LSTA U.S. All Loans Index and the Russell 2000 Index at their closing prices. The graph measures total stockholder return, which takes into account both changes in stock price and dividends. It assumes that dividends paid are reinvested in like securities.

This graph and the other information furnished under this Part II Item 5 of this report shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Dividend Reinvestment and Stock Purchase Plan

Our Board of Directors has adopted a dividend reinvestment and stock purchase plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under the plan in additional whole and fractional shares of common stock, unless you “opt out” of the plan so as to receive cash distributions by notifying our plan administrator by telephone, internet or in writing. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of the plan. Under the optional cash purchase component of the plan, participants in the plan may also make optional cash purchases of shares of our common stock of between \$50 and \$10,000 per month and, with our prior approval, in excess of \$10,000 per month. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash; however, since their cash distributions will be reinvested, such stockholders will not receive cash with which to pay any applicable taxes on reinvested distributions.

Our stock transfer agent, registrar and dividend reinvestment plan administrator is Computershare Investor Services. Requests for information from Computershare can be sent to Computershare Investor Services, P.O. Box 30170, College Station, TX 77842-3170, or calling (800) 733-5001 (U.S. and Canada) (781) 575-3400 (outside U.S. and Canada) or through the Internet, at www.computershare.com.

Item 6. Selected Financial Data

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SELECTED FINANCIAL DATA

(\$ in thousands, except per share data)

The selected financial and other data below should be read in conjunction with our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes thereto. Financial information is presented for the fiscal years ended December 31, 2016, 2015, 2014 and the period ended from October 15, 2013 to December 31, 2013.

	As of and for the year ended December 31,			Period from
	2016	2015	2014	October 15, 2013* to December 31, 2013
Consolidated Statement of Operations data:				
Total investment income	\$17,570	\$19,245	\$17,773	\$1,572
Total expenses (net) ⁽¹⁾	\$5,772	\$6,555	\$6,914	\$1,326
Net investment income	\$11,798	\$12,690	\$10,859	\$246
Net gain (loss) on investments	\$18,702	\$(27,355)	\$(7,070)	\$769
Net increase (decrease) in net assets resulting from operations	\$30,500	\$(14,665)	\$3,789	\$1,015
Per Share data:				
Net asset value	\$13.68	\$11.79	\$14.42	n/a
Net investment income	\$1.18	\$1.27	\$1.09	n/a
Net gain (loss) on investments	\$1.87	\$(2.74)	\$(0.71)	n/a
Net increase (decrease) in net assets resulting from operations	\$3.05	\$(1.47)	\$0.38	n/a
Distributions to stockholders declared	\$1.16	\$1.26	\$1.03	n/a
Consolidated Balance Sheet data:				
Investments, fair value	\$244,872	\$229,056	\$276,370	\$199,565
Cash and cash equivalents	\$8,795	\$2,474	\$1,757	\$12,493
Total assets	\$257,340	\$235,805	\$282,477	\$218,696
Secured revolving credit facility payable	\$104,900	\$110,200	\$130,000	\$194,748
Total net assets	\$136,789	\$117,929	\$144,235	\$1,016
Other data:				
Total return based on market value ⁽²⁾	35.33	% (10.75)	% (12.90)	% n/a
Total return based on net asset value ⁽²⁾	29.71	% (10.10)	% 3.73	% n/a
Investment purchases during the period	\$94,267	\$106,982	\$226,628	\$207,548
Investment sales and repayments during the period	\$104,221	\$134,342	\$148,461	\$9,790
Number of loan obligors at period end	149	128	117	69
Number of CLO issuers at period end	21	20	16	8
Yield on SFRLs as of period end	5.43	% 5.38	% 5.36	% 5.17
Yield on CLOs as of period end	10.68	% 10.04	% 13.64	% 14.64
Yield on investment portfolio as of period end	6.50	% 6.37	% 6.92	% 6.61

*Commencement of operations

(1) Net expenses include income tax benefit (provision) included in net investment income.

(2) Total return is based on the change in market price or NAV per share during the period and takes into account dividends reinvested in accordance with the dividend reinvestment and stock purchase plan.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.

Forward-Looking Statements

Some of the statements in this report constitute forward-looking statements, which relate to future events or our future performance or financial condition. We generally use words such as "anticipates," "believes," "expects," "intends" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including any factors set forth in "Risk Factors" and elsewhere in this report. The forward-looking statements contained herein involve risks and uncertainties, including statements as to: (i) our future operating results; (ii) our business prospects and the prospects of our portfolio companies; (iii) the impact of investments that we expect to make; (iv) our contractual arrangements and relationships with third parties; (v) the dependence of our future success on the general economy and market conditions and their respective impact on the portfolio companies and industries in which we invest; (vi) the ability of our portfolio companies to achieve their objectives; (vii) our expected financings and investments; (viii) the adequacy of our cash resources and working capital; and (ix) the timing of cash flows, if any, from the operations of our portfolio companies.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we may file with the SEC in the future, including any annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Overview

American Capital Senior Floating, Ltd. ("ACSF", "we", "our" and "us"), a Maryland corporation organized in February 2013 that commenced operations on October 15, 2013, is an externally managed, non-diversified closed-end investment management company. We have elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "1940 Act"). In addition, for tax purposes we have elected to be treated as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code").

On January 15, 2014, we priced our initial public offering ("IPO"), selling 10.0 million shares of common stock, at a price of \$15.00 per share for net proceeds of \$149.2 million. Our common stock is listed on the NASDAQ Global Select Market, where it trades under the symbol "ACSF". We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"), and intend to take advantage of the exemption for emerging growth companies allowing us to temporarily forgo the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002. We do not intend to take advantage of other disclosure or reporting exemptions for emerging growth companies under the JOBS Act.

Prior to January 3, 2017 we were managed by American Capital ACSF Management, LLC (our "Prior Manager") pursuant to a management agreement dated January 15, 2014 between us and our Prior Manager (the "Prior Management Agreement"). On January 3, 2017, we entered into an interim management agreement with Ivy Hill Asset Management, L.P. ("IHAM" or our "Manager") pursuant to Rule 15a-4 adopted under the 1940 Act (the "Interim Management Agreement"). The Prior Management Agreement was terminated in accordance with its terms on January 3, 2017. The Interim Management Agreement will remain in effect until the earlier of (a) the date a new management agreement is approved by our stockholders and (b) June 3, 2017, unless terminated earlier by ACSF or IHAM. Pursuant to the Prior Management Agreement, our Prior Manager agreed to be responsible for certain of our operating expenses in excess of 0.75% of our consolidated net assets, less net unrealized appreciation or depreciation, each as defined under GAAP at the end of the most recently completed fiscal quarter for the first 24 months following the date of our IPO in January 2014 (the "Expense Cap"). Our Prior Manager voluntarily extended the Expense Cap until the date of our 2016 Annual Meeting of Stockholders, which occurred on December 16, 2016 ("2016 Annual Meeting"). In connection with the 2016 Annual Meeting, we submitted to a vote of stockholders an amendment and restatement of

the Prior Management Agreement which would have (i) extended the Expense Cap through December 31, 2020, (ii) subject to the Expense Cap, provided for reimbursement by us to our Prior Manager for certain compensation expenses related to legal, compliance and internal audit personnel of our Prior Manager and its affiliates who provided services to us necessary for our operations that were not required to be provided by our Prior Manager under the Prior Management Agreement and (iii) made certain other immaterial changes (collectively, the “Proposal”). We failed to obtain the requisite votes to approve the Proposal. The Expense Cap was again voluntarily extended by our Prior Manager until the termination of the Prior Management Agreement, which occurred on January 3, 2017, thus the Expense Cap expired on January 3, 2017.

Investments

Our investment objective is to provide attractive, risk-adjusted returns over the long term primarily through current income while seeking to preserve our capital. Our Manager actively manages our leveraged portfolio composed primarily of diversified investments in first lien and second lien floating rate loans principally to large-market U.S.-based companies (collectively, “Senior Floating Rate Loans” or “SFRLs”), which are commonly referred to as leveraged loans. Standard and Poor’s (“S&P”) defines large-market loans as loans to issuers with earnings before interest, taxes, depreciation and amortization (“EBITDA”) of greater than \$50 million. Senior Floating Rate Loans are typically collateralized by a company’s assets and structured with first lien or second lien priority on collateral, providing for greater security and potential recovery in the event of default compared to other subordinated fixed-income products. We also invest in equity tranches of collateralized loan obligations (“CLOs”) which are securitized vehicles collateralized primarily by SFRLs and we may invest in debt tranches of CLOs. In addition, we may selectively invest in loans issued by middle market companies, mezzanine and unitranche loans and high yield bonds. Additionally, we may from time to time hold or invest in other equity investments and other debt or equity securities generally arising from a restructuring of Senior Floating Rate Loan positions previously held by us. Under normal market conditions, we will invest at least 80% of our assets in Senior Floating Rate Loans.

Our level of investment activity can vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to U.S. based large-market private companies, the level of merger and acquisition activity for such companies, the general economic environment, market conditions and the competitive environment for the types of investments we make. As a BDC, we must not acquire any assets other than “qualifying assets” as defined by Section 55(a) of the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies”. The definition of “eligible portfolio company” includes private operating companies and certain public companies whose securities are listed on a national securities exchange but whose market capitalization is less than \$250 million, in each case organized under the laws of and with their principal place of business located in the United States. Investments in debt and equity tranches of CLOs are generally deemed nonqualified assets for BDC compliance purposes; therefore, under normal market conditions, we intend to limit our CLO investments to 20% of our portfolio.

Portfolio and Investment Activity

As of December 31, 2016, our portfolio had a fair value of \$244.9 million, a cost basis of \$258.0 million and was comprised of 77% first lien loans, 6% second lien loans and 17% CLO equity, each measured at fair value. The loan portfolio consisted of 149 portfolio companies and the CLO portfolio included 21 CLOs managed by 15 different collateral managers with year of issue ranging from 2012 to 2015. Our loan portfolio consisted of all floating rate investments with 100% having LIBOR floors ranging between 0.75% and 1.25%. The weighted average LIBOR floor in our loan portfolio was 1.00% as of December 31, 2016. The following table depicts a summary of our portfolio as of December 31, 2016:

(\$ in thousands)	Cost	Fair Value	Net Unrealized Appreciation (Depreciation)	Weighted Average Yield at Cost
Investment Portfolio:				
First lien floating rate loans	\$ 189,009	\$ 188,098	\$ (911)	5.18 %
Second lien floating rate loans	16,626	15,429	(1,197)	8.29 %
Total Senior Floating Rate Loans	205,635	203,527	(2,108)	5.43 %
CLO equity	52,330	41,329	(11,001)	10.68 %
Equity	—	16	16	— %
Total Investment Portfolio	\$ 257,965	\$ 244,872	\$ (13,093)	6.50 %

As of December 31, 2015, our portfolio had a fair value of \$229.1 million, a cost basis of \$261.9 million and was comprised of 74% first lien loans, 10% second lien loans and 16% CLO equity, each measured at fair value. The loan portfolio consisted of 128 portfolio companies and the CLO portfolio included 20 CLOs managed by 15 different collateral managers with year of issue ranging from 2012 to 2015. Our loan portfolio consisted of all floating rate investments with 100% having LIBOR floors ranging between 0.75% and 1.75%. The weighted average LIBOR floor in our loan portfolio was 1.01% as of December 31, 2015. The following table depicts a summary of our portfolio as of December 31, 2015:

(\$ in thousands)	Cost	Fair Value	Net Unrealized Depreciation	Weighted Average Yield at Cost
Investment Portfolio:				
First lien floating rate loans	\$181,367	\$169,580	\$ (11,787)	5.03 %
Second lien floating rate loans	24,909	22,575	(2,334)	7.90 %
Total Senior Floating Rate Loans	206,276	192,155	(14,121)	5.38 %
CLO equity	55,599	36,854	(18,745)	10.04 %
Equity	—	47	47	— %
Total Investment Portfolio	\$261,875	\$229,056	\$ (32,819)	6.37 %

Our portfolio is actively managed, with an annualized turnover ratio of 41.6% for the year ended December 31, 2016. During the year ended December 31, 2016, the loan portfolio rotation was reflective of the active management style, which seeks to optimize the portfolio based on current market conditions by rotating into positions seeking to achieve better relative values. The weighted average yield at cost as of December 31, 2016 on the loan portfolio, CLO equity and total portfolio was 5.43%, 10.68% and 6.50%, respectively. The weighted average yield at cost on the investment portfolio increased 13 basis points from 6.37% as of December 31, 2015 to 6.50% at December 31, 2016, primarily due to a 64 basis point increase in the yield on the CLO portfolio due to an increase in underlying projected future cash flows for such CLO equity investments.

The following tables depict the portfolio activity for years ended December 31, 2016 and 2015:

(\$ in thousands)	2016											
	First Lien		Second Lien		CLO Equity		Equity		Total		Weighted	
	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)
December 31, 2015, at Fair Value	\$169,580	5.03 %	\$22,575	7.90 %	\$36,854	10.04 %	\$47	n/a	\$229,056	6.37 %		
Purchases	82,546	5.30 %	7,129	8.59 %	4,592	24.13 %	—	— %	94,267	6.03 %		
Sales	(41,496)	(4.89)%	(1,504)	(8.98)%	(1,796)	(30.99)%	—	— %	(44,796)	(5.93)%		
Repayments ⁽¹⁾	(32,260)	(5.24)%	(13,977)	(7.90)%	(13,187)	(15.76)%	—	— %	(59,424)	(8.24)%		
Amortization / accretion of premium / discount ⁽²⁾			26		6,782		—		7,067			
Net realized gains / (losses)	(1,407)		43		340		—		(1,024)			
Net unrealized appreciation / (depreciation)	10,876		1,137		7,744		(31)		19,726			
December 31, 2016, at Fair Value	\$188,098	5.18 %	\$15,429	8.29 %	\$41,329	10.68 %	\$16	n/a	\$244,872	6.50 %		

(1) Repayments for CLO equity reflect the amount of cash distributions received during the year ended December 31, 2016.

(2) Amount reflected in amortization/accretion of premium/discount for CLO equity represents the income recognized during the year ended December 31, 2016 using the effective interest method.

Number of Portfolio Companies:	For the Year Ended December 31, 2016		
	Loans	CLO	Total Portfolio
Portfolio Companies - December 31, 2015	128	20	148
Purchases (new)	64	3	67
Complete Exit	(43)	(2)	(45)
Portfolio Companies - December 31, 2016	149	21	170

As of December 31, 2016, the fair value of the portfolio was \$244.9 million versus a cost basis of \$258.0 million resulting in \$13.1 million of cumulative net unrealized depreciation. During the year ended December 31, 2016, we recognized net unrealized appreciation on the investment portfolio of \$19.7 million. The appreciation was due to an increase in fair value in both the CLO portfolio and the loan portfolio. The increase in fair value of the CLO portfolio was a result of a number of factors, including tightening spreads and increased trades in CLO equity. The primary drivers for the increase in fair value of the loan portfolio were higher prices in the broadly syndicated U.S. loan market as a result of improved loan issuance and tightening yields during 2016. See “Current Market Conditions” for more

information.

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(\$ in thousands)	2015		2015		2015		2015		2015		2015	
	First Lien		Second Lien		CLO Equity		Equity		Total		Weighted	
	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)	Amount	Weighted Average Yield (at cost)
December 31, 2014, at Fair Value	\$194,952	4.98 %	\$29,841	7.81 %	\$51,577	13.64 %	\$—	%	\$276,370	6.92 %		
Purchases	91,404	5.07 %	4,942	8.42 %	10,636	17.32 %	—	%	106,982	6.03 %		
Sales	(66,976)	(4.85)%	(6,723)	(8.10)%	(2,282)	(18.93)%	—	%	(75,981)	(5.53)%		
Repayments ⁽¹⁾	(40,565)	(5.20)%	(4,170)	(7.69)%	(13,626)	(13.90)%	—	%	(58,361)	(7.09)%		
Amortization / accretion of discount / premium ⁽²⁾	68	n/a	14	n/a	7,330	n/a	—	n/a	7,412	n/a		
Net realized gains / (losses)	(593)	n/a	5	n/a	278	n/a	—	n/a	(310)	n/a		
Net unrealized appreciation / (depreciation)	(8,710)	n/a	(1,334)	n/a	(17,059)	n/a	47	n/a	(27,056)	n/a		
December 31, 2015, at Fair Value	\$169,580	5.03 %	\$22,575	7.90 %	\$36,854	10.04 %	\$47	n/a	\$229,056	6.37 %		

(1) Repayments for CLO equity reflect the amount of cash distributions received during the year ended December 31, 2015.

(2) Amount reflected in amortization/accretion of discount/premium for CLO equity represents the income recognized during the year ended December 31, 2015 using the effective interest method.

Number of Portfolio Companies:	For the Year Ended December 31, 2015		
	Loans	CLO	Total Portfolio
Portfolio Companies - December 31, 2014	117	16	133
Purchases (new)	70	5	75
Complete Exit	(59)	(1)	(60)
Portfolio Companies - December 31, 2015	128	20	148

As of December 31, 2015, the fair value of the portfolio was \$229.1 million versus a cost basis of \$261.9 million resulting in \$32.8 million of cumulative net unrealized depreciation. During the year ended December 31, 2015, we recognized net unrealized depreciation on the investment portfolio of \$27.1 million. The depreciation was due to fair value decline in both the CLO portfolio and the loan portfolio. The decline in fair value of the CLO portfolio was a result of a number of factors, including an increase in defaulted loan assets held by the CLOs, a decline in the NAV of the CLOs and a risk-off sentiment in the market which drove prices down significantly. The primary drivers for the decline in fair value of the loan portfolio were an overall decline in market prices, reinvestment uncertainty and a further decline in the commodities sector, specifically those portfolio companies in the oil & gas and metals & mining industries.

As of December 31, 2016, approximately 72% of our loan portfolio, at fair value, was comprised of loans with a facility rating by S&P of at least “B” or higher. The following chart shows the S&P facility credit rating of our loan portfolio at fair value as of December 31, 2016:

First Lien Second Lien

As of December 31, 2015, approximately 75% of our loan portfolio, at fair value, was comprised of loans with a facility rating by S&P of at least “B” or higher. The following chart shows the S&P facility credit rating of our loan portfolio at fair value as of December 31, 2015:

First Lien Second Lien

Results of Operations

The following analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements included in this Annual Report on Form 10-K and the notes thereto.

(\$ in thousands)	Year ended December 31,		
	2016	2015	2014
Investment income:			
First lien floating rate loans	\$9,184	\$9,633	\$9,884
Second lien floating rate loans	1,603	2,282	2,389
CLO equity	6,783	7,330	5,500
Total investment income	17,570	19,245	17,773
Expenses:			
Interest and other debt related costs	2,652	2,970	3,448
Management fee	2,045	2,236	2,186
Other expenses	2,394	2,021	2,122
Expense reimbursement	(1,274)	(899)	(1,001)
Net expenses	5,817	6,328	6,755
Net investment income before taxes	11,753	12,917	11,018
Income tax provision	45	(227)	(159)
Net investment income	11,798	12,690	10,859
Net gain (loss) on investments:			
Net realized gain (loss) on investments	(1,024)	(310)	190
Net unrealized appreciation (depreciation) on investments	19,726	(27,056)	(7,060)
Income tax benefit (provision)	—	11	(200)
Net gain (loss) on investments	18,702	(27,355)	(7,070)
Net increase (decrease) in net assets resulting from operations	\$30,500	\$(14,665)	\$3,789

Investment Income

Investment income decreased \$1.7 million to \$17.6 million for the year ended December 31, 2016 compared to 2015. The decrease was driven by a smaller investment portfolio, on average, during 2016 as compared to 2015 as well as lower portfolio yields, particularly for our CLO portfolio. Interest generated from the loan portfolio totaled \$10.8 million and income from the CLO investments totaled \$6.8 million for the year ended December 31, 2016. The weighted average yield at cost on our loan portfolio during the year ended December 31, 2016 was 5.41% and the weighted average yield at cost on our CLO investments during the year ended December 31, 2016 was 10.38% for a weighted average total yield on the portfolio during 2016 of 6.44%.

Investment income increased \$1.5 million to \$19.2 million for the year ended December 31, 2015 compared to 2014. The increase was driven by additional income generated by a larger average CLO portfolio in 2015. Interest generated from the loan portfolio totaled \$11.9 million and income from the CLO investments totaled \$7.3 million for the year ended December 31, 2015. The weighted average yield on our loan portfolio during the year ended December 31, 2015 was 5.03% and the weighted average yield on our CLO investments during the year ended December 31, 2015 was 13.82% for a weighted average total yield on the portfolio during 2015 of 6.99%.

Investment income for the year ended December 31, 2014 was \$17.8 million. Interest generated from the loan portfolio totaled \$12.3 million and income from the CLO investments totaled \$5.5 million for the year ended December 31, 2014. The weighted average yield on our loan portfolio during the year ended December 31, 2014 was 5.27% and the weighted average yield on our CLO investments during the year ended December 31, 2014 was 12.96% for a weighted average total yield on the portfolio during 2014 of 6.48%.

In accordance with FASB ASC Topic 325-40, Investments-Other, Beneficial Interests in Securitized Financial Assets (“ASC 325-40”), in the event that the fair value of an investment is less than its amortized cost basis and there is an adverse change in the expected future cash flows of the investment, we may be required to write down the current amortized cost used to determine

effective yield (“Reference Amount”) by credit losses included in the fair value of the investment or to fair value. We are precluded from reversing the write down for any subsequent increase in the expected cash flows of an investment with the effect of increasing total interest income over the life of the investment and increasing the realized loss recorded at the exit of the investment by the amount of the write down. During the fiscal years ended December 31, 2016 and 2015, we wrote down the Reference Amount of our CLO investment portfolio by \$1.3 million and \$4.0 million, respectively, for credit losses included in the fair value of the investments.

Net Expenses

Net expenses decreased \$0.5 million for the year ended December 31, 2016 compared to 2015. The decline was driven by a reduction in the amortization of deferred financing costs due to the amendment and restatement of the secured revolving credit facility with Bank of America, N.A. (as amended and restated, the “Credit Facility”) in October 2015, which extended the maturity and therefore the amortization period by two years, and a reduction in management fees due to less total assets, on average, during 2016 as compared to 2015.

Net expenses decreased \$0.4 million for the year ended December 31, 2015 compared to 2014. The decline was driven by a reduction of interest expense due to a lower average cost of funding and average debt outstanding during 2015.

Interest and other debt related costs incurred January 1, 2014 until January 22, 2014 (the closing date of the IPO) primarily related to interest expense on the revolving credit facility (the “ACAM Facility”) provided by American Capital Asset Management, LLC, (“ACAM”) the indirect parent of our Prior Manager. There was \$194.7 million outstanding on the ACAM Facility at the time of the closing of the IPO, at which point the ACAM Facility was repaid in full and terminated. The weighted average interest rate on the ACAM Facility was 5.0%.

Interest and other debt related costs incurred following the closing date of the IPO through December 31, 2014 and in 2015 and 2016 are related to borrowings under the Credit Facility. The Credit Facility generally bears interest at a spread of 1.80% over a chosen index (which is typically one-month LIBOR). Included in other debt related costs are additional fees and expenses associated with the Credit Facility, including an unused commitment fee of 75 basis points on undrawn commitments and the amortization of debt financing costs. On October 29, 2015 the Credit Facility was amended and restated, extending the maturity date from December 18, 2015 to December 18, 2018, decreasing the commitment amount from \$140,000 to \$135,000 and eliminating the commitment fee when the facility is at least 90% utilized.

The following table outlines the costs associated with our debt financing:

	For the Year Ended December 31,		
(\$ in thousands)	2016	2015	2014*
Interest expense	\$2,289	\$ 2,518	\$ 3,001
Commitment fees	271	111	54
Amortization of debt financing costs	92	341	393
Total Interest and Other Debt Related Costs	\$2,652	\$ 2,970	\$ 3,448
Average debt outstanding	\$99,487	\$124,434	\$130,984
Average cost of funding ⁽¹⁾	2.66%	2.39%	2.63%
Average interest rate	2.26%	2.00%	2.26%

* Commencement of operations

⁽¹⁾ Includes amortization of debt financing costs

Our other expenses are primarily composed of insurance premiums, Board of Director fees, professional fees and rent. Other expenses were reduced as a result of the Expense Cap that was in effect during these periods with our Prior Manager, and thus our Prior Manager was responsible for reimbursing us for certain of our other operating expenses. Total net other expenses for the years ended December 31, 2016, 2015 and 2014 were \$1.1 million for each year.

Net Realized Gain (Loss) on Investments

Sales and repayments of investments during the year ended December 31, 2016 totaled \$44.8 million and \$59.4 million, respectively, resulting in net realized losses of \$1.0 million. Sales and repayments of investments during the

year ended December 31, 2015 totaled \$76.0 million and \$58.4 million, respectively, resulting in net realized losses of \$0.3 million. Sales and repayments of investments during the year ended December 31, 2014 totaled \$106.4 million and \$42.0 million, respectively, resulting in net realized gains of \$0.2 million.

Net Unrealized Appreciation (Depreciation) on Investments

During the year ended December 31, 2016, we recognized net unrealized appreciation on investments of \$19.7 million. The CLO portfolio produced \$7.7 million in net unrealized appreciation, the majority of which was incurred in the second and third quarters of 2016. The increase in fair value of the CLO portfolio was a result of a number of factors, including tightening spreads and increased trades in CLO equity. The loan portfolio contributed \$12.0 million of net unrealized appreciation during the year ended December 31, 2016, which was reflective of the upward trend in loan prices during 2016. The primary drivers for the increase in fair value of the loan portfolio was higher prices in the broadly syndicated U.S. loan market as a result of improved loan issuance and tightening yields during 2016.

During the year ended December 31, 2015, we recognized net unrealized depreciation on investments of \$27.1 million. The CLO portfolio produced \$17.1 million in net unrealized depreciation, the majority of which was incurred in the second half of 2015. The decline in fair value of the CLO portfolio was a result of a number of factors, including an increase in defaulted loan assets held by the CLOs, a decline in the NAV of the CLOs and a risk-off sentiment which drove prices down significantly. The loan portfolio contributed \$10.0 million of net unrealized depreciation during the year ended December 31, 2015, which was reflective of the downward trend in loan prices during 2015. The primary drivers for the decline in fair value of the loan portfolio were an overall decline in market prices, which was driven primarily by weakness in the commodities sectors, a general risk-off sentiment across various asset classes and related outflows from retail loan funds.

During the year ended December 31, 2014, we recognized net unrealized depreciation on investments of \$7.1 million. The depreciation, especially in the fourth quarter, was largely a function of exposure to the oil & gas industry, which was impacted by declines in oil prices during the second half of the year. The remaining net depreciation was a result of overall price changes observed in the broader market, which reflected an increase to the required rate of return for positions with otherwise stable credit profiles.

Income Taxes

From our inception through the date of our IPO, we were a taxable corporation under Subchapter C of the Code (“C corporation”), subject to federal and state income taxes on our taxable ordinary income and capital gains. Prior to our IPO, we were a wholly owned subsidiary of ACAM, which was wholly owned by American Capital, Ltd. (“American Capital”). As such, we were required to be consolidated in American Capital’s federal consolidated tax group, which had a September 30 tax year end. We had a tax sharing agreement with American Capital and other members of the consolidated tax group, under which such members bore their full share of their individual tax obligation and members were compensated for their losses and other tax benefits that were able to be used by other members of the consolidated tax group based on their pro forma stand-alone federal income tax return.

We have elected to be treated as a RIC for income tax purposes beginning with the date of our IPO. In order to qualify as a RIC, among other things, we are required to meet certain source of income and asset diversification requirements; additionally, we must distribute annually at least 90% of our ordinary income, including net short term gains in excess of net long term losses. So long as we qualify as a RIC, we generally are not subject to the entity level taxes on earnings timely distributed to our stockholders. At our discretion, we may delay distributions of a portion of our current year taxable income to the subsequent year and pay 4% excise taxes on such deferred distributions as calculated under the Code. If we anticipate paying excise taxes, we accrue excise taxes on a quarterly basis based on our estimates.

As of December 31, 2016, we had approximately \$3.2 million, or \$0.32 per share, of estimated undistributed taxable income. We intend to distribute sufficient dividends, including dividends distributed in the following tax year that we elect to be treated as distributed in the current year, to eliminate our current year taxable income. For the year ended December 31, 2016, we accrued a federal excise tax benefit of less than \$0.1 million. For the years ended December 31, 2015 and 2014 we accrued federal excise tax of \$0.2 million and \$0.1 million, respectively.

Financial Condition, Liquidity and Capital Resources

Our primary resources of liquidity and capital resources arise primarily from our investment portfolio and the available capacity under the Credit Facility. In addition, we expect to use proceeds from any follow-on equity offerings of common stock and other supplementary financing mechanisms as additional sources of capital and

liquidity.

We may from time to time seek to retire or repurchase our common stock through cash purchases, as well as retire, cancel or purchase our outstanding debt through cash purchases and/or exchanges, in open market purchases, privately negotiated transactions or otherwise. Such purchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. The amounts involved may be material. In addition, we may from time to time enter into additional debt facilities, increase the size of existing facilities or issue additional debt securities, including unsecured debt and/or debt securities convertible into common stock. Any such incurrence or issuance would be subject

to prevailing market conditions, our liquidity requirements, contractual and regulatory restrictions and other factors. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, calculated pursuant to the 1940 Act, is at least 200% after such borrowing. As of December 31, 2016 and 2015, our asset coverage was 230% and 207%, respectively.

In order to qualify as a RIC, we must annually distribute in a timely manner to our stockholders at least 90% of our taxable ordinary income. Accordingly, our ability to retain earnings is limited.

Equity Capital

As a BDC, we are generally not able to issue or sell our common stock at a price below our net asset value per share, exclusive of any underwriting discount, except (i) with the prior approval of a majority of our stockholders, (ii) in connection with a rights offering to our existing stockholders, or (iii) under such other circumstances as the SEC may permit. As of December 31, 2016, our net asset value was \$13.68 per share and our closing market price was \$11.90 per share.

Debt Capital

On January 22, 2014, we closed our IPO of 10.0 million shares of common stock at \$15.00 per share, raising approximately \$149.2 million in net proceeds. Using the proceeds from the IPO, plus borrowings from the Credit Facility, we repaid the ACAM Facility in the amount of \$194.7 million. Following repayment, the ACAM Facility was terminated.

As of December 31, 2016, we had \$104.9 million in borrowings outstanding on the Credit Facility. The fair value of assets owned by ACSF Funding as of December 31, 2016 was \$207.8 million and the borrowing base was \$152.2 million. On a consolidated basis, as of December 31, 2016, ACSF's ratio of our principal debt outstanding to stockholders equity was 0.77 to 1. As of December 31, 2016, we had approximately \$30.1 million of available capacity on the Credit Facility. As of December 31, 2015, we had \$110.2 million in borrowings outstanding on the Credit Facility. The fair value of assets owned by ACSF Funding as of December 31, 2015 was \$187.9 million and the borrowing base was \$141.6 million. On a consolidated basis, as of December 31, 2015, our ratio of our principal debt outstanding to stockholders equity was 0.93 to 1. As of December 31, 2015, we had approximately \$24.8 million of available capacity on the Credit Facility.

On October 29, 2015, our wholly owned consolidated financing subsidiary, ACSF Funding I, LLC ("ACSF Funding") amended and restated the Credit Facility to extend the maturity date from December 18, 2015 to December 18, 2018, decrease the commitment amount from \$140,000 to \$135,000 and eliminate the commitment fee when the facility is at least 90% utilized. The Credit Facility generally bears interest at the London Interbank Offered Rate ("LIBOR") plus 1.80%. There is a commitment fee equal to 0.75% on the unused amount of the commitments to the extent the outstanding amount of loans is less than 90% of the aggregate commitments. The Credit Facility is secured by ACSF Funding's assets pursuant to a security agreement and contains customary financial and negative covenants and events of default. Advance rates vary on the type of collateral owned by ACSF Funding and can range up to 80%. On January 3, 2017, ACSF Funding entered into an amendment to the documents governing the Credit Facility that amends the relevant provisions of the Credit Facility to reflect the appointment of IHAM as ACSF's new investment adviser.

As a BDC, we are permitted to issue "senior securities", as defined in the 1940 Act, in any amounts as long as immediately after such issuance our asset coverage is at least 200%, or equal to or greater than our asset coverage prior to such issuance, after taking into account the payment of debt with proceeds from such issuance. Asset coverage is defined in the 1940 Act as the ratio of the value of the total assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. However, if our asset coverage is below 200%, we may also borrow amounts up to 5% of our total assets for temporary purposes even if that would cause our asset coverage ratio to further decline.

Contractual Obligations

A summary of our contractual payment obligations as of December 31, 2016 are as follows:

(\$ in thousands)	Payments Due by Period (in thousands)			
	Total	Less 1 - 3 than Years	3 - 5 Years	More than 5

	1		Years	
	Year			
Credit Facility	\$ 104,900	\$ —	\$ 104,900	\$ —
Total contractual obligations	\$ 104,900	\$ —	\$ 104,900	\$ —

Off-Balance Sheet Arrangements

Commitments to extend credit include loans we are obligated to advance, such as delayed draws or revolving credit arrangements. Commitments generally have fixed expiration dates or other termination clauses. We do not report the unused

portion of these commitments on our Consolidated Statements of Assets and Liabilities. As of December 31, 2016, we had \$0.1 million of outstanding unused loan commitments. We did not engage in any off-balance sheet activity in 2015 and 2014.

Distributions to Stockholders

When determining distributions to stockholders, our Board of Directors considers, among other things, our estimated taxable income, which may differ from GAAP income due to temporary and permanent differences in income and expense recognition, and changes in unrealized appreciation and depreciation on investments. The specific tax characteristics will be reported to stockholders on Form 1099 after the end of the calendar year. From a tax perspective, 100% of the distributions paid to stockholders during the year ended December 31, 2016 were distributions of ordinary income.

For the year ended December 31, 2016, our Board of Directors declared \$1.16 per share of distributions to stockholders totaling \$11.6 million in distributions. We maintain an “opt out” dividend reinvestment and stock purchase plan for our common stockholders. As a result, if we declare a distribution, then stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless they, or their nominees on their behalf, specifically “opt out” of the dividend reinvestment and stock purchase plan so as to receive cash distributions.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. The following is a summary of our accounting policies that are most affected by judgments, estimates and assumptions, which relate to the estimation of fair value of portfolio investments and revenue recognition.

Valuation of Portfolio Investments

We value our investments in accordance with the 1940 Act and ASC 820, as determined in good faith by our Board of Directors.

We undertake a multi-step valuation process to determine the fair value of our investments in accordance with ASC 820. The valuation process begins with the development of a preliminary valuation recommendation for each investment as determined in accordance with our valuation policy. To prepare the proposed valuation, our Manager reviews information provided by a nationally recognized independent pricing service and broker-dealers, and may consult with the investment team and other internal resources of Ares Management and its affiliates. The preliminary valuation recommendations are then presented to the Investment Committee and reviewed and approved by our Audit and Compliance Committee. The valuation recommendations are then reviewed by our Board of Directors for final approval. There were no changes to our valuation techniques or to the types of unobservable inputs used in the valuation process during the year ended December 31, 2016.

ASC 820 provides a framework for measuring the fair value of assets and liabilities and provides guidance regarding a fair value hierarchy, which prioritizes information used to measure fair value and the effect of fair value measurements on earnings. When available, we determine the fair value of our investments using unadjusted quoted prices from active markets. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's fair value measurement. We use judgment and consider factors specific to the investment when determining the significance of an input to a fair value measurement. Our policy is to recognize transfers in and out of levels as of the beginning of each reporting period. The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

Level 1: Inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This may include valuations based on executed trades, broker quotations that constitute an executable price, and alternative pricing sources supported by observable inputs which, in each case, are either

directly or indirectly observable for the asset in connection with market data at the measurement date.

Level 3: Inputs are unobservable and cannot be corroborated by observable market data. In certain cases, investments classified within Level 3 may include securities for which we have obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on.

The valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Our SFRLs are predominately valued based on evaluated prices from a nationally recognized independent pricing service or from third-party brokers who make markets in such debt investments. When possible, we make inquiries of third-party pricing sources to understand their use of significant inputs and assumptions. We review the third-party fair value estimates and perform procedures

to validate their reasonableness, including an analysis of the range and dispersion of third-party estimates, frequency of pricing updates, comparison of recent trade activity for similar securities, and review for consistency with market conditions observed as of the measurement date.

There may be instances when independent or third-party pricing sources are not available, or cases where we believe that the third-party pricing sources do not provide sufficient evidence to support a market participant's view of the fair value of the debt investment being valued. These instances may result from an investment in a less liquid loan such as a middle market loan, a mezzanine loan or unitranche loan, or a loan to a company that has become financially distressed. In these instances, we may estimate the fair value based on a combination of a market yield valuation methodology and evaluated pricing discussed above, or solely based on a market yield valuation methodology. Under the market yield valuation methodology, we estimate the fair value based on a discounted cash flow technique. For these debt investments, the unobservable inputs used in the market yield valuation methodology to measure fair value reflect management's best estimate of assumptions that would be used by market participants when pricing the investment in a hypothetical transaction, including estimated remaining life, current market yield and interest rate spreads of similar loans and securities as of the measurement date. We will estimate the remaining life based on market data for the average life of similar loans. However, if we have information that the loan is expected to be repaid in the near term, we would use an estimated remaining life based on the expected repayment date. The average life to be used to estimate the fair value of our loans may be shorter than the legal maturity of the loans since many loans are prepaid prior to the maturity date. The interest rate spreads used to estimate the fair value of our loans is based on current interest rate spreads of similar loans. If there is a significant deterioration of the credit quality of a loan, we may consider other factors that a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

We estimate the fair value of our CLO equity investments using a combination of third-party broker quotes, purchases or sales of the same or similar securities, and cash flow forecasts subject to assumptions that a market participant would use regarding the investments' underlying collateral including, but not limited to, assumptions for default and recovery rates, reinvestment spreads and prepayment rates. Cash flow forecasts are discounted using market participant's market yield assumptions that are derived from multiple sources including, but not limited to, third-party broker quotes, industry research reports and transactions of securities and indices with similar structures and risk characteristics. We weight the use of third-party broker quotes, if any, when determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance and other market indices.

Investment Income

For debt investments, we record interest income on the accrual basis to the extent that such amounts are expected to be collected. OID and purchased discounts and premiums are accreted/amortized into interest income using the effective interest method, where applicable. Loan origination fees are deferred and accreted into interest income using the effective interest method. We record prepayment premiums on loans and other investments as interest income when such amounts are received. We stop accruing interest on investments when it is determined that interest is no longer collectible. As of December 31, 2016, we had two loans on non-accrual status. As of December 31, 2015, we had one loan on non-accrual status and as December 31, 2014, we had no loans on non-accrual status.

Interest income on CLO equity investments is recognized using the effective interest method as required by FASB ASC Subtopic 325-40, Investments-Other, Beneficial Interests in Securitized Financial Assets ("ASC 325-40"). Under ASC 325-40, at the time of purchase, we estimate the future expected cash flows and determine the effective yield of an investment based on these estimated cash flows and our cost basis. Subsequent to the purchase, these estimated cash flows are updated quarterly and a revised yield is calculated prospectively in accordance with ASC 320-10-35, Investment-Debt and Equity Securities. In the event that the fair value of an investment decreases below its current amortized cost basis, we may be required to write down the current amortized cost basis for a credit loss or to fair value depending on our hold expectations for the investment. Current amortized cost basis less the amount of any write down ("Reference Amount") is used to calculate the effective yield used for interest income recognition purposes over the remaining life of the investment. We are precluded from reversing write downs for any subsequent increase

in the expected cash flows of an investment with the effect of increasing total interest income over the life of the investment and increasing the realized loss recorded on the sale or redemption of the investment by the amount of the credit loss write down. In estimating these cash flows, there are a number of assumptions that are subject to uncertainties and contingencies. These include the amount and timing of principal payments (including prepayments, repurchases, defaults and liquidations), the pass through or coupon rate, and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying loans and the timing and magnitude of projected credit losses on the loans underlying the securities have to be estimated. These uncertainties and contingencies are difficult to predict and are subject to future events that may impact our estimates and interest income.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. As of December 31, 2016, all of our debt investments bore interest at floating rates, and we expect that our investment portfolio will, in the future, primarily include floating rate debt investments. The interest rates on our debt investments are usually based on a floating LIBOR and typically contain interest rate reset provisions that adjust applicable interest rates to current rates on a periodic basis. As of December 31, 2016, the debt investments in our portfolio had interest rate floors between 0.75% and 1.25%. LIBOR rates were slightly below 1% as of December 31, 2016 effectively converting those floating rate debt investments to fixed rate debt investments until LIBOR rises above the floors on our portfolio. In contrast, the Credit Facility has a floating interest rate provision with no LIBOR floor and therefore our cost of funds will fluctuate with changes in short-term interest rates.

Assuming no changes to our consolidated statement of assets and liabilities as of December 31, 2016, the following table shows the approximate annualized impact to the components of our results of operations from hypothetical base rate changes in interest rates to our loan portfolio and the Credit Facility.

(\$ in thousands, except per share data) Basis point increase	Interest Income	Interest Expense	Net Increase	Net Increase per share
300	\$6,071	\$3,147	\$ 2,924	\$ 0.29
200	\$4,010	\$2,098	\$ 1,912	\$ 0.19
100	\$1,949	\$1,049	\$ 900	\$ 0.09
(100)	\$(12)	\$(45)	\$ 33	\$ —
(200)	\$(12)	\$(45)	\$ 33	\$ —
(300)	\$(12)	\$(45)	\$ 33	\$ —

Although management believes that this measure is indicative of our sensitivity to interest rates, it does not reflect any potential impact to the fair value of our investments as a result of changes to interest rates, nor does it adjust for potential changes in the credit market, credit quality, size and composition of assets in our consolidated statements of assets and liabilities and other business developments that could affect the net increase (decrease) 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.

The above sensitivity analysis does not include our CLO equity investments. CLO equity investments are levered structures that are collateralized primarily with first lien floating rate loans that may have LIBOR floors and are levered primarily with floating rate debt that does not have a LIBOR floor. The residual cash flows available to the equity holders of the CLOs will decline as interest rates increase until interest rates surpass the LIBOR floors on the floating rate loans. However, the revenue recognized on our CLO equity investments is calculated using the effective interest method which incorporates a forward LIBOR curve in the projected cash flows. Any change to interest rates that is not in-line with the forward LIBOR curve used in the projections, in either the timing or magnitude of the change, will cause actual distributions to differ from the current projections and will impact the related revenue recognized from these investments.

Item 8. Financial Statements and Supplementary Data

Our management is responsible for the preparation, integrity and objectivity of the accompanying consolidated financial statements and the related financial information. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and necessarily include certain amounts that are based on estimates and informed judgments. Our management also prepared the related financial information included in this Annual Report on Form 10-K and is responsible for its accuracy and consistency with the consolidated financial statements.

The consolidated financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm, who conducted their audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) as of December 31, 2016 and 2015, and for the years ended December 31, 2016, 2015 and 2014. The independent registered public accounting firm's responsibility is to express an opinion as to the

fairness with which such consolidated financial statements present our financial position, results of operations, changes in net assets and cash flows in accordance with accounting principles generally accepted in the United States.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. American Capital Senior Floating, Ltd.'s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). American Capital Senior Floating, Ltd.'s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of American Capital Senior Floating, Ltd.'s internal control over financial reporting as of December 31, 2016, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the Internal Control-Integrated Framework (2013 Framework). Based on this assessment and those criteria, management determined that American Capital Senior Floating, Ltd.'s internal control over financial reporting was effective as of December 31, 2016. This Annual Report on Form 10-K does not include an attestation report of a registered public accounting firm regarding internal control over financial reporting due to an exemption established by the JOBS Act for "emerging growth companies".

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of American Capital Senior Floating, Ltd.

We have audited the accompanying consolidated statements of assets and liabilities of American Capital Senior Floating, Ltd. (the "Company"), including the consolidated schedules of investments, as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial presentation. Our procedures included confirmation of securities owned as of December 31, 2016 and December 31, 2015, by correspondence with the custodian and others, or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Capital Senior Floating, Ltd. at December 31, 2016 and 2015, and the consolidated results of its operations, changes in its net assets, and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young, LLP

McLean Virginia

March 9, 2017

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(in thousands, except share and per share data)

	December 31,	
	2016	2015
Assets:		
Investments, fair value (cost of \$257,965 and \$261,875, respectively)	\$244,872	\$229,056
Cash and cash equivalents	8,795	2,474
Receivable for investments sold	2,272	3,096
Deferred financing costs	181	273
Interest receivable	779	583
Prepaid expenses and other assets	143	89
Receivable from affiliate (see notes 3 and 4)	298	234
Total assets	\$257,340	\$235,805
Liabilities:		
Secured revolving credit facility payable (see note 7)	\$104,900	\$110,200
Payable for investments purchased	12,202	5,437
Distributions to stockholders payable (see note 10)	970	970
Management fee payable (see note 3)	2,046	536
Interest payable (see note 7)	34	52
Taxes payable (see note 8)	117	278
Payable to affiliate (see note 4)	156	217
Other liabilities and accrued expenses	126	186
Total liabilities	120,551	117,876
Commitments and contingencies (see note 11)		
Net Assets:		
Common stock, par value \$0.01 per share; 10,000,100 issued and outstanding; 300,000,000 authorized	100	100
Paid-in capital in excess of par	150,949	150,903
Undistributed net investment income	2,133	1,560
Accumulated net realized loss from investments	(3,300)	(1,815)
Net unrealized depreciation on investments	(13,093)	(32,819)
Total net assets	136,789	117,929
Total liabilities and net assets	\$257,340	\$235,805
Net asset value per share outstanding	\$13.68	\$11.79
See notes to the consolidated financial statements.		

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Investment income:			
Interest	\$17,570	\$19,245	\$17,773
Total investment income	17,570	19,245	17,773
Expenses:			
Interest and commitment fee (see note 7)	2,560	2,629	3,055
Management fee (see note 3)	2,045	2,236	2,186
Professional fees	510	214	165
Insurance	446	467	521
Amortization of deferred financing costs	92	341	393
Other general and administrative expenses	1,438	1,340	1,436
Total expenses	7,091	7,227	7,756
Expense reimbursement (see note 3)	(1,274)	(899)	(1,001)
Net expenses	5,817	6,328	6,755
Net investment income before tax	11,753	12,917	11,018
Income tax benefit (provision)	45	(227)	(159)
Net investment income	11,798	12,690	10,859
Net gain (loss) on investments:			
Net realized gain (loss) on investments	(1,024)	(310)	190
Net unrealized appreciation (depreciation) on investments	19,726	(27,056)	(7,060)
Income tax benefit (provision)	—	11	(200)
Net gain (loss) on investments	18,702	(27,355)	(7,070)
Net increase (decrease) in net assets resulting from operations (“Net Earnings (Loss)”)	\$30,500	\$(14,665)	\$3,789
Net investment income per share	\$1.18	\$1.27	\$1.09
Net Earnings (Loss) per share (see note 5)	\$3.05	\$(1.47)	\$0.38
Distributions to stockholders declared per share	\$1.16	\$1.26	\$1.03
Weighted average shares outstanding ⁽¹⁾	10,000	10,000	10,000

(1) Assumes the issuance of 10,000 shares of common stock on January 1, 2014 that were issued in connection with the IPO, which closed on January 22, 2014.

See notes to consolidated financial statements.

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Operations:			
Net investment income	\$11,798	\$12,690	\$10,859
Net realized gain (loss)	(1,024)	(310)	190
Net unrealized appreciation (depreciation) on investments	19,726	(27,045)	(7,260)
Net earnings (loss)	30,500	(14,665)	3,789
Distributions to stockholders:			
From net investment income	(11,640)	(11,630)	(10,300)
Capital transactions:			
Proceeds from public offering	—	—	150,000
Offering costs	—	—	(844)
Contribution for taxes waived (see note 8)	—	(11)	574
Net increase (decrease) in net assets from capital transactions	—	(11)	149,730
Net increase (decrease) in net assets	18,860	(26,306)	143,219
Net assets beginning of period	117,929	144,235	1,016
Net assets end of period	\$136,789	\$117,929	\$144,235
Undistributed net investment income included in net assets	\$1,718	\$1,193	\$805
Common shares outstanding	10,000	10,000	10,000

See notes to consolidated financial statements.

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net Earnings (Loss) from operations	\$30,500	\$(14,665)	\$3,789
Adjustments to reconcile net increase in net assets resulting from operations:			
Net realized loss (gain) on investments	1,024	310	(190)
Net change in unrealized (appreciation) depreciation on investments	(19,726)	27,056	7,060
Accretion of CLO interest income	(6,782)	(7,330)	(5,501)
Net amortization of premium/discount on loans	(286)	(82)	(7)
Amortization of deferred financing costs	92	341	393
Purchase of investments	(94,267)	(106,982)	(226,628)
Proceeds from dispositions of investments	104,221	134,342	148,461
Change in receivable for investments sold	824	(113)	2,411
Change in payable for investments purchased	6,765	1,211	(16,268)
Change in interest receivable	(196)	121	(401)
Change in prepaid expenses and other assets	(54)	32	346
Change in receivable from affiliate	(64)	(70)	(164)
Change in management fee payable	1,510	(41)	577
Change in interest payable	(18)	(28)	(863)
Change in taxes payable	(161)	187	(149)
Change in payable to affiliate	(61)	5	(83)
Change in other liabilities and accrued expenses	(60)	19	(230)
Net cash provided by (used in) operating activities	23,261	34,313	(87,447)
Cash Flows from Financing Activities:			
Proceeds from the issuance of common stock	—	—	150,000
Offering costs from the issuance of common stock	—	—	(844)
Distributions to stockholders paid	(11,640)	(13,560)	(7,400)
Proceeds from debt	59,600	81,400	199,500
Repayments on debt	(64,900)	(101,200)	(264,248)
Deferred financing costs paid	—	(236)	(297)
Net cash provided by (used in) financing activities	(16,940)	(33,596)	76,711
Net increase (decrease) in cash and cash equivalents	6,321	717	(10,736)
Cash and cash equivalents at beginning of period	2,474	1,757	12,493
Cash and cash equivalents at end of period	\$8,795	\$2,474	\$1,757
Supplemental disclosure of cash flow information:			
Cash paid for interest and commitment fees	\$2,580	\$2,431	\$3,918
Cash paid for income taxes	\$79	\$30	\$517
Distributions to stockholders declared and payable during the period	\$11,640	\$11,630	\$10,300
Supplemental disclosure of non-cash financing activity:			
Contribution for taxes waived	\$—	\$(11)	\$574

See notes to consolidated financial statements.

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AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2016
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
Non-Control/Non-Affiliate Investments								
First Lien Floating Rate Loans — 137.5% of Net Assets								
24 Hour Fitness Worldwide, Inc. ⁽⁵⁾	5/28/2021	4.75 %	L+ 3.75	1.00 %	Hotels, Restaurants & Leisure	\$ 1,952	\$ 1,947	\$ 1,937
Acosta, Inc. ⁽⁵⁾	9/26/2021	4.25 %	L+ 3.25	1.00 %	Media	2,450	2,420	2,396
ADMI Corp. ⁽⁵⁾	4/29/2022	5.25 %	L+ 4.25	1.00 %	Health Care Providers & Services	1,534	1,531	1,549
Aegis Toxicology Sciences Corporation ⁽⁵⁾	2/24/2021	5.50 %	L+ 4.50	1.00 %	Health Care Providers & Services	1,625	1,618	1,550
Agrofresh Inc. ^{(3), (5)}	7/31/2021	5.75 %	L+ 4.75	1.00 %	Chemicals	641	639	594
Air Medical Group Holdings, Inc. ⁽⁵⁾	4/28/2022	4.25 %	L+ 3.25	1.00 %	Health Care Providers & Services	1,970	1,974	1,970
Albertson's LLC ⁽⁵⁾	12/21/2022	4.25 %	L+ 3.25	0.75 %	Food & Staples Retailing	988	965	1,002
AlixPartners, LLP ⁽⁵⁾	7/28/2022	4.00 %	L+ 3.00	1.00 %	Diversified Financial Services	980	978	990
Alliant Holdings Intermediate, LLC ⁽⁵⁾	8/12/2022	5.25 %	L+ 4.00	1.00 %	Insurance	497	493	503
Alliant Holdings Intermediate, LLC ⁽⁵⁾	8/12/2022	4.75 %	L+ 3.50	1.00 %	Insurance	1,034	1,032	1,042
Allied Universal Holdco LLC ^{(5), (8)}	7/28/2022	5.50 %	L+ 4.50	1.00 %	Commercial Services & Supplies	84	82	86
Allied Universal Holdco LLC ⁽⁵⁾	7/28/2022	5.50 %	L+ 4.50	1.00 %	Commercial Services & Supplies	832	824	841
Altice France S.A. ^{(3), (5)}	1/15/2024	5.14 %	L+ 4.25	0.75 %	Media	1,492	1,479	1,515
American Tire Distributors, Inc. ⁽⁵⁾	9/1/2021	5.25 %	L+ 4.25	1.00 %	Distributors	966	962	965
Amneal Pharmaceuticals LLC ⁽⁵⁾	11/1/2019	4.50 %	L+ 3.50	1.00 %	Pharmaceuticals	982	982	986
AmWINS Group, LLC ⁽⁵⁾	9/6/2019	4.75 %	L+ 3.75	1.00 %	Insurance	2,904	2,913	2,940
Anchor Glass Container Corporation ⁽⁵⁾	12/7/2023	4.25 %	L+ 3.25	1.00 %	Containers & Packaging	1,722	1,713	1,739
APLP Holdings Limited Partnership ^{(3), (5)}	4/13/2023	6.00 %	L+ 5.00	1.00 %	Independent Power and Renewable Electricity Producers	457	445	464
AqGen Ascensus, Inc. ⁽⁵⁾	12/5/2022	5.50 %	L+ 4.50	1.00 %	Capital Markets	1,486	1,433	1,488
Aquilex LLC ⁽⁵⁾	12/31/2020	5.00 %	L+ 4.00	1.00 %	Commercial Services & Supplies	906	905	889
	8/4/2021	6.50 %	L+ 5.50	1.00 %		329	327	328

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Ardent Legacy Acquisitions, Inc. ⁽⁵⁾ Arnhold and S.						Health Care Providers & Services			
Bleichroeder Holdings, Inc. ⁽⁵⁾	12/1/2022	5.00 %	L+ 4.00	0.75 %		Capital Markets	707	695	715
Ascend Learning, LLC ⁽⁵⁾	7/31/2019	5.50 %	L+ 4.50	1.00 %		Diversified Consumer Services	581	580	586
Asurion, LLC ⁽⁵⁾	8/4/2022	5.00 %	L+ 4.00	1.00 %		Commercial Services & Supplies	2,144	2,125	2,176
Avaya Inc. ⁽⁵⁾	5/29/2020	6.25 %	L+ 5.25	1.00 %		Software	1,484	1,256	1,294
Bass Pro Shops ⁽⁵⁾	12/15/2023	5.97 %	L+ 5.00	0.75 %		Specialty Retail	1,000	990	992
BJ's Wholesale Club, Inc. ⁽⁵⁾	9/26/2019	4.50 %	L+ 3.50	1.00 %		Food & Staples Retailing	1,424	1,424	1,439
Blackboard Inc. ⁽⁵⁾	6/30/2021	6.00 %	L+ 5.00	1.00 %		Software	2,411	2,411	2,434
BWay Intermediate Company, Inc. ⁽⁵⁾	8/14/2023	4.75 %	L+ 3.75	1.00 %		Containers & Packaging	2,344	2,330	2,355
C.H.I. Overhead Doors, Inc. ⁽⁵⁾	7/29/2022	4.50 %	L+ 3.50	1.00 %		Building Products	665	662	667
Calceus Acquisition, Inc. ⁽⁵⁾	1/31/2020	5.00 %	L+ 4.00	1.00 %		Textiles, Apparel & Luxury Goods	2,313	2,319	2,030
Candy Intermediate Holdings, Inc. ⁽⁵⁾	6/15/2023	5.50 %	L+ 4.50	1.00 %		Food Products	1,791	1,789	1,807
Carecore National, LLC ⁽⁵⁾	3/5/2021	5.50 %	L+ 4.50	1.00 %		Health Care Providers & Services	1,999	1,999	1,971

See notes to consolidated financial statements.

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AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
DECEMBER 31, 2016
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
First Lien Floating Rate Loans (continued) —				137.5%				
of Net Assets								
CB Poly Investments, LLC ⁽⁵⁾	8/16/2023	6.25 %	L+ 5.25	1.00 %	Commercial Services & Supplies	\$ 1,496	\$ 1,482	\$ 1,515
CCM Merger, Inc. ⁽⁵⁾	8/6/2021	4.02 %	L+ 3.25	0.75 %	Hotels, Restaurants & Leisure	793	789	803
CEC Entertainment, Inc. ⁽⁵⁾	2/12/2021	4.00 %	L+ 3.00	1.00 %	Hotels, Restaurants & Leisure	742	720	741
Checkout Holding Corp. ⁽⁵⁾	4/9/2021	4.50 %	L+ 3.50	1.00 %	Media	2,437	2,436	2,133
CHG Healthcare Services, Inc. ⁽⁵⁾	6/7/2023	4.75 %	L+ 3.75	1.00 %	Health Care Providers & Services	662	662	670
CHS/Community Health Systems, Inc. ^{(3), (5)}	1/27/2021	4.00 %	L+ 3.00	1.00 %	Health Care Providers & Services	1,450	1,394	1,409
CityCenter Holdings, LLC ⁽⁵⁾	10/16/2020	4.25 %	L+ 3.25	1.00 %	Hotels, Restaurants & Leisure	1,461	1,467	1,480
CNT Holdings III Corp ⁽⁵⁾	1/22/2023	5.25 %	L+ 4.25	1.00 %	Internet & Catalog Retail	695	691	705
Compuware Corporation ⁽⁵⁾	12/15/2021	6.25 %	L+ 5.25	1.00 %	Software	953	935	960
Cotiviti Corporation ^{(3), (5)}	9/28/2023	3.75 %	L+ 2.75	0.75 %	Professional Services	764	759	772
CPG International Inc. ⁽⁵⁾	9/30/2020	4.75 %	L+ 3.75	1.00 %	Building Products	1,918	1,918	1,935
CPI Buyer, LLC ⁽⁵⁾	8/16/2021	5.50 %	L+ 4.50	1.00 %	Trading Companies & Distributors	1,960	1,949	1,941
CT Technologies Intermediate Holdings, Inc. ⁽⁵⁾	12/1/2021	5.25 %	L+ 4.25	1.00 %	Health Care Technology	493	491	472
Dell International LLC ⁽⁵⁾	9/7/2023	4.02 %	L+ 3.25	0.75 %	Technology Hardware, Storage & Peripherals	2,000	1,990	2,037
Dole Food Company, Inc. ⁽⁵⁾	11/1/2018	4.61 %	L+ 3.50	1.00 %	Food Products	2,486	2,483	2,505
Duff & Phelps Corporation ⁽⁵⁾	4/23/2020	4.75 %	L+ 3.75	1.00 %	Capital Markets	2,394	2,395	2,417
Eastern Power, LLC ⁽⁵⁾	10/2/2021	5.00 %	L+ 4.00	1.00 %	Independent Power and Renewable Electricity Producers	1,932	1,923	1,953
	5/28/2021	5.75 %	L+ 4.75	1.00 %	Electrical Equipment	1,808	1,812	1,817

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Electrical Components
International,
Inc. ⁽⁵⁾

Emerald Expositions Holding, Inc. ⁽⁵⁾	6/17/2020	4.75 %	L+ 3.75	1.00 %	Media	2,449	2,462	2,468
Epicor Software Corporation ⁽⁵⁾	6/1/2022	4.75 %	L+ 3.75	1.00 %	Software	1,954	1,939	1,965
Erie Acquisition Holdings, Inc. ⁽⁵⁾	3/1/2023	6.06 %	L+ 4.75	1.00 %	Commercial Services & Supplies	492	483	500
Expro Finservices S.à r.l. ^{(3), (5)}	9/2/2021	5.75 %	L+ 4.75	1.00 %	Energy Equipment & Services	1,955	1,935	1,667
Fairmount Santrol, Inc. ^{(3), (5)}	9/5/2019	4.50 %	L+ 3.50	1.00 %	Metals & Mining	423	424	412
FHC Health Systems, Inc. ⁽⁵⁾	12/23/2021	5.00 %	L+ 4.00	1.00 %	Health Care Providers & Services	1,492	1,471	1,455
Filtration Group Corporation ⁽⁵⁾	11/23/2020	4.25 %	L+ 3.25	1.00 %	Industrial Conglomerates	988	988	997
Fitness International, LLC ⁽⁵⁾	7/1/2020	6.00 %	L+ 5.00	1.00 %	Hotels, Restaurants & Leisure	1,746	1,724	1,751
Flexera Software LLC ⁽⁵⁾	4/2/2020	4.50 %	L+ 3.50	1.00 %	Software	998	998	1,000
Gates Global LLC ⁽⁵⁾	7/6/2021	4.25 %	L+ 3.25	1.00 %	Machinery Diversified	1,452	1,451	1,455
Global Tel*Link Corporation ⁽⁵⁾	5/23/2020	5.00 %	L+ 3.75	1.25 %	Telecommunications Services	1,649	1,632	1,645
Gold Merger Co, Inc. ⁽⁵⁾	7/27/2023	4.75 %	L+ 3.75	1.00 %	Health Care Providers & Services	998	1,001	1,005
Greeneden U.S. Holdings I, LLC ⁽⁵⁾	12/1/2023	6.25 %	L+ 5.25	1.00 %	Internet Software & Services	500	493	510
Gruden Acquisition, Inc. ⁽⁵⁾	8/18/2022	5.75 %	L+ 4.75	1.00 %	Road & Rail	330	327	316
Hercules Achievement, Inc. ⁽⁵⁾	12/10/2021	5.00 %	L+ 4.00	1.00 %	Media	748	744	760

See notes to consolidated financial statements.

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
DECEMBER 31, 2016
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
First Lien Floating Rate Loans (continued) — 137.5% of Net Assets								
HFOTCO LLC ⁽⁵⁾	8/19/2021	4.25 %	L+ 3.25	1.00 %	Oil, Gas & Consumable Fuels	\$ 1,487	\$ 1,433	\$ 1,484
HGIM Corp. ⁽⁵⁾	6/18/2020	5.50 %	L+ 4.50	1.00 %	Marine	1,451	1,454	1,143
Hyland Software, Inc. ⁽⁵⁾	7/1/2022	4.75 %	L+ 3.75	1.00 %	Software	2,458	2,440	2,477
IBC Capital Limited ^{(3), (5)}	9/9/2021	4.98 %	L+ 3.75	1.00 %	Containers & Packaging	997	988	989
Immucor, Inc. ⁽⁵⁾	8/17/2018	5.00 %	L+ 3.75	1.25 %	Health Care Equipment & Supplies	975	978	945
Indra Holdings Corp. ⁽⁵⁾	5/1/2021	5.25 %	L+ 4.25	1.00 %	Textiles, Apparel & Luxury Goods	1,185	1,178	797
Infoblox Inc. ⁽⁵⁾	11/7/2023	6.00 %	L+ 5.00	1.00 %	Software	1,429	1,401	1,424
Informatica Corporation ⁽⁵⁾	8/5/2022	4.50 %	L+ 3.50	1.00 %	Software	1,975	1,971	1,970
Information Resources, Inc. ^{(5), (7)}	12/20/2023	5.25 %	L+ 4.25	1.00 %	Professional Services	2,431	2,419	2,453
Information Resources, Inc. ⁽⁵⁾	9/30/2020	5.56 %	L+ 3.75	1.00 %	Professional Services	1,929	1,937	1,942
Inmar, Inc. ⁽⁵⁾	1/27/2021	4.50 %	L+ 3.50	1.00 %	Commercial Services & Supplies	2,691	2,673	2,677
Ion Media Networks, Inc. ⁽⁵⁾	12/18/2020	4.50 %	L+ 3.50	1.00 %	Media	1,897	1,905	1,920
IPC Corp. ⁽⁵⁾	8/6/2021	5.50 %	L+ 4.50	1.00 %	Software	1,474	1,468	1,421
Jaguar Holding Company I ⁽⁵⁾	8/18/2022	4.25 %	L+ 3.25	1.00 %	Life Sciences Tools & Services	1,478	1,472	1,496
Jazz Acquisition, Inc. ⁽⁵⁾	6/19/2021	4.50 %	L+ 3.50	1.00 %	Aerospace & Defense	1,952	1,955	1,841
Jo-Ann Stores, LLC ⁽⁵⁾	10/20/2023	6.26 %	L+ 5.00	1.00 %	Specialty Retail	500	490	505
Kronos Acquisition Intermediate Inc. ^{(3), (5)}	8/26/2022	6.00 %	L+ 5.00	1.00 %	Household Products	988	967	999
Kronos Incorporated ^{(5), (7)}	11/1/2023	5.00 %	L+ 4.00	1.00 %	Household Products	2,300	2,292	2,332
Landslide Holdings, Inc. ⁽⁵⁾	9/27/2022	5.50 %	L+ 4.50	1.00 %	Software	648	641	657
Learning Care Group (US) No. 2 Inc. ⁽⁵⁾	5/5/2021	5.00 %	L+ 4.00	1.00 %	Diversified Consumer Services	987	987	997
Liberty Cablevision of Puerto Rico LLC ⁽⁵⁾	1/7/2022	4.50 %	L+ 3.50	1.00 %	Media	1,000	993	996
Life Time Fitness, Inc. ⁽⁵⁾	6/10/2022	4.25 %	L+ 3.25	1.00 %	Hotels, Restaurants & Leisure	865	859	872

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Manitowoc Foodservice, Inc. ^{(3), (5)}	3/3/2023	5.75 %	L+ 4.75	1.00 %	Machinery	635	623	646
McGraw-Hill Global Education Holdings, LLC ⁽⁵⁾	5/4/2022	5.00 %	L+ 4.00	1.00 %	Media	995	991	998
Mediware Information Systems, Inc. ⁽⁵⁾	9/28/2023	5.75 %	L+ 4.75	1.00 %	Health Care Technology	499	494	503
Meter Readings Holdings, LLC ⁽⁵⁾	8/29/2023	6.75 %	L+ 5.75	1.00 %	Electronic Equipment, Instruments & Components	665	655	679
Mister Car Wash Holdings, Inc. ^{(5), (7)}	8/20/2021	5.25 %	L+ 4.25	1.00 %	Diversified Consumer Services	125	124	126
Mister Car Wash Holdings, Inc. ^{(5), (7)}	8/20/2021	5.25 %	L+ 4.25	1.00 %	Diversified Consumer Services	623	619	626
Mitchell International, Inc. ⁽⁵⁾	10/13/2020	4.50 %	L+ 3.50	1.00 %	Software	2,377	2,384	2,384
Moneygram International, Inc. ^{(3), (5)}	3/27/2020	4.25 %	L+ 3.25	1.00 %	IT Services	583	561	578
MPH Acquisition Holdings LLC ⁽⁵⁾	6/7/2023	5.00 %	L+ 4.00	1.00 %	Health Care Providers & Services	464	462	473
National Financial Partners Corp. ⁽⁵⁾	7/1/2020	6.25 %	L+ 3.50	1.00 %	Insurance	1,943	1,951	1,963
NFP Corp. ^{(5), (7)}	1/8/2024	4.50 %	L+ 3.50	1.00 %	Insurance	2,500	2,488	2,526
NVA Holdings, Inc. ⁽⁵⁾	8/14/2021	5.50 %	L+ 4.50	1.00 %	Health Care Providers & Services	394	393	396
Oak Parent, Inc. ⁽⁵⁾	10/26/2023	5.50 %	L+ 4.50	1.00 %	Textiles, Apparel & Luxury Goods	1,367	1,357	1,375

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Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
First Lien Floating Rate Loans (continued) — 137.5% of Net Assets								
Omnitracs, LLC ⁽⁵⁾	11/25/2020	4.75 %	L+ 3.75	1.00 %	Internet Software & Services	\$ 992	\$ 977	\$1,002
Onex Carestream Finance LP ⁽⁵⁾	6/7/2019	5.00 %	L+ 4.00	1.00 %	Health Care Equipment & Supplies	1,610	1,613	1,568
Opal Acquisition, Inc. ⁽⁵⁾	11/27/2020	5.00 %	L+ 4.00	1.00 %	Health Care Providers & Services	2,899	2,885	2,776
Ortho-Clinical Diagnostics Holdings Luxembourg S.À R.L. ^{(3), (5)}	6/30/2021	4.75 %	L+ 3.75	1.00 %	Health Care Providers & Services	2,445	2,392	2,432
PAE Holding Corporation ⁽⁵⁾	10/20/2022	6.50 %	L+ 5.50	1.00 %	Aerospace & Defense	571	560	577
Peabody Energy Corporation ^{(3), (5), (9)}	9/24/2020	4.25 %	L+ 3.25	1.00 %	Oil, Gas & Consumable Fuels	771	647	755
PetSmart, Inc. ⁽⁵⁾	3/11/2022	4.00 %	L+ 3.00	1.00 %	Specialty Retail	488	485	490
Plaskolite, LLC ⁽⁵⁾	11/3/2022	5.75 %	L+ 4.75	1.00 %	Chemicals	920	914	924
Plaze, Inc. ⁽⁵⁾	7/31/2022	5.25 %	L+ 4.25	1.00 %	Chemicals	824	823	828
PODS, LLC ⁽⁵⁾	2/2/2022	4.50 %	L+ 3.50	1.00 %	Road & Rail	992	982	1,004
Power Buyer, LLC ⁽⁵⁾	5/6/2020	4.25 %	L+ 3.25	1.00 %	Construction & Engineering	993	992	996
Presidio, Inc. ⁽⁵⁾	2/2/2022	5.25 %	L+ 4.25	1.00 %	IT Services	1,281	1,281	1,297
Press Ganey Holdings, Inc. ⁽⁵⁾	10/23/2023	4.25 %	L+ 3.25	1.00 %	Health Care Technology	400	398	403
PrimeLine Utility Services LLC ⁽⁵⁾	11/14/2022	6.50 %	L+ 5.50	1.00 %	Construction & Engineering	1,107	1,098	1,111
ProAmpac PG Borrower LLC ⁽⁵⁾	11/20/2023	5.00 %	L+ 4.00	1.00 %	Containers & Packaging	450	446	456
Quest Software US Holdings Inc. ⁽⁵⁾	10/31/2022	7.00 %	L+ 6.00	1.00 %	Software	2,000	1,986	2,030
Quikrete Holdings, Inc. ⁽⁵⁾	11/15/2023	4.00 %	L+ 3.25	0.75 %	Building Products	1,000	995	1,011
Rackspace Hosting, Inc. ⁽⁵⁾	11/3/2023	4.50 %	L+ 3.50	1.00 %	Internet Software & Services	500	500	507
Ravago Holdings America, Inc. ⁽⁵⁾	7/13/2023	5.00 %	L+ 4.00	1.00 %	Trading Companies & Distributors	498	493	504
Renaissance Learning, Inc. ⁽⁵⁾	4/9/2021	4.50 %	L+ 3.50	1.00 %	Software	1,945	1,944	1,954
RGIS Services, LLC ⁽⁵⁾	10/18/2017	5.50 %	L+ 4.25	1.25 %	Commercial Services & Supplies	1,506	1,504	1,393
Riverbed Technology, Inc. ⁽⁵⁾	4/25/2022	4.25 %	L+ 3.25	1.00 %	Communications Equipment	1,975	1,975	1,992

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Road Infrastructure Investment Holdings, Inc. ⁽⁵⁾	6/13/2023	5.00 %	L+ 4.00	1.00 %	Chemicals	800	798	808
Scientific Games International, Inc. ^{(3), (5)}	10/1/2021	6.00 %	L+ 5.00	1.00 %	Hotels, Restaurants & Leisure	978	971	991
Sears Roebuck Acceptance Corp. ^{(3), (5)}	6/30/2018	5.50 %	L+ 4.50	1.00 %	Multiline Retail	977	970	940
Securus Technologies Holdings, Inc. ⁽⁵⁾	4/30/2020	4.75 %	L+ 3.50	1.25 %	Diversified Telecommunications Services	1,866	1,850	1,859
Serta Simmons Bedding, LLC ⁽⁵⁾	11/8/2023	4.50 %	L+ 3.50	1.00 %	Household Durables	2,000	1,990	2,025
Shearer's Foods, LLC ⁽⁵⁾	6/30/2021	5.25 %	L+ 4.25	1.00 %	Food Products	495	491	497
Solera, LLC ^{(3), (5)}	3/3/2023	5.75 %	L+ 4.75	1.00 %	Software	496	483	504
Sterigenics-Nordion Holdings, LLC ⁽⁵⁾	5/16/2022	4.25 %	L+ 3.25	1.00 %	Life Sciences Tools & Services	895	888	902
STS Operating, Inc. ⁽⁵⁾	2/12/2021	4.75 %	L+ 3.75	1.00 %	Trading Companies & Distributors	1,906	1,914	1,849
Surgery Center Holdings, Inc. ^{(3), (5)}	11/3/2020	4.75 %	L+ 3.75	1.00 %	Health Care Providers & Services	1,960	1,954	1,980
Syniverse Holdings, Inc. ⁽⁵⁾	4/23/2019	4.00 %	L+ 3.00	1.00 %	Wireless Telecommunication Services	1,466	1,444	1,288

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AMERICAN CAPITAL SENIOR FLOATING, LTD.
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Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
First Lien Floating Rate Loans (continued) — 137.5% of Net Assets								
TCH-2 Holdings, LLC ⁽⁵⁾	5/6/2021	5.50 %	L+ 4.50	1.00 %	Internet Software & Services	\$543	\$527	\$545
Thermasys Corp. ⁽⁵⁾	5/3/2019	5.25 %	L+ 4.00	1.25 %	Machinery	441	442	380
Travelport Finance (Luxembourg) S.à r.l. ^{(3), (5)}	9/2/2021	5.00 %	L+ 4.00	1.00 %	Internet Software & Services	1,918	1,902	1,940
Turbocombustor Technology, Inc. ⁽⁵⁾	12/2/2020	5.50 %	L+ 4.50	1.00 %	Aerospace & Defense	3,395	3,376	3,106
U.S. Renal Care, Inc. ⁽⁵⁾	12/30/2022	5.25 %	L+ 4.25	1.00 %	Health Care Providers & Services	495	491	466
USI, Inc. ⁽⁵⁾	12/27/2019	4.25 %	L+ 3.25	1.00 %	Insurance	1,819	1,828	1,832
VF Holding Corp. ⁽⁵⁾	6/30/2023	4.25 %	L+ 3.25	1.00 %	Internet Software & Services	998	993	1,003
Weight Watchers International, Inc. ^{(3), (5)}	4/2/2020	4.07 %	L+ 3.25	0.75 %	Diversified Consumer Services	987	845	823
William Morris Endeavor Entertainment, LLC ⁽⁵⁾	5/6/2021	5.25 %	L+ 4.25	1.00 %	Media	1,945	1,943	1,969
WP CPP Holdings, LLC ⁽⁵⁾	12/28/2019	4.50 %	L+ 3.50	1.00 %	Aerospace & Defense	2,409	2,406	2,360
Total First Lien Floating Rate Loans						\$190,535	\$189,009	\$188,098
Second Lien Floating Rate Loans — 11.3% of Net Assets								
Advantage Sales & Marketing Inc. ⁽⁵⁾	7/25/2022	7.50 %	L+ 6.50	1.00 %	Professional Services	\$1,000	\$995	\$979
Ameriforge Group Inc. ^{(6), (9)}	12/21/2020	8.75 %	L+ 7.50	1.25 %	Energy Equipment & Services	500	444	79
Anchor Glass Container Corporation ⁽⁵⁾	12/7/2024	8.75 %	L+ 7.75	1.00 %	Containers & Packaging	500	495	511
Applied Systems, Inc.	1/24/2022	7.50 %	L+ 6.50	1.00 %	Software	970	965	982
Asurion, LLC ⁽⁵⁾	3/3/2021	8.50 %	L+ 7.50	1.00 %	Commercial Services & Supplies	1,000	991	1,019
Checkout Holding Corp. ⁽⁵⁾	4/11/2022	7.75 %	L+ 6.75	1.00 %	Media	1,000	1,002	720
Del Monte Foods, Inc. ^{(3), (5)}	8/18/2021	8.45 %	L+ 7.25	1.00 %	Food Products	1,500	1,499	1,154

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Jazz Acquisition, Inc. ⁽⁵⁾	6/19/2022	7.75 %	L+ 6.75	1.00 %	Aerospace & Defense	1,250	1,254	1,061
Jonah Energy LLC ^{(5), (6)}	5/12/2021	7.50 %	L+ 6.50	1.00 %	Oil, Gas & Consumable Fuels	500	495	475
Mitchell International, Inc. ⁽⁵⁾	10/11/2021	8.50 %	L+ 7.50	1.00 %	Software	750	710	746
NVA Holdings, Inc. ⁽⁵⁾	8/14/2022	8.00 %	L+ 7.00	1.00 %	Health Care Providers & Services	1,500	1,507	1,506
ProAmpac PG Borrower LLC ⁽⁵⁾	11/18/2024	9.50 %	L+ 8.50	1.00 %	Containers & Packaging	500	493	503
Ranpak Corp. ⁽⁵⁾	10/3/2022	8.25 %	L+ 7.25	1.00 %	Containers & Packaging	1,375	1,374	1,341
Sedgwick Claims Management Services, Inc. ⁽⁵⁾	2/28/2022	6.75 %	L+ 5.75	1.00 %	Insurance	2,500	2,417	2,503
Solenis International, L.P. ⁽⁵⁾	7/31/2022	7.75 %	L+ 6.75	1.00 %	Chemicals	500	498	493
U.S. Renal Care, Inc. ⁽⁵⁾	12/29/2023	9.00 %	L+ 8.00	1.00 %	Health Care Providers & Services	1,000	987	890
WP CPP Holdings, LLC ⁽⁵⁾	4/30/2021	8.75 %	L+ 7.75	1.00 %	Aerospace & Defense	492	500	467
Total Second Lien Floating Rate Loans						\$16,837	\$16,626	\$15,429
CLO Equity — 30.2% of Net Assets								
Apidos CLO XIV, Income Notes ^{(3), (4), (6)}	4/15/2025	11.02 %				\$5,900	\$4,056	\$3,480
Apidos CLO XVIII, Income Notes ^{(3), (4), (6)}	7/22/2026	10.08 %				2,500	1,769	1,450
Ares XXIX CLO Ltd., Subordinated Notes ^{(3), (4), (6)}	4/17/2026	5.81 %				4,750	3,508	2,605
Avery Point II CLO, Limited, Income Notes ^{(3), (4), (6)}	7/17/2025	— %				3,200	1,903	1,101

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(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
CLO Equity (continued) — 30.2% of Net Assets								
Babson 2015-1, Income Notes ^{(3), (4), (6)}	4/20/2027	16.74%				\$2,500	\$1,920	\$1,811
Betony CLO, Ltd., Subordinated Notes ^{(3), (4), (6)}	4/15/2027	1.79 %				2,500	1,903	1,278
Blue Hill CLO, Ltd., Subordinated Notes ^{(3), (4), (6)}	1/15/2026	— %				5,400	3,910	1,636
Blue Hill CLO, Ltd., Subordinated Fee Notes ^{(3), (4), (6)}	1/15/2026	— %				100	63	58
Carlyle Global Market Strategies CLO 2015-3, Ltd., Subordinated Notes ^{(3), (4), (6)}	7/28/2028	20.55%				3,000	2,307	2,456
Cent CLO 18 Limited, Subordinated Notes ^{(3), (4), (6)}	7/23/2025	19.36%				4,675	3,212	2,801
Cent CLO 19 Limited, Subordinated Notes ^{(3), (4), (6)}	10/29/2025	18.20%				2,750	2,012	1,677
Dryden 30 Senior Loan Fund, Subordinated Notes ^{(3), (4), (6)}	11/15/2025	22.98%				2,500	1,440	1,368
Dryden 31 Senior Loan Fund, Subordinated Notes ^{(3), (4), (6)}	4/18/2026	15.60%				5,250	3,405	2,954
Dryden 38 Senior Loan Fund, Subordinated Notes ^{(3), (4), (6), (7)}	7/15/2027	17.80%				3,000	2,423	2,456
Galaxy XVI CLO, Ltd., Subordinated Notes ^{(3), (4), (6)}	11/17/2025	4.28 %				2,750	1,893	1,479
Halcyon Loan Advisors Funding 2014-1 Ltd., Subordinated Notes ^{(3), (4), (6)}	4/18/2026	2.28 %				3,750	2,680	1,466
Highbridge Loan Management 2013-2, Ltd., Subordinated Notes ^{(3), (4), (6)}	10/20/2024	14.24%				1,000	660	636
Magnetite VIII, Limited, Subordinated Notes ^{(3), (4), (6)}	4/15/2026	13.95%				3,000	2,334	2,140
Neuberger Berman CLO XV, Ltd., Subordinated Notes ^{(3), (4), (6)}	10/15/2025	15.43%				3,410	2,056	1,937
	1/15/2024	0.61 %				5,500	3,328	1,805

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Octagon Investment Partners XIV, Ltd., Income Notes ^{(3), (4), (6)}					
Octagon Investment Partners XX, Ltd., Subordinated Notes ^{(3), (4), (6)}	8/12/2026	5.64 %	2,500	1,850	1,383
THL Credit Wind River 2014-1 CLO Ltd., Subordinated Notes ^{(3), (4), (6)}	4/18/2026	17.49%	5,050	3,698	3,352
Total CLO Equity			\$74,985	\$52,330	\$41,329
Common Equity — 0.0% of Net Assets					
New Millennium Holdco, Inc. (9,446 shares) ^{(5), (6), (10)}			\$—	\$—	\$16
Total Common Equity			\$—	\$—	\$16
Total Non-Control/Non-Affiliate Investments — 179.0% of net assets			\$282,357	\$257,965	\$244,872
Liabilities in Excess of Other Assets — (79.0%)					(108,083)
Net Assets — 100.0%					\$136,789

For each debt investment we have provided the weighted-average interest rate in effect as of December 31, 2016.

- (1) For each CLO investment we have provided the accounting yield as of December 31, 2016 determined using the effective interest method that will be applied to the current amortized cost of the investment in the following quarter. See Note 2 in this Annual Report on Form 10-K regarding the recognition of Investment Income on CLOs. Floating rate debt investments typically accrue interest at a predetermined spread relative to an index, typically (2) LIBOR or PRIME, and reset monthly, quarterly or semi-annually. These instruments may be subject to a LIBOR or PRIME rate floor.

See notes to consolidated financial statements.

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
DECEMBER 31, 2016
(dollar amounts in thousands)

- Investments that are not “qualifying assets” under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not
- (3) acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2016, qualifying assets represented 76% of total assets.
 - (4) These securities are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
 - (5) Assets are held at ACSF Funding and are pledged as collateral for the Credit Facility.
 - (6) Fair value was determined using significant unobservable inputs and are classified as Level 3 in the fair value hierarchy.
 - (7) All or a portion of this position has not settled as of December 31, 2016.
 - (8) Debt investment has an unused loan commitment of \$81.5.
Investment has been placed on non-accrual as of December 31, 2016. All subsequent cash received from
 - (9) investment will be used to reduce its cost basis until the investment is placed back on accrual status or the remaining cost basis has been collected.
 - (10) Common stock is non-income producing.

See notes to consolidated financial statements.

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AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS
DECEMBER 31, 2015
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
Non-Control/Non-Affiliate Investments								
First Lien Floating Rate Loans —143.8% of Net Assets								
24 Hour Fitness Worldwide, Inc. ⁽⁵⁾	5/28/2021	4.75 %	L+ 3.75	1.00%	Hotels, Restaurants & Leisure	\$ 1,972	\$ 1,966	\$ 1,846
Acosta, Inc. ⁽⁵⁾	9/26/2021	4.25 %	L+ 3.25	1.00%	Media	2,475	2,438	2,361
ADMI Corp. ⁽⁵⁾	4/29/2022	5.50 %	L+ 4.50	1.00%	Health Care Providers & Services	547	546	548
Aegis Toxicology Sciences Corporation ⁽⁵⁾	2/24/2021	5.50 %	L+ 4.50	1.00%	Health Care Providers & Services	1,642	1,633	1,384
Agrofresh Inc. ^{(3), (5)}	7/31/2021	5.75 %	L+ 4.75	1.00%	Chemicals	647	646	638
Air Medical Group Holdings, Inc. ⁽⁵⁾	4/28/2022	4.50 %	L+ 3.50	1.00%	Health Care Providers & Services	1,990	1,995	1,932
Albertson's LLC ⁽⁵⁾	3/21/2019	5.50 %	L+ 4.50	1.00%	Food & Staples Retailing	993	989	991
AlixPartners, LLP ⁽⁵⁾	7/28/2022	4.50 %	L+ 3.50	1.00%	Diversified Financial Services	1,995	1,990	1,984
Alliant Holdings Intermediate, LLC ⁽⁵⁾	8/12/2022	4.50 %	L+ 3.50	1.00%	Insurance	1,045	1,042	1,022
American Tire Distributors, Inc. ⁽⁵⁾	9/1/2021	5.25 %	L+ 4.25	1.00%	Distributors	1,478	1,472	1,459
Amneal Pharmaceuticals LLC ⁽⁵⁾	11/1/2019	4.50 %	L+ 3.50	1.00%	Pharmaceuticals	992	992	976
AmWINS Group, LLC ⁽⁵⁾	9/6/2019	5.25 %	L+ 4.25	1.00%	Insurance	2,934	2,946	2,932
Anchor Glass Container Corporation ⁽⁵⁾	7/1/2022	4.54 %	L+ 3.50	1.00%	Containers & Packaging	963	959	962
AqGen Ascensus, Inc. ^{(5), (7)}	12/5/2022	5.50 %	L+ 4.50	1.00%	Capital Markets	941	885	885
Aquilex LLC ⁽⁵⁾	12/31/2020	5.00 %	L+ 4.00	1.00%	Commercial Services & Supplies	968	966	929
Ardent Legacy Acquisitions, Inc. ⁽⁵⁾	8/4/2021	6.50 %	L+ 5.50	1.00%	Health Care Providers & Services	332	329	331
Arnhold and S. Bleichroeder Holdings, Inc. ⁽⁵⁾	12/1/2022	4.75 %	L+ 4.00	0.75%	Capital Markets	714	700	698
Ascend Learning, LLC ⁽⁵⁾	7/31/2019	5.50 %	L+ 4.50	1.00%	Diversified Consumer Services	588	586	586
Asurion, LLC ⁽⁵⁾	5/24/2019	5.00 %	L+ 3.75	1.25%	Commercial Services & Supplies	943	943	886
Asurion, LLC ⁽⁵⁾	8/4/2022	5.00 %	L+ 4.00	1.00%		1,244	1,238	1,141

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Avaya Inc. ⁽⁵⁾	5/29/2020	6.25 %	L+ 5.25	1.00%	Commercial Services & Supplies			
BJ's Wholesale Club, Inc. ⁽⁵⁾	9/26/2019	4.50 %	L+ 3.50	1.00%	Software	997	806	700
Blackboard Inc. ⁽⁵⁾	10/4/2018	4.75 %	L+ 3.75	1.00%	Food & Staples Retailing	1,471	1,472	1,414
Blue Coat Holdings, Inc. ⁽⁵⁾	5/20/2022	4.50 %	L+ 3.50	1.00%	Software	2,435	2,436	2,345
BWay Intermediate Company, Inc. ⁽⁵⁾	8/14/2020	5.50 %	L+ 4.50	1.00%	Communications Equipment	2,000	2,001	1,938
C.H.I. Overhead Doors, Inc. ⁽⁵⁾	7/29/2022	4.75 %	L+ 3.75	1.00%	Containers & Packaging	2,456	2,437	2,369
Calceus Acquisition, Inc. ⁽⁵⁾	1/31/2020	5.00 %	L+ 4.00	1.00%	Building Products	332	332	327
CAMP International Holding Company ⁽⁵⁾	5/31/2019	4.75 %	L+ 3.75	1.00%	Textiles, Apparel & Luxury Goods	2,337	2,345	2,092
Carecore National, LLC ⁽⁵⁾	3/5/2021	5.50 %	L+ 4.50	1.00%	Transportation Infrastructure	1,960	1,980	1,908
CCM Merger, Inc. ⁽⁵⁾	8/6/2021	4.50 %	L+ 3.50	1.00%	Health Care Providers & Services	2,047	2,047	1,781
Checkout Holding Corp. ⁽⁵⁾	4/9/2021	4.50 %	L+ 3.50	1.00%	Hotels, Restaurants & Leisure	883	877	880
CityCenter Holdings, LLC ⁽⁵⁾	10/16/2020	4.25 %	L+ 3.25	1.00%	Media	2,463	2,461	1,982
Compuware Corporation ⁽⁵⁾	12/15/2021	6.25 %	L+ 5.25	1.00%	Hotels, Restaurants & Leisure	1,774	1,783	1,764
					Software	2,972	2,906	2,780

See notes to consolidated financial statements.

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
DECEMBER 31, 2015
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
First Lien Floating Rate Loans (continued) — 143.8% of Net Assets								
Cotiviti Corporation ⁽⁵⁾	5/14/2021	4.50 %	L+ 3.50	1.00%	Professional Services	\$ 1,111	\$ 1,102	\$ 1,078
CPG International Inc. ⁽⁵⁾	9/30/2020	4.75 %	L+ 3.75	1.00%	Building Products	1,938	1,938	1,831
CPI Buyer, LLC ⁽⁵⁾	8/16/2021	5.50 %	L+ 4.50	1.00%	Trading Companies & Distributors	988	976	949
CT Technologies Intermediate Holdings, Inc. ⁽⁵⁾	12/1/2021	5.25 %	L+ 4.25	1.00%	Health Care Technology	498	495	482
Dell International LLC ⁽⁵⁾	4/29/2020	4.00 %	L+ 3.25	0.75%	Technology Hardware, Storage & Peripherals	2,488	2,495	2,472
Deltek, Inc. ⁽⁵⁾	6/25/2022	5.00 %	L+ 4.00	1.00%	Software	2,872	2,866	2,845
Dole Food Company, Inc. ⁽⁵⁾	11/1/2018	4.50 %	L+ 3.50	1.00%	Food Products	2,513	2,509	2,502
Duff & Phelps Corporation ⁽⁵⁾	4/23/2020	4.75 %	L+ 3.75	1.00%	Capital Markets	3,421	3,423	3,356
DynCorp International Inc. ⁽⁵⁾	7/7/2016	6.25 %	L+ 4.50	1.75%	Aerospace & Defense	2,189	2,191	2,097
Electrical Components International, Inc. ⁽⁵⁾	5/28/2021	5.75 %	L+ 4.75	1.00%	Electrical Equipment	1,970	1,974	1,964
Emerald Expositions Holding, Inc. ⁽⁵⁾	6/17/2020	4.75 %	L+ 3.75	1.00%	Media	2,622	2,640	2,587
Epicor Software Corporation ⁽⁵⁾	6/1/2022	4.75 %	L+ 3.75	1.00%	Software	995	993	974
eResearchTechnology, Inc. ⁽⁵⁾	5/8/2022	5.50 %	L+ 4.50	1.00%	Life Sciences Tools & Services	995	991	978
Evergreen Acqco 1 LP ⁽⁵⁾	7/9/2019	5.00 %	L+ 3.75	1.25%	Multiline Retail	621	623	509
EWT Holdings III Corp. ⁽⁵⁾	1/15/2021	4.75 %	L+ 3.75	1.00%	Machinery	980	976	965
Expro Finservices S.à r.l. ^{(3), (5)}	9/2/2021	5.75 %	L+ 4.75	1.00%	Energy Equipment & Services	1,975	1,950	1,334
Fairmount Minerals, Ltd. ⁽⁵⁾	9/5/2019	4.50 %	L+ 3.50	1.00%	Metals & Mining	2,933	2,945	1,463
Filtration Group Corporation ⁽⁵⁾	11/23/2020	4.25 %	L+ 3.25	1.00%	Industrial Conglomerates	998	998	973
Fitness International, LLC ⁽⁵⁾	7/1/2020	5.50 %	L+ 4.50	1.00%	Hotels, Restaurants & Leisure	1,288	1,279	1,194
Gates Global LLC ⁽⁵⁾	7/6/2021	4.25 %	L+ 3.25	1.00%	Machinery	1,489	1,487	1,400
	5/23/2020	5.00 %	L+ 3.75	1.25%		1,685	1,662	1,239

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Global Tel*Link Corporation ⁽⁵⁾					Diversified Telecommunications Services			
Gruden Acquisition, Inc. ⁽⁵⁾	8/18/2022	5.75 %	L+ 4.75	1.00%	Road & Rail	333	330	320
HGIM Corp. ⁽⁵⁾	6/18/2020	5.50 %	L+ 4.50	1.00%	Marine	1,466	1,470	872
Hyland Software, Inc. ⁽⁵⁾	7/1/2022	4.75 %	L+ 3.75	1.00%	Software	2,482	2,461	2,451
Immucor, Inc. ⁽⁵⁾	8/19/2018	5.00 %	L+ 3.75	1.25%	Health Care Equipment & Supplies	985	990	940
Indra Holdings Corp. ⁽⁵⁾	5/1/2021	5.25 %	L+ 4.25	1.00%	Textiles, Apparel & Luxury Goods	1,190	1,181	1,113
Informatica Corporation ⁽⁵⁾	8/5/2022	4.50 %	L+ 3.50	1.00%	Software	1,995	1,990	1,926
Information Resources, Inc. ⁽⁵⁾	9/30/2020	4.75 %	L+ 3.75	1.00%	Professional Services	1,955	1,965	1,945
Inmar, Inc. ⁽⁵⁾	1/27/2021	4.25 %	L+ 3.25	1.00%	Commercial Services & Supplies	1,970	1,956	1,927
Ion Media Networks, Inc. ⁽⁵⁾	12/18/2020	4.75 %	L+ 3.75	1.00%	Media	1,965	1,975	1,941
IPC Corp. ⁽⁵⁾	8/6/2021	5.50 %	L+ 4.50	1.00%	Software	1,489	1,482	1,404
Jaguar Holding Company I ⁽⁵⁾	8/18/2022	4.25 %	L+ 3.25	1.00%	Life Sciences Tools & Services	1,493	1,485	1,454
Jazz Acquisition, Inc. ⁽⁵⁾	6/19/2021	4.50 %	L+ 3.50	1.00%	Aerospace & Defense	1,971	1,975	1,791
Key Safety Systems, Inc. ⁽⁵⁾	8/29/2021	4.75 %	L+ 3.75	1.00%	Auto Components	1,481	1,475	1,444
Kronos Acquisition Intermediate Inc. ^{(3), (5)}	8/26/2022	6.00 %	L+ 5.00	1.00%	Household Products	998	974	971
La Frontera Generation, LLC ⁽⁵⁾	9/30/2020	4.50 %	L+ 3.50	1.00%	Independent Power and Renewable Electricity Producers	1,783	1,792	1,693

See notes to consolidated financial statements.

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
DECEMBER 31, 2015
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
First Lien Floating Rate Loans (continued) — 143.8% of Net Assets								
Landmark Aviation FBO								
Canada, Inc. ^{(3), (5)}	10/25/2019	4.75 %	L+ 3.75	1.00%	Aerospace & Defense	\$ 75	\$ 75	\$ 75
Landslide Holdings, Inc. ⁽⁵⁾	2/25/2020	5.00 %	L+ 4.00	1.00%	Software	983	979	963
Language Line, LLC ⁽⁵⁾	7/7/2021	6.50 %	L+ 5.50	1.00%	Commercial Services & Supplies	956	947	953
Learning Care Group (US) No. 2 Inc. ⁽⁵⁾	5/5/2021	5.00 %	L+ 4.00	1.00%	Diversified Consumer Services	1,016	1,016	1,012
Leonardo Acquisition Corp. ⁽⁵⁾	1/29/2021	4.25 %	L+ 3.25	1.00%	Internet & Catalog Retail	2,940	2,950	2,930
Life Time Fitness, Inc. ⁽⁵⁾	6/10/2022	4.25 %	L+ 3.25	1.00%	Hotels, Restaurants & Leisure	498	495	486
LM U.S. Member LLC ⁽⁵⁾	10/25/2019	4.75 %	L+ 3.75	1.00%	Aerospace & Defense	1,895	1,902	1,889
Mallinckrodt International Finance S.A. ^{(3), (5), (7)}	3/19/2021	3.25 %	L+ 2.50	0.75%	Pharmaceuticals	570	532	555
Mitchell International, Inc. ^{(5), (7)}	10/13/2020	4.50 %	L+ 3.50	1.00%	Software	2,401	2,411	2,283
Moneygram International, Inc. ^{(3), (5)}	3/27/2020	4.25 %	L+ 3.25	1.00%	IT Services	602	571	552
National Financial Partners Corp. ⁽⁵⁾	7/1/2020	4.50 %	L+ 3.50	1.00%	Insurance	2,466	2,480	2,376
New Millennium Holdco, Inc. ⁽⁵⁾	12/21/2020	7.50 %	L+ 6.50	1.00%	Health Care Providers & Services	323	323	299
Onex Carestream Finance LP ⁽⁵⁾	6/7/2019	5.00 %	L+ 4.00	1.00%	Health Care Equipment & Supplies	1,708	1,713	1,547
Opal Acquisition, Inc. ⁽⁵⁾	11/27/2020	5.00 %	L+ 4.00	1.00%	Health Care Providers & Services	2,934	2,917	2,453
Ortho-Clinical Diagnostics Holdings Luxembourg S.À R.L. ^{(3), (5)}	6/30/2021	4.75 %	L+ 3.75	1.00%	Health Care Providers & Services	1,970	1,968	1,682
P2 Lower Acquisition, LLC ⁽⁵⁾	10/22/2020	5.50 %	L+ 4.50	1.00%	Health Care Providers & Services	1,895	1,890	1,876
Peabody Energy Corporation ^{(3), (5)}	9/24/2020	4.25 %	L+ 3.25	1.00%	Oil, Gas & Consumable Fuels	990	903	475
PetSmart, Inc. ⁽⁵⁾	3/11/2022	4.25 %	L+ 3.25	1.00%	Specialty Retail	995	991	971
Phillips-Medisize Corporation ⁽⁵⁾	6/16/2021	4.75 %	L+ 3.75	1.00%	Health Care Equipment & Supplies	1,208	1,207	1,181

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Plaskolite, LLC ⁽⁵⁾	11/3/2022	5.75 %	L+ 4.75	1.00%	Chemicals	550	545	547
Plaze, Inc. ⁽⁵⁾	7/31/2022	5.25 %	L+ 4.25	1.00%	Chemicals	832	831	828
Presidio, Inc. ⁽⁵⁾	2/2/2022	5.25 %	L+ 4.25	1.00%	IT Services	1,340	1,340	1,311
PrimeLine Utility Services LLC ⁽⁵⁾	11/14/2022	6.50 %	L+ 5.50	1.00%	Construction & Engineering	1,000	990	993
Quikrete Holdings, Inc. ⁽⁵⁾	9/28/2020	4.00 %	L+ 3.00	1.00%	Constructions Materials	2,086	2,093	2,066
RCHP, Inc. ⁽⁵⁾	4/23/2019	6.00 %	L+ 5.00	1.00%	Health Care Providers & Services	1,970	1,957	1,947
Renaissance Learning, Inc. ⁽⁵⁾	4/9/2021	4.50 %	L+ 3.50	1.00%	Software	1,965	1,964	1,887
RGIS Services, LLC ⁽⁵⁾	10/18/2017	5.50 %	L+ 4.25	1.25%	Commercial Services & Supplies	2,931	2,923	2,089
Riverbed Technology, Inc. ⁽⁵⁾	4/25/2022	6.00 %	L+ 5.00	1.00%	Communications Equipment	993	988	990
Scientific Games International, Inc. ^{(3), (5)}	10/1/2021	6.00 %	L+ 5.00	1.00%	Hotels, Restaurants & Leisure	988	979	903
Sears Roebuck Acceptance Corp. ^{(3), (5)}	6/30/2018	5.50 %	L+ 4.50	1.00%	Multiline Retail	987	976	931
Securus Technologies Holdings, Inc. ⁽⁵⁾	4/30/2020	4.75 %	L+ 3.50	1.25%	Diversified Telecommunications Services	1,885	1,864	1,371
Shearer's Foods, LLC ^{(5), (7)}	6/30/2021	5.25 %	L+ 4.25	1.00%	Food Products	500	495	494

See notes to consolidated financial statements.

AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
DECEMBER 31, 2015
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
First Lien Floating Rate Loans (continued) —143.8% of Net Assets								
Spin Holdco Inc. ⁽⁵⁾	11/14/2019	4.25 %	L+ 3.25	1.00%	Diversified Consumer Services	\$2,442	\$2,442	\$2,352
Sterigenics-Nordion Holdings, LLC ⁽⁵⁾	5/16/2022	4.25 %	L+ 3.25	1.00%	Life Sciences Tools & Services	905	896	882
STS Operating, Inc. ⁽⁵⁾	2/12/2021	4.75 %	L+ 3.75	1.00%	Trading Companies & Distributors	1,965	1,975	1,886
Surgery Center Holdings, Inc. ⁽⁵⁾	11/3/2020	5.25 %	L+ 4.25	1.00%	Health Care Providers & Services	1,980	1,972	1,962
Syniverse Holdings, Inc. ⁽⁵⁾	4/23/2019	4.00 %	L+ 3.00	1.00%	Wireless Telecommunication Services	1,500	1,468	1,107
Thermasys Corp. ⁽⁵⁾	5/3/2019	5.25 %	L+ 4.00	1.25%	Machinery	453	454	400
TPF II Power, LLC ⁽⁵⁾	10/2/2021	5.50 %	L+ 4.50	1.00%	Independent Power and Renewable Electricity Producers	984	978	966
Travelport Finance (Luxembourg) S.à r.l. ^{(3), (5)}	9/2/2021	5.75 %	L+ 4.75	1.00%	Internet Software & Services	1,980	1,960	1,943
Turbocombustor Technology, Inc. ⁽⁵⁾	12/2/2020	5.50 %	L+ 4.50	1.00%	Aerospace & Defense	3,430	3,406	3,018
Tyche Holdings, LLC ⁽⁵⁾	11/12/2021	4.75 %	L+ 3.75	1.00%	IT Services	1,832	1,827	1,820
U.S. Renal Care, Inc. ^{(5), (7)}	12/30/2022	5.25 %	L+ 4.25	1.00%	Health Care Providers & Services	500	495	497
Univision Communications Inc. ⁽⁵⁾	3/1/2020	4.00 %	L+ 3.00	1.00%	Media	1,488	1,489	1,459
USI, Inc. ⁽⁵⁾	12/27/2019	4.25 %	L+ 3.25	1.00%	Insurance	1,955	1,968	1,899
USIC Holdings, Inc. ⁽⁵⁾	7/10/2020	4.00 %	L+ 3.00	1.00%	Construction & Engineering	1,455	1,460	1,370
Weight Watchers International, Inc. ^{(3), (5)}	4/2/2020	4.00 %	L+ 3.25	0.75%	Diversified Consumer Services	997	810	741
William Morris Endeavor Entertainment, LLC ⁽⁵⁾	5/6/2021	5.25 %	L+ 4.25	1.00%	Media	1,965	1,963	1,936
	12/28/2019	4.50 %	L+ 3.50	1.00%	Aerospace & Defense	2,435	2,431	2,272

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WP CPP Holdings, LLC ⁽⁵⁾								
Total First Lien Floating Rate Loans						\$182,373	\$181,367	\$169,580
Second Lien Floating Rate Loans —19.1% of Net Assets								
Advantage Sales & Marketing Inc. ⁽⁵⁾	7/25/2022	7.50 %	L+ 6.50	1.00%	Professional Services	\$1,000	\$994	\$902
Ameriforge Group Inc. ⁽⁸⁾	12/21/2020	8.75 %	L+ 7.50	1.25%	Energy Equipment & Services	500	489	42
Applied Systems, Inc.	1/24/2022	7.50 %	L+ 6.50	1.00%	Software	980	975	912
Asurion, LLC ⁽⁵⁾	3/3/2021	8.50 %	L+ 7.50	1.00%	Commercial Services & Supplies	1,000	989	860
CAMP International Holding Company	11/29/2019	8.25 %	L+ 7.25	1.00%	Transportation Infrastructure	1,000	1,000	974
Checkout Holding Corp. ⁽⁵⁾	4/11/2022	7.75 %	L+ 6.75	1.00%	Media	1,000	1,002	573
Cotiviti Corporation ⁽⁵⁾	5/13/2022	8.00 %	L+ 7.00	1.00%	Professional Services	1,250	1,240	1,236
Del Monte Foods, Inc. ^{(3), (5)}	8/18/2021	8.25 %	L+ 7.25	1.00%	Food Products	1,500	1,499	1,235
EWT Holdings III Corp.	1/15/2022	8.50 %	L+ 7.50	1.00%	Machinery	1,000	996	965
Filtration Group Corporation ⁽⁵⁾	11/22/2021	8.25 %	L+ 7.25	1.00%	Industrial Conglomerates	126	125	123
Jazz Acquisition, Inc. ⁽⁵⁾	6/19/2022	7.75 %	L+ 6.75	1.00%	Aerospace & Defense	1,250	1,255	1,125
Jonah Energy LLC ⁽⁵⁾	5/12/2021	7.50 %	L+ 6.50	1.00%	Oil, Gas & Consumable Fuels	500	494	318
Landslide Holdings, Inc.	2/25/2021	8.25 %	L+ 7.25	1.00%	Software	1,000	994	920
P2 Lower Acquisition, LLC	10/22/2021	9.50 %	L+ 8.50	1.00%	Health Care Providers & Services	500	498	495

See notes to consolidated financial statements.

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AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
DECEMBER 31, 2015
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
Second Lien Floating Rate Loans (continued) —19.1% of Net Assets								
Performance Food Group, Inc. ⁽⁵⁾	11/14/2019	6.25 %	L+ 5.25	1.00%	Food & Staples Retailing	\$2,038	\$2,030	\$2,038
Ranpak Corp. ⁽⁵⁾	10/3/2022	8.25 %	L+ 7.25	1.00%	Containers & Packaging	1,375	1,374	1,363
Road Infrastructure Investment, LLC ⁽⁵⁾	9/30/2021	7.75 %	L+ 6.75	1.00%	Chemicals	2,000	2,008	1,860
Sedgwick Claims Management Services, Inc. ⁽⁵⁾	2/28/2022	6.75 %	L+ 5.75	1.00%	Insurance	2,000	1,963	1,820
Solenis International, L.P. ⁽⁵⁾	7/31/2022	7.75 %	L+ 6.75	1.00%	Chemicals	500	498	402
TWCC Holding Corp. ⁽⁵⁾	6/26/2020	7.00 %	L+ 6.00	1.00%	Media	2,000	1,993	1,997
Tyche Holdings, LLC ⁽⁵⁾	11/11/2022	9.00 %	L+ 8.00	1.00%	IT Services	1,500	1,501	1,474
U.S. Renal Care, Inc. ^{(5), (7)}	12/29/2023	9.00 %	L+ 8.00	1.00%	Health Care Providers & Services	500	490	493
WP CPP Holdings, LLC ⁽⁵⁾	4/30/2021	8.75 %	L+ 7.75	1.00%	Aerospace & Defense	493	502	448
Total Second Lien Floating Rate Loans						\$25,012	\$24,909	\$22,575
CLO Equity —31.3% of Net Assets								
Apidos CLO XIV, Income Notes ^{(3), (4), (6)}	4/15/2025	14.32 %				\$5,900	\$4,616	\$3,524
Apidos CLO XVIII, Income Notes ^{(3), (4), (6)}	7/22/2026	12.39 %				2,500	1,936	1,351
Ares XXIX CLO Ltd., Subordinated Notes ^{(3), (4), (6)}	4/17/2026	11.04 %				4,750	3,947	2,612
Avery Point II CLO, Limited, Income Notes ^{(3), (4), (6)}	7/17/2025	14.09 %				3,200	2,351	1,286
Babson 2015-1, Income Notes ^{(3), (4), (6)}	4/20/2027	16.32 %				2,500	2,161	1,716
Blue Hill CLO, Ltd., Subordinated Notes ^{(3), (4), (6)}	1/15/2026	11.86 %				5,400	4,315	1,520
Blue Hill CLO, Ltd., Subordinated Fee Notes ^{(3), (4), (6)}	1/15/2026	27.45 %				100	74	62
Betony CLO, Ltd., Subordinated Notes ^{(3), (4), (6)}	4/15/2027	11.90 %				2,500	2,096	1,289

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Carlyle Global Market Strategies CLO 2015-3, Ltd., Subordinated Notes ^{(3), (4), (6)}	7/28/2028	21.83%	3,000	2,491	2,436
Cent CLO 18 Limited, Subordinated Notes ^{(3), (4), (6)}	7/23/2025	12.26%	4,675	3,595	2,296
Cent CLO 19 Limited, Subordinated Notes ^{(3), (4), (6)}	10/29/2025	10.67%	2,750	2,184	1,431
Dryden 30 Senior Loan Fund, Subordinated Notes ^{(3), (4), (6)}	11/15/2025	17.79%	2,500	1,676	1,205
Dryden 31 Senior Loan Fund, Subordinated Notes ^{(3), (4), (6)}	4/18/2026	11.21%	5,250	4,008	2,373
Galaxy XVI CLO, Ltd., Subordinated Notes ^{(3), (4), (6)}	11/17/2025	11.31%	2,750	2,123	1,344
Halcyon Loan Advisors Funding 2014-1 Ltd., Subordinated Notes ^{(3), (4), (6)}	4/18/2026	20.65%	3,750	3,045	1,474
Highbridge Loan Management 2013-2, Ltd., Subordinated Notes ^{(3), (4), (6)}	10/20/2024	22.16%	1,000	728	665
Magnetite VIII, Limited, Subordinated Notes ^{(3), (4), (6)}	4/15/2026	13.42%	3,000	2,557	2,133
Neuberger Berman CLO XV, Ltd., Subordinated Notes ^{(3), (4), (6)}	10/15/2025	9.14%	3,410	2,414	1,495

See notes to consolidated financial statements.

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AMERICAN CAPITAL SENIOR FLOATING, LTD.
CONSOLIDATED SCHEDULE OF INVESTMENTS (continued)
DECEMBER 31, 2015
(dollar amounts in thousands)

Description	Maturity	Interest Rate ⁽¹⁾	Basis Point Spread Above Index ⁽²⁾	LIBOR Interest Rate Floor	Industry	Par Amount	Cost	Fair Value
CLO Equity (continued) —31.3% of Net Assets								
Octagon Investment Partners XIV, Ltd., Income Notes ^{(3), (4), (6)}	1/15/2024	9.49 %				\$5,500	\$3,924	\$2,790
Octagon Investment Partners XX, Ltd., Subordinated Notes ^{(3), (4), (6)}	8/12/2026	10.46 %				2,500	2,121	1,548
THL Credit Wind River 2014-1 CLO Ltd., Subordinated Notes ^{(3), (4), (6)}	4/18/2026	13.54 %				4,000	3,237	2,304
Total CLO Equity						\$70,935	\$55,599	\$36,854
Common Equity —0% of Net Assets								
New Millennium Holdco, Inc. (9,446 shares) ^{(5), (6), (9)}						\$—	\$—	\$47
Total Common Equity						\$—	\$—	\$47
Total Non-Control/Non-Affiliate Investments — 194.2% of net assets						\$278,320	\$261,875	\$229,056
Liabilities in Excess of Other Assets — (94.2%)								(111,127)
Net Assets — 100.0%								\$117,929

For each debt investment we have provided the weighted-average interest rate in effect as of December 31, 2015.

For each CLO investment we have provided the accounting yield as of December 31, 2015 determined using the (1) effective interest method that will be applied to the current amortized cost of the investment as adjusted for credit impairments, if any, in the following quarter. See Note 2 in this Annual Report on Form 10-K regarding the recognition of Investment Income on CLOs.

Floating rate debt investments typically accrue interest at a predetermined spread relative to an index, typically (2) LIBOR or PRIME, and reset monthly, quarterly or semi-annually. These instruments may be subject to a LIBOR or PRIME rate floor.

Investments that are not “qualifying assets” under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not (3) acquire any non-qualifying assets unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2015, qualifying assets represented 79% of total assets.

(4) These securities are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

(5) Assets are held at ACSF Funding and are pledged as collateral for the Credit Facility.

(6) Fair value was determined using significant unobservable inputs and are classified as Level 3 in the fair value hierarchy.

(7) All or a portion of this position has not settled as of December 31, 2015.

Investment has been placed on non-accrual as of December 31, 2015. All subsequent cash received from (8) investment will be used to reduce its cost basis until the investment is placed back on accrual status or the remaining cost basis has been collected.

(9) Common stock is non-income producing.

See notes to consolidated financial statements.

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AMERICAN CAPITAL SENIOR FLOATING, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

Note 1. Organization

American Capital Senior Floating, Ltd. (which is referred to as “ACSF”, “we”, “us” and “our”) was organized in February 2013 as a Maryland corporation and commenced operations on October 15, 2013. We are structured as an externally managed, non-diversified closed-end investment management company that has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “1940 Act”). On November 14, 2013, we formed a wholly owned special purpose financing vehicle, ACSF Funding I, LLC, a Delaware limited liability company (“ACSF Funding”).

In January 2014, we completed an initial public offering (“IPO”) of 10,000,000 shares of common stock at the public offering price of \$15.00 per share for gross proceeds of \$150,000. Upon completion of the IPO, we became externally managed by American Capital ACSF Management, LLC (our “Prior Manager”), an indirect subsidiary of American Capital Asset Management, LLC (“ACAM”), which was a wholly owned portfolio company of American Capital, Ltd. (“American Capital”). See “Note 13 — Subsequent Events”. Prior to the completion of our IPO, we were wholly owned by ACAM. Following completion of the IPO, ACAM owned approximately 3% of our outstanding common stock, the maximum amount permissible under the 1940 Act. In conjunction with the IPO, our Prior Manager paid underwriting commissions of \$7,952. Our common stock is listed on the NASDAQ Global Select Market, where it trades under the symbol “ACSF”. We have elected to be treated as a BDC under the 1940 Act and to be taxed as a regulated investment company (“RIC”), as defined in Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

Investment Objective

Our investment objective is to provide attractive, risk-adjusted returns over the long term primarily through current income while seeking to preserve our capital. Our Prior Manager actively managed our leveraged portfolio composed primarily of diversified investments in first lien and second lien floating rate loans principally to large-market U.S.-based companies (collectively, “Senior Floating Rate Loans” or “SFRLs”), which are commonly referred to as leveraged loans. We also invest in equity tranches of collateralized loan obligations (“CLOs”), which are securitized vehicles collateralized primarily by SFRLs, and we may invest in debt tranches of CLOs. In addition, we may selectively invest in loans issued by middle market companies, mezzanine and unitranche loans and high yield bonds. Additionally, we may from time to time hold or invest in other equity investments and other debt or equity securities generally arising from a restructuring of SFRL positions previously held by us.

Note 2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

The consolidated financial statements include our accounts and those of our wholly owned subsidiary, ACSF Funding. Intercompany accounts and transactions have been eliminated in consolidation. The accounts of ACSF Funding are prepared for the same reporting period as ours using consistent accounting policies.

Use of Estimates

The preparation of our financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reported period. Changes in economic environment, financial markets, and any other parameters used in determining such estimates could cause actual results to differ.

Investment Classification

As required by the 1940 Act, investments are classified by level of control. “Control Investments” are defined as investments in portfolio companies that we are deemed to control, as defined in the 1940 Act. “Affiliate Investments” are investments in those companies that are affiliated companies, as defined in the 1940 Act, other than Control Investments. “Non-Control/Non-Affiliate Investments” are those that are neither Control Investments nor Affiliate Investments.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

Generally, under the 1940 Act, we are deemed to control a company in which we have invested if we own more than 25% of the voting securities of such company. We are deemed to be an affiliate of a company if we own 5% or more of the voting securities of such company.

As of December 31, 2016 and 2015, all of our investments were Non-Control/Non-Affiliate investments.

Securities Transactions

Securities transactions are recorded on the trade date. The trade date for loans purchased in the “primary market” is considered the date on which the loan allocations are determined. The trade date for loans and other investments purchased in the “secondary market” is the date on which the transaction is entered into. The trade date for primary CLO equity transactions and any other security transaction entered outside conventional channels is the date we have determined all material terms have been defined for the transaction and have obtained a right to demand the securities purchased or collect the proceeds of a sale and incur an obligation to pay the price of the securities purchased or to deliver the securities sold, respectively. Cost is determined based on consideration given, adjusted for amortization of original issuance discounts (“OID”), market discounts and premiums.

Realized Gain or Loss and Unrealized Appreciation or Depreciation

Realized gain or loss from an investment is recorded at the time of disposition and calculated using the weighted average cost method. Unrealized appreciation or depreciation reflects the changes in fair value of investments as determined in compliance with the valuation policy as discussed in “Note 6 — Investments”.

Income Taxes

As a RIC under Subchapter M of the Code, we are not subject to U.S. federal income tax on the portion of our taxable income distributed to our stockholders as a dividend. We intend to distribute 100% of our taxable income and therefore do not anticipate incurring corporate-level U.S. federal or state income tax. As a RIC, we are also subject to a nondeductible federal excise tax if we do not distribute at least 98% of net ordinary income, 98.2% of any capital gain net income, and any recognized and undistributed taxable income from prior years.

ASC Topic 740 Accounting for Uncertainty in Income Taxes (“ASC 740”), provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the tax returns 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 recorded as a tax benefit or provision in the current year. Determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof. We are not aware of any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will change materially in the 12 months from December 31, 2016.

If we incur interest and/or penalties in connection with our tax obligations, such amounts shall be classified as income tax expense on our consolidated statements of operations.

Investment Income

For debt investments, we record interest income on the accrual basis to the extent that such amounts are expected to be collected. OID and purchased discounts and premiums are accreted into interest income using the effective interest method, where applicable. Loan origination fees are deferred and accreted into interest income using the effective interest method. We record prepayment premiums on loans and other investments as interest income when such amounts are received. We stop accruing interest on investments when it is determined that interest is no longer collectible. As of December 31, 2016 we had two loans on non-accrual status and, as of December 31, 2015, we had one loan on non-accrual status.

Interest income on CLO equity investments is recognized using the effective interest method as required by FASB ASC Subtopic 325-40, Investments-Other, Beneficial Interests in Securitized Financial Assets (“ASC 325-40”). Under ASC 325-40, at the time of purchase, we estimate the future expected cash flows and determine the effective yield of an investment based on these estimated cash flows and our cost basis. Subsequent to the purchase, these estimated

cash flows are updated quarterly and a revised yield is calculated prospectively in accordance with ASC 320-10-35, Investment-Debt and Equity Securities. In the event that the fair value of an investment decreases below its current amortized cost basis, we may be required to write down the current amortized cost basis for a credit loss or to fair value depending on our hold expectations for the investment. Current amortized cost basis less the amount of any write down (“Reference Amount”) is used to calculate the effective yield used for interest income recognition purposes over the remaining life of the investment. We are precluded from reversing write downs for any subsequent increase in the expected cash flows of an investment with the effect of increasing total interest income over the life of the investment and increasing the realized loss recorded on the sale or redemption of the investment by the amount of the credit loss write down. In

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

estimating these cash flows, there are a number of assumptions that are subject to uncertainties and contingencies. These include the amount and timing of principal payments (including prepayments, repurchases, defaults and liquidations), the pass through or coupon rate, and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying loans and the timing and magnitude of projected credit losses on the loans underlying the securities have to be estimated. These uncertainties and contingencies are difficult to predict and are subject to future events that may impact our estimates and interest income. As a result, actual results may differ significantly from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and highly liquid financial instruments with original maturities of 90 days or less including those held in overnight sweep bank deposit accounts. Cash and cash equivalents are carried at cost, which approximates fair value. We place our cash and cash equivalents with financial institutions and, at times, cash held in bank accounts may exceed the Federal Deposit Insurance Corporation insured limit.

Consolidation

As permitted under Article 6 of Regulation S-X and as explained by ASC 946-810-45, Financial Services - Investment Companies - Consolidation, we will generally not consolidate an investment in a company other than an investment company subsidiary or a controlled operating company whose business consists primarily of providing services to us. Accordingly, we have consolidated the results of ACSF Funding in our consolidated financial statements.

Deferred Financing Costs

Deferred financing costs represent fees and other direct expenses incurred in connection with the issuance of debt. These costs are capitalized and amortized using the effective yield method into interest expense over the estimated average life of the borrowings.

Offering Costs

Offering costs consist of fees and expenses incurred in connection with the issuance of common stock including legal, accounting, printing and other related expenses, as well as costs incurred in connection with the filing of a shelf registration statement. These costs are capitalized when incurred and recognized as a reduction to offering proceeds when the offering becomes effective. The underwriting commissions associated with our IPO in January 2014 were paid for by our Prior Manager and were not reflected as a reduction to capital at the time of the IPO. There were \$844 of offering costs charged to capital during the year ended December 31, 2014.

Distributions to Stockholders

Distributions to stockholders are recorded on the ex-dividend date.

Other General and Administrative Expenses

Other general and administrative expenses include audit and tax, professional fees, board of directors' fees, rent, IT system costs, custody, transfer agent and other operating expenses. Expenses are recognized on an accrual basis.

New Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which makes targeted improvements to the recognition, measurement, presentation and disclosure of certain financial instruments. ASU 2016-01 focuses primarily on the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for certain financial instruments. Among its provisions for public business entities, ASU 2016-01 eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost, requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables). ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the impact of adopting ASU 2016-01 and do not believe its adoption will have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic No. 325-40, Investments-Other, Beneficial Interests in Securitized

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

Financial Assets related to the subsequent measurement of accretable yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for public business entities that meet the U.S. GAAP definition of an SEC filer, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of ASU 2016-13 on the recognition of interest income on our investments in CLO equity.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) (“ASU 2016-15”), which addresses the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under ASC 230, Statement of Cash Flows, and other topics. The Update provides guidance on eight specific cash flow issues including the statement cash flows treatment of beneficial interests in securitized financial transactions as well as the treatment of debt prepayment and extinguishment costs. ASU 2016-15 also provides guidance on the predominance principle to clarify when cash receipts and cash payments should be separated into more than one class of cash flows. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact of ASU 2016-15 on our consolidated statements of cash flows.

Note 3. Management Agreement

Prior to January 3, 2017 we were managed by our Prior Manager pursuant to a management agreement dated January 15, 2014 between us and our Prior Manager (the “Prior Management Agreement”). See “Note 13 — Subsequent Events” for additional information.

Our Prior Manager received a management fee from us that was payable quarterly in arrears. The management fee was calculated at an annual rate of 0.80% of our total consolidated assets, excluding cash and cash equivalents and net unrealized appreciation or depreciation, each as determined under GAAP at the end of the most recently completed fiscal quarter. There was no incentive compensation paid to our Prior Manager. For the years ended December 31, 2016, 2015 and 2014, we recognized management fees of \$2,045, \$2,236 and \$2,186, respectively. The management fees accrued and payable for 2016 remain unpaid and are recorded as a liability on our Consolidated Statement of Assets and Liabilities.

Pursuant to the Prior Management Agreement, our Prior Manager agreed to be responsible for certain of our operating expenses in excess of 0.75% of our consolidated net assets, less net unrealized appreciation or depreciation, each as defined under GAAP at the end of the most recently completed fiscal quarter for the first 24 months following the date of our IPO in January 2014 (the “Expense Cap”). Operating expenses that were subject to this reimbursement included both (i) our operating expenses reimbursed to our Prior Manager and its affiliates for the expenses related to our operations incurred on our behalf and (ii) our operating expenses directly incurred by us excluding the management fee, interest costs, taxes and accrued costs and fees related to actual, pending or threatened litigation, each as determined under GAAP for the most recently completed fiscal quarter. As a result of the Expense Cap, any reimbursements to our Prior Manager and its affiliates could be reduced or eliminated, and in certain instances, our Prior Manager could be required to reimburse us so that our other expenses do not exceed the Expense Cap. Our Prior Manager voluntarily extended the Expense Cap until the date of our 2016 Annual Meeting of Stockholders, which occurred on December 16, 2016 (“2016 Annual Meeting”). In connection with the 2016 Annual Meeting, ACSF submitted to a vote of stockholders an amendment and restatement of the Prior Management Agreement which would have (i) extended the Expense Cap through December 31, 2020, (ii) subject to the Expense Cap, provided for reimbursement by us to our Prior Manager for certain compensation expenses related to legal, compliance and internal audit personnel of our Prior Manager and its affiliates who provided services to us necessary for our operations that were not required to be provided by our Prior Manager under the Prior Management Agreement and (iii) made certain other immaterial changes (collectively, the “Proposal”). ACSF failed to obtain the requisite votes to approve the

Proposal, which occurred on January 3, 2017, thus the Expense Cap was again voluntarily extended by our Prior Manager until the termination of the Prior Management Agreement. The Expense Cap expired on January 3, 2017. For the years ended December 31, 2016, 2015 and 2014, our Prior Manager was responsible for \$1,274, \$899, and \$1,001, respectively, of operating expenses as a result of the Expense Cap.

Note 4. Related Party Transactions

Administrative Services Agreement

Our Prior Manager had entered into an administrative services agreement whereby our Prior Manager had agreed to reimburse American Capital and its affiliates for certain expenses incurred on our behalf. Pursuant to our Prior Management Agreement, we were responsible for reimbursing our Prior Manager, American Capital and its affiliates for expenses incurred on

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

our behalf, excluding employment-related expenses of our and our Prior Manager's officers and any employees of American Capital or its affiliates who provided services to us pursuant to the management agreement or to our Prior Manager pursuant to the administrative services agreement. In addition, our Prior Manager or one of its affiliates may have paid for or incurred certain expenses and then allocated these expenses to us. For the years ended December 31, 2016, 2015 and 2014, we recognized \$778, \$937, and \$970, respectively, of expenses that were reimbursable to our Prior Manager and its affiliates.

Securities Transactions

We may, from time to time, purchase securities from, or sell securities to affiliates of our Manager at fair value on the trade date. During the year ended December 31, 2016, there were \$1,729 in purchases of securities from affiliates of our Prior Manager. During the year ended December 31, 2014, total proceeds from sales to affiliates of our Prior Manager were \$20,521.

See "Note 3 — Management Agreement", "Note 8 — Taxes" and "Note 13 — Subsequent Events" for additional related party transactions.

Note 5. Net Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted (loss) earnings per share for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Numerator—Net Earnings (Loss)	\$ 30,500	\$(14,665)	\$ 3,789
Denominator—weighted average shares ⁽¹⁾	10,000,100	10,000,100	10,000,100
Net Earnings (Loss) per share	\$ 3.05	\$(1.47)	\$ 0.38

(1) Assumes the 10,000,000 common shares issued in our IPO on January 22, 2014 were issued on January 1, 2014.

Note 6. Investments

We value our investments at fair value in accordance with the 1940 Act and Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), which defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Due to the uncertainty inherent in the valuation process, estimates of fair value may differ significantly from the values that would have been used had a ready market for our investments existed, and the differences could be material.

Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on the investments to be different than the valuations currently assigned. ASC 820 provides a framework for measuring the fair value of assets and liabilities and provides guidance regarding a fair value hierarchy, which prioritizes information used to measure fair value and the effect of fair value measurements on earnings. When available, we determine the fair value of our investments using unadjusted quoted prices from active markets. Where inputs for an asset or liability fall into more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's fair value measurement. We use judgment and consider factors specific to the investment when determining the significance of an input to a fair value measurement. Our policy is to recognize transfers in and out of levels as of the beginning of each reporting period. The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

Level 1: Inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This may include valuations based on executed trades, broker quotations that constitute an executable price, and alternative pricing sources supported by observable inputs which, in each case, are either directly or indirectly observable for the asset in connection with market data at the measurement date.

Level 3: Inputs are unobservable and cannot be corroborated by observable market data. In certain cases, investments classified within Level 3 may include securities for which we have obtained indicative quotes from broker-dealers that do not necessarily represent prices the broker may be willing to trade on.

The valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Our SFRLs are predominately valued based on evaluated prices from a nationally recognized independent pricing service or from third-

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

party brokers who make markets in such debt investments. When possible, we make inquiries of third-party pricing sources to understand their use of significant inputs and assumptions. We review the third-party fair value estimates and perform procedures to validate their reasonableness, including an analysis of the range and dispersion of third-party estimates, frequency of pricing updates, comparison of recent trade activity for similar securities, and review for consistency with market conditions observed as of the measurement date.

There may be instances when independent or third-party pricing sources are not available, or cases where we believe that the third-party pricing sources do not provide sufficient evidence to support a market participant's view of the fair value of the debt investment being valued. These instances may result from an investment in a less liquid loan such as a middle market loan, a mezzanine loan or unitranche loan, or a loan to a company that has become financially distressed. In these instances, we may estimate the fair value based on a combination of a market yield valuation methodology and evaluated pricing discussed above, or solely based on a market yield valuation methodology. Under the market yield valuation methodology, we estimate the fair value based on a discounted cash flow technique. For these debt investments, the unobservable inputs used in the market yield valuation methodology to measure fair value reflect management's best estimate of assumptions that would be used by market participants when pricing the investment in a hypothetical transaction, including estimated remaining life, current market yield and interest rate spreads of similar loans and securities as of the measurement date. We will estimate the remaining life based on market data for the average life of similar loans. However, if we have information that the loan is expected to be repaid in the near term, we would use an estimated remaining life based on the expected repayment date. The average life to be used to estimate the fair value of our loans may be shorter than the legal maturity of the loans since many loans are prepaid prior to the maturity date. The interest rate spreads used to estimate the fair value of our loans is based on current interest rate spreads of similar loans. If there is a significant deterioration of the credit quality of a loan, we may consider other factors that a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

We estimate the fair value of our CLO equity investments using a combination of third-party broker quotes, purchases or sales of the same or similar securities, and cash flow forecasts subject to assumptions that a market participant would use regarding the investments' underlying collateral including, but not limited to, assumptions for default and recovery rates, reinvestment spreads and prepayment rates. Cash flow forecasts are discounted using market participant's market yield assumptions that are derived from multiple sources including, but not limited to, third-party broker quotes, industry research reports and transactions of securities and indices with similar structures and risk characteristics. We weight the use of third-party broker quotes, if any, when determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer, the depth and consistency of broker quotes and the correlation of changes in broker quotes with underlying performance and other market indices.

The following fair value hierarchy tables set forth our investments measured at fair value on a recurring basis by level:

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
First lien floating rate loans	\$ 188,098	\$ —	—	\$ —
Second lien floating rate loans	15,429	—	14,875	554
CLO equity	41,329	—	—	41,329
Equity	16	—	—	16
Total Investments	\$ 244,872	\$ —	\$ 202,973	\$ 41,899
	December 31, 2015			
	Total	Level 1	Level 2	Level 3

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First lien floating rate loans	\$ 169,580	\$ —	-\$ 169,580	\$ —
Second lien floating rate loans	22,575	—	22,216	359
CLO equity	36,854	—	—	36,854
Equity	47	—	—	47
Total Investments	\$ 229,056	\$ —	-\$ 191,796	\$ 37,260

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AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

The following table provides a summary of the changes in fair value of Level 3 assets for the year ended December 31, 2016 as well as the portion of net unrealized appreciation (depreciation) for the year ended December 31, 2016 related to those assets still held as of December 31, 2016:

	First Lien Floating Rate Loans	Second Lien Floating Rate Loans	CLO Equity	Common Equity	Total
Beginning Balance – December 31, 2015	\$	—\$ 359	\$36,854	\$ 47	\$37,260
Purchases	—	—	4,592	—	4,592
Sales	—	—	(1,796)	—	(1,796)
Repayments ⁽¹⁾	—	(45)	(13,187)	—	(13,232)
Amortization of discount/premium ⁽²⁾	—	1	6,782	—	6,783
Transfers out ⁽³⁾	—	—	—	—	—
Transfers in ⁽³⁾	—	—	—	—	—
Net realized gains	—	—	341	—	341
Net unrealized appreciation (depreciation)	—	239	7,743	(31)	7,951
Ending Balance – December 31, 2016	\$	—\$ 554	\$41,329	\$ 16	\$41,899
Net change in unrealized depreciation reported within the net change in unrealized depreciation on investments in our consolidated statement of operations attributable to our Level 3 assets still held as of December 31, 2016	\$	—\$ 239	\$7,743	\$ (31)	\$7,951

(1)Includes total cash distributions from CLO equity investments.

(2)Includes income accrual from CLO equity investments.

Investments were transferred into and out of Level 3 and Level 2 due to changes in the quantity and quality of

(3)inputs obtained to support the fair value of each investment. Transfers into and out of the levels are recognized at the beginning of the period.

The following table provides a summary of the changes in fair value of Level 3 assets for the year ended December 31, 2015 as well as the portion of net unrealized depreciation for the year ended December 31, 2015 related to those assets still held as of December 31, 2015:

	First Lien Floating Rate Loans	Second Lien Floating Rate Loans	CLO Equity	Common Equity	Total
Beginning Balance – December 31, 2014	\$5,678	\$3,240	\$51,577	\$ —	\$60,495
Purchases	—	—	10,636	—	10,636
Sales	—	—	(2,282)	—	(2,282)
Repayments (1)	(11)	(11)	(13,626)	—	(13,648)
Amortization of discount/premium (2)	2	—	7,330	—	7,332
Transfers out (3)	(6,892)	(3,240)	—	—	(10,132)
Transfers in (3)	1,249	898	—	—	2,147
Net realized gains	—	—	278	—	278
Net unrealized depreciation	(26)	(528)	(17,059)	47	(17,566)
Ending Balance – December 31, 2015	\$—	\$ 359	\$36,854	\$ 47	\$37,260
	\$—	\$ (557)	\$ (16,844)	\$ 47	\$ (17,354)

Net change in unrealized depreciation reported within the net change in unrealized depreciation on investments in our consolidated statement of operations attributable to our Level 3 assets still held as of December 31, 2015

(1) Includes total cash distributions from CLO equity investments.

(2) Includes income accrual from CLO equity investments.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

Investments were transferred into and out of Level 3 and Level 2 due to changes in the quantity and quality of (3) inputs obtained to support the fair value of each investment. Transfers into and out of the levels are recognized at the beginning of the period.

The following table summarizes the significant unobservable inputs used in the determination of fair value for our Level 3 investments by category of investment and valuation technique as of December 31, 2016:

	Fair Value as of December 31, 2016	Valuation Techniques/ Methodology	Unobservable Inputs	Range		Weighted Average
				Minimum	Maximum	
Second lien floating rate loans	\$ 554	Third-party vendor pricing service	Bid/Ask	16%	95%	84%
CLO equity	41,329	Discounted Cash Flow	Discount rate	11.7%	26.7%	17.0%
			Prepayment rate	25.0%	25.0%	25.0%
			Default rate	2.2%	2.7%	2.4%
Equity	16	Third-party vendor pricing service	Bid/Ask	\$2	\$2	\$2
Total	\$ 41,899					

The following table summarizes the significant unobservable inputs used in the determination of fair value for our Level 3 investments by category of investment and valuation technique as of December 31, 2015:

	Fair Value as of December 31, 2015	Valuation Techniques/ Methodology	Unobservable Inputs	Range		Weighted Average
				Minimum	Maximum	
Second lien floating rate loans	\$ 359	Third-party vendor pricing service	Bid/Ask	8%	64%	57%
CLO equity	36,854	Discounted Cash Flow	Discount rate	16.5%	29.0%	21.3%
			Prepayment rate	30.0%	33.3%	30.2%
			Default rate	1.5%	1.7%	1.6%
Equity	47	Third-party vendor pricing service	Bid/Ask	\$5	\$5	\$5
Total	\$ 37,260					

The significant unobservable inputs used in the fair value measurement of CLO equity include the default and prepayment rates used to establish projected cash flows and the discount rate applied in the valuation models to those projected cash flows. An increase in any one of these individual inputs in isolation would likely result in a decrease to fair value. However, given the interrelationship between these inputs, overall market conditions would likely have a more significant impact on our Level 3 fair values than changes in any one unobservable input. Our maximum exposure to loss due to credit risk is their fair value.

We use the Global Industry Classification Standard (“GICS®”) for classifying the industry groupings of our SFRL investments. The GICS® was developed by MSCI, an independent provider of global indexes and benchmark-related products and services, and Standard & Poor’s, an independent international financial data and investment services company and provider of global equity indexes. The following table shows the SFRL portfolio composition by

industry grouping at fair value as a percentage of total Senior Floating Rate Loans as of December 31, 2016 and 2015. The investments in CLOs are excluded from the table below.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

	December 31, 2016	December 31, 2015
Software	11.9%	11.6%
Health Care Providers & Services	11.2%	9.2%
Media	7.8%	7.7%
Insurance	6.5%	5.2%
Commercial Services & Supplies	5.5%	4.6%
Aerospace & Defense	4.6%	6.6%
Hotels, Restaurants & Leisure	4.2%	3.7%
Containers & Packaging	3.9%	2.4%
Professional Services	3.0%	2.7%
Food Products	2.9%	2.2%
Internet Software & Services	2.7%	1.0%
Capital Markets	2.3%	2.6%
Trading Companies & Distributors	2.1%	1.5%
Textiles, Apparel & Luxury Goods	2.1%	1.7%
Chemicals	1.8%	2.2%
Building Products	1.8%	1.1%
Diversified Telecommunications Services	1.7%	1.4%
Household Products	1.6%	0.5%
Diversified Consumer Services	1.6%	2.4%
Oil, Gas & Consumable Fuels	1.3%	0.4%
Health Care Equipment & Supplies	1.2%	1.9%
Machinery	1.2%	1.9%
Food & Staples Retailing	1.2%	2.3%
Independent Power and Renewable Electricity Producers	1.2%	1.4%
Life Sciences Tools & Services	1.2%	1.7%
Construction & Engineering	1.0%	1.2%
Technology Hardware, Storage & Peripherals	1.0%	1.3%
Household Durables	1.0%	—%
Communications Equipment	1.0%	1.5%
Specialty Retail	1.0%	0.5%
IT Services	0.9%	2.7%
Electrical Equipment	0.9%	1.0%
Diversified Financial Services	0.5%	1.0%
Internet & Catalog Retail	0.3%	1.5%
Transportation Infrastructure	—%	1.5%
Construction Materials	—%	1.1%
Other	5.9%	6.8%
Total	100.0%	100.0%

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

Note 7. Debt

Revolving Credit Facility

On October 15, 2013, we entered into a revolving credit facility with ACAM (the "ACAM Facility") which provided up to \$200,000 (comprised of Loan A and Loan B tranches) to finance eligible investments, working capital expenses and general corporate requirements. Under the ACAM Facility, we were able to draw up to \$180,000 under Loan A and up to \$20,000 under Loan B at any one time. Any amounts drawn on Loan A had a fixed interest rate of 4.75% per annum and any amounts drawn on Loan B had a fixed interest rate of 7.25% per annum, with all interest paid upon maturity of the ACAM Facility. The ACAM Facility matured on the closing date of our IPO. On January 22, 2014, we repaid the ACAM Facility in full plus accrued interest and terminated it. For the year ended December 31, 2014, we incurred interest expense of \$568 on the ACAM Facility.

Secured Revolving Credit Facility

On October 29, 2015, ACSF Funding amended and restated its secured revolving credit facility with Bank of America, N.A. (as amended and restated, the "Credit Facility") to extend the maturity date from December 18, 2015 to December 18, 2018, decrease the commitment amount from \$140,000 to \$135,000 and eliminate the commitment fee rate when the facility is at least 90% utilized. ACSF Funding may make draws under the Credit Facility from time to time to purchase or acquire certain eligible assets. The Credit Facility is secured by ACSF Funding's assets pursuant to a security agreement and contains customary financial and negative covenants and events of default. As of December 31, 2016 and 2015, the fair value of the assets pledged as collateral in ACSF Funding were \$207,827 and \$187,895, respectively. The Credit Facility is non-recourse to ACSF. Amounts drawn under the Credit Facility bear interest at a rate per annum equal to either (a) LIBOR plus 1.80%, or (b) 0.80% plus the highest of (i) the Federal funds rate plus 0.50%, (ii) Bank of America, N.A.'s prime rate or (iii) one-month LIBOR plus 1%. ACSF Funding may borrow, prepay and reborrow loans under the Credit Facility at any time prior to November 18, 2018, the commitment termination date, subject to certain terms and conditions, including maintaining a sufficient borrowing base. Any outstanding balance on the Credit Facility as of the commitment termination date must be repaid by the maturity date unless otherwise extended. Following the amendment to the Credit Facility on October 29, 2015, if ACSF Funding terminates the commitment amount in whole or in part prior to December 18, 2017, ACSF Funding will be required to pay a make-whole fee equal to the sum of the present values of all future spread amounts that would have been payable in respect of the total commitments (or terminated portion thereof) during the period from the termination date through December 18, 2017.

ACSF Funding is required to pay a commitment fee in an amount equal to 0.75% on the actual daily unused amount of the current lender commitments under the Credit Facility to the extent the outstanding amount of committed loans is less than an amount equal to 90% of the aggregate commitments from October 29, 2015 to the commitment termination date, payable quarterly in arrears. Prior to the amendment to the Credit Facility, ACSF Funding was required to pay a commitment fee in an amount equal to 0.75% on the actual daily unused amount of the \$140,000 of lender commitments from February 14, 2014 to October 29, 2015.

As of December 31, 2016, there was \$104,900 outstanding under the Credit Facility which had a fair value of \$104,900 and an interest rate of 2.29%. As of December 31, 2015, there was \$110,200 outstanding under the Credit Facility which had a fair value of \$110,200 and an interest rate of 2.02%. The fair value of the Credit Facility is determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions and is measured with Level 3 inputs. As of December 31, 2016, ACSF Funding was in compliance in all material respects with all covenants of the Credit Facility, including compliance with a borrowing base that applies various advance rates of up to 80% on the assets pledged as collateral by ACSF Funding.

For the year ended December 31, 2016, we incurred interest expense and commitment fees of \$2,289 and \$271, respectively, on the Credit Facility. For the year ended December 31, 2015, we incurred interest expense and commitment fees of \$2,518 and \$111, respectively, on the Credit Facility. For the year ended December 31, 2014, we

incurred interest expense and commitment fees of \$2,433 and \$54, respectively, on the Credit Facility.

Note 8. Taxes

Tax Sharing Agreement

For the period prior to our IPO, during which we were treated as a taxable corporation under Subchapter C of the Code (“C corporation”) for tax purposes, we had a tax sharing agreement with American Capital and other members of its consolidated tax group, under which such members bore their full share of their individual tax obligation and members were compensated for their losses and other tax benefits that were able to be used by other members of the consolidated tax group based on their pro-forma stand-alone federal income tax return. For the years ended December 31, 2015 and 2014, we recognized \$(24) and \$279, respectively, of federal and state tax expense related to our operations prior to our IPO.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

We applied for retroactive relief under IRC Section 9100 to make a “deemed sale election” whereby we will treat our net unrealized gains (“Net Built-in Gain”) on the date of our IPO as recognized for tax purposes in our final pre-IPO C corporation federal tax return. In March 2016, we received retroactive relief approval from the IRS to make a “deemed sale election”. The late election statement was filed by American Capital along with its amended 2014 federal consolidated income tax return on May 17, 2016. We have therefore treated the Net Built-in Gain on the date of our IPO as recognized for tax purposes in our final pre-IPO C corporation federal tax return. The federal estimated tax sharing payment that we owed to American Capital attributed to our Net Built-in Gain was \$563. The entire amount was treated as a deemed capital contribution to us.

Income Taxes

We have elected to be treated as a RIC for income tax purposes beginning with the date of our IPO. In order to qualify as a RIC, among other things, we are required to distribute annually at least 90% of our ordinary income, including net short term gains in excess of net long term losses. So long as we qualify as a RIC, we are not subject to the entity level taxes on earnings timely distributed to our stockholders. We intend to make sufficient annual distributions to substantially eliminate our corporate level income taxes.

In order to qualify as a RIC for U.S. federal income tax purposes, we must meet certain annual distribution requirements, source of income tests and asset diversification rules. We were in compliance with the RIC requirements as of December 31, 2016.

As of December 31, 2016, we had approximately \$3,244, of estimated undistributed taxable income. We intend to distribute sufficient dividends, including dividends declared prior to the timely filing of our 2016 tax return and distributed by December 31, 2017, to eliminate our current year taxable income. As a result, no income tax provision has been provided in the financial statements other than the excise tax discussed below.

As a RIC, we are subject to a nondeductible U.S. federal excise tax of 4% on our undistributed “ordinary income” and “capital gain net income” (each as defined below) unless for each calendar year we distribute an amount equal to or greater than the sum of (a) 98% of our “ordinary income” (generally, our taxable income excluding net short-term and net long-term capital gains or losses for the calendar year), (b) 98.2% of our “capital gain net income” (including both net short-term and net long-term capital gains over capital losses) realized, subject to certain modifications, for the 12-month period ending October 31 of such calendar year, and (c) any income recognized, but not distributed, in the preceding years. For the year ended December 31, 2016, we recorded a federal excise benefit of \$45. The \$45 federal excise benefit was driven by the finalization of the 2015 tax return and actual versus accrued 2015 excise tax that resulted in a refund and partial reversal of the 2015 federal excise accrual. For the years ended December 31, 2015 and 2014, we accrued federal excise tax of \$240 and \$80, respectively.

Income determined under GAAP differs from income determined under tax because of both temporary and permanent differences in income and expense recognition, including (i) unrealized gains and losses associated with debt investments marked to fair value for GAAP but excluded from taxable income until realized or settled, (ii) differences arising due to the taxation of CLO equity investments, (iii) premium amortization and gain adjustments attributed to built-in gain recognized prior to the date of IPO for tax purposes and (iv) capital losses in excess of capital gains earned in a tax year do not reduce current year taxable income, and generally will be carried forward to offset future capital gains.

GAAP/tax difference items that are permanent in nature are reclassified into paid-in capital. The following table provides the amount of reclassifications related to the permanent items for the tax year ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Increase in undistributed net investment income	\$415	\$356	\$49
Decrease in accumulated net realized loss	(461)	(140)	(1,549)
Increase (decrease) in paid-in capital	\$46	\$(216)	\$1,500

Under current law, net capital losses incurred by us during the current year and any future years can be carried forward indefinitely until they are utilized subject to certain loss limitation rules. As of December 31, 2016, we have estimated net short term and long term capital loss carry forwards of \$254 and \$2,053, respectively. As of December 31, 2015, our estimated net short term and long term capital loss carry forwards were \$370 and \$473, respectively.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

As of December 31, 2016 and 2015, the components of tax basis undistributed earnings were as follows:

	2016	2015
Undistributed ordinary income	\$3,244	\$6,358
Undistributed long-term capital gains	—	—
Capital loss carry forwards	(2,307)	(843)
Net unrealized depreciation	(14,993)	(38,561)
Other temporary differences	(205)	(29)
Accumulated tax basis deficit	\$(14,261)	\$(33,075)

The unrealized appreciation (depreciation) on our investments in securities for federal income tax purposes as of December 31, 2016 and 2015 was as follows:

	2016	2015
Gross unrealized appreciation	\$2,218	\$110
Gross unrealized depreciation	(17,211)	(38,671)
Tax basis net unrealized depreciation	\$(14,993)	\$(38,561)

Tax basis of investments \$259,864 \$267,617

The tax character of distributions paid during the year ended December 31, 2016 and 2015 was as follows:

	2016	2015
Ordinary income	\$11,640	\$11,630
Long-term capital gains	\$—	\$—
Return of capital	\$—	\$—

During the period in which we were taxable as a C corporation, we were part of American Capital's federal consolidated tax group, including its federal tax fiscal year ending September 30, 2014, which remains subject to examination by the Internal Revenue Service ("IRS").

ACSF Funding is a wholly owned limited liability company and is treated as a disregarded entity for federal income tax purposes.

We recognize tax benefits of uncertain tax positions only when the position is more likely than not to be sustained assuming examination by tax authorities. We have analyzed our tax positions and have concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years or expected to be taken in our current year tax returns. We are 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.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

Note 9. Consolidated Financial Highlights

	Year Ended December 31,			
	2016	2015	2014	
Per Share Data ⁽¹⁾ :				
Net asset value, beginning of period ⁽²⁾	\$ 11.79	\$ 14.42	\$ 15.00	
Net investment income	1.18	1.27	1.09	
Net loss on investments	1.87	(2.74)	(0.71)	
Net Earnings (Loss)	3.05	(1.47)	0.38	
Capital contribution ⁽³⁾	—	—	0.06	
Accretion ⁽⁴⁾	—	—	0.09	
Offering costs related to public offering	—	—	(0.08)	
Distributions to stockholders	(1.16)	(1.16)	(1.03)	
Net asset value, end of period	\$ 13.68	\$ 11.79	\$ 14.42	
Per share market value, end of period	\$ 11.90	\$ 9.83	\$ 12.11	
Total return based on market value ⁽⁵⁾	35.33	% (10.75)%	(12.90)%	
Total return based on net asset value ⁽⁵⁾	29.71	% (10.10)%	3.73 %	
Ratios to Average Net Assets:				
Net investment income	9.43	% 9.05	% 7.54	%
Operating expenses ⁽⁶⁾	2.41	% 2.40	% 2.30	%
Interest and related expenses	2.12	% 2.12	% 2.39	%
Total expenses ⁽⁶⁾	4.53	% 4.52	% 4.69	%
Supplemental Data:				
Net assets, end of period	\$ 136,789	\$ 117,929	\$ 144,235	
Shares outstanding, end of period	10,000,100	10,000,100	10,000,100	
Average debt outstanding	\$ 99,487	\$ 124,434	\$ 130,984	
Asset coverage per unit, end of period ⁽⁷⁾	\$ 2,304	\$ 2,071	\$ 2,109	
Portfolio turnover ratio	41.57	% 40.67	% 53.80	%

Per share data for the year ended December 31, 2014 presumes the issuance of 10 million shares of common stock (1) on January 1, 2014 that were issued in the IPO which closed on January 22, 2014. There was no established public trading market for the stock prior to the pricing of the IPO.

(2) The IPO price of \$15.00 per share was used as the net asset value, beginning of period for the year ended December 31, 2014.

(3) Capital contribution from our Prior Manager for \$574 of federal taxes due on the Net Built-in Gain on investments as a result of tax conversion to a RIC at the time of the IPO was treated as a deemed contribution for the year ended December 31, 2014 and \$(11), which rounds to zero, was treated as a deemed distribution for the year ended December 31, 2015.

(4) The IPO issuance price of \$15.00 per share was below the net asset value per share as of January 22, 2014. The amount reflects the immediate benefit to common stockholders at the time of the IPO for results of operations in 2013.

(5) Total return is based on the change in market price or net asset value per share and takes into account distributions reinvested in accordance with the dividend reinvestment and stock purchase plan. The IPO price of \$15.00 per share was used as the starting value for the total return for the year ended December 31, 2014.

(6) The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets are shown net of the reimbursement for the Expense Cap. Excluding the reimbursement from the Expense Cap, the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 3.43% and 5.55%, respectively, for the year ended December 31, 2016. Excluding the reimbursement from the Expense Cap,

the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 3.04% and 5.16%, respectively, for the year ended December 31, 2015. Excluding the reimbursement from the Expense Cap, the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 2.99% and 5.38%, respectively, for the year ended December 31, 2014.

(7) The asset coverage ratio for a class of senior securities representing indebtedness is calculated on our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by the senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the asset coverage per unit.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

The following is a schedule of financial highlights for the period from October 15, 2013 (commencement of operations) to December 31, 2013:

Total return ⁽¹⁾	101,530%
Net investment income to average net assets ⁽²⁾	209 %
Expenses to average net assets ⁽²⁾	745 %

(1) Total return is not annualized.

(2) Recurring income and expense items are annualized, one-time expenses such as organizational costs are not annualized.

Note 10. Capital Transactions

The following table details the common share transactions that occurred during the years ended December 31, 2016 and 2015:

	2016		2015	
	Shares	Amount	Shares	Amount ⁽¹⁾
Common shares outstanding - beginning of period	10,000,100	\$ 151,231	10,000,100	\$ 151,231
Distribution for taxes waived	—	—	—	(11)
Permanent differences reclassified (see Note 8)	—	—	—	11
Common shares outstanding - end of period	10,000,100	\$ 151,231	10,000,100	\$ 151,231

(1) Includes amount reflected in common stock, par value and paid-in capital in excess of par.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

The table below details the distributions to stockholders declared on our shares of common stock for the fiscal years ended December 31, 2016 and 2015:

Declaration Date	Ex-Dividend Date	Record Date	Payment Date	Per Share Amount	Total Amount
March 19, 2015	March 27, 2015	March 31, 2015	April 6, 2015	\$0.29	\$2,900
March 19, 2015	April 17, 2015	April 21, 2015	May 4, 2015	\$0.097	\$970
May 4, 2015	May 20, 2015	May 22, 2015	June 2, 2015	\$0.097	\$970
May 4, 2015	June 17, 2015	June 19, 2015	July 2, 2015	\$0.097	\$970
May 4, 2015	July 22, 2015	July 24, 2015	August 4, 2015	\$0.097	\$970
August 3, 2015	August 19, 2015	August 21, 2015	September 2, 2015	\$0.097	\$970
August 3, 2015	September 18, 2015	September 22, 2015	October 2, 2015	\$0.097	\$970
August 3, 2015	October 21, 2015	October 23, 2015	November 3, 2015	\$0.097	\$970
November 2, 2015	November 18, 2015	November 20, 2015	December 2, 2015	\$0.097	\$970
November 2, 2015	December 22, 2015	December 24, 2015	January 5, 2016	\$0.097	\$970
November 2, 2015	January 20, 2016	January 22, 2016	February 2, 2016	\$0.097	\$970
Total declared for 2015				\$1.26	\$12,600
February 8, 2016	February 17, 2016	February 19, 2016	March 2, 2016	\$0.097	\$970
February 8, 2016	March 21, 2016	March 23, 2016	April 4, 2016	\$0.097	\$970
February 8, 2016	April 19, 2016	April 21, 2016	May 3, 2016	\$0.097	\$970
May 2, 2016	May 19, 2016	May 23, 2016	June 2, 2016	\$0.097	\$970
May 2, 2016	June 21, 2016	June 23, 2016	July 5, 2016	\$0.097	\$970
May 2, 2016	July 19, 2016	July 21, 2016	August 2, 2016	\$0.097	\$970
August 3, 2016	August 19, 2016	August 23, 2016	September 2, 2016	\$0.097	\$970
August 3, 2016	September 20, 2016	September 22, 2016	October 4, 2016	\$0.097	\$970
August 3, 2016	October 19, 2016	October 21, 2016	November 2, 2016	\$0.097	\$970
November 4, 2016	November 18, 2016	November 22, 2016	December 2, 2016	\$0.097	\$970
November 4, 2016	December 21, 2016	December 23, 2016	January 5, 2017	\$0.097	\$970
November 4, 2016	January 19, 2017	January 23, 2017	February 2, 2017	\$0.097	\$970
Total declared for 2016				\$1.16	\$11,640

Note 11. Commitments and Contingencies

In the ordinary course of business, we may be a party to certain legal proceedings, including actions brought against us and others with respect to investment transactions. The outcomes of any such legal proceedings are uncertain and, as a result of these proceedings, the values of the investments to which they relate could decrease. We were not subject to any material litigation against us as of December 31, 2016 and 2015.

Commitments to extend credit include loan proceeds we are obligated to advance, such as delayed draws or revolving credit arrangements. Commitments generally have fixed expiration dates or other termination clauses. We do not report the unused portion of these commitments on our Consolidated Statements of Assets and Liabilities. As of December 31, 2016, we had \$81.5 of outstanding unused loan commitments. We did not engage in any off-balance sheet activity in 2015.

AMERICAN CAPITAL SENIOR FLOATING, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except share and per share amounts)

Note 12. Selected Quarterly Data (unaudited)

The following tables present our quarterly financial information for the fiscal years ended December 31, 2016 and 2015:

Quarter Ended	Investment Income		Net Investment Income		Net Gain (Loss) on Investments		Earnings (Loss)	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
December 31, 2016	\$4,364	\$0.44	\$2,844	\$0.28	\$4,871	\$0.49	\$7,715	\$0.77
September 30, 2016	\$4,589	\$0.46	\$3,108	\$0.31	\$7,241	\$0.72	\$10,349	\$1.03
June 30, 2016	\$4,272	\$0.43	\$2,968	\$0.30	\$7,300	\$0.73	\$10,268	\$1.03
March 31, 2016	\$4,345	\$0.43	\$2,878	\$0.29	\$(710)	\$(0.07)	\$2,168	\$0.22
December 31, 2015	\$4,637	\$0.46	\$3,066	\$0.31	\$(17,483)	\$(1.75)	\$(14,417)	\$(1.44)
September 30, 2015	\$4,987	\$0.50	\$3,344	\$0.33	\$(10,542)	\$(1.05)	\$(7,198)	\$(0.72)
June 30, 2015	\$4,880	\$0.49	\$3,220	\$0.32	\$(61)	\$(0.01)	\$3,159	\$0.31
March 31, 2015	\$4,741	\$0.47	\$3,060	\$0.31	\$731	\$0.07	\$3,791	\$0.38

Note 13. Subsequent Events

On January 3, 2017, Ivy Hill Asset Management, L.P. (“IHAM”), a wholly owned portfolio company of Ares Capital Corporation, was appointed as our new investment adviser. Additionally, on January 3, 2017, we entered into an interim management agreement with IHAM pursuant to Rule 15a-4 adopted under the 1940 Act (the “Interim Management Agreement”). The Prior Management Agreement was terminated in accordance with its terms on January 3, 2017. The Interim Management Agreement will remain in effect until the earlier of (a) the date a new management agreement is approved by our stockholders and (b) June 3, 2017, unless terminated earlier by ACSF or IHAM. Consistent with Rule 15a-4 of the 1940 Act, the Interim Management Agreement provides that IHAM will be compensated for serving as ACSF’s investment adviser at the same rate as in the Prior Management Agreement: an annual rate of 0.80% of our total assets, excluding cash and cash equivalents and net unrealized appreciation or depreciation, with no incentive fee. In addition, the Expense Cap expired on January 3, 2017. See “Note 3 — Management Agreement” for additional information.

On February 3, 2017, we declared a monthly cash distribution to stockholders of \$0.097 per share for each of February, March and April 2017, respectively. The monthly cash distributions will be paid to common stockholders of record as set forth in the table below:

	Distribution per Share	Record Date	Ex-Dividend Date	Payment Date
February 2017	\$0.097	February 17, 2017	February 15, 2017	March 2, 2017
March 2017	\$0.097	March 23, 2017	March 21, 2017	April 4, 2017
April 2017	\$0.097	April 20, 2017	April 18, 2017	May 2, 2017

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2016, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating 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 such possible controls and procedures.

Management’s Report on Internal Control over Financial Reporting

Management’s Report on Internal Control over Financial Reporting is included in “Item 8.—Financial Statements and Supplementary Data.”

Attestation Report of Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report of a registered public accounting firm regarding internal control over financial reporting due to an exemption established by the JOBS Act for “emerging growth companies”.

Changes in Internal Control over Financial Reporting

There have been no changes in our “internal control over financial reporting” (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our fiscal year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

DIRECTORS

Pursuant to our Charter and Bylaws, common stockholders elect each of the members of our Board annually. We believe that all of our directors possess the personal and professional qualifications necessary to serve as a member of our Board. Our directors have been evaluated by the Compensation and Corporate Governance Committee pursuant to its guidelines and the determination was made that each of them fulfills and exceeds the qualities that we look for in members of our Board. Other than Mr. Braddish, each of the directors is independent as defined in the NASDAQ rules and is not an “interested person,” as defined in the 1940 Act.

The information set forth below is as of March 7, 2017, with respect to each of our directors.

Interested Directors

Kevin R. Braddish, 57, has served as a director of and the President and Chief Executive Officer of the Company since 2017. Mr. Braddish is President of IHAM, where he has been employed since July 2010. Additionally, he is a Partner in the Ares Credit Group and a member of the IHAM Investment Committee. Prior to joining Ares in 2010, Mr. Braddish was a Founder and Chief Investment Officer of Emporia Capital Management, LLC. Previously, Mr. Braddish was a Managing Director and Group Head for Commercial Lending at PB Capital, where he focused on portfolio management. In addition, he was Managing Director of the Leveraged Finance Group, where he focused on the unit’s origination, underwriting and syndication of middle market loans to private equity groups. In addition, Mr. Braddish was a Senior Originator in the Commercial Finance Group of GE CapitalGroup. Mr. Braddish began his career at The Bank of New York, where he focused on a range of lending areas, including middle market lending and leveraged finance. Mr. Braddish is a holds a B.A. from The College of William & Mary in Business Administration and holds an M.B.A. from Adelphi University in Finance. Mr. Braddish's depth of experience in investment management, leveraged finance and financial services, as well as his familiarity with the business and operations of our investment adviser, gives the Board valuable industry-specific knowledge and expertise on these and other matters. Mr. Braddish is an “interested person” as defined in Section 2(a)(19) of the 1940 Act because he is the President and Chief Executive Officer of the Company and is an officer of and on the investment committee of the Company’s investment adviser.

Independent Directors

Phyllis R. Caldwell, 57, has served as a director of the Company since 2014 and currently serves on the Audit and Compliance Committee and as chairperson of the Compensation and Corporate Governance Committee. Ms. Caldwell is Chair of the board of directors of Ocwen Financial Corporation (NYSE: OCN). She is also founder and managing member of Wroxton Civic Ventures LLC, which provides advisory services on various financial, housing and economic development matters, and she is a former commercial bank executive. Ms. Caldwell was also a senior official at the U.S. Department of the Treasury, responsible for oversight of the U.S. housing market stabilization, economic recovery and foreclosure prevention initiatives established through the Troubled Asset Relief Program, from 2009 to 2011. From 2007 to 2009, Ms. Caldwell was the President of the Washington Area Women’s Foundation. Ms. Caldwell retired from Bank of America in 2007, after working for twenty years in various leadership positions in real estate and affordable housing finance. During her tenure at Bank of America, Ms. Caldwell also managed the bank’s investments in community banks, loan funds and small business venture funds. Ms. Caldwell also serves on the board of directors of City First Bank of DC and has served on the boards of numerous non-profit organizations engaged in housing and community development finance. Ms. Caldwell’s extensive experience in banking and finance strengthen our Board’s collective qualifications, skills, experience and viewpoints.

Gil Crawford, 59, has served as a director of the Company since 2014 and currently serves on the Audit and Compliance Committee and the Compensation and Corporate Governance Committee. Mr. Crawford has spent his career working with finance institutions across the globe on various capital markets transactions. Since co-founding MicroVest Capital Management, LLC in 2003, Mr. Crawford has served as its Chief Executive Officer, responsible for leading MicroVest’s investment operations and strategy. From 2000 to 2002, Mr. Crawford was a Senior Investment Officer in the Latin American Financial Markets Division of the International Finance Corporation. From

1991 to 2000, Mr. Crawford was the founder and Executive Director of Seed Capital Development Fund, Ltd., a U.S. based firm involved in capitalizing start-up institutions primarily in Latin America, Asia and Africa. Mr. Crawford has also served on the boards of several emerging market financial institutions, including Ecuador, Tunisia, Mongolia and Peru. Mr. Crawford's extensive finance and capital markets experience strengthen our Board's collective qualifications, skills, experience and viewpoints.

Larry K. Harvey, 52, has served as a director of the Company since 2014 and currently serves on the Compensation and Corporate Governance Committee and as chairperson of the Audit and Compliance Committee. Mr. Harvey has served as Chief Financial Officer of Playa Hotels & Resorts B.V. since April 2015. From 2007 to 2013, he served as Executive Vice President and Chief Financial Officer of Host Hotels & Resorts, Inc. (NYSE: HST) ("Host") and served as its Treasurer from 2007 to 2010.

From 2006 to 2007, Mr. Harvey served as Senior Vice President, Chief Accounting Officer of Host and from 2003 to 2006, he served as Host's Senior Vice President and Corporate Controller. Prior to rejoining Host in 2003, he served as Chief Financial Officer of Barceló Crestline Corporation, formerly Crestline Capital Corporation. Prior to that, Mr. Harvey was Host's Vice President of Corporate Accounting, before the spin-off of Crestline in 1998. Mr. Harvey also serves on the board of directors of American Capital Agency Corp. (NASDAQ: AGNC) and American Capital Mortgage Investment Corp. (NASDAQ: MTGE). Our Board has determined that Mr. Harvey is an "audit committee financial expert" (as defined in Item 407 of Regulation S-K under the Securities Act). Mr. Harvey's public company accounting, finance and risk management expertise, including his extensive experience as a senior executive responsible for the preparation of financial statements, strengthens our Board's collective qualifications, skills, experience and viewpoints.

EXECUTIVE OFFICERS AND CERTAIN OTHER OFFICERS WHO ARE NOT DIRECTORS

Set forth below is certain information about each executive officer and listed officer as of March 7, 2017.

Joshua M. Bloomstein, 43, Mr. Bloomstein serves as Vice President and Assistant Secretary of the Company. Mr. Bloomstein also serves as Vice President and Assistant Secretary of IHAM, Vice President and Secretary of Ivy Hill Asset Management GP, LLC, IHAM's general partner ("IHAM GP") and General Counsel, Vice President and Secretary of Ares Capital Corporation. He joined Ares in November 2006 and currently serves as a Partner and Co-General Counsel (Credit) and Deputy General Counsel (Corporate) of Ares Management, and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. Mr. Bloomstein also currently serves as Vice President and Assistant Secretary of CION Ares Diversified Credit Fund. He is also a member of the Ares Enterprise Risk Committee. Prior to joining Ares, Mr. Bloomstein was an attorney with Latham & Watkins LLP specializing in leveraged buyouts and private equity investments as well as general partnership and corporate matters. Mr. Bloomstein graduated magna cum laude with a B.A. in Political Science from the State University of New York at Albany and received a J.D. degree, magna cum laude, from the University of Miami, where he was elected to the Order of the Coif.

Shelly Cleary, 36, is Vice President of and a Portfolio Manager of the Company. She also serves as a Managing Director at IHAM, where she has been employed since July 2010. Additionally, Ms. Cleary serves as a member of the IHAM Investment Committee. Prior to joining Ares in 2008, Ms. Cleary was an Assistant Vice President at CIT Sponsor Finance, where she focused on evaluating new investment opportunities and performed credit due diligence on potential investments. Previously, Ms. Cleary was an Analyst at GE Global Sponsor Finance, where she completed GE's Investment Analyst program. Ms. Cleary holds a B.A. from Franklin and Marshall College in Finance and Accounting.

Ian P. Fitzgerald, 41, is General Counsel, Secretary and Vice President of the Company. He also serves as Vice President and Assistant Secretary of IHAM, Vice President and Assistant Secretary of IHAM GP. Additionally, Mr. Fitzgerald is a Principal and Associate General Counsel (Credit) in the Ares Legal Group, and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. Prior to joining Ares in 2010, Mr. Fitzgerald was an Associate in the Corporate Group at the law firm of Latham & Watkins, where he focused on corporate finance and general corporate and securities laws matters. Mr. Fitzgerald holds a B.S.B.A. summa cum laude, from Bucknell University in Accounting and a J.D., cum laude, from the University of Texas at Austin.

Mitchell Goldstein, 50, is Vice President of the Company. Mr. Goldstein also serves as Vice President of IHAM, Vice President of IHAM GP and Co-President of Ares Capital Corporation. Mr. Goldstein previously served as an Executive Vice President of Ares Capital Corporation from May 2013 to July 2014. He joined Ares in May 2005 and currently serves as a Partner and Co-Head of the Ares Credit Group and Vice President of CION Ares Diversified Credit Fund. He is a member of the Management Committee of Ares Management, and may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. Mr. Goldstein is a member of the Investment Committees of Ares Capital Corporation's investment adviser, select Ares Credit Group U.S. Direct Lending investment committees and the IHAM Investment Committee and the Ares Commercial Finance Investment Committee. Prior to joining Ares, Mr. Goldstein worked at Credit Suisse First Boston ("CSFB"), where he was a Managing Director in the Financial Sponsors Group. At

CSFB, Mr. Goldstein was responsible for providing investment banking services to private equity funds and hedge funds with a focus on M&A and restructurings as well as capital raisings, including high yield, bank debt, mezzanine debt, and IPOs. Mr. Goldstein joined CSFB in 2000 at the completion of the merger with Donaldson, Lufkin & Jenrette. From 1998 to 2000, Mr. Goldstein was at Indosuez Capital, where he was a member of the Investment Committee and a Principal, responsible for originating, structuring and executing leveraged transactions across a broad range of products and asset classes. From 1993 to 1998, Mr. Goldstein worked at Bankers Trust. He also serves on the Board of Managers of Ivy Hill Asset Management GP, LLC and on the Board of Trustees of CION Ares Diversified Credit Fund. Mr. Goldstein graduated summa cum laude from the State University of New York at Binghamton with a B.S. in Accounting, received an M.B.A. from Columbia University's Graduate School of Business and is a Certified Public Accountant.

Miriam Krieger, 40, serves as Chief Compliance Officer of the Company. She also serves as Chief Compliance Officer of IHAM, Chief Compliance Officer and Vice President of IHAM GP and Chief Compliance Officer of Ares Capital Corporation.

She joined Ares in April 2010 and is a Managing Director and Deputy Chief Compliance Officer within the Ares Compliance Group. She may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From March 2008 until joining Ares, Ms. Krieger was Chief Compliance Officer and Corporate Secretary of Allied Capital Corporation, where she also served as Executive Vice President from August 2008 until April 2010 and as Senior Vice President from March 2008 to August 2008. Ms. Krieger also served as Senior Vice President and Chief Compliance Officer at MCG Capital Corporation, a publicly traded business development company, from 2006 to 2008 and Vice President and Assistant General Counsel from 2004 to 2006. From 2001 to 2004, Ms. Krieger was an associate in the Financial Services Group of the law firm of Sutherland Asbill & Brennan LLP. Ms. Krieger graduated with a B.A. in Economics and Political Science from Wellesley College and received a J.D. and an M.A. in Economics from Duke University.

Scott C. Lem, 39, serves as Chief Accounting Officer of the Company. He also serves as Controller of IHAM, Controller and Treasurer of IHAM GP, Chief Accounting Officer, Vice President and Treasurer of Ares Capital Corporation, Treasurer of Ares Dynamic Credit Allocation Fund, Inc. and Treasurer of CION Ares Diversified Credit Fund. Mr. Lem previously served as Assistant Treasurer of Ares Capital Corporation from May 2009 to May 2013. Additionally, Mr. Lem is a Managing Director and Chief Accounting Officer, Credit (Direct Lending) in the Ares Finance Department. He may from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. From July 2003 to December 2008, Mr. Lem served as Controller of Ares Management. Prior to joining Ares in July 2003, Mr. Lem was with Ernst & Young LLP and Arthur Andersen LLP, most recently as a Senior Associate conducting audits for clients across several industries including entertainment, hospitality and real estate. Mr. Lem graduated summa cum laude with a B.S. in Accounting from the University of Southern California's Leventhal School of Accounting and summa cum laude with a B.S. in Business Administration from the University of Southern California's Marshall School of Business. Mr. Lem has also received an M.B.A. in Finance from UCLA's Anderson School of Management. Mr. Lem is a Certified Public Accountant (Inactive).

Penni F. Roll, 51, serves as the Chief Financial Officer of the Company. She also serves as the Chief Financial Officer of the Ares Credit Group, Ares Capital Corporation, Ares Dynamic Credit Allocation Fund and CION Ares Diversified Credit Fund. Additionally, she is the Chief Financial Officer, Vice President and Treasurer of IHAM and Chief Financial Officer of IHAM GP. She joined Ares Management in April 2010 and now serves as Partner-Chief Financial Officer of Ares Credit Group. She may additionally from time to time serve as an officer, director or principal of entities affiliated with Ares Management or of investment funds managed by Ares Management and its affiliates. Prior to joining Ares Management, Ms. Roll served as Chief Financial Officer of Allied Capital Corporation from 1998 until April 2010. Ms. Roll joined Allied Capital Corporation in 1995 as its Controller after serving as a Manager in KPMG LLP's financial services practice. She also serves on the Board of Managers of Ivy Hill Asset Management GP, LLC. Ms. Roll graduated magna cum laude with a B.S.B.A. in Accounting from West Virginia University.

CORPORATE GOVERNANCE

Our Board is currently comprised of three independent directors and one interested director. The following table sets forth the current members of our Board and their committee membership, if any:

Name	Director Since	Audit and Compliance ⁽¹⁾	Compensation and Corporate Governance ⁽²⁾
Interested Director			
Kevin R. Braddish	2017		
Independent Directors			
Phyllis R. Caldwell*	2014	P	Chair
Gil Crawford*	2014	P	P
Larry K. Harvey*	2014	Chair	P

* Director is "independent," as defined in Rule 5605(a)(2) of The NASDAQ Global Select Market's marketplace rules (the "NASDAQ rules"), and is not an "Interested Person" of ACSF, as defined in Section 2(a)(19) of the 1940 Act.

Each member of the Audit and Compliance Committee is “independent,” as defined in Rules 5605(a)(2) and (1) 5605(c)(2) of the NASDAQ rules and Rule 10A-3 of the Exchange Act. The Board has determined that Mr. Harvey is an “audit committee financial expert,” as defined in Item 407 of Regulation S-K under the Securities Act.

(2) Each member of the Compensation and Corporate Governance Committee is “independent,” as defined in Rules 5605(a)(2) and 5605(d)(2) of the NASDAQ rules.

Board Leadership Structure

We believe that our Board’s independent oversight continues to be substantial. Our Board has determined that all of the

current directors, except Mr. Braddish, are “independent” as defined in the NASDAQ rules. Similarly, only Mr. Braddish is an “interested person” of the Company under the 1940 Act.

It is our Board’s policy to have a majority of our directors who are not “interested persons” meet regularly without persons who are members of management or employee directors present to facilitate the Board’s effective independent oversight of management. These directors periodically designate a director who is “independent,” as defined in the NASDAQ rules, to serve as the “lead independent director” and preside at these meetings. Presently, our independent directors meet during our Board’s quarterly meetings and may hold additional meetings at the request of the lead independent director or another independent director. The designation of a lead independent director is generally for a one-year term or until his or her successor is elected, and a lead independent director may be re-appointed at the end of a term. If the lead independent director is unavailable for a meeting, his or her immediate predecessor will serve as lead independent director for such meeting. Mr. Crawford is our current lead independent director.

Each of our Board’s Audit and Compliance Committee and Compensation and Corporate Governance Committee is composed entirely of independent directors. These independent committees of our Board also have the authority under their respective charters to hire independent advisors and consultants, at our expense, to assist them in performing their duties.

Corporate Governance

Our Board has developed corporate governance practices to help it fulfill its responsibility to stockholders to oversee the work of management in the conduct of our business. The governance practices are memorialized in corporate governance guidelines to assure that the Board will have the necessary authority and practices in place to review and evaluate our business operations as needed and to make decisions that are independent of management. These guidelines, in conjunction with our Charter, our Bylaws and committee charters of the Audit and Compliance Committee and the Compensation and Corporate Governance Committee, form the framework for our governance. All of these documents are available in the Investor Relations section of our web site at www.ACSF.com.

CORPORATE GOVERNANCE HIGHLIGHTS:

Annual election of directors	Regular meetings of independent directors without members of management or affiliated directors
Directors elected by majority, not plurality, voting	
Resignation policy for directors who do not receive a majority vote	
Three of four directors are independent	
Designated lead independent director	At least 80% attendance for Board meetings and 100% attendance for committee meetings in 2016
	Comprehensive Code of Ethics and Conduct and Corporate Governance

Guidelines

Committees of the Board

Our Board's principal standing committees and their primary functions are described below.

Audit and Compliance Committee

This committee assists the Board in overseeing:

- our accounting and financial reporting processes;
- the integrity and audits of our financial statements;
- the adequacy of our internal controls over financial reporting, including information technology security and controls relating to the preparation of our financial statements;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent registered public accounting firm; and
- the performance of our independent registered public accounting firm and any internal auditors.

In addition, the Audit and Compliance Committee reviews and provides a recommendation to the Board with regard to its approval of the valuations of our investments presented by management. In such review, the committee discusses the proposed valuations with our independent auditors and other relevant consultants. The Audit and Compliance Committee is also responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public

accounting firm and considering the range of audit and non-audit fees. The committee's meetings include, whenever appropriate, executive sessions with each of our independent external auditors and our Manager's internal auditors, without the presence of management.

Compensation and Corporate Governance Committee

This committee's principal functions are to:

- evaluate the performance of and compensation paid by us, if any, to our executive officers;
 - evaluate the performance of our Manager;
 - review the compensation and fees payable to our Manager under the management agreement with our Manager;
 - decide whether to recommend the renewal or termination of the management agreement with our Manager;
 - evaluate the compensation and fees payable to the members of the Board;
 - administer any equity incentive plans that we may adopt, to the extent it is delegated authority by the Board;
 - review and assist with the development of our executive succession plans; and
 - produce a report on executive compensation required to be included in our proxy statement for our annual meetings.
- The Compensation and Corporate Governance Committee also serves as the Board's standing nominating committee and as such performs the following functions:

- identifying, recruiting and recommending to the Board qualified candidates for election as directors and
- recommending a slate of nominees for election as directors by our common stockholders at the annual meeting of stockholders;
- developing and recommending to the Board corporate governance guidelines, including the committee's selection criteria for director nominees;
- reviewing and making recommendations on matters involving the general operation of the Board and our corporate governance;
- recommending to the Board nominees for each committee of the Board; and
- annually facilitating the assessment of the Board's performance as a whole and of the individual directors and reports thereon to the Board.

Board and Committee Meetings

Under our Bylaws and Maryland law, the Board is permitted to take actions at regular or special meetings and by written consent. The Board generally holds regular quarterly meetings and meets on other occasions as necessary. The Board held six meetings during 2016. As noted above, the independent directors also met separately in executive sessions to discuss various matters, including our performance and the performance of our Manager.

Each of the Audit and Compliance Committee and the Compensation and Corporate Governance Committee schedules regular meetings to coincide with the quarterly meetings of the Board and also meets at the request of senior management or at such other times as it determines. Our Secretary, in consultation with the chair of each committee, sets agendas for the meetings. Each committee reports regularly to the Board on its activities at the next regularly scheduled Board meeting following their committee meetings and when appropriate. During 2016, the Audit and Compliance Committee held five meetings and the Compensation and Corporate Governance Committee held one meeting.

Each of our directors attended at least 80% of the meetings of the Board and 100% of the meetings of the committees during the period for which he or she was a director and a member of the respective committees on which he or she served during 2016. Although we do not have a policy on director attendance at our annual meeting, directors are encouraged to attend our annual meeting. Each one of our directors attended the 2016 annual meeting either in person or by telephonic conference call.

Risk Oversight

One of the roles of our Board is being responsible for the general oversight of the Company, including the performance of our executive officers, our Manager and the Company's risk management processes, to assure that the long-term interests of our stockholders are being served. In performing its risk oversight function, the Board, directly or through its standing committees or by working with our Chief Compliance Officer, regularly reviews our material strategic, operational, financial, compensation and compliance risks with senior management. The Company believes

that the Board's role in risk management oversight is effective and appropriate, particularly given the extensive regulation to which it is already subject as a BDC and a RIC. For instance, the Board receives updates at each regular meeting on the Company's performance and other recent developments, including, among other things, the risks and opportunities facing us, as well as our investment portfolio. The Board has also adopted, and regularly reviews our compliance with, various policies and procedures addressing other operational risks, such as business

continuity, data privacy and cybersecurity. In addition, the Board routinely receives information regarding the technology and cyber-risks relevant to the Company's business to ensure that adequate steps are being taken to prevent, and prepare for, cyber-incidents.

The Board also recognizes the importance of effective executive leadership to our success and is actively engaged in overseeing the operational risks related to succession planning. The Board routinely discusses staffing for critical roles, and potential replacements for key personnel are given exposure to the Board during meetings and other events. In addition, the Board is regularly updated on the Manager's strategies for recruiting, developing and retaining outstanding personnel at the Manager and its affiliates and minimizing employee turnover, as applicable.

The Board has delegated certain risk management oversight responsibility to its committees as follows:

Regulatory Compliance Risk: The Board, both directly and through the Audit and Compliance Committee, receives regular reports from our Manager's legal, accounting and internal audit representatives on regulatory matters, including the Company's compliance with the BDC qualification and leverage requirements under the 1940 Act and the RIC income and asset diversification requirements under the Code, compliance with our Code of Ethics and Conduct ("Code of Ethics") and our Manager's compliance with the Investment Advisers Act of 1940.

Financial and Accounting Risk: The Audit and Compliance Committee oversees the Company's management of its financial, accounting, internal controls and liquidity risks through regular meetings with our Chief Financial Officer, senior representatives of our Manager's and its affiliates' accounting, tax, auditing and legal departments and representatives of the Company's independent public accountant.

Litigation Risk: The Compensation and Corporate Governance Committee monitors the Company's litigation, if any.

Compensation and Benefit Plan Risk: The Compensation and Corporate Governance Committee considers the extent to which our director compensation and any benefit plan programs that we may adopt may create risk for the Company.

Governance Risk: The Compensation and Corporate Governance Committee also oversees risks related to Board organization, membership and structure and corporate governance.

The Board also performs its risk management oversight function by working with our Chief Compliance Officer to monitor risk and compliance in accordance with the 1940 Act and our policies and procedures. The Chief Compliance Officer reviews, at least annually, the adequacy and effectiveness of our compliance policies and procedures and those of certain of our service providers, including our Manager, and provides a written report to the Board. The Chief Compliance Officer's report, which is reviewed by and discussed with the Board, addresses at a minimum (i) the operation of such policies and procedures since the last report; (ii) any material changes to such policies and procedures since the last report; (iii) any recommendations for material changes to such policies and procedures as a result of the Chief Compliance Officer's review; and (iv) any compliance matter that has occurred since the date of the last report about which the Board would reasonably need to know to oversee our compliance activities and risks. In addition, the Chief Compliance Officer reports to the Board periodically on material compliance matters and meets separately in executive session with the independent directors at least once each year.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act and the disclosure requirements of Item 405 of SEC Regulation S-K require that our directors and executive officers, and any persons holding more than 10% of our common stock report their ownership of such equity securities and any subsequent changes in that ownership to the SEC, The NASDAQ Global Select Market and to us. Based on a review of the written statements and copies of such reports furnished to us by our executive officers, directors and greater than 10% beneficial owners, we believe that during fiscal year 2016 all Section 16(a) filing requirements applicable to our executive officers, directors and beneficial owners of 10% or more of our common stock were timely satisfied.

Item 11. Executive Compensation

Director Compensation

We were incorporated in Maryland on February 6, 2013 and commenced operations on October 15, 2013. We completed our initial public offering (“IPO”) on January 22, 2014. Ms. Caldwell and Messrs. Crawford and Harvey and were appointed to the Board on January 13, 2014 in connection with our IPO. Mr. Braddish was appointed to the Board on January 3, 2017 to fill the vacant seat created by Malon Wilkus’ resignation.

We compensate our non-employee directors with cash retainers. Any member of our Board who is an employee of the Company, Ares Management, or any of its affiliates, including our Manager, does not receive compensation from us for his or her Board service. The Compensation and Corporate Governance Committee periodically reviews the form and amount of compensation paid to our non-employee directors against peer companies and group and general industry data and makes recommendations for adjustments, as appropriate, to the full Board. During 2016, each such non-employee director was paid a retainer for service on the Board at an annual rate of \$60,000, payable quarterly in advance. In addition, the Chair of our Audit and Compliance Committee was paid a retainer at an annual rate of \$15,000, the Chair of our Compensation and Corporate Governance Committee was paid an annual retainer of \$10,000, and our lead independent director was paid an annual retainer of \$10,000, each payable quarterly in advance. During 2016, directors were reimbursed for travel expenses incurred in connection with Board and committee meetings and Board-related functions.

The following table sets forth the compensation received by each non-employee director during 2016:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
Phyllis R. Caldwell	70,000	—	—	—	—	—	70,000
Gil Crawford	70,000	—	—	—	—	—	70,000
Larry K. Harvey	75,000	—	—	—	—	—	75,000
Stan Lundine ⁽¹⁾	60,000	—	—	—	—	—	60,000

(1) Mr. Lundine resigned from the Board on January 3, 2017.

Executive Compensation

We did not pay any compensation to our executive officers, nor did we make any grants of plan-based awards of any kind to them, during 2016, and we have no plans to do so for 2017. None of our executive officers received any options or stock directly from us prior to December 31, 2016, and we have no plans to do so for 2017. We do not provide any of our executive officers with pension benefits or nonqualified deferred compensation plans. We do not have any employment agreements with any persons and are not obligated to make any payments to any of our executive officers upon termination of employment or a change in control of us.

Compensation Discussion and Analysis

We have not paid, and we do not intend to pay, any cash or equity compensation to any of our executive officers and we do not currently intend to adopt any policies with respect thereto. We have engaged IHAM as our Manager

pursuant to the terms of an interim management agreement (the “Interim Management Agreement”) that was entered into after the Prior Management Agreement terminated in accordance with its terms on January 3, 2017 upon IHAM’s acquisition of ACSF Management. See “Item 13. Certain Relationships and Related Transactions, and Director Independence-Certain Transactions with Related Persons” of this Annual Report on Form 10-K for a description of the terms of the Interim Management Agreement, including the management fees payable to our Manager thereunder and our reimbursement obligations to our Manager. Under our Interim Management

Agreement, our Manager has agreed to provide us with a management team, including a chief executive officer, chief financial officer or similar positions.

Report of the Compensation and Corporate Governance Committee

Our Compensation and Corporate Governance Committee reviewed and discussed with our management the “Compensation Discussion and Analysis” contained in this report. Based on that review and discussions, our Compensation and Corporate Governance Committee recommends to the Board that the “Compensation Discussion and Analysis” be included in this report.

By the Compensation and Corporate Governance Committee:

Phyllis R. Caldwell, Chair

Gil Crawford

Larry K. Harvey

Compensation and Corporate Governance Committee Interlocks and Insider Participation

No member of the Compensation and Corporate Governance Committee during fiscal year 2016 served as an officer, former officer or employee of ours or had a relationship disclosable under “Item 13. Certain Relationships and Related Transactions, and Director Independence-Certain Transactions with Related Persons” of this Annual Report on Form 10-K. Further, during 2016, none of our executive officers served as:

a member of the compensation committee (or equivalent) of any other entity, one of whose executive officers served as one of our directors or was an immediate family member of a director, or served on our Compensation and Corporate Governance Committee; or

a director of any other entity, one of whose executive officers or their immediate family member served on our Compensation and Corporate Governance Committee.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of March 7, 2017 (unless otherwise noted), the number of shares of our common stock beneficially owned by each of our current directors and named executive officers, all directors, executive officers and certain other officers as a group and certain beneficial owners, according to information furnished to the Company by such persons or publicly available filings.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Ownership information for those persons who beneficially own 5% or more of the outstanding shares of the Company’s common stock is based upon Schedule 13D, Schedule 13G or other filings by such persons with the SEC and other information obtained from such persons. Except as otherwise noted below, each person named in the following table has sole voting and investment power with respect to all shares of the Company’s common stock that he or she beneficially owns. The address for Mr. Lem is 2000 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067. The address for each of the other directors and executive officers is American Capital Senior Floating, Ltd., 245 Park Avenue, 42nd Floor, New York, New York 10167.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class(1)
Directors and Named Executive Officers:		
Interested Directors		
Kevin R. Braddish	—	—
Independent Directors		
Phyllis R. Caldwell	3,750	*
Gil Crawford	10,500	*
Larry K. Harvey	6,723	*
Named Executive Officers Who Are Not Directors		
Ian P. Fitzgerald	—	—
Scott C. Lem	—	—
Penni F. Roll	—	—
All Directors , Executive Officers and Certain Other Officers as a Group (11 persons)	20,973 ⁽²⁾	*

* Represents less than
1%.

(1) Based on 10,000,100 shares of common stock outstanding as of March 7, 2017.—

(2) Includes shares owned by Executive Officers of the Company that are not “Named Executive Officers,” as defined in Item 402 of Regulation S K, as promulgated under the Securities Act of 1933 (“Regulation S K”).

Item 13. Certain Relationships and Related Transactions, and Director Independence

Related Person Transaction Policies

We have procedures in place for the review, approval and monitoring of transactions involving us and certain persons related to us. As a BDC, the 1940 Act restricts us from participating in transactions with any persons affiliated with us, including our officers and directors, and any other person controlling or under common control with us, subject to certain exceptions. The Board has also adopted a policy regarding the approval of any “related person transaction,” which is any transaction or series of transactions in which we or any of our subsidiaries is or are to be a participant, the amount involved exceeds \$120,000, and a “related person” (as defined under SEC rules) has a direct or indirect material interest. Under the policy, a related person would need to promptly disclose to our Secretary any related person transaction and all material facts about the transaction. Our Secretary would then assess and promptly communicate that information to the Compensation and Corporate Governance Committee of the Board. Based on its consideration of all of the relevant facts and circumstances, this committee will decide whether or not to approve such transaction and will generally approve only those transactions that do not create a conflict of interest. If we become aware of an existing related person transaction that has not been pre-approved under this policy, the transaction will be referred to this committee, which will evaluate all options available, including ratification, revision or termination of such transaction. Our policy requires any director who may be interested in a related person transaction to recuse himself or herself from any consideration of such related person transaction.

Our Code of Ethics, which was reviewed and approved by the Board and provided to all of our directors and officers, ACSF Management, our Manager, the persons who provided services to us pursuant to the previous administrative services agreement, and the persons who will provide services to us pursuant to the Interim Management Agreement, requires that all such persons avoid any situations or relationships that involve actual or potential conflicts of interest, or perceived conflicts of interest, between an individual’s personal interests and our interests. Pursuant to our Code of Ethics, each of these persons must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict, to their supervisor or our Secretary. If a conflict is determined to exist, the person must disengage from the conflict situation or terminate his provision of services to us. Our chief executive officer, chief financial officer, principal accounting officer and certain other persons who may be designated by the Board or its Audit and Compliance Committee, whom we collectively refer to as our financial executives, must consult with our Secretary

with respect to any proposed actions or arrangements that are not clearly consistent with the Code of Ethics. In the event that a financial executive wishes to engage in a proposed action or arrangement that is not consistent with the Code of Ethics, the financial executive must obtain a waiver of the relevant provisions of the Code of Ethics in advance from our Audit and Compliance Committee. We intend to post amendments to or waivers from the Code of Ethics (to the extent applicable to our financial executives) on our web site www.ACSF.com.

Related Person Transactions

We previously entered into the Prior Management Agreement with ACSF Management, an entity in which certain directors and officers and members of the investment committee of the investment adviser may have had indirect ownership and pecuniary interests. The Prior Management Agreement automatically terminated in accordance with its terms as a result of its deemed

“assignment” under the 1940 Act following the Acquisition.

We previously relied on ACSF Management to administer our business activities and day-to-day operations, subject to the supervision and oversight of the Board. Because neither we nor ACSF Management had any employees or separate facilities, ACSF Management entered into an administrative services agreement with American Capital (the parent company of ACSF Management at the time), pursuant to which ACSF Management had access to their employees, infrastructure, business relationships, management expertise, information technologies and capital raising capabilities, legal and compliance functions and accounting, treasury and investor relations capabilities, which allowed ACSF Management to fulfill all of its responsibilities under the Prior Management Agreement. However, we were not a party to, or a third-party beneficiary under, the previous administrative services agreement. In addition, neither the previous administrative services agreement nor the Prior Management Agreement required ACSF Management, the parent company of ACSF Management or American Capital to dedicate specific personnel to our operations or required any specific personnel of the parent company of ACSF Management or American Capital to dedicate a specific amount of time to our business.

Our wholly owned consolidated special purpose financing vehicle, ACSF Funding, previously entered into an investment advisory agreement with ACSF Management to manage its assets. No additional compensation was payable to ACSF Management under such agreement, which was terminated on January 3, 2017. On January 3, 2017, ACSF Funding entered into a new investment advisory agreement with IHAM to manage its assets. No additional compensation is payable to IHAM under such agreement.

We have entered into the Interim Management Agreement with IHAM, an entity in which certain of our directors and officers and members of the investment committee of IHAM may have indirect ownership and pecuniary interests. Certain of our directors and officers and members of the investment committee of IHAM also serve as officers or principals of other investment managers affiliated with Ares Management that currently, and may in the future, manage investment funds with investment objectives similar to our investment objective. In addition, certain of our officers and directors and the members of the investment committee of IHAM serve or may serve as officers, directors or principals of entities that operate in the same or related line of business as us or of investment funds managed by our affiliates, including Ares Management. Accordingly, we may not be made aware of and/or be given the opportunity to participate in certain investments made by investment funds managed by advisers affiliated with Ares Management. However, IHAM intends to allocate investment opportunities in a fair and equitable manner in accordance with its investment allocation policy. The Interim Management Agreement contains the same terms as the Prior Management Agreement, with the exception of its effective and termination dates and other immaterial differences.

We rely on IHAM to administer our business activities and day-to-day operations, subject to the supervision and oversight of the Board. Because neither we nor IHAM have any employees or separate facilities, IHAM has entered into an administrative services agreement with Ares Operations, pursuant to which Ares Operations provides IHAM with, among other things, office facilities, equipment, clerical, bookkeeping and record keeping services, services relating to the marketing and sale of interests in vehicles managed by IHAM, services of, and oversight of, custodians, depositaries, accountants, attorneys, underwriters and such other persons in any other capacity deemed to be necessary, which allows IHAM to fulfill all of its responsibilities under the Interim Management Agreement. However, we are not a party to, or a third-party beneficiary under, the IHAM Administration Agreement. In addition, neither the IHAM Administration Agreement nor the Interim Management Agreement requires IHAM or Ares Operations to dedicate specific personnel to our operations nor a specific amount of time our business.

Director Independence

We believe that our Board’s independent oversight continues to be substantial. Our Board has determined that all of the current directors, except Mr. Braddish, are “independent” as defined in the NASDAQ rules. Similarly, only Mr. Braddish is an “interested person” of the Company under the 1940 Act. In addition, each of our Board’s Audit and Compliance Committee and Compensation and Corporate Governance Committee is composed entirely of independent directors. These independent committees of our Board also have the authority under their respective charters to hire independent advisors and consultants, at our expense, to assist them in performing their duties. Further, it is our Board’s policy to have a majority of our directors who are not “interested persons” meet regularly

without persons who are members of management or employee directors present to facilitate the Board's effective independent oversight of management. These directors periodically designate a director who is "independent," as defined in the NASDAQ rules, to serve as the "lead independent director" and preside at these meetings. Presently, our independent directors meet during our Board's quarterly meetings and may hold additional meetings at the request of the lead independent director or another independent director. The designation of a lead independent director is generally for a one-year term or until his or her successor is elected, and a lead independent director may be re-appointed at the end of a term. If the lead independent director is unavailable for a meeting, his or her immediate predecessor will serve as lead independent director for such meeting. Mr. Crawford is our current lead independent director.

Item 14. Principal Accounting Fees and Services

Ernst & Young LLP has served as our independent public accountant since our IPO.

Independent Public Accountant’s Fees

Ernst & Young LLP performed various audit and other services for us during 2016 and 2015. Fees for professional services provided by Ernst & Young LLP in 2016 and 2015 in each of the following categories were:

(\$ in thousands)	2016	2015
Audit Fees	\$290,000	\$177,500
Tax Fees	33,500	15,000
Total Fees	\$323,500	\$192,500

“Audit Fees” relate to fees and expenses billed by Ernst & Young LLP for the annual audit, including the audit of our financial statements, review of our quarterly financial statements and for comfort letters and consents related to stock issuances.

“Tax Fees” relate to fees billed for professional services for tax compliance.

Pre-Approval Policy

All services rendered by Ernst & Young LLP were permissible under applicable laws and regulations, and were pre-approved by the Audit and Compliance Committee for 2016 in accordance with its pre-approval policy. The Audit and Compliance Committee has established a policy regarding the pre-approval of all audit and permissible non-audit services provided by our independent public accountant. The policy requires the Audit and Compliance Committee to approve each audit or non-audit engagement or accounting project involving the independent public accountant, and the related fees, prior to commencement of the engagement or project to make certain that the provision of such services does not impair the firm’s independence. The committee may delegate its pre-approval authority to one or more of its members, and such member(s) are required to report any pre-approval decisions to the Audit and Compliance Committee at its next meeting. The Audit and Compliance Committee has delegated authority to its Chair to pre-approve the engagement and related fees of the independent public accountant for any additional audit or permissible non-audit services. In addition, pursuant to the policy, pre-approval is not required for additional non-audit services if such services result in a de minimis amount of less than 5% of the total annual fees paid by us to the independent public accountant during the fiscal year in which the non-audit services are provided, were not recognized by us at the time of engagement to be non-audit services and are reported to the Audit and Compliance Committee promptly thereafter and approved prior to the completion of the annual audit.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) The following reports and consolidated financial statements are set forth in Item 8:

<u>Report of Independent Registered Accounting Firm</u>	<u>52</u>
<u>Consolidated Statements of Assets and Liabilities as of December 31, 2016 and 2015</u>	<u>53</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014</u>	<u>54</u>
<u>Consolidated Statements of Changes in Net Assets for the years ended December 31, 2016, 2015 and 2014</u>	<u>55</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014</u>	<u>56</u>
<u>Consolidated Schedule of Investments as of December 31, 2016</u>	<u>57</u>
<u>Consolidated Schedule of Investments as of December 31, 2015</u>	<u>64</u>
<u>Notes to Consolidated Financial Statements</u>	<u>70</u>

(2) Financial Statement Schedules

None

(3) Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

Exhibit Number	Description
*3.1	American Capital Senior Floating, Ltd. Articles of Amendment and Restatement, incorporated herein by reference to Exhibit 3.1 of Form 10-Q for the quarter ended March 31, 2014 (File No. 814-01025), filed May 15, 2014.
*3.2	American Capital Senior Floating, Ltd. Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.2 of Form 10-Q for the quarter ended March 31, 2014 (File No. 814-01025), filed May 15, 2014.
*4.1	Instruments defining the rights of holders of securities: See Article VI of our Articles of Amendment and Restatement, incorporated herein by reference to Exhibit 3.1 of Form 10-Q for the quarter ended March 31, 2014 (File No. 814-01025), filed May 15, 2014.
*4.2	Instruments defining the rights of holders of securities: See Article VII of our Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.2 of Form 10-Q for the quarter ended March 31, 2014 (File No. 814-01025), filed May 15, 2014.
*4.3	Form of Certificate of Common Stock, incorporated herein by reference to Exhibit 2.d.3 of Amendment No. 1 to Form N-2 (Registration Statement No. 333-190357), filed December 20, 2013.
*10.1	Amended and Restated Credit Agreement, dated as of October 29, 2015, among ACSF Funding I, LLC, the lenders party thereto and Bank of America, N.A., as administrative agent, incorporated herein by reference to Exhibit 2.k.2 of Amendment No. 2 to Form N-2 (Registration Statement No. 333-205463), filed November 3, 2015.
10.2	Amendment Agreement, dated as of January 3, 2017, to the Amended and Restated Credit Agreement, dated as of October 29, 2015, among ACSF Funding I, LLC, the lenders party thereto and Bank of America, N.A., as administrative agent, filed herewith.
*10.3	

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Security Agreement, dated as of December 18, 2013, between ACSF Funding I, LLC and Bank of America, N.A., as administrative agent, incorporated herein by reference to Exhibit 2.k.4 of Amendment No. 1 to Form N-2 (Registration Statement No. 333-190357), filed December 20, 2013

10.4 Amended Agreement, dated as of January 3, 2017, to the Security Agreement, dated as of December 18, 2013, between ACSF Funding I, LLC and Bank of America, N.A., as administrative agent, filed herewith.

Custodian Agreement, dated as of November 13, 2013, between American Capital Senior Floating, Ltd. and
*10.5 Deutsche Bank Trust Company Americas, incorporated herein by reference to Exhibit 2.j to Amendment No. 1 to Form N-2 (Registration Statement No. 333-190357), filed December 20, 2013.

Interim Management Agreement, dated as of January 3, 2017, between American Capital Senior Floating, Ltd.
*10.6 and Ivy Hill Asset Management, L.P., incorporated herein by reference to Exhibit 10.1 of Form 8-K as of January 3, 2017 (File No. 814-01025), filed January 5, 2017.

American Capital Senior Floating, Ltd. Code of Ethics and Conduct, adopted January 14, 2014, incorporated
*14 herein by reference to Exhibit 2.r of Amendment No. 1 to Form N-2 (Registration Statement No. 333-190357), filed December 20, 2013.

21 Subsidiaries of the Company and jurisdiction of incorporation:
1) ACSF Funding I, LLC, a Delaware limited liability company

31.1 Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Previously filed

(b) Exhibits

See the exhibits filed herewith.

(c) Additional financial statement schedules

None

Item 16. Form 10-K Summary

None.

SIGNATURES

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

AMERICAN CAPITAL SENIOR FLOATING, LTD.

Date: March 9, 2017 By: /s/ Kevin Braddish
 Kevin Braddish
 President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Kevin Braddish Kevin Braddish	Director, President and Chief Executive Officer (Principal Executive Officer)	March 9, 2017
/s/ Penni F. Roll Penni F. Roll	Chief Financial Officer (Principal Financial Officer)	March 9, 2017
/s/ Scott C. Lem Scott C. Lem	Chief Accounting Officer (Principal Accounting Officer)	March 9, 2017
/s/ Phyllis R. Caldwell Phyllis R. Caldwell	Director	March 9, 2017
/s/ Gil Crawford Gil Crawford	Director	March 9, 2017
/s/ Larry K. Harvey Larry K. Harvey	Director	March 9, 2017