

OFS CAPITAL CORP

FORM 10-Q (Quarterly Report)

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Industry	Closed End Funds
Sector	Financials
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

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

COMMISSION FILE NUMBER: 814-00813

OFS CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

46-1339639
(I.R.S. Employer
Identification No.)

10 S. Wacker Drive, Suite 2500
Chicago, Illinois 60606
(Address of principal executive office)

(847) 734-2000
(Registrant's telephone number, including area code)

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

The number of shares of the issuer's Common Stock, \$0.01 par value, outstanding as of November 1, 2017 was 13,334,851 .

OFS CAPITAL CORPORATION

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Defined Terms

We have used "we," "us," "our", "our company", and "the Company" to refer to OFS Capital Corporation in this report. We also have used several other terms in this report, which are explained or defined below:

1940 Act	Investment Company Act of 1940, as amended
Administration Agreement	Administration agreement between the Company and OFS Services
Annual Distribution Requirement	Distributions to our stockholders, for each taxable year, of at least 90% of our ICTI
ASC	Accounting Standards Codification, as issued by the FASB
ASC Topic 820	ASC Topic 820, "Fair Value Measurements and Disclosures"
ASU	Accounting Standards Updates, as issued by the FASB
BDC	Business Development Company under the 1940 Act
BLA	Business Loan Agreement, as amended, with Pacific Western Bank, as lender, which provides the Company with a senior secured revolving credit facility
Board	The Company's board of directors
Code	Internal Revenue Code of 1986, as amended
DRIP	Distribution reinvestment plan
EBITDA	Earnings before interest, taxes, depreciation, and amortization
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
GAAP	Accounting principles generally accepted in the United States
HPCI	Hancock Park Corporate Income, Inc., a non-traded BDC with an investment strategy similar to the Company for whom OFS Advisor serves as investment adviser
ICTI	Investment company taxable income, which is generally net ordinary income plus net short-term capital gains in excess of net long-term capital losses
Investment Advisory Agreement	Investment advisory agreement between the Company and OFS Advisor
LIBOR	London Interbank Offered Rate
OFS Advisor	OFS Capital Management, LLC, a wholly-owned subsidiary of OFSAM and registered investment advisor under the 1940 Act
OFS Capital WM	OFS Capital WM, LLC, a wholly-owned investment company subsidiary
OFS Services	OFS Capital Services, LLC, a wholly-owned subsidiary of OFSAM and affiliate of OFS Advisor
OFSAM	Orchard First Source Asset Management, LLC, an established investment platform focused on meeting the capital needs of middle-market companies
Prime Rate	United States Prime interest rate
PWB Credit Facility	Senior secured revolving credit facility between the Company and Pacific Western Bank, as lender.
RIC	Regulated investment company under the Code
SBA	U.S. Small Business Administration
SBIC	A fund licensed under the SBA small business investment company program
SBIC Acquisition	The Company's acquisition of the remaining ownership interests in SBIC I LP and SBIC I GP, LLC on December 4, 2013
SBIC Act	Small Business Investment Act of 1958
SBIC I LP	OFS SBIC I, LP, a wholly-owned SBIC subsidiary of the Company
SEC	U.S. Securities and Exchange Commission

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “would,” “should,” “targets,” “projects,” and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- our ability and experience operating a BDC or an SBIC, or maintaining our tax treatment as a RIC under Subchapter M of the Code;
- our dependence on key personnel;
- our ability to maintain or develop referral relationships;
- our ability to replicate historical results;
- the ability of OFS Advisor to identify, invest in and monitor companies that meet our investment criteria;
- actual and potential conflicts of interest with OFS Advisor and other affiliates of OFSAM;
- constraint on investment due to access to material nonpublic information;
- restrictions on our ability to enter into transactions with our affiliates;
- limitations on the amount of SBA-guaranteed debentures that may be issued by an SBIC;
- our ability to comply with SBA regulations and requirements;
- the use of borrowed money to finance a portion of our investments;
- competition for investment opportunities;
- the ability of SBIC I LP and any other portfolio companies to make distributions enabling us to meet RIC requirements;
- our ability to raise capital as a BDC;
- the timing, form and amount of any distributions from our portfolio companies;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the general economy and its impact on the industries in which we invest;
- uncertain valuations of our portfolio investments; and
- the effect of new or modified laws or regulations governing our operations.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Quarterly Report on Form 10-Q should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include, among others, those described or identified in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016 . You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q.

We have based the forward-looking statements on information available to us on the date of this Quarterly Report on Form 10-Q. Except as required by the federal securities laws, 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 in the future may file with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The forward-looking statements and projections contained in this Quarterly Reports on Form 10-Q are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this Quarterly Report on Form 10-Q.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****OFS Capital Corporation and Subsidiaries****Consolidated Balance Sheets****(Dollar amounts in thousands, except per share data)**

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	<u>(unaudited)</u>	
Assets		
Investments, at fair value:		
Non-control/non-affiliate investments (amortized cost of \$224,616 and \$178,279, respectively)	\$ 212,206	\$ 173,219
Affiliate investments (amortized cost of \$67,260 and \$76,306, respectively)	73,727	81,708
Control investments (amortized cost of \$10,182 and \$24,722, respectively)	10,697	26,700
Total investments at fair value (amortized cost of \$302,058 and \$279,307, respectively)	296,630	281,627
Cash and cash equivalents	53,868	17,659
Interest receivable	1,782	1,770
Prepaid expenses and other assets	4,229	3,974
Total assets	<u>\$ 356,509</u>	<u>\$ 305,030</u>
Liabilities		
Revolving line of credit	\$ 17,100	\$ 9,500
SBA debentures (net of deferred debt issuance costs of \$2,752 and \$3,037, respectively)	147,128	146,843
Interest payable	395	1,599
Management and incentive fees payable	2,400	2,119
Administration fee payable	382	435
Accrued professional fees	368	477
Other liabilities	80	279
Total liabilities	<u>167,853</u>	<u>161,252</u>
Commitments and contingencies (Note 6)		
Net assets		
Preferred stock, par value of \$0.01 per share, 2,000,000 shares authorized, -0- shares issued and outstanding as of September 30, 2017, and December 31, 2016, respectively	\$ —	\$ —
Common stock, par value of \$0.01 per share, 100,000,000 shares authorized, 13,334,851 and 9,700,297 shares issued and outstanding as of September 30, 2017, and December 31, 2016, respectively	133	97
Paid-in capital in excess of par	189,278	134,300
Accumulated undistributed net investment income	6,942	6,731
Accumulated undistributed net realized gain (loss)	(2,269)	330
Accumulated net unrealized appreciation (depreciation) on investments	(5,428)	2,320
Total net assets	<u>188,656</u>	<u>143,778</u>
Total liabilities and net assets	<u>\$ 356,509</u>	<u>\$ 305,030</u>
Number of shares outstanding	<u>13,334,851</u>	<u>9,700,297</u>
Net asset value per share	<u>\$ 14.15</u>	<u>\$ 14.82</u>

See Notes to Financial Statements.

OFS Capital Corporation and Subsidiaries
Consolidated Statements of Operations (unaudited)
(Dollar amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Investment income				
Interest income:				
Non-control/non-affiliate investments	\$ 5,759	\$ 4,355	\$ 15,281	\$ 13,522
Affiliate investments	1,796	1,643	5,382	5,000
Control investment	263	582	1,406	1,413
Total interest income	7,818	6,580	22,069	19,935
Dividend income:				
Non-control/non-affiliate investments	77	102	289	264
Affiliate investments	242	343	944	1,166
Control investments	92	83	262	194
Total dividend income	411	528	1,495	1,624
Fee income:				
Non-control/non-affiliate investments	679	169	1,004	1,164
Affiliate investments	197	48	431	87
Control investments	17	34	135	75
Total fee income	893	251	1,570	1,326
Total investment income	9,122	7,359	25,134	22,885
Expenses				
Interest expense	1,503	1,320	4,229	3,936
Management fees	1,310	1,120	3,726	3,324
Incentive fee	1,090	817	2,249	2,407
Professional fees	284	260	840	877
Administration fee	274	255	982	1,009
General and administrative expenses	259	290	1,050	923
Total expenses	4,720	4,062	13,076	12,476
Net investment income	4,402	3,297	12,058	10,409
Net realized and unrealized gain (loss) on investments				
Net realized gain (loss) on non-control/non-affiliate investments	(5,204)	58	(5,041)	2,624
Net realized gain on affiliate investments	3,617	—	4,491	—
Net unrealized appreciation (depreciation) on non-control/non-affiliate investments	1,196	(538)	(7,350)	(3,668)
Net unrealized appreciation (depreciation) on affiliate investments	(2,901)	(363)	(2,243)	79
Net unrealized appreciation (depreciation) on control investment	65	(66)	1,845	(439)
Net loss on investments	(3,227)	(909)	(8,298)	(1,404)
Net increase in net assets resulting from operations	\$ 1,175	\$ 2,388	\$ 3,760	\$ 9,005
Net investment income per common share – basic and diluted	\$ 0.33	\$ 0.34	\$ 1.00	\$ 1.07
Net increase in net assets resulting from operations per common share – basic and diluted	\$ 0.09	\$ 0.25	\$ 0.31	\$ 0.93
Distributions declared per common share	\$ 0.34	\$ 0.34	\$ 1.02	\$ 1.02
Basic and diluted weighted average shares outstanding	13,331,690	9,694,353	12,089,895	9,692,634

OFS Capital Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets (unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2017	2016
Increase in net assets resulting from operations:		
Net investment income	\$ 12,058	\$ 10,409
Net realized gain (loss) on investments	(550)	2,624
Net change in unrealized appreciation/depreciation on investments	(7,748)	(4,028)
Net increase in net assets resulting from operations	3,760	9,005
Distributions to stockholders from:		
Accumulated net investment income	(12,362)	(9,886)
Total distributions to stockholders	(12,362)	(9,886)
Common stock transactions:		
Public offering of common stock, net of expenses	53,348	—
Reinvestment of stockholder distributions	132	79
Net increase in net assets resulting from capital transactions	53,480	79
Net increase in net assets	44,878	(802)
Net assets:		
Beginning of period	\$ 143,778	\$ 143,012
End of period	\$ 188,656	\$ 142,210
Accumulated undistributed net investment income	\$ 6,942	\$ 5,320
Common stock activity:		
Public offering of common stock	3,625,000	—
Common stock issued from reinvestment of stockholder distributions	9,554	6,040
Common stock issued and outstanding at beginning of period	9,700,297	9,691,170
Common stock issued and outstanding at end of period	13,334,851	9,697,210

See Notes to Financial Statements.

OFS Capital Corporation and Subsidiaries
Consolidated Statements of Cash Flows (unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 3,760	\$ 9,005
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net realized (gain) loss on investments	550	(2,624)
Net change in unrealized appreciation/depreciation on investments	7,748	4,028
Amortization of Net Loan Fees	(1,187)	(1,162)
Amendment fees collected	112	107
Payment-in-kind interest and dividend income	(2,199)	(1,903)
Amortization of deferred debt issuance costs	402	330
Amortization of intangible asset	147	146
Purchase and origination of portfolio investments	(114,663)	(40,179)
Proceeds from principal payments on portfolio investments	86,527	37,137
Proceeds from sale or redemption of portfolio investments	7,456	2,115
Changes in operating assets and liabilities:		
Interest receivable	(12)	(267)
Interest payable	(1,204)	(1,157)
Management and incentive fees payable	281	(301)
Administration fee payable	(53)	(122)
Other assets and liabilities	(147)	(71)
Net cash provided by (used in) operating activities	(12,482)	5,082
Cash flows from financing activities		
Proceeds from common stock offering, net of expenses	53,423	—
Distributions paid to stockholders	(12,231)	(9,807)
Borrowings under revolving line of credit	28,000	—
Repayments under revolving line of credit	(20,400)	—
Payment of debt issuance costs	(101)	—
Net cash provided by (used in) financing activities	48,691	(9,807)
Net increase in cash and cash equivalents	36,209	(4,725)
Cash and cash equivalents — beginning of year	17,659	32,714
Cash and cash equivalents — end of year	<u>\$ 53,868</u>	<u>\$ 27,989</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 5,031	\$ 4,731
Distributions paid by issuance of common stock	132	79

See Notes to Financial Statements.

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments

September 30, 2017

(Dollar amounts in thousands)

Portfolio Company(1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Non-control/Non-affiliate Investments								
<i>Armor Holdings II LLC</i>								
	Other Professional, Scientific, and Technical Services							
Senior Secured Loan		10.34%	(L +9.00%)	12/26/2020	\$ 3,500	\$ 3,474	\$3,570	1.8%
<i>Avison Young Canada, Inc.</i>								
	Offices of Real Estate Agents and Brokers							
Senior Secured Loan (5) (6)		9.50%	N/A	12/15/2021	4,000	3,935	4,038	2.0
<i>BCC Software, LLC (5)</i>								
	Custom Computer Programming Services							
Senior Secured Loan		9.24%	(L +8.00%)	6/20/2019	6,799	6,743	6,821	3.5
Senior Secured Loan (Revolver) (10) (4)		N/A	(L +8.00%)	6/20/2019	—	(6)	—	—
					6,799	6,737	6,821	3.5
<i>BJ's Wholesale Club, Inc.</i>								
	Warehouse Clubs and Supercenters							
Senior Secured Loan		8.73%	(L +7.50%)	2/3/2025	7,300	7,268	6,999	3.7
<i>Carolina Lubes, Inc. (5) (9)</i>								
	Automotive Oil Change and Lubrication Shops							
Senior Secured Loan		9.26%	(L +7.25%)	8/23/2022	21,411	21,226	21,226	11.3
Senior Secured Loan (Revolver)		9.26%	(L +7.25%)	8/23/2022	—	(14)	(14)	—
Preferred Equity (973 units) 14% PIK						2,937	2,937	1.6
					21,411	24,149	24,149	12.9
<i>Community Intervention Services, Inc. (5)</i>								
	Outpatient Mental Health and Substance Abuse Centers							
Subordinated Loan (7) (11)		7.0% cash / 6.0% PIK	N/A	1/16/2021	8,399	7,639	2,038	1.1
Common equity (Success Fee) (10)						—	—	—
					8,399	7,639	2,038	1.1
<i>Confie Seguros Holdings II Co.</i>								
	Insurance Agencies and Brokerages							
Senior Secured Loan		10.99%	(L +9.75%)	5/8/2019	7,851	7,808	7,653	4.1
<i>Constellis Holdings, LLC</i>								
	Other Justice, Public Order, and Safety Activities							
Senior Secured Loan		6.33%	(L +5.00%)	4/21/2024	4,963	4,916	4,981	2.6
Senior Secured Loan		10.33%	(L +9.00%)	4/21/2025	9,950	9,809	9,915	5.3
					14,913	14,725	14,896	7.9

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2017

(Dollar amounts in thousands)

Portfolio Company(1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
<i>DuPage Medical Group</i>								
	Offices of Physicians, Mental Health Specialists							
Senior Secured Loan		4.32%	(L +3.00%)	8/15/2024	\$ 1,400	\$ 1,393	\$1,400	0.7%
Senior Secured Loan		8.32%	(L +7.00%)	8/15/2025	5,600	5,545	5,520	2.9
					7,000	6,938	6,920	3.6
<i>Eblens Holdings, Inc.</i>								
	Shoe Store							
Subordinated Loan		12.0% cash / 1.0% PIK	N/A	1/13/2023	8,807	8,723	8,723	4.6
Common equity (71,250 units)						713	713	0.4
					8,807	9,436	9,436	5.0
<i>Elgin Fasteners Group</i>								
	Bolt, Nut, Screw, Rivet, and Washer Manufacturing							
Senior Secured Loan		8.08%	(L +6.75%)	8/27/2018	3,942	3,926	3,618	1.9
<i>Inhance Technologies Holdings LLC</i>								
	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Loan		5.83%	(L +4.50%)	6/30/2019	1,939	1,929	1,939	1.0
<i>Jobson Healthcare Information, LLC (5)</i>								
	Other Professional, Scientific, and Technical Services							
Senior Secured Loan (11)		10.13% cash / 5.05% PIK	(L +13.18%)	7/21/2019	15,247	15,007	11,841	6.3
Warrants (1,056,428 member units) (10)				7/21/2019 (12)		454	—	—
					15,247	15,461	11,841	6.3
<i>LRI Holding, LLC (5)</i>								
	Electrical Contractors and Other Wiring Installation Contractors							
Senior Secured Loan		10.59%	(L +9.25%)	6/30/2022	18,500	18,346	18,553	9.8
Preferred Equity (238,095 units)						300	324	0.2
					18,500	18,646	18,877	10.0
<i>Maverick Healthcare Equity, LLC (5)</i>								
	Home Health Equipment Rental							
Preferred Equity (1,250,000 units) (10)						900	132	0.1
Common Equity (1,250,000 units) (10)						—	—	—
						900	132	0.1
<i>My Alarm Center, LLC (5)</i>								
	Security Systems Services (except Locksmiths)							
Preferred Equity (1,485 Class A units), 8% PIK (10)						1,509	1,509	0.8
Preferred Equity (1,198 Class B units)						1,198	1,198	0.6
Common Equity (64,149 units)						—	—	—
						2,707	2,707	1.4

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2017

(Dollar amounts in thousands)

Portfolio Company(1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
<i>MYI Acquiror Limited (6)</i>								
Senior Secured Loan	Insurance Agencies and Brokerages	5.80%	(L +4.50%)	5/28/2019	\$ 4,686	\$ 4,682	\$4,674	2.5%
<i>NVA Holdings, Inc.</i>								
Senior Secured Loan	Veterinary Services	8.33%	(L +7.00%)	8/14/2022	743	743	750	0.4
<i>O2 Holdings, LLC (5)</i>								
Senior Secured Loan	Fitness and Recreational Sports Centers	12.23%	(L +11.00%)	9/2/2021	10,500	10,428	10,389	5.5
<i>Planet Fitness Midwest LLC (5)</i>								
Subordinated Loan	Fitness and Recreational Sports Centers	13.00%	N/A	12/16/2021	5,000	4,962	5,033	2.7
<i>PM Acquisition LLC</i>								
Senior Secured Loan	All Other General Merchandise Stores	11.50%	N/A	10/31/2021	6,205	6,154	6,070	3.2
Common equity (499 units) (10)						499	255	0.1
					6,205	6,653	6,325	3.3
<i>Quantum Spatial, Inc.</i>								
Senior Secured Loan	Other Information Services	6.75%	(L +5.50%)	11/27/2017	2,382	2,382	2,375	1.3
<i>Ranpak Corp.</i>								
Senior Secured Loan	Packaging Machinery Manufacturing	8.48%	(L +7.25%)	10/3/2022	1,660	1,647	1,643	0.9
<i>Resource Label Group, LLC</i>								
Senior Secured Loan	Commercial Printing (except Screen and Books)	5.83%	(L +4.50%)	5/26/2023	1,912	1,894	1,897	1.0
Senior Secured Loan		9.83%	(L +8.50%)	11/26/2023	4,821	4,752	4,764	2.5
					6,733	6,646	6,661	3.5
<i>Security Alarm Financing Enterprises, L.P. (5)</i>								
Subordinated Loan (14)	Security Systems Services (except Locksmiths)	14.00% cash / 0.3% PIK	(L +13.00%)	6/19/2020	12,514	12,422	12,253	6.5

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2017

(Dollar amounts in thousands)

Portfolio Company(1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
<i>Sentry Centers Holdings, LLC</i>	Other Professional, Scientific, and Technical Services							
Senior Secured Loan		12.74%	(L +11.50%)	7/24/2019	\$ 4,198	\$ 4,153	\$ 4,282	2.3%
Preferred Equity (5,000 units) (10) (13)						516	516	0.3%
					4,198	4,669	4,798	2.6
<i>smarTours, LLC (5)</i>	Tour Operators							
Preferred Equity (500,000 units) (10)						439	1,424	0.8
<i>Southern Technical Institute, LLC (5)</i>	Colleges, Universities, and Professional Schools							
Subordinated Loan		10.30% cash / 3.0% PIK	(L +12.00%)	12/2/2020	3,494	3,423	2,741	1.5
Preferred Equity (1,764,720 units), 15.75% PIK (8) (10)						2,094	170	0.1
Warrants (2,174,905 units) (10)				3/30/2026 (12)		46	—	—
					3,494	5,563	2,911	1.6
<i>Stancor, L.P. (5)</i>	Pump and Pumping Equipment Manufacturing							
Senior Secured Loan		9.73%	(L +8.50%)	8/19/2019	8,382	8,354	8,343	4.4
Preferred Equity (1,250,000 units), 8% PIK (8) (10)						1,501	1,046	0.6
					8,382	9,855	9,389	5.0
<i>TravelCLICK, Inc.</i>	Computer Systems Design and Related Services							
Senior Secured Loan		8.99%	(L +7.75%)	11/6/2021	7,334	7,300	7,401	3.9
<i>Truck Hero, Inc.</i>	Truck Trailer Manufacturing							
Senior Secured Loan		9.58%	(L +8.25%)	4/21/2025	4,941	4,870	5,003	2.7
Senior Secured Loan		5.33%	(L +4.00%)	4/21/2024	1,380	1,367	1,387	0.7
					6,321	6,237	6,390	3.4
<i>United Biologics Holdings, LLC (5)</i>	Medical Laboratories							
Senior Secured Loan (11)		12.0% cash / 2.0% PIK	N/A	4/30/2018	4,245	4,212	4,111	2.2
Subordinated Loan (10)		8.0% PIK	N/A	4/30/2019	7	7	5	—
Preferred Equity (151,787 units) (10)						9	20	—
Warrants (29,374 units) (10)				03/05/2022 (12)		82	20	—
					4,252	4,310	4,156	2.2
Total Non-control/Non-affiliate Investments					<u>214,012</u>	<u>224,616</u>	<u>212,206</u>	<u>112.4</u>

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2017

(Dollar amounts in thousands)

Portfolio Company(1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Affiliate Investments								
<i>All Metals Holding, LLC (5)</i>		Metal Service Centers and Other Metal Merchant Wholesalers						
Senior Secured Loan		12.0% cash / 1.0% PIK	N/A	12/28/2021	\$ 12,965	\$ 12,343	\$12,965	6.9%
Common Equity (637,954 units) (10)						565	1,484	0.8
					12,965	12,908	14,449	7.7
<i>Contract Datascan Holdings, Inc. (5)</i>		Office Machinery and Equipment Rental and Leasing						
Subordinated Loan		12.00%	N/A	2/5/2021	8,000	7,984	8,000	4.2
Preferred Equity (3,061 shares), 10% PIK (10)						4,206	5,045	2.7
Common Equity (11,273 shares) (10)						104	—	—
					8,000	12,294	13,045	6.9
<i>Malabar International (5)</i>		Other Aircraft Parts and Auxiliary Equipment Manufacturing						
Subordinated Loan		11.25% cash / 2.0% PIK	N/A	11/13/2021	7,733	7,752	7,887	4.2
Preferred Stock (1,644 shares), 6% cash						4,283	8,968	4.8
					7,733	12,035	16,855	9.0
<i>Master Cutlery, LLC (5)</i>		Sporting and Recreational Goods and Supplies Merchant Wholesalers						
Senior Secured Loan (11)		13.00%	N/A	10/29/2018	545	545	545	0.3
Subordinated Loan (11)		13.00%	N/A	4/17/2020	4,807	4,792	3,284	1.7
Preferred Equity (3,723 units), 5% cash, 3% PIK (8) (10)						3,483	—	—
Common Equity (15,564 units) (10)						—	—	—
					5,352	8,820	3,829	2.0
<i>NeoSystems Corp. (5)</i>		Other Accounting Services						
Subordinated Loan		10.50% cash / 1.75% PIK	N/A	8/13/2019	2,135	2,128	2,082	1.1
Preferred Equity (521,962 convertible shares), 10% PIK (10)						1,356	2,209	1.2
					2,135	3,484	4,291	2.3
<i>Pfanstiehl Holdings, Inc. (5)</i>		Pharmaceutical Preparation Manufacturing						
Subordinated Loan		10.50%	N/A	9/29/2021	3,788	3,823	3,788	2.0
Common Equity (400 shares)						217	4,975	2.6
					3,788	4,040	8,763	4.6

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2017

(Dollar amounts in thousands)

Portfolio Company(1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
<i>TRS Services, LLC (5)</i>	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance							
Senior Secured Loan		9.74%	(L +9.25%)	12/10/2019	\$ 9,494	\$ 9,346	\$ 9,494	5.0%
Preferred Equity (329,266 Class AA units), 15% PIK (10)						387	395	0.2
Preferred Equity (3,000,000 Class A units), 11% PIK (8) (10)						3,374	2,606	1.4
Common Equity (3,000,000 units) (10)						572	—	—
					9,494	13,679	12,495	6.6
Total Affiliate Investments					49,467	67,260	73,727	39.1
Control Investments								
<i>MTE Holding Corp. (5)</i>	Travel Trailer and Camper Manufacturing							
Subordinated Loan (to Mirage Trailers, LLC, a controlled, consolidated subsidiary of MTE Holding Corp.)		12.73% cash / 1.5% PIK	(L +13.00%)	11/25/2020	7,158	7,113	7,108	3.8
Common Equity (554 shares)						3,069	3,589	1.9
					7,158	10,182	10,697	5.7
Total Control Investment					7,158	10,182	10,697	5.7
Total Investments					\$ 270,637	\$ 302,058	\$296,630	157.2%

- (1) Equity ownership may be held in shares or units of companies affiliated with the portfolio company.
- (2) The majority of investments that bear interest at a variable rate are indexed to LIBOR (L), and reset monthly, quarterly, or semi-annually. Approximately 11% of the Company's LIBOR referenced investments are subject to a reference rate floor at September 30, 2017, with a weighted average reference rate floor of 1.70%. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at September 30, 2017. Unless otherwise noted, all investments with a stated PIK rate require interest payments with the issuance of additional securities as payment of the entire PIK provision.
- (3) Fair value was determined using significant unobservable inputs for all of the Company's investments. See Note 5 for further details.
- (4) The negative amount represents the excess of the par value of an unfunded commitment in excess of its fair value.
- (5) Investments (or portion thereof) held by OFS SBIC I, LP. All other investments pledged as collateral under the PWB Credit Facility.
- (6) Non-qualifying assets under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of the Company's assets, as defined under Section 55 of the 1940 Act, at the time of acquisition of any additional non-qualifying assets. As of September 30, 2017, 97.47% of the Company's assets were qualifying assets.
- (7) Investment was on non-accrual status as of September 30, 2017, meaning the Company has ceased recognizing all or a portion of income on the investment. See Note 2, *Non-accrual loans* for further details.
- (8) The fair value of the accrued PIK dividend at September 30, 2017 was \$-0-. See Note 2, *Dividend income* for further details.
- (9) The Company has entered into a contractual arrangement with co-lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co-lenders pursuant to a payment waterfall. The reported interest rate of 9.26% at September 30, 2017, includes additional interest of 0.7% per annum as specified under the contractual arrangement among the Company and the co-lenders.
- (10) Non-income producing.

OFS Capital Corporation and Subsidiaries**Consolidated Schedule of Investments - Continued****September 30, 2017****(Dollar amounts in thousands)**

- (11) The interest rate on these investments contains a PIK provision, whereby the issuer has the option to make interest payments in cash or with the issuance of additional securities as payment of the entire PIK provision. The interest rate in the schedule represents the current interest rate in effect for these investments. The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed as of September 30, 2017 :

Portfolio Company	Investment Type	Range of PIK Option	Range of Cash Option	Maximum PIK Rate Allowed
Community Intervention Services, Inc.	Subordinated Loan	0% or 6.00%	13.00% or 7.00%	6.00%
Eblens Holdings, Inc.	Subordinated Loan	0% or 1.00%	12.0% or 13.0%	1.00%
Jobson Healthcare Information, LLC	Senior Secured Loan	1.5% or 4.80%	10.13% or 13.43%	4.80%
Master Cultery, LLC	Senior Secured Loan	0% to 13.00%	13.00% to 0%	13.00%
United Biologics Holdings, LLC	Senior Secured Loan	0% or 2.00%	14.00% or 12.00%	2.00%

- (12) Represents expiration date of the warrants.

- (13) Investment held by a wholly-owned subsidiary subject to income tax. See Note 2, Income taxes, for further details.

- (14) The PIK provision is reset at the beginning of each interest period equal to the excess of reference rate over the reference rate floor of 1.00%. The PIK interest rate in the schedule represents the current PIK interest rate in effect.

See Notes to Financial Statements.

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments

December 31, 2016

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Non-control/Non-affiliate Investments								
<i>Accurate Group Holdings, Inc. (5)</i>	Offices of Real Estate Appraisers							
Subordinated Loan		13.00%	N/A	8/23/2018	\$ 10,000	\$ 10,032	\$10,000	7.0%
<i>Armor Holdings II LLC</i>	Other Professional, Scientific, and Technical Services							
Senior Secured Loan		10.25%	(L +9.00%)	12/26/2020	3,500	3,469	3,496	2.4
<i>AssuredPartners, Inc</i>	Insurance Agencies and Brokerages							
Senior Secured Loan		10.00%	(L +9.00%)	10/20/2023	5,000	4,854	5,013	3.5
<i>Avison Young Canada, Inc.</i>	Offices of Real Estate Agents and Brokers							
Senior Secured Loan (5) (6)		9.50%	N/A	12/15/2021	4,000	3,923	3,923	2.7
<i>BCC Software, LLC (5)</i>	Custom Computer Programming Services							
Senior Secured Loan		9.00%	(L +8.00%)	6/20/2019	5,143	5,105	5,143	3.6
Senior Secured Loan (Revolver) (11) (4)		N/A	(L +8.00%)	6/20/2019	—	(8)	—	—
					5,143	5,097	5,143	3.6
<i>Community Intervention Services, Inc. (5)</i>	Outpatient Mental Health and Substance Abuse Centers							
Subordinated Loan (7) (12)		7.0% cash / 6.0% PIK	N/A	1/16/2021	8,030	7,639	5,393	3.8
<i>Confie Seguros Holdings II Co.</i>	Insurance Agencies and Brokerages							
Senior Secured Loan		10.25%	(L +9.00%)	5/8/2019	4,000	3,976	3,973	2.8
<i>C7 Data Centers, Inc. (5)</i>	Other Computer Related Services							
Senior Secured Loan (10)		12.47%	(L +8.50%)	6/22/2020	14,850	14,738	14,883	10.4
<i>Elgin Fasteners Group</i>	Bolt, Nut, Screw, Rivet, and Washer Manufacturing							
Senior Secured Loan		8.50%	(L +7.25%)	8/27/2018	4,104	4,090	3,555	2.5
<i>Inhance Technologies Holdings LLC</i>	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Loan		5.50%	(L +4.50%)	2/7/2018	2,032	2,027	2,017	1.4

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

December 31, 2016

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
<i>Intrafusion Holding Corp. (5)</i>	Other Outpatient Care Centers							
Senior Secured Loan (9)		11.33%	(L +6.75%)	9/25/2020	\$ 14,250	\$ 14,207	\$14,393	10.0%
<i>Jobson Healthcare Information, LLC (5)</i>	Other Professional, Scientific, and Technical Services							
Senior Secured Loan (12)		10.13% cash / 4.295% PIK	(L +12.425%)	7/21/2019	14,762	14,423	12,346	8.6
Warrants (1,056,428 member units) (11)				7/21/2019 (12)		454	—	—
					14,762	14,877	12,346	8.6
<i>Maverick Healthcare Equity, LLC (5)</i>	Home Health Equipment Rental							
Preferred Equity (1,250,000 units) (11)						900	1,037	0.7
Common Equity (1,250,000 units) (11)						—	—	—
						900	1,037	0.7
<i>MN Acquisition, LLC (5)</i>	Software Publishers							
Senior Secured Loan		10.50%	(L + 9.50%)	8/24/2021	4,989	4,896	4,949	3.4
<i>My Alarm Center, LLC (5)</i>	Security Systems Services (except Locksmiths)							
Senior Secured Loan		12.00%	(L +11.00%)	7/9/2019	6,250	6,034	6,260	4.4
Preferred Equity (100 Class A units) (11)						203	205	0.1
Preferred Equity (25 Class A-1 units) (11)						44	36	—
					6,250	6,281	6,501	4.5
<i>MYI Acquiror Limited (6)</i>	Insurance Agencies and Brokerages							
Senior Secured Loan		5.75%	(L +4.50%)	5/28/2019	4,686	4,680	4,613	3.2
<i>NHR Holdings, LLC</i>	Other Telecommunications							
Senior Secured Loan		5.50%	(L +4.25%)	11/30/2018	2,666	2,652	2,630	1.8
<i>NVA Holdings, Inc.</i>	Veterinary Services							
Senior Secured Loan		8.00%	(L +7.00%)	8/14/2022	650	650	651	0.5
<i>O2 Holdings, LLC (5)</i>	Fitness and Recreational Sports Centers							
Senior Secured Loan		11.77%	(L +11.00%)	9/2/2021	9,500	9,417	9,430	6.6

OFS Capital Corporation and Subsidiaries
Consolidated Schedule of Investments - Continued
December 31, 2016
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
<i>PM Acquisition LLC</i>								
All Other General Merchandise Stores								
Senior Secured Loan		11.50%	N/A	10/31/2021	\$ 6,402	\$ 6,340	\$6,340	4.4%
Common equity (499 units) (11)						499	499	0.3
					6,402	6,839	6,839	4.7
<i>Planet Fitness Midwest LLC (5)</i>								
Fitness and Recreational Sports Centers								
Subordinated Loan		13.00%	N/A	12/16/2021	5,000	4,955	4,980	3.5
<i>Quantum Spatial, Inc. (f/k/a Aero-Metric, Inc.)</i>								
Other Information Services								
Senior Secured Loan		6.75% cash / 1.0% PIK	(L +6.50%)	8/27/2017	2,440	2,427	2,340	1.6
<i>Ranpak Corp.</i>								
Packaging Machinery Manufacturing								
Senior Secured Loan		8.25%	(L +7.25%)	10/3/2022	2,000	1,996	1,885	1.3
<i>Security Alarm Financing Enterprises, L.P. (5)</i>								
Security Systems Services (except Locksmiths)								
Subordinated Loan		14.00%	(L +13.00%)	6/19/2020	12,500	12,382	12,382	8.6
<i>Sentry Centers Holdings, LLC</i>								
Other Professional, Scientific, and Technical Services								
Senior Secured Loan		12.40%	(L +11.50%)	7/24/2019	4,209	4,145	4,171	2.9
<i>smarTours, LLC (5)</i>								
Tour Operators								
Preferred Equity (500,000 units) (11)						439	1,019	0.7
<i>Southern Technical Institute, LLC (5)</i>								
Colleges, Universities, and Professional Schools								
Subordinated Loan		9.0% cash / 4.0% PIK	(L +12.00%)	12/2/2020	3,398	3,330	3,158	2.2
Preferred Equity (1,764,720 units), 15.75% PIK (11)						1,938	1,984	1.4
Warrants (2,174,905 units) (11)				3/30/2026 (12)		46	—	—
					3,398	5,314	5,142	3.6

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Consolidated Schedule of Investments - Continued

December 31, 2016

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
<i>Stancor, L.P. (5)</i>	Pump and Pumping Equipment Manufacturing							
Senior Secured Loan		9.75%	(L +9.00%)	8/19/2019	\$ 9,450	\$ 9,407	\$ 9,181	6.4%
Preferred Equity (1,250,000 units), 8% PIK (11)						1,501	835	0.6
					9,450	10,908	10,016	7.0
<i>TravelCLICK, Inc.</i>	Computer Systems Design and Related Services							
Senior Secured Loan		8.75%	(L +7.75%)	11/8/2021	4,000	3,879	3,946	2.7
<i>United Biologics Holdings, LLC (5)</i>	Medical Laboratories							
Senior Secured Loan (12)		12.0% cash / 2.0% PIK	N/A	4/30/2018	4,181	4,106	4,034	2.8
Subordinated Loan (11)		8.0% PIK	N/A	4/30/2019	7	7	6	—
Preferred Equity (151,787 units) (11)						9	20	—
Warrants (29,374 units) (11)				3/5/2022 (12)		82	114	0.1
					4,188	4,204	4,174	2.9
<i>VanDeMark Chemical Inc.</i>	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Loan		6.50%	(L +5.25%)	11/30/2017	2,406	2,386	2,379	1.7
Total Non-control/Non-affiliate Investments					<u>174,405</u>	<u>178,279</u>	<u>173,219</u>	<u>120.6</u>
Affiliate Investments								
<i>All Metals Holding, LLC (5)</i>	Metal Service Centers and Other Metal Merchant Wholesalers							
Senior Secured Loan		12.0% cash / 1.0% PIK	N/A	12/28/2021	12,867	12,135	12,865	8.9
Common Equity (637,954 units) (11)						565	1,277	0.9
					12,867	12,700	14,142	9.8
<i>Contract Datascan Holdings, Inc. (5)</i>	Office Machinery and Equipment Rental and Leasing							
Subordinated Loan		12.00%	N/A	2/5/2021	8,000	7,980	7,902	5.5
Preferred Equity (3,061 shares), 10% PIK (11)						3,804	5,421	3.8
Common Equity (11,273 shares) (11)						104	187	0.1
					8,000	11,888	13,510	9.4

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(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
<i>Intelli-Mark Technologies, Inc.</i> (5)	Other Travel Arrangement and Reservation Services							
Senior Secured Loan (12)		13.00%	N/A	11/23/2020	\$ 8,750	\$ 8,682	\$8,841	6.2%
Common Equity (2,553,089 shares) (11)						1,500	1,998	1.5
					8,750	10,182	10,839	7.7
<i>Master Cutlery, LLC</i> (5)	Sporting and Recreational Goods and Supplies Merchant Wholesalers							
Subordinated Loan		13.00%	N/A	4/17/2020	4,741	4,722	4,440	3.1
Preferred Equity (3,723 units), 5% cash, 3% PIK (8) (11)						3,483	954	0.7
Common Equity (15,564 units) (11)						—	—	—
					4,741	8,205	5,394	3.8
<i>NeoSystems Corp.</i> (5)	Other Accounting Services							
Subordinated Loan		10.50% cash / 2.75% PIK	N/A	8/13/2019	4,090	4,070	3,656	2.5
Preferred Equity (521,962 convertible shares), 10% PIK (11)						1,258	1,255	0.9
					4,090	5,328	4,911	3.4
<i>Pfanstiehl Holdings, Inc.</i> (5)	Pharmaceutical Preparation Manufacturing							
Subordinated Loan (12)		10.50%	N/A	9/29/2021	3,788	3,832	3,810	2.6
Common Equity (400 shares)						217	6,083	4.2
					3,788	4,049	9,893	6.8
<i>Strategic Pharma Solutions, Inc.</i> (5)	Other Professional, Scientific, and Technical Services							
Senior Secured Loan		11.32%	(L +10.00%)	12/18/2020	8,411	8,344	8,383	5.8
Preferred Equity (1,191 units), 6% PIK (11)						1,915	3,026	2.1
					8,411	10,259	11,409	7.9
<i>TRS Services, LLC</i> (5)	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance							
Senior Secured Loan		9.75% cash / 1.5% PIK	(L +10.25%)	12/10/2019	9,807	9,607	9,549	6.5
Preferred Equity (329,266 Class AA units), 15% PIK (11)						346	354	0.2
Preferred Equity (3,000,000 Class A units), 11% PIK (11)						3,170	1,707	1.2
Common Equity (3,000,000 units) (11)						572	—	—
					9,807	13,695	11,610	7.9
Total Affiliate Investments					60,454	76,306	81,708	56.7

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Consolidated Schedule of Investments - Continued

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(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Control Investments								
<i>Malabar International (5)</i>								
Other Aircraft Parts and Auxiliary Equipment Manufacturing								
Subordinated Loan		11.25% cash / 2.0% PIK	N/A	11/13/2021	\$ 7,617	\$ 7,642	\$ 7,683	5.3%
Preferred Stock (1,644 shares), 6% cash						4,283	5,868	4.1
					7,617	11,925	13,551	9.4
<i>MTE Holding Corp. (5)</i>								
Travel Trailer and Camper Manufacturing								
Senior Secured Loan (to Mirage Trailers, LLC, a controlled, consolidated subsidiary of MTE Holding Corp.)		12.50%	(L +11.50%)	11/25/2020	9,804	9,728	9,766	6.8
Common Equity (554 shares)						3,069	3,383	2.4
					9,804	12,797	13,149	9.2
Total Control Investment					17,421	24,722	26,700	18.6
Total Investments					\$ 252,280	\$ 279,307	\$281,627	195.9%

- (1) Equity ownership may be held in shares or units of companies affiliated with the portfolio company.
- (2) The majority of investments that bear interest at a variable rate are indexed to LIBOR (L) or Prime (P), and reset monthly, quarterly, or semi-annually. Substantially all of the Company's LIBOR referenced investments are subject to a reference rate floor at December 31, 2016, with a weighted average reference rate floor of 1.11%. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at December 31, 2016. Unless otherwise noted, all investments with a stated PIK rate require interest payments with the issuance of additional securities as payment of the entire PIK provision.
- (3) Fair value was determined using significant unobservable inputs for all of the Company's investments. See Note 5 for further details.
- (4) The negative fair value is the result of the unfunded commitment being below par.
- (5) Investments held by OFS SBIC I LP. All other investments pledged as collateral under the PWB Credit Facility.
- (6) Non-qualifying assets under Section 55(a) of the 1940 Act. Qualifying assets must represent at least 70% of the Company's assets, as defined under Section 55 of the 1940 Act, at the time of acquisition of any additional non-qualifying assets. As of December 31, 2016, 98.4% of the Company's assets were qualifying assets.
- (7) Investment was on non-accrual status as of December 31, 2016, meaning the Company has ceased recognizing all or a portion of income on the investment. See Note 2, *Non-accrual loans* for further details.
- (8) The fair value of the accrued PIK dividend at December 31, 2016 was \$-0-. See Note 2, *Dividend income* for further details.
- (9) The Company has entered into a contractual arrangement with co-lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co-lenders pursuant to a payment waterfall. The reported interest rate of 11.33% at December 31, 2016, includes additional interest of 2.08% per annum as specified under the contractual arrangement among the Company and the co-lenders.
- (10) The Company has entered into a contractual arrangement with co-lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co-lenders pursuant to a payment waterfall. The reported interest rate of 12.47% at December 31, 2016, includes additional interest of 2.97% per annum as specified under the contractual arrangement among the Company and the co-lenders.
- (11) Non-income producing.
- (12) The interest rate on these investments contains a PIK provision, whereby the issuer has the option to make interest payments in cash or with the issuance of additional securities as payment of the entire PIK provision. The interest rate in the schedule represents the current interest rate in effect for these investments. The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed as of December 31, 2016:

OFS Capital Corporation and Subsidiaries**Consolidated Schedule of Investments - Continued****December 31, 2016****(Dollar amounts in thousands)**

Portfolio Company	Investment Type	Range of PIK Option	Range of Cash Option	Maximum PIK Rate Allowed
Community Intervention Services, Inc.	Subordinated Loan	0% or 6.00%	13.00% or 7.00%	6.00%
Intelli-Mark Technologies, Inc.	Senior Secured Loan	0% or 2.00%	13.00% or 11.50%	2.00%
Jobson Healthcare Information, LLC	Senior Secured Loan	1.50% and 4.295%	10.13% and 12.925%	4.295%
Pfanstiehl Holdings, Inc.	Subordinated Loan	0% or 2.00%	10.50% or % 8.50%	2.00%
United Biologics Holdings, LLC	Senior Secured Loan	0% or 2.00%	14.00% or 12.00%	2.00%

(13) Represents expiration date of the warrants.

See Notes to Financial Statements.

OFS Capital Corporation and Subsidiaries

Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

Note 1. Organization

OFS Capital Corporation, a Delaware corporation, is an externally managed, closed-end, non-diversified management investment company. The Company has elected to be regulated as a BDC under the 1940 Act. In addition, for income tax purposes, the Company has elected to be treated as a RIC under the Code.

The Company's objective is to provide stockholders with current income and capital appreciation through its strategic investment focus primarily on debt investments and, to a lesser extent, equity investments primarily in middle-market companies principally in the United States. OFS Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company.

In addition, OFS Advisor also serves as the investment adviser for HPCI, a Maryland corporation and a BDC. HPCI's investment objective is similar to that of the Company.

The Company may make investments directly or through SBIC I LP, its investment company subsidiary licensed under the SBA SBIC Program. The SBIC Program is designed to stimulate the flow of capital into eligible businesses. SBIC I LP is subject to SBA regulatory requirements, including limitations on the businesses and industries in which it can invest, requirements to invest at least 25% of its regulatory capital in eligible smaller businesses, as defined under the SBIC Act, limitations on the financing terms of investments, capitalization thresholds that may limit distributions to the Company, and is subject to periodic audits and examinations of its financial statements.

In April 2017, the Company issued 3,625,000 shares of its common stock in a follow-on public offering at an offering price of \$14.57 per share (the "Offering"), including shares purchased by the underwriters pursuant to their exercise of the over-allotment option. OFS Advisor paid all of the underwriting discounts and commissions, and a supplemental payment of \$0.25 per share that represented the difference between the public offering price of \$14.57 per share and the net offering proceeds of \$14.82 per share, the Company's net asset value per share at the time of the Offering. All payments made by OFS Advisor in connection with the Offering are not subject to reimbursement by the Company. The Company received net proceeds from the Offering of \$53,723.

Note 2 . Basis of Presentation and Significant Accounting Policies

Basis of presentation: The Company prepares its consolidated financial statements in accordance with GAAP, including ASC Topic 946, *Financial Services—Investment Companies*, the 1940 Act, Articles 6 or 10 of Regulation S-X, and the requirements for reporting on Form 10-Q. In the opinion of management, the consolidated financial statements include all adjustments, consisting only of normal and recurring accruals and adjustments, necessary for fair presentation have been made. Certain amounts in the prior period financial statements have been reclassified to conform to the current year presentation. These consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

Principles of consolidation: The Company consolidates majority-owned, investment company subsidiaries. The Company does not own any controlled operating company whose business consists of providing services to the Company, which would also require consolidation. All intercompany balances and transactions are eliminated upon consolidation.

Investments: The Company applies fair value accounting in accordance with ASC Topic 820, which defines fair value, establishes a framework to measure fair value, and requires disclosures regarding fair value measurements. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined through the use of models and other valuation techniques, valuation inputs, and assumptions market participants would use to value the investment. Highest priority is given to prices for identical assets quoted in active markets (Level 1) and the lowest priority is given to unobservable valuation inputs (Level 3). The availability of observable inputs can vary significantly and is affected by many factors, including the type of product, whether the product is new to the market, whether the product is traded on an active exchange or in the secondary market, and the current market conditions. To the extent that the valuation is based on less observable or unobservable inputs, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for financial instruments classified as Level 3 (i.e., those instruments valued using non-observable inputs), which comprise the entirety of the Company's investments.

Changes to the valuation policy are reviewed by management and the Company's Board. As the Company's investments change, markets change, new products develop, and valuation inputs become more or less observable, the Company will continue to refine its valuation methodologies.

OFS Capital Corporation and Subsidiaries

Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

See Note 5 for more detailed disclosures of the Company's fair value measurements of its financial instruments.

Investment classification: The Company classifies its investments in accordance with the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in those companies in which the Company owns more than 25% of the voting securities or has rights to maintain greater than 50% of board representation, "Affiliate Investments" are defined as investments in those companies in which the Company owns between 5% and 25% of the voting securities, and "Non-Control/Non-Affiliate Investments" are those that neither qualify as Control Investments nor Affiliate Investments.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Reportable segments : The Company has a single reportable segment and single operating segment structure.

Cash and cash equivalents : Cash and cash equivalents consist of cash and highly liquid investments not held for resale with original maturities of three months or less. The Company's cash and cash equivalents are maintained with a member bank of the FDIC and, at times, such balances may be in excess of the FDIC insurance limits. Included in cash and cash equivalents was \$52,345 and \$17,659 held in a US Bank Money Market Deposit Account as of September 30, 2017, and December 31, 2016, respectively.

Revenue recognition:

Interest income: Interest income is recorded on an accrual basis and reported as interest receivable until collected. Interest income is accrued daily based on the outstanding principal amount and the contractual terms of the debt investment. Certain of the Company's investments contain a payment-in-kind interest income provision ("PIK interest"). The PIK interest, computed at the contractual rate specified in the applicable investment agreement, is added to the principal balance of the investment, rather than being paid in cash, and recorded as interest income, as applicable, on the consolidated statements of operations. The Company discontinues accrual of interest income, including PIK interest, when there is reasonable doubt that the interest income will be collected.

Loan origination fees, original issue discount ("OID"), market discount or premium, and loan amendment fees (collectively, "Net Loan Fees") are recorded as an adjustment to the amortized cost of the investment, and accreted or amortized as an adjustment to interest income over the life of the respective debt investment using a method that approximates the effective interest method. When the Company receives a loan principal payment, the unamortized Net Loan Fees related to the paid principal is accelerated and recognized in interest income.

Further, the Company may acquire or receive equity, warrants or other equity-related securities ("Equity") in connection with the Company's acquisition of, or subsequent amendment to, debt investments. The Company determines the cost basis of Equity based on their fair value, and the fair value of debt investments and other securities or consideration received. Any resulting difference between the face amount of the debt and its recorded cost resulting from the assignment of value to the Equity is treated as OID, and accreted into interest income as described above.

Dividend income : Dividend income on common stock, generally payable in cash, is recorded at the time dividends are declared. Dividend income on preferred equity securities is accrued daily based on the the contractual terms of the preferred equity investment. Dividends on preferred equity securities may be payable in cash or in additional preferred securities, and are generally not payable unless declared or upon liquidation. Declared dividends payable in cash are reported as dividend receivables until collected. Non-cash dividends payable in additional preferred securities or contractually earned but not declared ("PIK dividends") are recognized at fair value and recorded as an adjustment to the cost basis of the investment. At September 30, 2017, the Company had four preferred equity securities (Master Cutlery, LLC, Stancor, L.P., Southern Technical Institute, LLC, and TRS Services, LLC), with an aggregate amortized cost and fair value of \$10,452 and \$3,822, respectively, for which the fair value of the accrued PIK dividend for the three months ended September 30, 2017 was \$-0-. In addition, beginning June 30, 2017, the Company discontinued recognition of the cash preferred dividend from its investment in Master Cutlery, LLC. At December 31, 2016, the Company had one preferred equity security (Master Cutlery, LLC) with an amortized cost and fair value of \$3,483, and \$954, respectively, for which the fair value of the accrued PIK dividend for the three months ended December 31, 2016 was \$-0-.

Fee income: The Company generates revenue in the form of management, valuation, and other contractual fees, that is recognized as the related services are rendered. In the general course of its business, the Company receives certain fees from portfolio companies which are non-recurring in nature. Such non-recurring fees include prepayment fees on certain loans repaid

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prior to their scheduled due date, which are recognized as earned when received, and fees for capital structuring or advisory services from certain portfolio companies, which are recognized as earned upon closing of the investment.

Net realized and unrealized gain or loss on investments: Investment transactions are reported on a trade-date basis. Unsettled trades as of the balance sheet date are included in payable for investments purchased on the consolidated balance sheets. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of the investment. Investments are valued at fair value as determined in good faith by Company management under the supervision and review of the Board. After recording all appropriate interest, dividend, and other income, some of which is recorded as an adjustment to the cost basis of the investment as described above, the Company reports changes in the fair value of investments as net changes in unrealized appreciation/depreciation on investments in the consolidated statements of operations.

Non-accrual loans : When there is reasonable doubt that principal, cash interest, or PIK interest will be collected, loan investments are placed on non-accrual status and the Company will generally cease recognizing cash interest, PIK interest, or Net Loan Fee amortization, as applicable. When an investment is placed on non-accrual status, all interest previously accrued but not collected, other than PIK interest that has been contractually added to the adjusted cost basis of the investment prior to the designation date, is reversed against current period interest income. Interest payments subsequently received on non-accrual investments may be recognized as income or applied to principal depending upon management's judgment. Interest accruals and Net Loan Fee amortization are resumed on non-accrual investments only when they are brought current with respect to principal and interest, and when, in the judgment of management, the investments are estimated to be fully collectible as to all principal and interest. At September 30, 2017, the Company had one loan (Community Intervention Services, Inc.) on non-accrual status with respect to all interest and Net Loan Fee amortization, with an amortized cost and fair value of \$7,639 and \$2,038, respectively. The Company's loan investment in My Alarm Center, LLC, which was on non-accrual status at June 30, 2017, was restructured and exchanged for a new class of preferred equity securities and common equity securities in July 2017. See Note 4 for further discussion. At December 31, 2016, the Company had one loan (Community Intervention Services, Inc.) on non-accrual status with respect to PIK interest and Net Loan Fees with an amortized cost and fair value of \$7,639 and \$5,393, respectively.

Income taxes: The Company has elected to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code. To qualify as a RIC, the Company must, among other things, meet certain source of income and asset diversification requirements, and timely distribute at least 90% of its ICTI to its stockholders. The Company has made, and intends to continue to make, the requisite distributions to its stockholders, which generally relieves the Company from U.S. federal income taxes.

Depending on the level of ICTI earned in a tax year, the Company may choose to retain ICTI in an amount less than that which would trigger federal income tax liability under Subchapter M of the Code. However, the Company would be liable for a 4% excise tax on such income. Excise tax liability is recognized when the Company determines its estimated current year annual ICTI exceeds estimated current year distributions.

The Company may utilize wholly-owned holding companies taxed under Subchapter C of the Code when making equity investments in portfolio companies taxed as pass-through entities to meet its source-of-income requirements as a RIC. These "tax blocker" entities are consolidated in the Company's GAAP financial statements and may result in federal income tax expense with respect to income derived from those investments. Such income, net of applicable federal income tax, is not included in the Company's tax-basis net investment income until distributed by the holding company, which may result in temporary differences and character differences between the Company's GAAP and tax-basis net investment income and realized gains and losses. Federal income tax expense from such holding-company subsidiaries is included in general and administrative expenses in the consolidated statements of operations.

The Company evaluates tax positions taken in the course of preparing its tax returns to determine whether they are "more-likely-than-not" to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold could result in greater and undistributed ICTI, income and excise tax expense, and, if involving multiple years, a re-assessment of the Company's RIC status. GAAP requires recognition of accrued interest and penalties related to uncertain tax benefits as income tax expense. There were no uncertain income tax positions at September 30, 2017 or December 31, 2016. The current and prior three tax years remain subject to examination by U.S. federal and most state tax authorities.

Distributions: Distributions to common stockholders are recorded on the declaration date. The timing of distributions as well as the amount to be paid out as a distribution is determined by the Board each quarter. Distributions from net investment income and net realized gains are determined in accordance with the Code. Net realized capital gains, if any, are distributed at least annually, although the Company may decide to retain such capital gains for investment. Distributions paid in excess of taxable net investment income and net realized gains are considered returns of capital to stockholders.

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The Company has adopted a DRIP that provides for reinvestment of any distributions the Company declares in cash on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, if the Board authorizes, and the Company declares a cash distribution, then stockholders who have not “opted out” of the DRIP will have their cash distribution automatically reinvested in additional shares of the Company’s common stock, rather than receiving the cash distribution.

The Company may use newly issued shares under the guidelines of the DRIP, or the Company may purchase shares in the open market in connection with its obligations under the plan.

Deferred debt issuance costs : Deferred debt issuance costs represent fees and other direct incremental costs incurred in connection with the Company’s borrowings. Deferred debt issuance costs are presented as a direct reduction of the related debt liability on the consolidated balance sheets except for deferred debt issuance costs associated with the Company’s line of credit arrangements, which are included in prepaid expenses and other assets on the consolidated balance sheets. Deferred debt issuance costs are amortized to interest expense over the term of the related debt.

Goodwill: On December 4, 2013, in connection with the SBIC Acquisition, the Company recorded goodwill of \$1,077, which is included in prepaid expenses and other assets on the consolidated balance sheets. Goodwill is not subject to amortization. Goodwill is evaluated for impairment annually or more frequently if events occur or circumstances change that indicate goodwill may be impaired. There have been no goodwill impairments since the date of the SBIC Acquisition.

Intangible asset: On December 4, 2013, in connection with the SBIC Acquisition, the Company recorded an intangible asset of \$2,500 attributable to the SBIC license. The Company amortizes this intangible asset on a straight-line basis over its estimated useful life of 13 years. The Company expects to incur annual amortization expense of approximately \$195 in each of the years ending December 31, 2025 and \$145 in 2026.

The Company tests its intangible asset for impairment if events or circumstances suggest that the asset carrying value may not be fully recoverable. The intangible asset, net of accumulated amortization of \$747 and \$600 at September 30, 2017 and December 31, 2016, respectively, is included in prepaid expenses and other assets.

Interest expense : Interest expense is recognized on an accrual basis.

Concentration of credit risk : Aside from its debt instruments, financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits at financial institutions. At various times during the year, the Company may exceed the federally insured limits. To mitigate this risk, the Company places cash deposits only with high credit quality institutions. Management believes the risk of loss is minimal.

New Accounting Standards: The following table discusses ASUs issued by the FASB adopted or yet to be adopted by the Company during 2017:

Standard	Description	Period of Adoption	Effect of Adoption on the financial statements
<i>Standards that were adopted</i>			
ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments - Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings (SEC Update)	Incorporates into the FASB ASC Topic 250, SEC guidance about disclosing, under SEC SAB Topic 11.M, the effect on the financial statements of recently issued accounting standards when adopted, and specifically for ASU 2014-09, ASU 2016-02, and ASU 2016-03. If a registrant does not know or cannot reasonably estimate the impact of adoption of the above standards, the SEC staff expects the registrant to make a statement to that effect. Consistent with SAB Topic 11.M, the SEC staff also expects the registrant to provide qualitative disclosures to help users assess the significance the adoption will have on the financial statements. In addition, conforms the SEC Staff comments included in ASU 2014-01, Investments - Equity Method and Joint Ventures (Topic 323): Accounting for investments in Qualified Affordable Housing Projects. The primary effect of the amendment was to change the reference "effective yield method" to "proportional amortization method"	First Quarter of 2017	No material impact to the Company's consolidated financial statements

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(Dollar amounts in thousands, except per share data)

Standard	Description	Effect of Adoption on the the financial statements
<i>Standards that are not yet adopted</i>		
ASU 2014-09, Revenue from Contracts with Customers	Supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of the standard is to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The standard defines a five step process to achieve this core principle. The standard must be adopting using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures)	In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09, such that the guidance is effective for annual and interim reporting periods beginning after December 15, 2017. Early adoption is not permitted. The Company has completed its initial evaluation phase and has determined the impact of its pending adoption of ASU 2014-09 is not expected to have a material effect on the Company's consolidated financial statements.
ASU 2016-01, Financial Instruments – Overall	Modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value, and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value under ASC 820 - Fair Value Measurement, and as such these investments may be measured at cost	Annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company is required to record its investments at fair value with changes in fair value recognized in net income in accordance with ASC Topic 946, <i>Financial Services—Investment Companies</i> . Therefore, the adoption of ASU 2016-01 is not expected to have a material effect on the Company's consolidated financial statements
ASU 2016-15, Statement of Cash Flows	Addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows	Annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years and early adoption is permitted. The Company is currently evaluating the impact of this ASU will have on the Company's consolidated financial position and disclosures.
ASU 2016-19, Technical Corrections and Improvements	Makes minor corrections and clarifications that affect a wide variety of topics in the Accounting Standards Codification, including an amendment to ASC Topic 820, Fair Value Measurement, which clarifies the difference between a valuation approach and a valuation technique when applying the guidance of that Topic. The amendment also requires an entity to disclose when there has been a change in either or both a valuation approach and/or a valuation technique. The transition guidance for the ASC Topic 820 amendment must be applied prospectively because it could potentially involve the use of hindsight that includes fair value measurements	Annual reporting periods beginning after December 15, 2017, including interim periods within those years. Early application is permitted for any fiscal year or interim period for which the entity's financial statements have not yet been issued. The Company is currently evaluating the impact this ASU will have on the Company's consolidated financial position or disclosures
ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers	Amends certain narrow aspects of ASU 2014-09, including loan guarantee fees, impairment testing of contract costs, provisions for losses on construction-type and production type contracts, advertising costs, scope exception clarifications, and various disclosures	The effective date and transition requirements are the same as the effective date and transition requirements for ASU 2014-09 and is not expected to have a material effect on the Company's consolidated financial statements.

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Standard	Description	Effect of Adoption on the the financial statements
<i>Standards that are not yet adopted</i>		
ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	Removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill	Annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early application is permitted. The adoption of ASU 2017-04 is not expected to have a material effect on the Company's consolidated financial statements.
ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 620-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	Defines "insubstance nonfinancial asset", unifies guidance related to partial sales of nonfinancial assets, eliminates rules specifically addressing sales of real estate, removes exceptions to the financial asset derecognition model, and clarifies the accounting for contributios of nonfinancial assets to joint ventures	The effective date and transition requirements are the same as the effective date and transition requirements for ASU 2014-09 and is not expected to have a material effect on the Company's consolidated financial statements.
ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities	Shortens the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. Securities held at a discount are to continue to be amortized to maturity	Annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the ASU in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle. The adoption of ASU 2017-08 is not expected to have a material effect on the Company's consolidated financial statements.

Note 3 . Related Party Transactions

Investment Advisory and Management Agreement: OFS Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company pursuant to an Investment Advisory Agreement. The Investment Advisory Agreement was most recently re-approved on April 7, 2017. Under the terms of the Investment Advisory Agreement, which are in accordance with the 1940 Act and subject to the overall supervision of the Company's Board, OFS Advisor is responsible for sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring investments, and monitoring investments and portfolio companies on an ongoing basis. OFS Advisor is a subsidiary of OFSAM and a registered investment advisor under the Investment Advisers Act of 1940, as amended.

OFS Advisor's services under the Investment Advisory Agreement are not exclusive to us and OFS Advisor is free to furnish similar services to other entities, including other BDCs affiliated with OFS Advisor, so long as its services to us are not impaired. OFS Advisor also serves as the investment adviser to CLO funds and other assets, including HPCI, a non-traded BDC with an investment strategy similar to the Company.

OFS Advisor receives fees for providing services, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% and based on the average value of the Company's total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity) at the end of the two most recently completed calendar quarters, adjusted for any share issuances or repurchases during the quarter. OFS Advisor has elected to exclude the value of the intangible asset and goodwill resulting from the SBIC Acquisition from the base management fee calculation.

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The base management fee is payable quarterly in arrears and was \$ 1,310 and \$3,726 for the three and nine months ended September 30, 2017 , respectively and \$ 1,120 and \$ 3,324 , for the three and nine months ended September 30, 2016 .

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

Pre-incentive fee net investment income is expressed as a rate of return on the value of the Company's net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter and adjusted for any share issuances or repurchases during such quarter. Accordingly, as a result of the Offering, the Part One incentive fee was reduced by \$(593) for the three months ended June 30, 2017, determined by adjusting the value of net assets, as defined above, at March 31, 2017 by the daily weighted average of the Offering proceeds available to the Company during the three months ended June 30, 2017.

The incentive fee with respect to pre-incentive fee net income is 20.0% of the amount, if any, by which the pre-incentive fee net investment income for the immediately preceding calendar quarter exceeds a 2.0% (which is 8.0% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, OFS Advisor receives no incentive fee until the net investment income equals the hurdle rate of 2.0%, but then receives, as a "catch-up," 100.0% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.5% in any calendar quarter, OFS Advisor will receive 20.0% of the pre-incentive fee net investment income.

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that the Company may pay an incentive fee in a quarter in which the Company incurs a loss. For example, if the Company receives pre-incentive fee net investment income in excess of the quarterly minimum hurdle rate, the Company will pay the applicable incentive fee even if the Company has incurred a loss in that quarter due to realized and unrealized capital losses. The Company's net investment income used to calculate this part of the incentive fee is also included in the amount of the Company's gross assets used to calculate the base management fee. These calculations are appropriately prorated for any period of less than three months.

The second part ("Part Two") of the incentive fee (the "Capital Gain Fee") is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), commencing on December 31, 2012, and equals 20.0% of the Company's aggregate realized capital gains, if any, on a cumulative basis from the date of the election to be a BDC through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation through the end of such year, less all previous amounts paid in respect of the Capital Gain Fee; provided that the incentive fee determined as of December 31, 2012, was calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses and unrealized capital depreciation for the period beginning on the date of the Company's election to be a BDC and ending December 31, 2012.

The Company accrues the Capital Gain Fee if, on a cumulative basis, the sum of net realized capital gains and (losses) plus net unrealized appreciation and (depreciation) is positive. If, on a cumulative basis, the sum of net realized capital gains (losses) plus net unrealized appreciation (depreciation) decreases during a period, the Company will reverse any excess Capital Gain Fee previously accrued such that the amount of Capital Gains Fee accrued is no more than 20% of the sum of net realized capital gains (losses) plus net unrealized appreciation (depreciation). OFS Advisor has excluded from the Capital Gain Fee calculation any realized gain with respect to (1) the SBIC Acquisitions, and (2) the WM Asset Sale.

The Company incurred incentive fee expense of \$1,090 and \$2,249 for the three and nine months ended September 30, 2017 , respectively, which consisted entirely of Part One incentive fees (based on net investment income), and included a share issue adjustment of \$(593) for the nine months ended September 30, 2017, related to the Company's Offering. The Company incurred incentive fee expense of \$817 and \$2,407 for the three and nine months ended September 30, 2016 , respectively, which consisted of Part One incentive fees (based on net investment income) of \$817 and \$2,546, respectively. Part Two incentive fees (based upon net realized and unrealized gains and losses, or capital gains) were \$-0- and \$(139).

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License Agreement: The Company entered into a license agreement with OFSAM under which OFSAM has agreed to grant the Company a non-exclusive, royalty-free license to use the name “OFS.”

Administration Agreement: OFS Services, a wholly-owned subsidiary of OFSAM, furnishes the Company with office facilities and equipment, necessary software licenses and subscriptions, and clerical, bookkeeping and record keeping services at such facilities pursuant to an Administration Agreement. Under the Administration Agreement, OFS Services performs, or oversees the performance of, the Company’s required administrative services, which include being responsible for the financial records that the Company is required to maintain and preparing reports to its stockholders and all other reports and materials required to be filed with the SEC or any other regulatory authority. In addition, OFS Services assists the Company in determining and publishing its net asset value, oversees the preparation and filing of its tax returns and the printing and dissemination of reports to its stockholders, and generally oversees the payment of the Company’s expenses and the performance of administrative and professional services rendered to the Company by others. Under the Administration Agreement, OFS Services also provides managerial assistance on the Company’s behalf to those portfolio companies that have accepted the Company’s offer to provide such assistance. Payment under the Administration Agreement is equal to an amount based upon the Company’s allocable portion of OFS Services’s overhead in performing its obligations under the Administration Agreement, including, but not limited to, rent, information technology services and the Company’s allocable portion of the cost of its officers, including its chief executive officer, chief financial officer, chief compliance officer, chief accounting officer, and their respective staffs.

Administration fee expense was \$274 and \$982 for the three and nine months ended September 30, 2017, respectively. For the three and nine months ended September 30, 2016, administration fee expense was \$255 and \$1,009, respectively.

Note 4 . Investments

As of September 30, 2017, the Company had loans to 37 portfolio companies, of which 76% were senior secured loans and 24% were subordinated loans, at fair value, as well as equity investments in 17 of these portfolio companies. The Company also held an equity investment in three portfolio companies in which it did not hold a debt investment. At September 30, 2017, investments consisted of the following:

	Amortized Cost	Percentage of Net Assets	Fair Value	Percentage of Net Assets
Senior secured debt investments	\$ 196,477	104.1%	\$ 194,153	102.9%
Subordinated debt investments	70,768	37.5	62,942	33.4
Preferred equity	28,492	15.1	28,499	15.1
Common equity and warrants	6,321	3.4	11,036	5.8
Total	302,058	160.1%	296,630	157.2%

In July, 2017, the Company’s senior secured debt investment with a cost basis of \$6,701, and preferred equity investments, with an aggregate cost basis of \$247, in My Alarm Center, LLC, were restructured and exchanged for common equity and a new class of preferred equity securities with a fair value of \$-0- and \$1,745 respectively. As of June 30, 2017, the Company recognized cumulative unrealized losses of \$5,203, which upon restructuring, was realized during the quarter ended September 30, 2017.

At September 30, 2017, all but one (domiciled in Canada) of the Company’s investments, with an amortized cost and fair value of \$3,935 and \$4,038, respectively, were domiciled in the United States. Geographic composition is determined by the location of the corporate headquarters of the portfolio company. The industry compositions of the Company’s portfolio were as follows:

	Amortized Cost	Percentage of:		Percentage of:		
		Amortized Cost	Net Assets	Fair Value	Fair Value	Net Assets
Administrative and Support and Waste Management and Remediation Services						
Security Systems Services (except Locksmiths)	\$ 15,129	5.0%	8.0%	\$ 14,960	5.0%	7.9%
Tour Operators	439	0.1	0.2	1,424	0.5	0.8
Arts, Entertainment, and Recreation						
Fitness and Recreational Sports Centers	15,390	5.1	8.2	15,422	5.2	8.2
Construction						

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	Amortized Cost	Percentage of:		Fair Value	Percentage of:	
		Amortized Cost	Net Assets		Fair Value	Net Assets
Electrical Contractors and Other Wiring Installation Contractors	18,646	6.2	9.9	18,877	6.4	10.0
Education Services						
Colleges, Universities, and Professional Schools	5,563	1.8	2.9	2,911	1.0	1.5
Finance and Insurance						
Insurance Agencies and Brokerages	12,490	4.1	6.6	12,327	4.2	6.5
Offices of Real Estate Agents and Brokers	3,935	1.3	2.1	4,038	1.4	2.1
Health Care and Social Assistance						
Medical Laboratories	4,310	1.4	2.3	4,156	1.4	2.2
Offices of Physicians, Mental Health Specialists	6,938	2.3	3.7	6,920	2.3	3.7
Outpatient Mental Health and Substance Abuse Centers	7,639	2.5	4.0	2,038	0.7	1.1
Information						
Other Information Services	2,382	0.8	1.3	2,375	0.8	1.3
Manufacturing						
Bolt, Nut, Screw, Rivet, and Washer Manufacturing	3,926	1.3	2.1	3,618	1.2	1.9
Commercial Printing (except Screen and Books)	6,646	2.2	3.5	6,661	2.2	3.5
Other Aircraft Parts and Auxiliary Equipment Manufacturing	12,035	4.0	6.4	16,855	5.7	8.9
Other Basic Inorganic Chemical Manufacturing	1,929	0.6	1.0	1,939	0.7	1.0
Packaging Machinery Manufacturing	1,647	0.5	0.9	1,643	0.6	0.9
Pharmaceutical Preparation Manufacturing	4,040	1.3	2.1	8,763	3.0	4.6
Pump and Pumping Equipment Manufacturing	9,855	3.3	5.2	9,389	3.2	5.0
Travel Trailer and Camper Manufacturing	10,182	3.5	5.4	10,697	3.5	5.7
Truck Trailer Manufacturing	6,237	2.1	3.3	6,390	2.2	3.4
Other Services (except Public Administration)						
Automotive Oil Change and Lubrication Shops	24,149	8.0	12.8	24,149	8.0	12.8
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	13,679	4.6	7.3	12,495	4.2	6.6
Professional, Scientific, and Technical Services						
Computer Systems Design and Related Services	7,300	2.4	3.9	7,401	2.5	3.9
Custom Computer Programming Services	6,737	2.2	3.6	6,821	2.3	3.6
Other Accounting Services	3,484	1.2	1.8	4,291	1.4	2.3
Other Professional, Scientific, and Technical Services	23,604	7.8	12.5	20,209	6.8	10.7
Veterinary Services	743	0.2	0.4	750	0.3	0.4
Public Administration						
Other Justice, Public Order, and Safety Activities	14,725	4.9	7.8	14,896	5.0	7.9
Real Estate and Rental and Leasing						
Home Health Equipment Rental	900	0.3	0.5	132	—	0.1
Office Machinery and Equipment Rental and Leasing	12,294	4.1	6.5	13,045	4.4	6.9
Retail Trade						
Warehouse Clubs and Supercenters	7,268	2.4	5.0	6,999	2.4	5.0
Shoe store	9,436	3.1	3.9	9,436	3.2	3.7
All Other General Merchandise Stores	6,653	2.2	3.5	6,325	2.1	3.4
Wholesale Trade						
Metal Service Centers and Other Metal Merchant Wholesalers	12,908	4.3	6.8	14,449	4.9	7.7

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	Amortized Cost	Percentage of:		Fair Value	Percentage of:	
		Amortized Cost	Net Assets		Fair Value	Net Assets
Sporting and Recreational Goods and Supplies Merchant Wholesalers	8,820	2.9	4.7	3,829	1.3	2.0
	<u>\$ 302,058</u>	<u>100.0%</u>	<u>160.1%</u>	<u>\$ 296,630</u>	<u>100.0%</u>	<u>157.2%</u>

As of December 31, 2016, the Company had loans to 39 portfolio companies, of which 74% were senior secured loans and 26% were subordinated loans, at fair value, as well as equity investments in 17 of these portfolio companies. The Company also held an equity investment in two portfolio companies in which it did not hold a debt interest.

At December 31, 2016, investments consisted of the following:

	Amortized Cost	Percentage of Net		Fair Value	Percentage of Net	
		Assets	Assets		Assets	Assets
Senior secured debt investments	\$ 182,315	126.8%	\$ 180,955	125.9%		
Subordinated debt investments	66,591	46.3	63,410	44.1		
Preferred equity	23,293	16.2	23,721	16.5		
Common equity and warrants	7,108	4.9	13,541	9.4		
Total	<u>\$ 279,307</u>	<u>194.2%</u>	<u>\$ 281,627</u>	<u>195.9%</u>		

At December 31, 2016, all but one (domiciled in Canada) of the Company's investments, with an amortized cost and fair value of \$3,923 and \$3,923, respectively, were domiciled in the United States. Geographic composition is determined by the location of the corporate headquarters of the portfolio company. The industry compositions of the Company's portfolio were as follows:

	Amortized Cost	Percentage of:		Fair Value	Percentage of:	
		Amortized Cost	Net Assets		Fair Value	Net Assets
Administrative and Support and Waste Management and Remediation Services						
Other Travel Arrangement and Reservation Services	\$ 10,182	3.6%	7.1%	\$ 10,839	3.8%	7.5%
Security Systems Services (except Locksmiths)	18,663	6.7	13.0	18,883	6.7	13.1
Tour Operators	439	0.2	0.3	1,019	0.4	0.7
Arts, Entertainment, and Recreation						
Fitness and Recreational Sports Centers	14,372	5.1	10.0	14,410	5.1	10.0
Education Services						
Colleges, Universities, and Professional Schools	5,314	1.9	3.7	5,142	1.8	3.6
Finance and Insurance						
Insurance Agencies and Brokerages	13,510	4.8	9.4	13,599	4.8	9.5
Health Care and Social Assistance						
Medical Laboratories	4,204	1.5	2.9	4,174	1.5	2.9
Other Outpatient Care Centers	14,207	5.2	9.9	14,393	5.1	10.0
Outpatient Mental Health and Substance Abuse Centers	7,639	2.7	5.3	5,393	1.9	3.8
Information						
Other Information Services	2,427	0.9	1.7	2,340	0.8	1.6
Other Telecommunications	2,652	0.9	1.8	2,630	0.9	1.8
Software Publishers	4,896	1.8	3.4	4,949	1.8	3.4
Manufacturing						
Bolt, Nut, Screw, Rivet, and Washer Manufacturing	4,090	1.5	2.8	3,555	1.3	2.5
Other Aircraft Parts and Auxiliary Equipment Manufacturing	11,925	4.3	8.3	13,551	4.8	9.4
Other Basic Inorganic Chemical Manufacturing	4,413	1.6	3.1	4,396	1.6	3.1

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	Amortized Cost	Percentage of:		Percentage of:		
		Amortized Cost	Net Assets	Fair Value	Fair Value	Net Assets
Packaging Machinery Manufacturing	1,996	0.7	1.4	1,885	0.7	1.3
Pharmaceutical Preparation Manufacturing	4,049	1.4	2.8	9,893	3.5	6.9
Pump and Pumping Equipment Manufacturing	10,908	3.9	7.6	10,016	3.6	7.0
Travel Trailer and Camper Manufacturing	12,797	4.6	8.9	13,149	4.7	9.1
Other Services (except Public Administration)						
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	13,695	4.9	9.5	11,610	4.1	8.1
Professional, Scientific, and Technical Services						
Computer Systems Design and Related Services	3,879	1.4	2.7	3,946	1.4	2.7
Custom Computer Programming Services	5,097	1.8	3.5	5,143	1.8	3.6
Other Accounting Services	5,328	1.9	3.7	4,911	1.7	3.4
Other Computer Related Services	14,738	5.3	10.3	14,883	5.3	10.4
Other Professional, Scientific, and Technical Services	32,750	11.7	22.7	31,422	11.2	21.8
Veterinary Services	650	0.2	0.5	651	0.2	0.5
Real Estate and Rental and Leasing						
Home Health Equipment Rental	900	0.3	0.6	1,037	0.4	0.7
Office Machinery and Equipment Rental and Leasing	11,888	4.3	8.3	13,510	4.8	9.4
Offices of Real Estate Agents and Brokers	3,923	1.4	2.7	3,923	1.4	2.7
Offices of Real Estate Appraisers	10,032	3.6	7.0	10,000	3.6	7.0
Retail Trade						
All Other General Merchandise Stores	6,839	2.4	4.8	6,839	2.4	4.8
Wholesale Trade						
Metal Service Centers and Other Metal Merchant Wholesalers	12,700	4.5	8.8	14,142	5.0	9.8
Sporting and Recreational Goods and Supplies Merchant Wholesalers	8,205	3.0	5.7	5,394	1.9	3.8
	<u>\$ 279,307</u>	<u>100.0%</u>	<u>194.2</u>	<u>\$ 281,627</u>	<u>100.0%</u>	<u>195.9%</u>

Unconsolidated Significant Subsidiaries: In accordance with Regulation S-X and GAAP, the Company is not permitted to consolidate any subsidiary or other entity that is not an investment company, including those in which the Company has a controlling interest unless the business of the controlled operating company consists of providing services to the Company. In accordance with Regulation S-X Rules 3-09 and 4-08(g), the Company evaluates its unconsolidated controlled portfolio companies as significant subsidiaries under the respective rules. As of September 30, 2017, MTE Holding Corp. was considered a significant unconsolidated subsidiary under Regulation S-X Rule 4-08(g). The Company's voting ownership in MTE Holding Corp. is limited to 50% through a substantive participating voting rights agreement with an unaffiliated investor. Based on the requirements under Regulation S-X Rule 4-08(g), the summarized consolidated financial information of MTE Holding Corp. and Subsidiaries is presented below:

Balance Sheet:	September 30, 2017	December 31, 2016
Current assets	\$ 6,861	\$ 5,535
Noncurrent assets	25,245	24,681
Total Assets	<u>\$ 32,106</u>	<u>\$ 30,216</u>
Current liabilities	\$ 2,757	\$ 2,401
Noncurrent liabilities	17,162	16,889
Total liabilities	19,919	19,290
Non-controlling interest	5,441	4,878
Total equity	6,746	6,048

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Summary of Operations:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Sales	\$ 7,709	\$ 7,040	23,571	\$ 21,058
Gross Profit	2,310	2,358	7,519	6,951
Net income	433	599	1,885	1,935
Net income attributable to MTE Holding Corp.	240	332	1,043	1,071

Note 5 . Fair Value of Financial Instruments

The Company's investments are valued at fair value as determined in good faith by Company management under the supervision, and review and approval of the Board. These fair values are determined in accordance with a documented valuation policy and a consistently applied valuation process as described below:

- For each debt investment, a basic credit risk rating review process is completed. The risk rating on every credit facility is reviewed and either reaffirmed or revised by OFS Advisor's investment committee.
- Each portfolio company or investment is valued by OFS Advisor.
- The preliminary valuations are documented and are then submitted to OFS Advisor's investment committee for ratification.
- Third-party valuation firm(s) provide valuation services as requested, by reviewing the investment committee's preliminary valuations. OFS Advisor's investment committee's preliminary fair value conclusions on each of the Company's assets for which sufficient market quotations are not readily available is reviewed and assessed by a third-party valuation firm at least once in every 12-month period, and more often as determined by the audit committee of the Company's Board or required by the Company's valuation policy. Such valuation assessment may be in the form of positive assurance, range of values or other valuation method based on the discretion of the Company's Board.
- The audit committee of the Board reviews the preliminary valuations of OFS Advisor's investment committee and independent valuation firms and, if appropriate, recommends the approval of the valuations by the Board.
- The Company's Board discusses valuations and determines the fair value of each investment in the portfolio in good faith based on the input of OFS Advisor, the audit committee and, where appropriate, the respective independent valuation firm.

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

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

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

Level 3: Unobservable inputs for the asset or liability, and situations where there is little, if any, market activity for the asset or liability at the measurement date.

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

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The Company assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the measurement date. All of the Company's investments, which are measured at fair value, were categorized as Level 3 based upon the lowest level of significant input to the valuations. There were no transfers among Level 1, 2 and 3 for the three and nine months ended September 30, 2017 and 2016 .

Each quarter, for investments for which unadjusted quoted prices in active markets are not available, the Company assesses whether market quotations, prices from pricing services or bids from brokers or dealers (collectively, "Indicative Prices") are available, as well as the Company's ability to transact at such Indicative Prices. Investments for which sufficient Indicative Prices exist are generally valued consistent with such Indicative Prices. The Company periodically corroborates observed Indicative Prices with its actual investment purchase prices and/or other valuation techniques, such as the discounted cash flow method described below. Based on the corroborating analysis and the experience of the Company's management in purchasing and selling these investments, the Company believes that these Indicative Prices may be reasonable indicators of fair value. In certain instances, the Company may partially rely on Indicative Prices when the Company determines such Indicative Prices are not of sufficient strength to rely on as the sole indication of fair value. In such instances, the Company applies a weighting factor to the Indicative Price and an alternative fair value analysis, typically a discounted cash flow analysis. The weighting factor placed on an Indicative Price is applied consistently based upon its relative strength, which considers, among other factors, and when available, the depth and liquidity of the Indicative Price. Weighting factors are not significant to the overall fair value measurement, but rather are applied to incorporate relevant market data when available.

In addition, each quarter, the Company assesses whether an arm's length transaction occurred in the same security, including the Company's new investments during the quarter, the cost of which ("Transaction Prices"), may be considered a reasonable indication of fair value for up to three months after the transaction date.

Due to the private nature of this marketplace (meaning actual transactions are not publicly reported), and the non-binding nature of the Indicative Prices, and the general inability to observe the input for the full length of the term of an investment, the Company believes that these valuation inputs are classified as Level 3 within the fair value hierarchy.

In the absence of sufficient, actionable Indicative Prices or Transaction Prices, as an indication of fair value, and consistent with the policies and methodologies adopted by the Board, the Company performs detailed valuations of its debt and equity investments, including an analysis on the Company's unfunded loan commitments, using both the market and income approaches as appropriate. There is no one methodology to estimate fair value and, in fact, for any one portfolio company, fair value is generally best expressed as a range of values. The Company may also engage one or more independent valuation firms(s) to conduct independent appraisals of its investments to develop the range of values, from which the Company derives a single estimate of value. Under the income approach, the Company typically prepares and analyzes discounted cash flow models to estimate the present value of future cash flows of either an individual debt investment or of the underlying portfolio company itself.

The primary method used to estimate the fair value of the Company's debt investments is the discounted cash flow method. However, if there is deterioration in credit quality or a debt investment is in workout status, the Company may consider other methods in determining the fair value, including the value attributable to the debt investment from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. The discounted cash flow approach to determining fair value (or a range of fair values) involves applying an appropriate discount rate(s) to the estimated future cash flows using various relevant factors depending on investment type, including the latest arm's length or market transactions involving the subject security, a benchmark credit spread or other indication of market yields, and company performance. The valuation based on the inputs determined to be the most reasonable and probable is used as the fair value of the investment, which may include a weighting factor applied to multiple valuation methods. The determination of fair value using these methodologies may take into consideration a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financing transactions subsequent to the acquisition of the investment and anticipated financing transactions after the valuation date.

The Company changed the primary method used to value certain of its investments, primarily equity investments, as of December 31, 2016, from the income approach to the market approach, principally due to the nature of evidence available under the discounted cash flow method, and to better align with industry practice. The Company may also utilize an income approach when estimating the fair value of its equity securities, either as a primary methodology if consistent with industry practice or if the market approach is otherwise not applicable, or as a supporting methodology to corroborate the fair value ranges determined by the market approach.

Under the market approach, the Company estimates the enterprise value of portfolio companies. Typically, the enterprise value of a private company is based on multiples of EBITDA, net income, revenues, or other relevant basis. The valuation based on

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the inputs determined to be the most reasonable and probable is used as the fair value of the investment, which may include a weighting factor applied to multiple valuation methods. In estimating the enterprise value of a portfolio company, the Company analyzes various factors consistent with industry practice, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, the portfolio company's historical and projected financial results, applicable market trading and transaction comparables, applicable market yields and leverage levels, the nature and realizable value of any collateral, financing transactions subsequent to the acquisition of the investment and anticipated financing transactions after the valuation date.

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

The following tables provide quantitative information about the Company's significant Level 3 fair value inputs to the Company's fair value measurements as of September 30, 2017, and December 31, 2016. In addition to the techniques and inputs noted in the tables below, according to the Company's valuation policy, the Company may also use other valuation techniques and methodologies when determining the Company's fair value measurements. The table below is not intended to be exhaustive, but rather provides information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

	Fair Value at September 30, 2017 (1)	Valuation technique	Unobservable inputs	Range (Weighted average)
Debt investments:				
Senior secured	\$ 126,310	Discounted cash flow	Discount rates	6.18% - 17.65% (11.52%)
	11,841	Enterprise value	EBITDA multiple	7.50x - 7.50x (7.50x)
Subordinated	48,897	Discounted cash flow	Discount rates	11.06% - 25.00% (15.05%)
	5,322	Enterprise value	EBITDA multiple	7.25x - 7.81x (7.47x)
Equity investments:				
Preferred equity	22,855	Enterprise value	EBITDA multiples	5.00x - 13.48x (7.16x)
Common equity and warrants	10,324	Enterprise value	EBITDA multiples	4.72x - 9.40x (5.65x)

(1) Excludes \$56,002, \$8,723, and \$6,356, of senior secured debt investments, subordinated debt investments, and equity investments, respectively, valued at Transaction Prices.

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	Fair Value at December 31, 2016 (1)	Valuation technique	Unobservable inputs	Range (Weighted average)
Debt investments:				
Senior secured	\$ 149,128	Discounted cash flow	Discount rates	6.70% - 18.71% (12.07%)
	15,901	Enterprise value	EBITDA multiples	7.25x - 7.50x (7.31x)
Subordinated	45,635	Discounted cash flow	Discount rates	10.75% - 21.24% (14.19%)
	5,393	Enterprise value	EBITDA multiples	8.00x - 8.00x (8.00x)
Equity investments				
Preferred equity	23,721	Enterprise value	EBITDA multiples	4.50x - 8.50x (6.82x)
Common equity and warrants	13,042	Enterprise value	EBITDA multiples	5.00x - 8.50x (6.07x)

(1) Excludes \$15,926, \$12,382, and \$499 of senior secured debt investments, subordinated debt investments, and equity investments, respectively, valued at Transaction Prices.

Changes in market credit spreads or the credit quality of the underlying portfolio company (both of which could impact the discount rate), as well as changes in EBITDA and/or EBITDA multiples, among other things, could have a significant impact on debt fair values, with the fair value of a particular debt investment susceptible to change in inverse relation to the changes in the discount rate but in tandem with changes in EBITDA and/or EBITDA multiples. Changes in EBITDA and/or EBITDA multiples, could have a significant impact on equity fair values, with the fair value of an equity investment susceptible to change in tandem with the changes in EBITDA and/or EBITDA and other multiples. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

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The following tables present changes in investments measured at fair value using Level 3 inputs for the nine months ended September 30, 2017 and September 30, 2016.

	Nine Months Ended September 30, 2017				
	Senior Secured Debt Investments	Subordinated Debt Investments	Preferred Equity	Common Equity and Warrants	Total
Level 3 assets, January 1, 2017	\$ 180,955	\$ 63,410	\$ 23,721	\$ 13,541	\$ 281,627
Net realized gain (loss) on investments	(4,957)	—	2,814	558	(1,585)
Net change in unrealized appreciation/depreciation on investments	(949)	(4,660)	(421)	(1,718)	(7,748)
Amortization of Net Loan Fees	1,136	51	—	—	1,187
Capitalized PIK interest and dividends	682	452	1,065	—	2,199
Purchase and origination of portfolio investments	100,619	8,700	4,631	713	114,663
Proceeds from principal payments on portfolio investments	(71,903)	(14,624)	—	—	(86,527)
Sale and redemption of portfolio investments	—	—	(5,056)	(2,058)	(7,114)
Conversion from debt investment to equity investment	(1,745)	—	1,745	—	—
Conversion from subordinated to senior secured debt investment	(9,631)	9,631	—	—	—
Other	(54)	(18)	—	—	(72)
Level 3 assets, September 30, 2017	<u>\$ 194,153</u>	<u>\$ 62,942</u>	<u>\$ 28,499</u>	<u>\$ 11,036</u>	<u>\$ 296,630</u>

	Nine Months Ended September 30, 2016				
	Senior Secured Debt Investments	Subordinated Debt Investments	Preferred Equity	Common Equity and Warrants	Total
Level 3 assets, January 1, 2016	\$ 160,437	\$ 64,240	\$ 22,133	\$ 10,486	257,296
Net realized gain (loss) on investments	—	7	—	2,560	2,567
Net change in unrealized appreciation/depreciation on investments	803	(279)	(4,549)	(3)	(4,028)
Amortization of Net Loan Fees	610	180	—	—	790
Capitalized PIK interest, dividends, and fees	506	693	1,031	—	2,230
Purchase and origination of portfolio investments	35,638	3,786	646	104	40,174
Proceeds from principal payments on portfolio investments	(22,729)	(14,408)	—	—	(37,137)
Sale and redemption of portfolio investments	—	—	—	(2,560)	(2,560)
Equity received in connection with purchase of portfolio investments and amendments	(346)	(79)	247	381	203
Conversion from debt investment to equity investment	(321)	(1,765)	2,039	47	—
Other	(404)	(95)	133	—	(366)
Level 3 assets, September 30, 2016	<u>\$ 174,194</u>	<u>\$ 52,280</u>	<u>\$ 21,680</u>	<u>\$ 11,015</u>	<u>\$ 259,169</u>

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The net change in unrealized appreciation/depreciation for the nine months ended September 30, 2017 and 2016 reported in the Company's consolidated statements of operations attributable to the Company's Level 3 assets held at those respective period ends was \$(5,425) and \$(904), respectively.

GAAP requires disclosure of the fair value of financial instruments for which it is practical to estimate such value and the methods and significant assumptions used to estimate fair value. It excludes from this requirement nonfinancial assets and liabilities. Accordingly, the required fair value disclosures provide only a partial estimate of the fair value of the Company. The Company believes that the carrying amounts of its other financial instruments such as cash, receivables and payables approximate the fair value of such items due to the short maturity of such instruments. The Company's SBA-guaranteed debentures are carried at cost and with their longer maturity dates, fair value is estimated by discounting remaining payments using current market rates for similar instruments and considering such factors as the legal maturity date. As of September 30, 2017, and December 31, 2016, the fair value of the Company's SBA debentures using Level 3 inputs is estimated at \$153,265 and \$159,708, respectively.

Note 6. Commitments and Contingencies

Unfunded commitments to the Company's portfolio companies as of September 30, 2017, were as follows:

Name of Portfolio Company	Investment Type	September 30, 2017
BCC Software, LLC	Senior Secured Revolver	\$ 1,094
TRS Services, LLC	Senior Secured Loan	500
Carolina Lubes, Inc.	Senior Secured Loan	2,920
		<u>\$ 4,514</u>

From time to time, the Company is involved in legal proceedings in the normal course of its business. Although the outcome of such litigation cannot be predicted with any certainty, management is of the opinion, based on the advice of legal counsel, that final disposition of any litigation should not have a material adverse effect on the financial position of the Company as of September 30, 2017.

Additionally, the Company is subject to periodic inspection by regulators to assess compliance with applicable regulations related to being a BDC and SBIC I LP is subject to periodic inspections by the SBA.

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not occurred. The Company believes the risk of any material obligation under these indemnifications to be low.

Note 7. Borrowings

SBA Debentures: The SBIC Program allows SBIC I LP to obtain leverage by issuing SBA-guaranteed debentures, subject to issuance of a capital commitment by the SBA and customary procedures. These debentures are non-recourse to the Company, have interest payable semi-annually and a ten-year maturity. The interest rate is fixed at the time of SBA pooling, which is March and September of each year, at a market-driven spread over U.S. Treasury Notes with ten-year maturities.

Under present regulations of the SBIC Act, the maximum amount of SBA-guaranteed debt that may be issued by a single SBIC licensee is \$150,000. An SBIC fund may borrow up to two times the amount of its regulatory capital, subject to customary regulatory requirements. For two or more SBICs under common control, the maximum amount of outstanding SBA-provided leverage cannot exceed \$350,000. In connection with the SBIC Acquisition, the Company increased its total commitments to SBIC I LP to \$75,000, which became a wholly-owned investment company subsidiary of the Company on December 4, 2013. During 2014, the Company fully funded its \$75,000 commitment to SBIC I LP. As of September 30, 2017, and December 31, 2016, SBIC I LP had fully drawn the \$149,880 of leverage commitments from the SBA.

On a stand-alone basis, SBIC I LP held \$248,247 and \$247,512 in assets at September 30, 2017, and December 31, 2016, respectively, which accounted for approximately 70% and 81% of the Company's total consolidated assets, respectively. The SBIC assets can not be pledged under any debt obligation of the Company.

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The following table shows the Company's outstanding SBA debentures payable as of September 30, 2017, and December 31, 2016 :

Pooling Date	Maturity Date	Fixed Interest Rate	SBA debentures outstanding	
			September 30, 2017	December 31, 2016
September 19, 2012	September 1, 2022	3.049%	\$ 14,000	\$ 14,000
September 25, 2013	September 1, 2023	4.448	7,000	7,000
March 26, 2014	March 1, 2024	3.995	5,000	5,000
September 24, 2014	September 1, 2024	3.819	4,110	4,110
September 24, 2014	September 1, 2024	3.370	31,265	31,265
March 25, 2015	March 1, 2025	2.872	65,920	65,920
September 23, 2015	September 1, 2025	3.184	22,585	22,585
SBA debentures outstanding			149,880	149,880
Unamortized debt issuance costs			(2,752)	(3,037)
SBA debentures outstanding, net of unamortized deferred debt issuance costs			\$ 147,128	\$ 146,843

The Company received exemptive relief from the SEC effective November 26, 2013, which permits the Company to exclude SBA guaranteed debentures from the definition of senior securities in the statutory 200% asset coverage ratio under the 1940 Act, allowing for greater capital deployment.

The effective interest rate on the SBA debentures, which includes amortization of deferred debt issuance costs, was 3.43% as of September 30, 2017. Interest expense on the SBA debentures was \$1,295 and \$3,846 for the three and nine months ended September 30, 2017, respectively, which includes amortization of debt issuance costs of \$95 and \$286, respectively. Interest expense on the SBA debentures was \$1,295 and \$3,860 for the three and nine months ended September 30, 2016, respectively, which includes amortization of debt issuance costs of \$95 and \$286, respectively.

The weighted-average fixed cash interest rate on the SBA debentures as of September 30, 2017, and December 31, 2016 was 3.18%.

PWB Credit Facility: On November 5, 2015, the Company entered into a BLA with Pacific Western Bank, as lender, to provide the Company with the PWB Credit Facility, a \$15,000 senior secured revolving credit facility scheduled to mature on November 6, 2017. The PWB Credit Facility is available for general corporate purposes including investment funding. The maximum availability of the PWB Credit Facility is equal to 50% of the aggregate outstanding principal amount of eligible loans included in the borrowing base and otherwise specified in the BLA. The PWB Credit Facility is guaranteed by OFS Capital WM and secured by all of the Company's current and future assets excluding assets held by SBIC I LP and the Company's SBIC I LP and SBIC I GP partnership interests.

On October 31, 2016, the BLA was amended to, among other things (i) increase the maximum amount available under the PWB Credit Facility from \$15 million to \$25 million, (ii) extend the maturity date from November 6, 2017 to October 31, 2018, (iii) increase the fixed interest rate from 4.75% to 5.00% per annum, and (iv) exclude subordinated loan investments (as defined in the BLA) from the borrowing base. In addition, as of the amendment date, the Company will incur an unused commitment fee, payable monthly in arrears, equal to 0.50% per annum on any unused portion of the PWB Credit Facility in excess of \$15,000, which is included in interest expense on the consolidated statement of operations. There were no advances under the facility prior to the October 31, 2016, amendment.

On August 9, 2017, the BLA was further amended to increase the maximum amount available under the PWB Credit Facility from \$25 million to \$35 million, and change the interest rate from a fixed per annum rate of 5.00% to a variable rate initially set at 5.00%, calculated as the Prime Rate plus a 0.75% margin, with a 5.00% floor. As of September 30, 2017, the interest rate on the unpaid principal balance of the PWB Credit Facility was 5.00%. All other principal covenants and terms under the PWB Credit Facility remained the same. The Company incurred deferred debt issuance costs of \$100 in connection with the amendment.

The average dollar amount of borrowings outstanding during the three and nine months ended September 30, 2017, was \$11,073 and \$5,823, respectively. The effective interest rate, which includes amortization of deferred debt issuance costs, as of September 30, 2017, was 5.44% based maximum amount available under the PWB Credit Facility. Deferred debt issuance

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costs, net of accumulated amortization, was \$240 and \$256 as of September 30, 2017 and December 31, 2016, respectively. Amortization of debt issuance costs was \$47 and \$117 for the three and nine months ended September 30, 2017, respectively. Availability under the PWB Credit Facility as of September 30, 2017, was \$17,900 based on the stated advance rate of 50% under the borrowing base.

The BLA contains customary terms and conditions, including, without limitation, affirmative and negative covenants such as information reporting requirements, a minimum tangible net asset value, a minimum quarterly net investment income after incentive fees, and a statutory asset coverage test. The BLA also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change in investment advisor, and the occurrence of a material adverse change in our financial condition. As of September 30, 2017, the Company was in compliance with the applicable covenants.

Note 8. Federal Income Tax

The Company has elected to be taxed as a RIC under Subchapter M of the Code. Maintenance of its status as a RIC, requires the Company requires annual distributions to its stockholders at least 90% of its ICTI, as defined by the Code. Additionally, to avoid a 4% excise tax on undistributed earnings the Company must distribute each calendar year the sum of (i) 98% of its ordinary income for such calendar year (ii) 98.2% of its net capital gains for the one-year period ending October 31 of that calendar year, and (iii) any income recognized, but not distributed, in preceding years and on which the Company paid no federal income tax. Maintenance of the Company's RIC status also requires adherence to certain source of income and asset diversification requirements.

The Company has met the required distribution, source of income and asset diversification requirements as of September 30, 2017, and intends to continue to meet these requirements. Accordingly, there is no liability for federal income taxes at the Company level. The Company's ICTI differs from the net increase in net assets resulting from operations primarily due to differences in income recognition on the unrealized appreciation/depreciation of investments, income from Company's equity investments in pass-through entities, PIK dividends that have not yet been declared and paid by underlying portfolio companies, capital gains and losses and the net creation or utilization of capital loss carryforwards.

The determination of the tax attributes of the Company's distributions is made annually as of the end of its fiscal year based upon its ICTI for the full year and distributions paid for the full year. If the tax characteristics of the Company's \$12,362 distributions paid during 2017 were determined as of September 30, 2017, approximately \$3,314 would have represented return of capital to its stockholders.

The Company records reclassifications to its capital accounts related to permanent differences between GAAP and tax treatment related to goodwill amortization, excise taxes, and other permanent differences; and temporary differences between GAAP and tax treatment of realized gains and losses, income arising from Company's equity investments in pass-through entities, PIK dividends, and other temporary differences. Reclassifications for the three and nine months ended September 30, 2017 and 2016, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Paid-in capital in excess of par	\$ 1,470	\$ (38)	\$ 1,534	\$ (2)
Undistributed net investment income	184	70	516	97
Accumulated net realized gain (loss)	(1,654)	(32)	(2,050)	(95)

The tax-basis cost of investments and associated tax-basis gross unrealized appreciation (depreciation) inherent in the fair value of investments as of September 30, 2017, and December 31, 2016, were as follows:

	September 30, 2017	December 31, 2016
Tax-basis amortized cost of investments	\$ 294,310	\$ 273,414
Tax-basis gross unrealized appreciation on investments	19,361	19,554
Tax-basis gross unrealized depreciation on investments	(17,041)	(11,341)
Tax-basis net unrealized appreciation on investments	2,320	8,213
Fair value of investments	\$ 296,630	\$ 281,627

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Note 9. Financial Highlights

The following is a schedule of financial highlights for the three and nine months ended September 30, 2017 and 2016 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Per share data:				
Net asset value per share at beginning of period	\$ 14.40	\$ 14.76	\$ 14.82	\$ 14.76
Distributions ⁽⁴⁾	(0.34)	(0.34)	(1.02)	(1.02)
Net investment income	0.33	0.34	1.00	1.07
Net realized gain on non-control/non-affiliate investments	(0.39)	0.01	(0.42)	0.27
Net realized gain on affiliate investments	0.27	—	0.37	—
Net change in unrealized appreciation/depreciation on non-control/non-affiliate investments	0.09	(0.06)	(0.61)	(0.38)
Net change in unrealized appreciation/depreciation on affiliate investments	(0.22)	(0.04)	(0.19)	0.01
Net change in unrealized depreciation on control investment	—	—	0.15	(0.04)
Issuance of common stock ⁽⁷⁾	—	—	(0.03)	—
Other ⁽⁸⁾	0.01	—	0.08	—
Net asset value per share at end of period	\$ 14.15	\$ 14.67	\$ 14.15	\$ 14.67
Per share market value, end of period	\$ 13.17	\$ 13.03	\$ 13.17	\$ 13.03
Total return based on market value ⁽¹⁾	(5.6)%	4.0%	2.8%	22.4%
Total return based on net asset value ⁽²⁾	0.6 %	1.4%	2.1%	6.2%
Shares outstanding at end of period	13,334,851	9,697,210	13,334,851	9,697,210
Weighted average shares outstanding	13,331,690	9,694,353	12,089,895	9,692,634
Ratio/Supplemental Data (in thousands except ratios)				
Average net asset value ⁽³⁾	\$ 190,326	\$ 142,645	\$ 167,454	\$ 142,578
Net asset value at end of period	\$ 188,656	\$ 142,210	\$ 188,656	\$ 142,210
Net investment income	\$ 4,402	\$ 3,297	\$ 12,058	\$ 10,409
Ratio of total expenses to average net assets ⁽⁵⁾	9.9 %	11.4%	10.4%	11.7%
Ratio of net investment income to net assets at end of period ⁽⁵⁾	9.3 %	9.3%	8.5%	9.8%
Portfolio turnover ⁽⁶⁾	13.5 %	2.2%	33.2%	15.5%

- (1) Calculation is ending market value less beginning market value, adjusting for distributions reinvested at prices obtained in the Company's distribution reinvestment plan for the respective distributions.
- (2) Calculation is ending net asset value less beginning net asset value, adjusting for distributions reinvested at the Company's quarter-end net asset value for the respective distributions.
- (3) Based on net asset values as the end of the indicated and preceding calendar quarter for three-month periods, and net asset values as the end of the indicated and three preceding calendar quarters for nine-month periods.
- (4) The components of the distributions are presented on an income tax basis. The determination of the tax attributes of the Company's distributions is made annually as of the end of its fiscal year based upon its ICTI for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full year. If the tax characteristics of the Company's distributions paid during 2017 were determined as of September 30, 2017, approximately \$0.27 per share would represent a return of capital.
- (5) Annualized.
- (6) Portfolio turnover rate is calculated using the lesser of period-to-date sales and principal payments or period-to-date purchases over the average of the invested assets at fair value.
- (7) The issuance of common stock on a per share basis reflects the incremental net asset value change as a result of the Offering.

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(8) Represents the impact of different share amounts used in calculating per share data as a result of calculating certain per share data based on weighted average shares outstanding during the period and certain per share data based on the shares outstanding as of a period end or transaction date.

Note 10. Distributions

The Company intends to make distributions to its stockholders on a quarterly basis of substantially all of its net investment income. In addition, although the Company intends to make distributions of net realized capital gains, if any, at least annually, out of assets legally available for such distributions, it may in the future decide to retain such capital gains for investment.

The Company may be limited in its ability to make distributions due to the BDC asset coverage requirements of the 1940 Act. The Company's ability to make distributions may also be affected by its ability to receive distributions from SBIC I LP, which is governed by SBA regulations. Consolidated cash and cash equivalents includes \$52,245 held by SBIC I LP, which was not available for distribution at September 30, 2017.

The following table summarizes distributions declared and paid for the three and nine months ended September 30, 2017 and 2016 :

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value
Nine Months Ended September 30, 2016						
March 7, 2016	March 17, 2016	March 31, 2016	\$ 0.34	\$ 3,280	1,154	\$ 15
May 2, 2016	June 16, 2016	June 30, 2016	0.34	3,269	1,998	26
August 5, 2016	September 16, 2016	September 30, 2016	0.34	3,258	2,888	38
			<u>\$ 1.02</u>	<u>\$ 9,807</u>	<u>6,040</u>	<u>\$ 79</u>
Nine Months Ended September 30, 2017						
March 9, 2017	March 17, 2017	March 31, 2017	\$ 0.34	\$ 3,257	2,919	\$ 41
May 2, 2017	June 16, 2017	June 30, 2017	0.34	4,483	3,439	49
August 1, 2017	September 15, 2017	September 29, 2017	0.34	4,491	3,196	42
			<u>\$ 1.02</u>	<u>\$ 12,231</u>	<u>9,554</u>	<u>\$ 132</u>

For the nine months ended September 30, 2017, \$132 of the total \$12,363 paid to stockholders represented DRIP participation, during which the Company satisfied the DRIP participation requirements with the issuance of 9,554 shares at an average value of \$13.89 per share at the date of issuance. For the nine months ended September 30, 2016, \$79 of the total \$9,886 paid to stockholders represented DRIP participation, during which the Company satisfied the DRIP participation requirements with the issuance of 6,040 shares at an average value of \$12.96 per share at the date of issuance.

Since the Company's IPO, distributions to stockholders total \$63,242, or \$6.29 per share, on a cumulative basis.

Distributions in excess of the Company's current and accumulated ICTI would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of the Company's distributions is made annually as of the end of its fiscal year based upon its ICTI for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company's distributions for a full year. Each year, a statement on Form 1099-DIV identifying the source of the distribution is mailed to the Company's stockholders. If the tax characteristics of the Company's distributions paid during 2017 were determined as of September 30, 2017, approximately \$0.27 per share of the Company's distributions represented a return of capital to its stockholders, respectively.

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Note 11. Consolidated Schedule of Investments In and Advances To Affiliates

Name of Portfolio Company	Investment Type(1)	Net Realized Gain (Loss)	Net change in unrealized appreciation/depreciation	Interest, Fees and Dividends Credited to Income(2)	December 31, 2016, Fair Value	Gross Additions(3)	Gross Reductions(4)	September 30, 2017, Fair Value (5)
Control Investments								
Malabar International (8)	Subordinated Loan	\$ —	\$ 74	\$ 536	\$ 7,683	\$ 150	\$ (7,833)	\$ —
	Preferred Equity	—	1,608	65	5,868	1,608	(7,476)	—
		—	1,682	601	13,551	1,758	(15,309)	—
MTE Holding Corp.	Subordinated Loan	\$ —	\$ (43)	\$ 1,005	\$ 9,766	\$ 59	\$ (2,717)	\$ 7,108
	Common Equity	—	206	197	3,383	206	—	3,589
		—	163	1,202	13,149	265	(2,717)	10,697
Total Control Investments		—	1,845	1,803	26,700	2,023	(18,026)	10,697
Affiliate Investments								
All Metals Holding, LLC	Senior Secured Loan	—	(108)	1,383	12,865	208	(108)	12,965
	Common Equity(6)	—	207	—	1,277	207	—	1,484
		—	99	1,383	14,142	415	(108)	14,449
Contract Datascan Holdings, Inc.	Subordinated Loan	—	94	732	7,902	98	—	8,000
	Preferred Equity(6) (7)	—	(778)	402	5,421	402	(778)	5,045
	Common Equity(6)	—	(187)	—	187	—	(187)	—
		—	(871)	1,134	13,510	500	(965)	13,045
Intelli-Mark Technologies, Inc.	Senior Secured Loan	—	(159)	613	8,841	68	(8,909)	—
	Common Equity(6)	874	(498)	—	1,998	—	(1,998)	—
		874	(657)	613	10,839	68	(10,907)	—
Malabar International (8)	Subordinated Loan	—	20	281	—	7,893	(6)	7,887
	Preferred Equity	—	1,492	34	—	8,968	—	8,968
		—	1,512	315	—	16,861	(6)	16,855
Master Cutlery, LLC	Senior Secured Loan	—	—	—	—	545	—	545
	Subordinated Loan	—	(1,226)	459	4,440	106	(1,262)	3,284
	Preferred Equity(6) (7)	—	(954)	—	954	—	(954)	—
	Common Equity (6)	—	—	—	—	—	—	—
		—	(2,180)	459	5,394	651	(2,216)	3,829

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<u>Name of Portfolio Company</u>	<u>Investment Type(1)</u>	<u>Net Realized Gain (Loss)</u>	<u>Net change in unrealized appreciation/depreciation</u>	<u>Interest, Fees and Dividends Credited to Income(2)</u>	<u>December 31, 2016, Fair Value</u>	<u>Gross Additions(3)</u>	<u>Gross Reductions(4)</u>	<u>September 30, 2017, Fair Value (5)</u>
NeoSystems Corp.	Subordinated Loan	—	368	327	3,656	426	(2,000)	2,082
	Preferred Equity(6)(7)	—	856	98	1,255	954	—	2,209
		—	1,224	425	4,911	1,380	(2,000)	4,291
Pfanstiehl Holdings, Inc	Subordinated Loan	—	(13)	289	3,810	—	(22)	3,788
	Common Equity	—	(1,108)	84	6,083	—	(1,108)	4,975
		—	(1,121)	373	9,893	—	(1,130)	8,763
Strategic Pharma Solutions, Inc.	Senior Secured Loan	—	(39)	904	8,383	67	(8,450)	—
	Preferred Equity(6)(7)	3,617	(1,111)	81	3,026	81	(3,107)	—
		3,617	(1,150)	985	11,409	148	(11,557)	—
TRS Services, Inc.	Senior Secured Loan	—	206	825	9,549	304	(359)	9,494
	Preferred Equity (Class AA units)(6)(7)	—	—	41	354	41	—	395
	Preferred Equity (Class A units)(6)(7)	—	695	204	1,707	899	—	2,606
	Common Equity (6)	—	—	—	—	—	—	—
		—	901	1,070	11,610	1,244	(359)	12,495
Total Affiliate Investments		4,491	(2,243)	6,757	81,708	21,267	(29,248)	73,727
Total Control and Affiliate Investments		\$ 4,491	\$ (398)	\$ 8,560	\$ 108,408	\$ 23,290	\$ (47,274)	\$ 84,424

(1) Principal balance of debt investments, interest rate detail, maturity date, dividend rate on preferred equity investments, and industry classification are shown in the consolidated schedule of investments.

(2) Represents the total amount of interest, fees or dividends included in income for the nine months ended September 30, 2017 .

(3) Gross additions include increases in cost basis resulting from a new portfolio investment, PIK interest, fees and dividends, and accretion of OID. Gross additions also include net increases in unrealized net appreciation or decreases in unrealized depreciation.

(4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments and sales, if any. Gross reductions also include net decreases in unrealized appreciation or net increases in unrealized depreciation.

(5) Fair value was determined using significant unobservable inputs. See Note 5 for further details.

(6) Non-income producing.

(7) Dividends credited to income include dividends contractually earned but not declared.

(8) Malabar was reclassified from a control investment to an affiliate investment during the three months ended September 30, 2017, due to a decrease in voting interest.

OFS Capital Corporation and Subsidiaries

Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

Note 12. Subsequent Events

On October 31, 2017, the Company's Board declared a distribution of \$0.34 per share for the fourth quarter of 2017, payable on December 29, 2017, to stockholders of record as of December 15, 2017.

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

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this Quarterly Report on Form 10-Q.

Overview

We are an externally managed, closed-end, non-diversified management investment company and have elected to be treated as a BDC under the 1940 Act. Our investment activities are managed by OFS Advisor; and OFS Services, an affiliate of OFS Advisor, provides the administrative services necessary for us to operate. In exchange for these services we pay OFS Advisor a base management fee and an incentive fee and we pay OFS Services an administration fee. The base management fee, incentive fee, and the administration fee represents a substantial portion of our total expenses.

Our investment objective is to provide our stockholders with both current income and capital appreciation primarily through debt investments and, to a lesser extent, equity investments in middle-market companies in the United States. We believe that these middle-market companies represent a significant growth segment of the U.S. economy and often require substantial capital investments to grow. Middle-market companies have historically constituted the bulk of our portfolio companies since inception, and as of September 30, 2017. We believe that this market segment will continue to produce significant investment opportunities for us.

In April 2017, we issued 3,625,000 shares of our common stock in a follow-on public offering at an offering price of \$14.57 per share (the "Offering"), including shares purchased by the underwriters pursuant to their exercise of the over-allotment option. OFS Advisor paid all of the underwriting discounts and commissions and an additional supplemental payment of \$0.25 per share, representing the difference between the public offering price of \$14.57 per share and the net offering proceeds of \$14.82 per share, which also represented our NAV per share at the time of the Offering. All payments made by OFS Advisor in connection with the Offering are not subject to reimbursement by us. We received net proceeds from this Offering of \$53.7 million.

Our investment strategy includes SBIC I LP, a licensee under the SBA's SBIC program. The SBIC license allows SBIC I LP to receive SBA-guaranteed debenture funding, subject to the issuance of a leverage commitment by the SBA and other customary procedures. SBA leverage funding is subject to SBIC I LP's payment of certain fees to the SBA, and the ability of SBIC I LP to draw on the leverage commitment is subject to its compliance with SBA regulations and policies, including an audit by the SBA. On a stand-alone basis, SBIC I LP held approximately \$248.2 million and \$247.5 million in assets at September 30, 2017 and December 31, 2016, respectively, which accounted for approximately 70% and 81% of our total consolidated assets, respectively.

We generate revenue in the form of interest income on debt investments, capital gains, and dividend income from our equity investments. Our debt investments typically have a term of three to eight years and bear interest at fixed and floating rates. As of September 30, 2017, floating rate and fixed rate loans comprised 73% and 27%, respectively, of our current debt investment portfolio at fair value; however, in accordance with our investment strategy, we expect that over time the proportion of fixed rate loans will continue to increase. We expect to make quarterly distributions, such that we distribute substantially all of our ICTI. In addition, although we intend to make distributions of net realized capital gains, if any, at least annually, out of assets legally available for such distributions, we may in the future decide to retain such capital gains for investment.

Further, we have elected to be taxed as a RIC under the Code. As a RIC, we are not required to pay corporate-level federal income taxes on any income that we distribute to our stockholders from our ICTI. We are required to recognize ICTI in circumstances in which we have not received a corresponding payment in cash. For example, we hold debt obligations that are treated under applicable tax rules as issued with OID and debt instruments with PIK interest, and we must include in ICTI each year the portion of the OID and PIK interest that accrues for that year (as it accrues over the life of the obligation), irrespective of the fact the cash representing such income is received by us in that taxable year. The continued recognition of non-cash ICTI may cause difficulty in meeting the Annual Distribution Requirement. We may be required to sell investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital, or forgo new investment opportunities to meet this requirement. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax.

We are permitted to borrow money from time to time within the levels permitted by the 1940 Act (which generally allows us to incur leverage for up to 50% of our asset base). We may borrow money when the terms and conditions available are favorable to do so and are aligned with our investment strategy and portfolio composition. The use of borrowed funds or the proceeds of preferred stock to make investments would have its own specific benefits and risks, and all of the costs of borrowing funds or issuing preferred stock would be borne by holders of our common stock. For a discussion of the risks associated with leverage, see "Item 1A. Risk Factors—Risks Related to our Business and Structure" in our Annual Report on Form 10-K for the year ended December 31, 2016. As a BDC, we may need to raise additional capital, which will expose us to

risks, including the typical risks associated with leverage. For additional overview information on the Company, see "Item 1. Business" in our Annual Report on Form 10-K for the year ended December 31, 2016 .

The 1940 Act generally prohibits BDCs from making certain negotiated co-investments with certain affiliates absent an order from the SEC permitting the BDC to do so. On October 12, 2016, we received exemptive relief from the SEC to permit us to co-invest in portfolio companies with certain other funds managed by OFS Advisor ("Affiliated Funds") in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions (the "Order"). Pursuant to the Order, we are generally permitted to co-invest with Affiliated Funds if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching by us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

Critical Accounting Policies and Significant Estimates

The preparation of 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 financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. Critical accounting policies are those that require management to make subjective or complex judgments about the effect of matters that are inherently uncertain and may change in subsequent periods. Changes that may be required in the underlying assumptions or estimates in these areas could have a material impact on our current and future financial condition and results of operations.

Our critical accounting policies and estimates are those relating to revenue recognition and fair value estimates. Management has discussed the development and selection of each critical accounting policy and estimate with the Audit Committee of the Board of Directors. For descriptions of our revenue recognition and fair value policies, see Note 2 to the consolidated financial statements included in "Item 1.–Financial Statements" of this Quarterly Report on Form 10-Q.

Revenue recognition. Our investment activities frequently involve the acquisition of multiple financial instruments or rights either in an initial transaction, or in subsequent or "follow-on" transactions, including amendments to existing securities. These financial instruments can include loans, preferred and common stock, warrants, or membership interests in limited liability companies. Acquired rights can include fixed or variable fees that can be either guaranteed or contingent upon operating performance of the underlying portfolio companies. Moreover, these fees may be payable in cash or additional securities. (Acquired rights and financial instruments together, "Instruments".)

The revenue recognized on these Instruments is a function of the fee or other consideration allocated to them, including amounts allocated to capital structuring fees, at the time of acquisition. Additionally, subsequent amendments to these Instruments can involve both

- a determination as to whether the amendment is
 - of such significance to deem it the consummation of the initial investment transaction and the acquisition of new Instruments (i.e., a "significant modification"), or
 - a modification of those Instruments to be recognized over their remaining lives, *and*
- an additional allocation of consideration among newly acquired Instruments.

These allocations are generally based on the relative fair value of the Instruments at the time of the transaction, a process involving fair value estimates which is also a critical accounting policy and significant estimate. Moreover, these allocations and determinations can differ between GAAP and federal income tax bases. Once determined, these allocations directly effect the discount/premium and yield on debt securities, the cost and net gains/losses on equity securities, and capital structuring fees recognized in the statements of operations; and ICTI. These allocations require an understanding of the terms and conditions of the underlying agreements and significant management judgment. The table below presents the impact to the initial cost bases of allocated consideration to acquired Instruments for the nine months ended September 30, 2017 , and 2016 , (in thousands):

	Nine Months Ended September 30,	
	2017	2016
Loans:		
Net Loan Fees (excluding equity securities and cash amendment fees)	\$ (968)	\$ (646)
Equity securities (including performance-contingent fees)	—	(793)
Equity securities (including performance-contingent fees)	—	793
Capital structuring fees	(651)	(153)

Fair value estimates. As of September 30, 2017 , approximately 83% of our total assets were carried on the consolidated balance sheets at fair value. As discussed more fully in “Item 1.–Financial Statements– Note 2 ” GAAP requires us to categorize financial assets and liabilities carried at fair value according to a three-level valuation hierarchy. The hierarchy gives the highest priority to quoted, active market prices for identical assets and liabilities (Level 1) and the lowest priority to valuation techniques that require significant management judgment because one or more of the significant inputs are unobservable in the market place (Level 3). All of our assets carried at fair value are classified as Level 3; we typically do not hold equity securities or other instruments that are actively traded on an exchange.

As described in “Item 1.–Financial Statements– Note 5 ”, we follow a process, under the supervision and review of the Board, to determine these unobservable inputs used to calculate the fair values of our investments. The most significant unobservable inputs in these fair value measurements are the discount rates, EBITDA multiples and projected cash flows contractually due from the investment.

We consider a variety of factors in our determination of the discount rate to be applied to an investment including, among other things, investment type, LIBOR swap rate, indicative yields from independent third-party sources and the yield on our investment relative to indicative yields at the time of our investment (initial and subsequent investments) in the portfolio company.

We also consider a variety of factors in our determination of the EBITDA multiple to be applied to an investment including, among other things, the actual EBITDA multiple for the last arms-length transaction, the ratio of the portfolio company’s EBITDA multiple to the average of EBITDA multiples on comparable public companies (“Comparable Multiples”), and the change in Comparable Multiples and the financial performance of the underlying comparable public companies relative to the financial performance of the portfolio company.

For both the discount rate and the EBITDA multiple we also consider developments at the portfolio company since our investment including, but not limited to, trends in the portfolio company’s earnings and leverage multiple, and input from our independent third-party valuation firms. This process typically results in a single selected discount rate and/or EBITDA multiple for each investment.

The following table illustrates the sensitivity of our fair value measures to reasonably likely changes to the estimated discount rate and EBITDA multiple inputs used in our debt and equity investment valuations at September 30, 2017 (dollar amounts in thousands):

Valuation Method / Investment Type	Fair Value at September 30, 2017	Weighted average discount rate/EBITDA multiple at September 30, 2017	Discount rate sensitivity		EBITDA multiple sensitivity		
			-10% Weighted average	+10% Weighted average	+0.5x	-0.5x	
Discounted cash flow							
Debt investments:							
Senior Secured	\$ 126,310	11.52%	\$ 128,711	\$ 123,162	N/A	N/A	
Subordinated	\$ 48,897	15.05%	\$ 49,843	\$ 47,395	N/A	N/A	
Enterprise value							
Debt investments:							
Senior Secured	\$ 11,841	7.50x	N/A	N/A	\$ 12,626	\$ 11,055	
Subordinated	\$ 5,322	7.47x	N/A	N/A	\$ 6,239	\$ 4,405	
Equity investments:							
Preferred equity	\$ 22,855	7.16x	N/A	N/A	\$ 25,316	\$ 19,441	
Common equity and warrants	\$ 10,324	5.65x	N/A	N/A	\$ 10,441	\$ 8,042	

The table above presents the impact to our debt and equity investment fair value accounting measures by uniformly modifying our discount rate and EBITDA valuation inputs, as applicable. This discount rate sensitivity measures included in the table do not present the estimated effect of hypothetical changes in actual, observed interest rates, which would affect the cash flows from many of the underlying investments as they are indexed to LIBOR or the Prime Rate of interest, the operating environment of many of our portfolio companies, and other factors, as well as our estimates of the discount rate valuation input. The effect of hypothetical changes in actual, observed interest rates on our fair value measures is not subject to reasonable estimation.

Related Party Transactions

We have entered into a number of business relationships with affiliated or related parties, including the following:

- The Investment Advisory Agreement with OFS Advisor to manage our operating and investment activities. Under the Investment Advisory Agreement we have agreed to pay OFS Advisor an annual base management fee based on the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity) as well as an incentive fee based on our investment performance. See “Item 1–Financial Statements– Note 3”.
- The Administration Agreement with OFS Capital Services, an affiliate of OFS Advisor, to provide us with the office facilities and administrative services necessary to conduct our operations. See “Item 1–Financial Statements– Note 3”.
- A license agreement with OFSAM, the parent company of OFS Advisor, under which OFSAM has agreed to grant us a non-exclusive, royalty-free license to use the name “OFS.” Under this agreement, we have a right to use the “OFS” name for so long as OFS Advisor or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we have no legal right to the “OFS” name. This license agreement will remain in effect for so long as the Investment Advisory Agreement with OFS Advisor is in effect.

OFS Advisor’s services under the Investment Advisory Agreement are not exclusive to us and OFS Advisor is free to furnish similar services to other entities, including other BDCs affiliated with OFS Advisor, so long as its services to us are not impaired. OFS Advisor also serves as the investment adviser to CLO funds and other assets, including Hancock Park Corporate Income, Inc., a non-traded BDC with an investment strategy similar to the Company.

Portfolio Composition and Investment Activity

Portfolio Composition

As of September 30, 2017, the fair value of our debt investment portfolio totaled \$257.1 million in 37 portfolio companies, of which 76% and 24% were senior secured loans and subordinated loans, respectively, and approximately \$39.5 million in equity investments, at fair value, in 17 portfolio companies in which we also held debt investments and three portfolio companies in which we solely held an equity investment. We had unfunded commitments of \$4.5 million to three portfolio companies at September 30, 2017. Set forth in the tables and charts below is selected information with respect to our portfolio as of September 30, 2017, and December 31, 2016.

The following table summarizes the composition of our investment portfolio as of September 30, 2017, and December 31, 2016 (dollar amounts in thousands):

	September 30, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Senior secured debt investments ⁽¹⁾	\$ 196,477	\$ 194,153	\$ 182,315	\$ 180,955
Subordinated debt investments	70,768	62,942	66,591	63,410
Preferred equity	28,492	28,499	23,293	23,721
Common equity and warrants	6,321	11,036	7,108	13,541
	<u>\$ 302,058</u>	<u>\$ 296,630</u>	<u>\$ 279,307</u>	<u>\$ 281,627</u>
Total number of portfolio companies	40	40	41	41

(1) Includes debt investments in which we have entered into contractual arrangements with co-lenders whereby, subject to certain conditions, we have agreed to receive our principal payments after the repayment of certain co-lenders pursuant to a payment waterfall. The aggregate amortized cost and fair value of these investments was \$21,226 and \$21,226 at September 30, 2017, respectively, and \$28,945 and \$29,276, at December 31, 2016, respectively.

The following table shows the portfolio composition by geographic region at amortized cost and fair value and as a percentage of total investments; the geographic composition is determined by the location of the portfolio companies' corporate headquarters (dollar amounts in thousands):

	Amortized Cost				Fair Value			
	September 30, 2017		December 31, 2016		September 30, 2017		December 31, 2016	
South - US	\$ 125,824	41.7%	\$ 120,005	42.9%	\$ 124,082	41.8%	\$ 122,511	43.5%
Northeast - US	105,586	34.9	85,693	30.7	92,236	31.0	78,186	27.8
West - US	43,190	14.3	59,120	21.2	48,208	16.3	61,219	21.7
Midwest - US	23,523	7.8	10,566	3.8	28,066	9.5	15,788	5.6
Canada	3,935	1.3	3,923	1.4	4,038	1.4	3,923	1.4
Total	<u>\$ 302,058</u>	<u>100.0%</u>	<u>\$ 279,307</u>	<u>100.0%</u>	<u>\$ 296,630</u>	<u>100.0%</u>	<u>\$ 281,627</u>	<u>100.0%</u>

As of September 30, 2017, our investment portfolio's three largest industries by fair value, were (1) Manufacturing, (2) Professional, Scientific, and Technical Services, and (3) Other Services (except Public Administration), totaling approximately 47.9% of the investment portfolio. For a full summary of our investment portfolio by industry, see "Item 1—Financial Statements— Note 4".

The following table presents our debt investment portfolio by investment size as of September 30, 2017, and December 31, 2016 (dollar amounts in thousands):

	Amortized Cost				Fair Value			
	September 30, 2017		December 31, 2016		September 30, 2017		December 31, 2016	
Up to \$4,000	\$ 27,410	10.2%	\$ 34,547	13.9%	\$ 28,373	11.0%	\$ 41,419	17.0%
\$4,001 to \$7,000	56,065	21.0	57,996	23.3	62,004	24.1	55,342	22.6
\$7,001 to \$10,000	79,287	29.7	78,446	31.5	64,609	25.1	80,735	33.0
\$10,001 to \$13,000	35,193	13.2	34,549	13.9	47,448	18.5	37,593	15.4
Greater than \$13,000	69,290	25.9	43,368	17.4	54,661	21.3	29,276	12.0
Total	<u>\$ 267,245</u>	<u>100.0%</u>	<u>\$ 248,906</u>	<u>100.0%</u>	<u>\$ 257,095</u>	<u>100.0%</u>	<u>\$ 244,365</u>	<u>100.0%</u>

The following table displays the composition of our performing debt investment portfolio by weighted average yield as of September 30, 2017 , and December 31, 2016 :

Weighted Average Yield ⁽¹⁾	September 30, 2017			December 31, 2016		
	Senior Secured Debt	Subordinated Debt	Total Debt	Senior Secured Debt	Subordinated Debt	Total Debt
Less than 8%	11.4%	—%	8.7%	8.7%	11.4%	9.5%
8% - 10%	32.4	—	24.5	7.7	—	5.6
10% - 12%	32.4	9.4	26.8	32.6	11.9	27.0
12% - 14%	7.7	54.2	19.0	30.9	58.1	38.2
Greater than 14%	16.1	36.4	21.0	20.1	18.6	19.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Weighted average yield	10.88%	13.45%	11.50%	11.95%	12.44%	12.08%

(1) The weighted average yield on our performing debt investments is computed as (a) the annual stated accruing interest on our debt investments at the balance sheet date, plus the annualized accretion of Net Loan Fees divided by (b) amortized cost of our debt investments, excluding assets on non-accrual basis as of the balance sheet date. Including assets on non-accrual, the weighted average yield of our debt investment portfolio was 11.17% and 11.72%, at September 30, 2017 and December 31, 2016.

The weighted average yield decreased from 12.08% at December 31, 2016 to 11.50% at September 30, 2017 , primarily due to the deployment of cash during the six months ended September 30, 2017, including partial deployment of proceeds received from our April 2017 follow-on public offering, into \$46.1 million of senior secured debt investments with a weighted average yield of 9.2% at September 30, 2017. The weighted average yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our fees and expenses. There can be no assurance that the weighted average yield will remain at its current level.

As of September 30, 2017 , and December 31, 2016 , floating rate loans at fair value were 73% and 66% of our debt investment portfolio, respectively, and fixed rate loans at fair value were 27% and 34% of our debt investment portfolio, respectively.

Investment Activity

The following is a summary of our investment activity for the three and nine months ended September 30, 2017 and 2016 (in millions).

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	Debt Investments	Equity Investments	Debt Investments	Equity Investments
Investments in new portfolio companies	\$ 36.9	\$ 3.6	\$ 95.8	\$ 3.9
Investments in existing portfolio companies				
Follow-on investments	0.5	0.9	12.6	1.4
Delayed draw funding	0.5	—	1.0	—
Total investments in existing portfolio companies	1.0	0.9	13.6	1.4
Total investments in new and existing portfolio companies	\$ 37.9	\$ 4.5	\$ 109.4	\$ 5.3
Number of new portfolio company investments	4	2	13	3
Number of existing portfolio company investments	2	1	11	2
Proceeds/distributions from principal payments/ equity investments	\$ 35.1	\$ —	\$ 86.5	\$ —
Proceeds from investments sold or redeemed	5.1	—	—	7.5
Total proceeds from principal payments, equity distributions and investments sold	\$ 40.2	\$ —	\$ 86.5	\$ 7.5

In July 2017, our senior secured debt investment with a cost basis of \$6.7 million, and preferred equity investments, with an aggregate cost basis of \$0.3 million, in My Alarm Center, LLC, were restructured and exchanged for common equity and a new class of preferred equity securities with a fair value of \$-0- and \$1.8 million, respectively. As of June 30, 2017, we recognized cumulative unrealized losses of \$5.2 million on our pre-restructured securities of My Alarm Center, LLC, which upon restructuring, were realized during the quarter ended September 30, 2017.

As of November 3, 2017, we closed \$7.0 million of senior secured debt investments in two new portfolio companies and \$6.3 million of senior secured debt investments in four existing portfolio companies during the fourth quarter of 2017.

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
	Debt Investments	Equity Investments	Debt Investments	Equity Investments
Investments in new portfolio companies	\$ 14.3	\$ —	\$ 23.3	\$ —
Investments in existing portfolio companies				
Follow-on investments	1.2	—	11.9 ⁽¹⁾	0.8
Refinanced investments	—	—	3.3	—
Delayed draw funding	0.9	—	0.9	—
Total investments in existing portfolio companies	2.1	—	16.1	0.8
Total investments in new and existing portfolio companies	\$ 16.4	\$ —	\$ 39.4	\$ 0.8
Number of new portfolio company investments	2	—	5	—
Number of existing portfolio company investments	2	—	8	1
Proceeds/distributions from principal payments/ equity investments	\$ 5.5	\$ —	\$ 37.1	\$ —
Proceeds from investments sold or redeemed	—	—	—	2.1
Total proceeds from principal payments, equity distributions and investments sold	\$ 5.5	\$ —	\$ 37.1	\$ 2.1

(1) Acquired no-cost LLC membership interest in connection with a follow-on debt investment in an existing portfolio company valued at \$0.3 million.

During the nine months ended September 30, 2016, we converted a \$1.8 million portion of our subordinated debt investment in Southern Technical Institute, LLC, with a principal amount of \$1.8 million into equity units and warrants valued at \$1.8 million. No gain or loss was recognized as a result of the conversion. In addition, we received equity in a portfolio company valued at \$0.2 million as consideration for an amendment to a senior secured debt investment in the same portfolio company.

Our level of investment activity may vary substantially from period to period depending on various factors, including, but not limited to, the amount of debt and equity capital available to middle market companies, the level of merger and acquisition activity, the general economic environment and the competitive environment for the types of investments we make.

We categorize debt investments into seven risk categories based on relevant information about the ability of borrowers to service their debt. For additional information regarding our risk categories, see “Item 1. Business–Portfolio Review/Risk Monitoring” in our Annual Report on Form 10-K for the year ended December 31, 2016. The following table shows the classification of our debt investments portfolio by credit risk rating as of September 30, 2017, and December 31, 2016 (dollar amounts in thousands):

Risk Category	September 30, 2017		December 31, 2016	
	Debt Investments, at Fair Value	% of Debt Investments	Debt Investments, at Fair Value	% of Debt Investments
1 (Low Risk)	\$ —	—%	\$ —	—%
2 (Below Average Risk)	3,788	1.5	3,810	1.6
3 (Average)	221,212	86.0	192,078	78.6
4 (Special Mention)	26,773	10.4	43,084	17.6
5 (Substandard)	3,284	1.3	5,393	2.2
6 (Doubtful)	2,038	0.8	—	—
7 (Loss)	—	—	—	—
	\$ 257,095	100.0%	\$ 244,365	100.0%

During the nine months ended September 30, 2017, we reclassified our subordinated debt investment in Community Intervention Service, Inc, designated non-accrual at September 30, 2017, from risk category 5 to risk category 6 with a fair value of \$5.4 million at December 31, 2016, and reclassified our subordinated debt investment in Master Cutlery, LLC from risk category 4 to risk category 5 with a fair value \$4.4 million at December 31, 2016. Each reclassification was primarily due

to a degradation in the underlying business of the portfolio company. In addition, we reclassified one debt investment from risk category 4 to risk category 3, with a fair value of \$9.5 million at December 31, 2016 . All other year changes in distribution of our debt investments across risk categories, were a result of new debt investments, the receipt of amortization payments on existing debt investments, repayment of certain debt investments in full, changes in the fair value of our existing debt investments within the categories, and other investment activity.

Non-Accrual Loans

At September 30, 2017 , the Company had one loan (Community Intervention Services, Inc.) on non-accrual status with respect to all interest and Net Loan Fee amortization, with an amortized cost and fair value of \$7,639 and \$2,038 , respectively. The Company's loan investment in My Alarm Center, LLC, which was on non-accrual status at June 30, 2017, was restructured and exchanged for a new class of preferred equity securities and common equity securities in July 2017. See "Item 1.–Financial Statements– Note 4 " for further information. At December 31, 2016 , we had one loan (Community Intervention Services, Inc.) on non-accrual status with respect to PIK interest and unamortized Net Loan Fees with an amortized cost and fair value of \$7,639 and \$5,393, respectively.

PIK and Cash Dividend Accruals

At September 30, 2017 , we had four preferred equity securities (Master Cutlery, LLC, Stancor, L.P., Southern Technical Institute, LLC, and TRS Services, LLC), with an aggregate amortized cost and fair value of \$10,452 and \$3,822 , respectively, for which the fair value of the accrued PIK dividend for the three months ended September 30, 2017 was \$-0-. In addition, beginning June 30, 2017, the Company discontinued recognition of the cash preferred dividend from its investment in Master Cutlery, LLC. At December 31, 2016 , the Company had one preferred equity security (Master Cutlery, LLC) with an amortized cost and fair value of \$3,483, and \$954, respectively, for which the fair value of the accrued PIK dividend for the three months ended December 31, 2016 was \$-0-.

Results of Operations

Key Financial Measures

The following is a discussion of the key financial measures that management employs in reviewing the performance of our operations.

Total Investment Income. We generate revenue in the form of interest income on debt investments and dividend income from our equity investments. Our debt investments typically have a term of three to eight years and bear interest at fixed and floating rates. As of September 30, 2017, floating rate and fixed rate loans comprised 73% and 27%, respectively, of our debt investment portfolio at fair value; however, in accordance with our investment strategy, we expect that over time the proportion of fixed rate loans will continue to increase. In some cases, our investments provide for PIK interest, or PIK dividends (meaning interest or dividends paid in the form of additional principal amount of the loan or equity security instead of in cash). We also generate revenue in the form of management, valuation, and other contractual fees, which is recognized as the related services are rendered. In the general course of business, we receive certain fees from portfolio companies which are non-recurring in nature. Such non-recurring fees include prepayment fees on certain loans repaid prior to their scheduled due date, which are recognized as earned when received, and fees for capital structuring services from certain portfolio companies, which are recognized as earned upon closing of the investment. Net Loan Fees are capitalized, and accreted or amortized over the life of the loan as interest income. When we receive principal payments on a loan in an amount that exceeds its amortized cost, we will also recognize the excess principal payment as income in the period it is received.

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

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

Net Gain (Loss) on Investments. Net gain (loss) on investments consists of the sum of: (a) realized gains and losses from the sale of debt or equity securities, or the redemption of equity securities; and (b) net unrealized appreciation or depreciation on debt and equity investments. In the period in which a realized gain or loss is recognized, such gain or loss will generally be offset by the reversal of accumulated net unrealized appreciation or depreciation, and the net gain recognized in that period will generally be smaller. The accumulated net unrealized appreciation or depreciation on debt securities is also reversed when those investments are redeemed or paid off prior to maturity. In such instances, the reversal of accumulated unrealized appreciation or depreciation will be reported as a net loss or gain, respectively, and may be partially offset by the acceleration of any premium or discount on the debt security, which is reported in interest income, and any prepayment fees on the debt security, which is reported in fee income.

We do not believe that our historical operating performance is necessarily indicative of our future results of operations that we expect to report in future periods. We are primarily focused on investments in middle-market companies in the United States, including debt investments and, to a lesser extent, equity investments, including warrants and other minority equity securities, which differs to some degree from our historical investment concentration, in senior secured loans to middle-market companies in the United States. Moreover, as a BDC and a RIC, we will also be subject to certain constraints on our operations, including, but not limited to, limitations imposed by the 1940 Act and the Code. In addition, SBIC I L.P. is subject to regulation and oversight by the SBA. For the reasons described above, the results of operations described below may not necessarily be indicative of the results we expect to report in future periods.

Net increase in net assets resulting from operations can vary substantially from period to period for various reasons, including the recognition of realized gains and losses and unrealized appreciation and depreciation. As a result, annual comparisons of net increase in net assets resulting from operations may not be meaningful.

Comparison of the three and nine months ended September 30, 2017, and 2016

Consolidated operating results for the three and nine months ended September 30, 2017 and 2016, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Investment income				
Interest income:				
Cash interest income	\$ 6,742	\$ 5,872	\$ 19,592	\$ 17,781
Net Loan Fee amortization	518	352	1,187	1,162
PIK interest income	485	311	1,134	868
Other interest income	73	45	156	124
Total interest income	7,818	6,580	22,069	19,935
Dividend income:				
Preferred equity cash dividends	34	82	99	410
Preferred equity PIK dividends	286	396	1,065	1,032
Common equity dividends	91	50	331	182
Total dividend income	411	528	1,495	1,624
Fee income:				
Management, valuation, and other	43	69	127	167
Prepayment, structuring, and other fees	850	182	1,443	1,159
Total fee income	893	251	1,570	1,326
Total investment income	9,122	7,359	25,134	22,885
Total expenses	4,720	4,062	13,076	12,476
Net investment income	4,402	3,297	12,058	10,409
Net loss on investments	(3,227)	(909)	(8,298)	(1,404)
Net increase in net assets resulting from operations	\$ 1,175	\$ 2,388	\$ 3,760	\$ 9,005

Interest income by debt investment type for the three and nine months ended September 30, 2017 and 2016, is summarized below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest income:				
Senior secured debt investments	\$ 5,721	\$ 4,979	\$ 16,170	\$ 13,930
Subordinated debt investments	2,097	1,601	5,899	6,005
Total interest income	\$ 7,818	\$ 6,580	\$ 22,069	\$ 19,935

Interest income increased by \$1.2 million for the three months ended September 30, 2017, compared to the three months ended September 30, 2016. The \$1.2 million increase was due to a \$1.1 million increase primarily attributable to a 19% increase in the average outstanding loan balance, and a \$0.2 million increase in Net Loan Fee amortization, offset by a \$0.1 million decrease primarily attributable to a 30 basis points decrease in the weighted average yield in our portfolio. Acceleration

of Net Loan Fees of \$0.3 million and \$0.1 million were included in interest income for the three months ended September 30, 2017 and 2016 , respectively.

Interest income increased by \$2.1 million for the nine months ended September 30, 2017 , compared to the nine months ended September 30, 2016 . The \$2.1 million increase was due to a \$2.7 million increase primarily attributable to a 15% increase in the average outstanding loan balance, and a \$0.1 million increase in accelerated Net Loan Fee amortization, offset by a \$0.7 million decrease primarily attributable to a 42 basis point decrease in the weighted average yield in our portfolio. Acceleration of Net Loan Fees of \$0.5 million and \$0.4 million were included in interest income for the nine months ended September 30, 2017 and 2016 , respectively.

Fee income increased by \$0.6 million for the three months ended September 30, 2017 , compared to the three months ended September 30, 2016 , primarily due to an increase in prepayment fees and structuring fees of \$0.3 million and \$0.4 million, respectively, offset by a \$0.1 million decrease in other fees. We recorded prepayment fees of \$0.3 million resulting from \$17.5 million of unscheduled principal payments during the three months ended September 30, 2017 . We did not receive any unscheduled principal payments subject to prepayment fees during the three months ended September 30, 2016 . We recorded structuring fees of \$0.5 million in connection with the closing of \$30.2 million of investments during the three months ended September 30, 2017 , compared to structuring fees of \$0.1 million in connection with the closing of \$9.5 million of investments during the three months ended September 30, 2016 .

Fee income increased by \$0.2 million for the nine months ended September 30, 2017 , compared to the nine months ended September 30, 2016 , primarily due to a \$0.5 million increase in structuring fees, offset by a \$0.2 million decrease in prepayment fees and \$0.1 million in other fees. We recorded structuring fees of \$0.7 million in connection with the closing of \$48.7 million of investments during the nine months ended September 30, 2017 , compared to structuring fees of \$0.2 million in connection with the closing of \$15.7 million of investments during the nine months ended September 30, 2016 . We recorded prepayment fees of \$0.7 million resulting from \$45.7 million of unscheduled principal payments during the nine months ended September 30, 2017 , compared to prepayment fees of \$0.9 million resulting from \$24.8 million of unscheduled principal payments we recorded during the nine months ended September 30, 2016 .

Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$ 1,503	\$ 1,320	\$ 4,229	\$ 3,936
Management fees	1,310	1,120	3,726	3,324
Incentive fee	1,090	817	2,249	2,407
Professional fees	284	260	840	877
Administration fee	274	255	982	1,009
General and administrative expenses	259	290	1,050	923
Total expenses	\$ 4,720	\$ 4,062	\$ 13,076	\$ 12,476

Interest expense for the three and nine months ended September 30, 2017 , increased over the corresponding periods in the prior year due to an increase in borrowings under our PWB Credit Facility. The average dollar amount of borrowings outstanding under the PWB Credit Facility during the three and nine months ended September 30, 2017 , was \$11.1 million and \$5.8 million, respectively. There were no borrowings under the PWB Credit Facility during the three or nine months ended September 30, 2016.

Management fee expense for the three and nine months ended September 30, 2017 , increased over the corresponding periods in the prior year due to an increase in our average total assets, primarily due to a increase in net investment activity, including deployment of funds from the Offering.

Incentive fee expense increased by \$0.3 million for the three months ended September 30, 2017 , compared to the three months ended September 30, 2016 , due to an increase in pre-incentive fee net investment income compared to the prior year, which was primarily attributable to an increase in the average investment balance as a result of net investment activity, including deployment of funds from the Offering.

Incentive fee expense decreased by \$0.2 million for the nine months ended September 30, 2017 , compared to the nine months ended September 30, 2016 . The decrease was primarily due to a \$0.6 million decrease in Part One incentive fees, due to a share issuance adjustment related to the Offering, which raised the hurdle rate to a level that was not exceeded in the second quarter because the Offering Proceeds were not fully deployed, offset by an increase in pre-incentive fee net investment income due to an increase in net investment activity, including additional deployment of funds from the Offering, and an

increase in the accrued Capital Gains Fee. During the nine months ended September 30, 2017, we did not incur a Capital Gains Fee, compared to a Capital Gains Fee of \$(0.1) million recorded during nine months ended September 30, 2016, which represents the reversal of the accrued Capital Gains Fee at December 31, 2015.

Net Loss on Investments

Net gain (loss) by investment type for the three and nine months ended September 30, 2017 and 2016, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Senior secured debt	\$ (1,669)	\$ (368)	\$ (5,906)	\$ 859
Subordinated debt	(2,306)	(193)	(4,660)	(272)
Preferred equity	270	(497)	2,949	(4,549)
Common equity and warrants	478	149	(681)	2,558
Net loss on investments	<u>(3,227)</u>	<u>(909)</u>	<u>\$ (8,298)</u>	<u>\$ (1,404)</u>

Three and nine months ended September 30, 2017

We recognized net losses of \$1.7 million on senior secured debt during the three months ended September 30, 2017, primarily as a result of the negative impact of portfolio company-specific performance factors. In addition, a previously recognized cumulative unrealized loss of \$5.0 million at June 30, 2017, on My Alarm Center, LLC was realized during the three months ended September 30, 2017 upon restructure of the senior secured debt investment into preferred and common equity interests.

We recognized net losses of \$5.9 million on senior secured debt during the nine months ended September 30, 2017, primarily as a result of the negative impact of portfolio company-specific performance factors, including a realized loss of \$5.0 million on our senior secured debt investment in My Alarm Center, LLC recognized upon restructuring in the third quarter of 2017. We held this investment from the fourth quarter of 2015 and recognized unrealized appreciation of \$0.2 million and \$-0- during the years ended December 31, 2016 and 2015, respectively.

We recognized net losses of \$2.3 million on subordinated debt during the three months ended September 30, 2017, primarily as a result of the negative impact of portfolio company-specific performance factors, including an unrealized depreciation of \$1.2 million recognized on our subordinated debt investment in Community Intervention Services, Inc., which was placed on non-accrual during 2016.

We recognized net losses of \$4.7 million on subordinated debt during the nine months ended September 30, 2017, primarily as a result of the net negative impact of portfolio company-specific performance factors, including an unrealized depreciation of \$3.4 million recognized on our subordinated debt investment in Community Intervention Services, Inc., which was placed on non-accrual during 2016.

We recognized net gains of \$0.3 million on preferred equity investments for the three months ended September 30, 2017, primarily as a result of the positive impact from changes to EBITDA multiples used in our valuations as a result of pending transactions, offset by the net negative impact of portfolio company-specific performance factors. Included in net gains of \$0.3 million for the three months ended September 30, 2017, was a realized gain of \$3.6 million we recognized upon exit of a preferred equity investment. We recognized cumulative unrealized appreciation of approximately \$3.6 million on this investment through June 30, 2017, which resulted in a net gain of \$-0- during the three months ended September 30, 2017. In addition, previously recognized cumulative unrealized depreciation of \$0.3 million at June 30, 2017, on our preferred equity investments in My Alarm Center, LLC, was realized upon restructuring.

We recognized net gains of \$2.9 million on preferred equity investments for the nine months ended September 30, 2017, primarily as a result of the net positive impact from changes to EBITDA multiples used in our valuations as a result of pending transactions, offset by the net negative impact of portfolio company-specific performance factors. Included in net gains of \$2.9 million for the nine months ended September 30, 2017, was a realized gain of \$3.6 million we recognized upon exit of a preferred equity investment. We recognized cumulative unrealized appreciation of approximately \$1.1 million on this investment through December 31, 2016, which resulted in a net gain of \$2.5 million during the nine months ended September 30, 2017. In addition, previously recognized cumulative unrealized depreciation of \$0.3 million at June 30, 2017, on our preferred equity investments in My Alarm Center, LLC, was realized upon restructuring.

We recognized net gains of \$0.5 million on common equity and warrant investments for the three months ended September 30, 2017, primarily as a result of the positive impact of portfolio company-specific performance factors.

We recognized net losses of \$0.7 million on common equity and warrant investments for the nine months ended September 30, 2017, primarily as a result of the negative impact of portfolio company-specific performance factors. Included in the net loss was a realized gain of \$0.9 million from the exit of a common equity investment, for which we had recognized cumulative unrealized appreciation of \$0.5 million through December 31, 2016, resulting in a net gain of \$0.4 million during the nine months ended September 30, 2017.

Three and nine months ended September 30, 2016

We recognized net losses of \$0.4 million on senior secured debt during the three months ended September 30, 2016, primarily as a result of the net impact of portfolio company-specific performance factors, offset by the impact of changes to certain market loan indices, and the impact of certain investments moving closer to their expected exit events.

We recognized net gains of \$0.9 million on senior secured debt during the nine months ended September 30, 2016, primarily as a result of the impact of changes to certain market loan indices, and by the impact of portfolio company-specific performance factors, partially offset by the pay-off of certain senior secured debt investments.

We recognized net losses of \$0.2 million on subordinated debt during the three months ended September 30, 2016, principally as a result of the net impact of portfolio company-specific performance factors.

We recognized net losses of \$0.3 million on subordinated debt during the nine months ended September 30, 2016, principally due to the pay-off of certain subordinated debt investments, offset by the net impact of portfolio company-specific performance factors.

We recognized net losses of \$0.5 million on preferred equity investments for the three months ended September 30, 2016, primarily attributable to the net impact of portfolio company-specific performance factors, offset primarily by the impact of certain investments moving closer to their expected exit events.

We recognized net losses of \$4.6 million on preferred equity investments for the nine months ended September 30, 2016, primarily attributable to the net impact of portfolio company-specific performance factors, offset primarily by the impact of certain investments moving closer to their expected exit events.

We recognized net gains of \$0.1 million on common equity and warrant investments for the three months ended September 30, 2016, primarily due to the net impact of certain investments moving closer to their expected exit events, offset by the negative net impact of portfolio company-specific performance factors.

We recognized net gains of \$2.6 million on common equity and warrant investments for the nine months ended September 30, 2016, primarily due to the net impact of portfolio company-specific performance factors and the net impact of certain investments moving closer to their expected exit events. In addition, we realized gains of \$2.6 million from the redemption of an equity investment. We held this investment from the first quarter of 2014 and recognized unrealized appreciation of \$2.1 million and \$0.5 during the years ended December 31, 2015 and 2014, respectively. There was no net gain during the nine months ended September 30, 2016, on this transaction.

Liquidity and Capital Resources

We manage the liquidity of SBIC I LP ("SBIC Liquidity") separately from our general corporate liquidity ("Corporate Liquidity"). At September 30, 2017, our Corporate Liquidity and our SBIC Liquidity includes cash and cash equivalents of \$1.6 million and \$52.2 million, respectively. Additionally, we had \$17.9 million in Corporate Liquidity available through our PWB Credit Facility at September 30, 2017. Transfers from SBIC Liquidity to Corporate Liquidity are limited by SBA regulations to a statutory measure of undistributed accumulated earnings, and our ability to transfer liquidity from Corporate Liquidity to SBIC Liquidity is currently limited to capital contributions to SBIC I LP. Additionally, the use of SBIC Liquidity is limited by regulation; see "Item 1.–Business–Small Business Investment Company Regulations" in our Annual Report on Form 10-K for the year ended December 31, 2016. During the nine months ended September 30, 2017, we transferred \$3.1 million from from SBIC Liquidity to Corporate Liquidity. At September 30, 2017, \$2.5 million cash and cash equivalents were available to transfer from SBIC Liquidity to Corporate Liquidity.

Sources and Uses of Cash and Cash Equivalents

We generate cash through operations from net investment income and the net liquidation of portfolio investments, and use cash in our operations in the net purchase of portfolio investments. Significant variations may exist between net investment income and cash from net investment income, primarily due to the recognition of non-cash investment income, including certain Net Loan Fee amortization, PIK interest, and PIK dividends, which generally will not be fully realized in cash until we exit the investment. As discussed in "Item 1.–Financial Statements– Note 3", we pay OFS Advisor a quarterly incentive fee with respect to our pre-incentive fee net investment income, which includes investment income that we have not received in cash. In addition, we must distribute substantially all our taxable income, which approximates, but will not always equal, the cash we generate from net investment income to maintain our RIC tax treatment. Historically, our distributions have been in excess of taxable income,

and we have limited history of net taxable gains. We also obtain cash to fund investments or general corporate activities from the issuance of securities and our revolving line of credit. These principal sources and uses of cash and liquidity are presented below (in thousands):

	Nine Months Ended September 30,	
	2017	2016
Cash from net investment income	\$ 8,198	\$ 6,009
Cash received from realized gains	3,959	2,179
Net purchases and originations of portfolio investments excluding cash received from realized gains	(24,639)	(3,106)
Net cash provided by (used in) operating activities	(12,482)	5,082
Proceeds from common stock offering, net of expenses	53,423	—
Cash distributions paid	(12,231)	(9,807)
Net repayment of borrowings on PWB Credit Facility	7,600	—
Payment of debt issuance costs	(101)	—
Increase (decrease) in cash and cash equivalents	<u>\$ 36,209</u>	<u>\$ (4,725)</u>

At September 30, 2017, we held cash and cash equivalents of \$53.9 million, an increase of \$36.2 million from December 31, 2016.

Cash from net investment income

Net cash from net investment income increased \$2.2 million for the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016. The net increase to net cash from investment income was principally due to an increase in interest income, common dividends, prepayment and structuring fees collected, and a decrease in cash paid for incentive fees, which primarily resulted from a share issuance adjustment related to the Offering, offset by a decrease in preferred equity cash dividends collected, an increase in cash paid for management fees, primarily due to an increase in net investment activity, including additional deployment of funds from the Offering, and an increase in cash interest paid on our PWB Credit Facility.

Cash received from realized gains

Cash received on realized gains may differ from realized gains in the statement of operations due to delays in the receipt of sale proceeds related to escrow and earn-out provisions in the investment sales transactions.

Net purchases and originations of portfolio investments excluding cash received from realized gains

During the nine months ended September 30, 2017, net purchases and originations of portfolio investments were primarily due to \$114.7 million of cash we used to purchase portfolio investments, offset by \$90.0 million of cash we received from amortized cost repayments on our portfolio investments. During the nine months ended September 30, 2016, net purchases were due to \$40.2 million of cash we used to purchase portfolio investments. These cash purchases were offset by \$37.1 million of cash we received from principal payments on our portfolio investments.

Proceeds from common stock offering, net of expenses

In April 2017, we issued 3,625,000 shares of our common stock in a follow-on public offering at an offering price of \$14.57 per share, including shares purchased by the underwriters pursuant to their exercise of the over-allotment option. OFS Advisor paid all of the underwriting discounts and commissions and an additional supplemental payment of \$0.25 per share, representing the difference between the public offering price of \$14.57 per share and the net offering proceeds of \$14.82 per share, which also represented our NAV per share at the time of the Offering. All payments made by OFS Advisor in connection with the Offering are not subject to reimbursement by us. We received net proceeds from this Offering of \$53.7 million.

SBA Debentures

SBIC I LP has a SBIC license that allowed it to obtain leverage by issuing SBA-guaranteed debentures, subject to issuance of a capital commitment by the SBA and customary procedures. These debentures are non-recourse to us, and bear interest payable semi-annually, and each debenture has a maturity date that is ten years following issuance. The interest rate was fixed at the first pooling date after issuance, which was March and September of each year, at a market-driven spread over U.S. Treasury Notes with ten-year maturities. SBA regulations currently limit the amount that an SBIC may borrow up to a maximum of \$150 million when it has at least \$75 million in regulatory capital, receives a leverage commitment from the SBA and has been through an examination by the SBA subsequent to licensing. For two or more SBICs under common control, the

maximum amount of outstanding SBA-provided leverage cannot exceed \$350 million. As of December 31, 2016 and 2015, SBIC I LP had fully drawn the \$149.9 million of leverage commitments from the SBA.

In January 2015, we filed an application with the SBA for a second SBIC license, which, if approved, would provide up to \$75.0 million in additional SBA debentures for the funding of our future investments upon our contribution of at least \$37.5 million in additional regulatory capital and subject to the issuance of a leverage commitment by the SBA and other customary procedures. There can be no assurance as to whether or when this application will be approved by the SBA.

On a stand-alone basis, SBIC I LP held \$248.2 million, and \$247.5 million in assets at September 30, 2017, and December 31, 2016, respectively, which accounted for approximately 70% and 81% of the Company's total consolidated assets, respectively.

SBIC I LP is periodically examined and audited by the SBA's staff to determine its compliance with SBA regulations. If SBIC I LP fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit SBIC I LP's use of debentures, declare outstanding debentures immediately due and payable, and/or limit SBIC I LP from making new investments.

PWB Credit Facility

The PWB Credit Facility is available for general corporate purposes including investment funding and is scheduled to mature on October 31, 2018. In addition, we incur an unused commitment fee, payable monthly in arrears, equal to 0.50% per annum on any unused portion of the PWB Credit Facility in excess of \$15.0 million.

On August 9, 2017, the BLA was amended to increase the maximum amount available under the PWB Credit Facility from \$25 million to \$35 million, and change the interest rate from a fixed per annum rate of 5.00% to a variable rate initially set at 5.00%, calculated as the prime plus a 0.75% margin, with a 5.00% floor. All other principal covenants and terms under the PWB Credit Facility remained the same. We incurred deferred debt issuance costs of \$0.1 million in connection with the amendment.

As of September 30, 2017, we had \$17.1 million outstanding at a variable interest rate of 5.00% per annum, and \$17.9 million available for use under the PWB Credit Facility.

The PWB Credit Facility is guaranteed by OFS Capital WM and secured by all of our current and future assets, excluding assets held by SBIC I LP and our SBIC I LP and SBIC I GP partnership interests.

The BLA contains customary terms and conditions, including, without limitation, affirmative and negative covenants such as information reporting requirements, a minimum tangible net asset value, a minimum quarterly net investment income after incentive fees, and a statutory asset coverage test. The BLA also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change in investment advisor, and the occurrence of a material adverse change in our financial condition. As of September 30, 2017, the Company was in compliance with the applicable covenants.

Other Liquidity Matters

We expect to fund the growth of our investment portfolio utilizing borrowings under SBA debentures, follow-on equity offerings, and issuances of senior securities or future borrowings to the extent permitted by the 1940 Act. We cannot assure stockholders that our plans to raise capital will be successful. In addition, we intend to distribute to our stockholders substantially all of our taxable income in order to satisfy the requirements applicable to RICs under Subchapter M of the Code. Consequently, we may not have the funds or the ability to fund new investments or make additional investments in our portfolio companies. The illiquidity of our portfolio investments may make it difficult for us to sell these investments when desired and, if we are required to sell these investments, we may realize significantly less than their recorded value.

In addition, as a BDC, we generally will be required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities (including SBIC I LP's SBA-guaranteed debt), to total senior securities, which include all of our borrowings (excluding SBA-guaranteed debt) and any outstanding preferred stock (of which we had none at September 30, 2017), of at least 200%. We received an exemptive order from the SEC to permit us to exclude the debt of SBIC I LP guaranteed by the SBA from the definition of Senior Securities in the statutory 200% asset coverage ratio under the 1940 Act. This requirement limits the amount that we may borrow. To fund growth in our investment portfolio in the future, we anticipate the need to raise additional capital from various sources, including the equity markets and the securitization or other debt-related markets, which may or may not be available on favorable terms, if at all.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table shows our contractual obligations as of September 30, 2017 (in thousands):

	Payments due by period				
	Total	Less than year	1-3 years (2)	3-5 years	After 5 years (2)
Contractual Obligations (1)					
PWB Credit Facility	\$ 17,100	\$ —	\$ 17,100	\$ —	\$ —
SBA Debentures	149,880	—	—	—	149,880
Total	\$ 166,980	\$ —	\$ 17,100	\$ —	\$ 149,880

(1) Excludes commitments to extend credit to our portfolio companies.

(2) The PWB Credit Facility is scheduled to mature on October 31, 2018. The SBA debentures are scheduled to mature between September 2022 and 2025.

We have entered into contracts with third parties under which we have material future commitments—the Investment Advisory Agreement, pursuant to which OFS Advisor has agreed to serve as our investment adviser, and the Administration Agreement, pursuant to which OFS Services has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations.

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. We had \$4.5 million of total unfunded commitments to three portfolio companies at September 30, 2017.

Distributions

We are taxed as a RIC under the Code. Generally, a RIC is entitled to deduct dividends it pays to its stockholders from its income to determine “taxable income.” Taxable income includes our taxable interest, dividend and fee income, and taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized. In addition, gains realized for financial reporting purposes may differ from gains included in taxable income as a result of our election to recognize gains using installment sale treatment, which generally results in the deferment of gains for tax purposes until notes or other amounts, including amounts held in escrow, received as consideration from the sale of investments are collected in cash. Taxable income includes non-cash income, such as changes in accrued and reinvested interest and dividends, which includes contractual PIK interest, and the amortization of discounts and fees. Cash collections of income resulting from contractual PIK interest and dividends or the amortization of discounts and fees generally occur upon the repayment of the loans or debt securities that include such items. Non-cash taxable income is reduced by non-cash expenses, such as realized losses and depreciation, and amortization expense.

Our board of directors maintains a variable dividend policy with the objective of distributing four quarterly distributions in an amount not less than 90-100% of our taxable quarterly income or potential annual income for a particular year. In addition, at the end of the year, we may also pay an additional special dividend, or fifth dividend, such that we may distribute approximately all of our annual taxable income in the year it was earned, while maintaining the option to spill over our excess taxable income to a following year. Each year, a statement on Form 1099-DIV identifying the source of the distribution is mailed to the Company’s stockholders. Generally, a RIC is entitled to deduct dividends it pays to its stockholders from its income to determine “taxable income.” Taxable income includes our taxable interest, dividend and fee income, and taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized. In addition, gains realized for financial reporting purposes may differ from gains included in taxable income as a result of our election to recognize gains using installment sale treatment, which generally results in the deferment of gains for tax purposes until notes or other amounts, including amounts held in escrow, received as consideration from the sale of investments are collected in cash. Taxable income includes non-cash income, such as changes in accrued and reinvested interest and dividends, which includes contractual PIK interest, and the amortization of discounts and fees. Cash collections of income resulting from contractual PIK interest and dividends or the amortization of discounts and fees generally occur upon the repayment of the loans or debt securities that include such items. Non-cash taxable income is reduced by non-cash expenses, such as realized losses and depreciation, and

amortization expense. If the tax characteristics of the distributions paid during fiscal 2017 were determined as of September 30, 2017, we estimate that approximately \$0.27 per share would represent a return of capital.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. As of September 30, 2017, 73% of our debt investments bore interest at floating interest rates, at fair value. The interest rates on our debt investments bearing floating interest rates are usually based on a floating LIBOR, and the debt investments typically contain interest rate re-set provisions that adjust applicable interest rates to current market rates on a periodic basis. A significant portion of our loans that are subject to the floating LIBOR rates are also subject to a minimum base rate, or floor, that we charge on our loans if the current market rates are below the respective floors. As of September 30, 2017, 89% of our floating rate loans were based on a floating LIBOR (not subject to a floor).

Our outstanding SBA debentures bear interest at a fixed rate. Our PWB Credit Facility has a floating interest rate provision based on the Prime Rate with a 5.0% interest rate floor. We expect that other credit facilities into which we may enter in the future may have floating interest rate provisions.

Assuming that the interim and unaudited consolidated balance sheet as of September 30, 2017 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following tables show the annualized impact of hypothetical base rate changes in interest rates (in thousands).

Basis point increase	Interest income	Interest expense	Net increase (decrease)
50	\$ 959	\$ 87	\$ 872
100	1,902	173	1,729
150	2,885	260	2,625
200	3,869	347	3,522
250	4,852	433	4,419

Basis point decrease	Interest income	Interest expense	Net increase (decrease)
50	\$ (496)	\$ —	\$ (496)
100	(565)	—	(565)
150	(590)	—	(590)
200	(590)	—	(590)
250	(590)	—	(590)

(1) Our PWB Credit Facility contains a 5.0% interest rate floor, and therefore a decline in the Prime Rate would not impact interest expense.

Item 4. Controls and Procedures

Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2017. The term “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the foregoing evaluation of our disclosure controls and

procedures as of September 30, 2017, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

As previously disclosed in Item 9A of our Form 10-K for the year ended December 31, 2016, management concluded that there was a material weakness in internal control over financial reporting related to the design and effectiveness of controls over certain key assumptions and underlying data used in our investment valuations. In response to the material weakness identified, management developed and implemented a remediation plan to address the underlying causes of the material weakness.

The remediation plan included (1) a change in the primary method used to value certain investments, primarily equity investments, from the discounted cash flow method to the market approach as of December 31, 2016, and (2) the development and formal documentation of new controls and procedures to objectively validate and document key inputs and assumptions used in developing our fair value estimates.

During the nine months ended September 30, 2017, we implemented the new internal control procedures described above to address the previously identified material weakness as of December 31, 2016. After completing our testing of the design and operating effectiveness of our control enhancements, we concluded that we have remediated the previously identified material weakness.

Other than as described above, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We, OFS Advisor and OFS Services, are not currently subject to any material pending legal proceedings threatened against us as of September 30, 2017. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

Investing in our common stock may be speculative and involves a high degree of risk. In addition to the other information contained in this Quarterly Report on Form 10-Q, including our financial statements, and the related notes, schedules and exhibits, you should carefully consider the risk factors described in "Part I, *Item 1A. Risk Factors*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

There have been no material changes from the risk factors previously disclosed in *Part I, "Item 1A. Risk Factors"* in our Annual Report on Form 10-K for the year ended December 31, 2016, which should be read together with the other risk factors and information disclosed elsewhere in this Quarterly Report on Form 10-Q and our other reports filed with the SEC.

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

During the three month period ended September 30, 2017, we issued 3,439 shares of common stock to stockholders in connection with our DRIP. These issuances were not subject to the registration requirements of the Securities Act of 1933, as amended. The aggregate value of the shares of our common stock issued under our distribution reinvestment plan was approximately \$49,000.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Listed below are the exhibits that are filed as part of this report (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit Number	Description	Incorporated by Reference		Filed with this 10-Q
		Form and SEC File No.	Filing Date with SEC	
10.1	Change in terms to the Business Loan Agreement between OFS Capital Corporation and Pacific Western Bank dated August 9, 2017	8-K 814-00813	8/10/2017	
10.2	Commercial Guaranty Agreement among OFS Capital Corporation, OFS Capital WM, LLC, and Pacific Western Bank dated August 9, 2017	8-K 814-00813	8/10/2017	
11.1	Computation of Per Share Earnings			+
14.1	OFS Capital Corporation Code of Ethics			*
14.2	OFS Capital Corporation Code of Business Conduct			*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended			*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended			*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			†
32.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			†

+ Included in the consolidated statements of operations contained in this report

* Filed herewith

† Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: November 3, 2017

OFS CAPITAL CORPORATION

By: /s/ Bilal Rashid
Name: Bilal Rashid
Title: Chief Executive Officer

By: /s/ Jeffrey A. Cerny
Name: Jeffrey A. Cerny
Title: Chief Financial Officer

EXHIBIT INDEX

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+ Included in the consolidated statements of operations contained in this report

* Filed herewith

† Furnished herewith

**OFS Capital Management, LLC
OFS CLO Management, LLC
OCV Management, LLC
OFS Capital Corporation
Hancock Park Corporate Income, Inc.**

Code of Ethics

Restated and Adopted on October 31, 2017

This Code of Ethics is the property of OFS Capital Management, LLC and must be returned to it if an individual's association with it terminates for any reason.

The content of this Code of Ethics is confidential, and should not be revealed to third parties without the consent of the Chief Compliance Officer ("CCO"). The policies and procedures set forth herein supersede previous versions.

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I. GENERAL (CODE OF ETHICS)

A. INTRODUCTION

The Code of Ethics (“Code”) has been jointly adopted by OFS Capital Management, LLC and certain entities that are controlled by or under common control with OFS Capital Management (“Affiliates”) ¹, as determined from time to time by Senior Management (collectively, “OFS Adviser” or the “Firm”), and each of OFS Capital Corporation, Hancock Park Corporate Income, Inc. and any additional business development company (“BDC”) that OFS Adviser may sponsor and/or manage from time to time (collectively, “OFS BDC”) in order to establish applicable policies, guidelines and procedures that promote ethical practices and conduct by all Supervised Persons of OFS Adviser, and that prevent violations of applicable laws including the Investment Advisers Act of 1940, as amended (“Advisers Act”) and the Investment Company Act of 1940, as amended (“Company Act”) ². “Supervised Person” is defined as any director, officer, member or employee (or other person occupying similar status or performing similar functions) of OFS Adviser or any other person who provides investment advice on behalf of OFS Adviser and is subject to the supervision and control of OFS Adviser ³. This Code is available to all Supervised Persons on OFS Adviser’s automated compliance system. All Supervised Persons must read it carefully and must verify at least annually (and at such other times that a Compliance Officer may request) that he or she has read, understands, and agrees to abide by the Code.

The Code is designed to address conflicts of interest that may arise in your personal dealings and those in which you engage on behalf of the Firm and its Advisory Clients ⁴. The following policies comprise the Code consists and address certain conflicts:

- the Personal Investment Policy,
- the Inside Information Policy,
- the Gifts, Entertainment Policy,
- Political Activity Policy,
- Outside Activities and Employee Relationships Policy, and
- Anti-Corruption Policy.

¹ Affiliates of OFS Capital Management, LLC that are covered by this Code at the time of adoption are (1) OCV Management, LLC and (2) OFS CLO Management, LLC, each a registered investment adviser.

² The Code is adopted by OFS Adviser and each OFS BDC pursuant to and in accordance with the requirements of each of Rules 204A-1 and 206(4)-7 under the Advisers Act and Rules 17j-1 and 38a-1 under the Company Act.

³ The Chief Compliance Officer or his/her designee may consider any director, officer, member or employee of an Affiliate of OFS Adviser to be a Supervised Person of OFS Adviser if the Chief Compliance Officer determines that such person performs services for OFS Adviser, through any staffing or similar agreement, such that the person would constitute a Supervised Person if such person was a director, officer, member or employee of OFS Adviser. The Compliance Department maintains a list of all such persons and whether each person is (1) a Supervised Person and (2) an Access Person and will notify each person of relevant requirements. The majority of OFS Adviser’s personnel are employees of Orchard First Source Capital, Inc., an Affiliate of OFS Adviser.

⁴ Advisory Client means any individual, group of individuals, partnership, trust, company or other investment fund entity for whom OFS Adviser acts as investment adviser. For example, any OFS BDC is an Advisory Client. For the avoidance of doubt, Advisory Clients include public and private investment funds, including comingled funds and single investor funds (“Funds”) and managed accounts managed by OFS Adviser, but do not include the underlying individual investors in such Funds (“Investors”), although certain protections afforded to Advisory Clients pursuant to this Code do extend to Investors through Rule 206(4)-8 of the Advisers Act.

OFS Adviser and each OFS BDC require that all Supervised Persons observe the applicable standards of care set forth in these policies and not seek to evade the provisions of the Code in any way, including through indirect acts by Related Persons or other associates.

All activities involving the OFS BDCs are subject to the Company Act and the policies and procedures adopted by each OFS BDC in connection therewith as set forth in the Rule 38a-1 Compliance Manual ("38a-1 Manual") for each OFS BDC. The obligations set forth in the Code and the 38a-1 Manual are in addition to and not in lieu of the policies and procedures set forth in the Firm's Employee Handbook and any other Compliance Policies adopted by OFS Adviser in respect of the conduct of its business.

B.STATEMENT OF STANDARDS OF BUSINESS CONDUCT

As a fundamental mandate, OFS Adviser and each OFS BDC demand the highest standards of ethical conduct and care from all Supervised Persons and OFS BDC Directors. Supervised Persons and OFS BDC Directors must abide by this basic business standard and must not take inappropriate advantage of their position with the Firm or OFS BDC. Each Supervised Person and OFS BDC Director is under a duty to exercise his or her authority and responsibility for the primary benefit of our Advisory Clients, including the OFS BDCs, and the Firm, and may not have outside interests or engage in activities that inappropriately conflict or appear to conflict with the interests of the Firm or its Advisory Clients, including the OFS BDCs. Examples of such conflicts include:

- Engaging a service provider on behalf of Advisory Clients or the Firm in which you or your Related Person has a financial interest.
- Accepting extravagant gifts or entertainment from a potential service provider to the Firm.
- Making charitable donations at the request of a prospective Advisory Client when the Advisory Client will directly benefit from such donation.
- Contributing to the reelection campaign of a Governor who has the authority to appoint pension plan board members who are responsible for selecting investment advisers for such pension plan.
- Purchasing an interest in a company or property that you know the Firm is targeting for investment.
- Assuming an outside position with a company that competes directly with the Firm.

The above list of examples is not exhaustive, and you, as a Supervised Person or OFS BDC Director, are responsible for assessing the unique facts and circumstances of your activities for potential conflicts

and consulting with OFS Adviser's Legal and Compliance department **prior to** engaging in such activities.

Each Supervised Person and OFS BDC Director must strive to avoid circumstances or conduct that adversely affect or that appear to adversely affect OFS Adviser or its Advisory Clients, including the OFS BDCs. Every Supervised Person and OFS BDC Director must comply with applicable federal securities laws and must promptly report violations of the Code to a Compliance Officer. OFS Adviser strictly prohibits retaliation against any individual reporting suspected violations, who, in good faith, seeks help or reports known or suspected violations (even if the reported event is determined not to be a violation), including Supervised Persons who assist in making a report or who cooperate in an investigation (*see* Section I.E. Reporting and Sanctions).

GENERAL GUIDELINES

1. Supervised Persons and OFS Directors may not employ any device, scheme or artifice to defraud an OFS BDC or any Advisory Client, make any untrue statement of a material fact to an OFS BDC or any Advisory Client, or omit to state a material fact necessary in order to make the statements not misleading, engage in any act, practice or course of business that operates or would operate as a fraud or deceit upon an OFS BDC or any other Advisory Client, engage in any manipulative practice with respect to an OFS BDC or any other Advisory Client, or engage in any manipulative practice with respect to Securities, including price manipulation.
2. Except with the prior written approval of a Compliance Officer, in consultation with a Supervised Person's supervisor and/or Senior Management as necessary, a Supervised Person may not act as a director, officer, general partner, managing member, principal, proprietor, consultant, agent, representative, trustee or employee of any public or private entity or business other than an OFS BDC, OFS Adviser, or an Affiliate of OFS Adviser. (See Section IV)
3. All Supervised Persons must disclose to OFS Adviser and their respective OFS BDC any interests they may have in any entity that is not affiliated with OFS Adviser or any OFS BDC *and* that has a known business relationship with OFS Adviser or any OFS BDC.
4. Except with the prior written approval of a Compliance Officer, and as specifically permitted by law, Supervised Persons may not have a material direct or indirect interest (e.g., as principal, co-principal, agent, member, partner, or material shareholder or beneficiary) in any transaction that conflicts with the interests of OFS Adviser or its Advisory Clients.
5. Except with the prior written approval of a Compliance Officer, Access Persons may not invest in any Initial Public Offering ("IPO") or Private Placement ⁵ (including hedge funds and other private investment vehicles). (See Section II.C.2) This requirement also applies to Private Placements that are Advisory Clients of OFS Adviser, such as OFS Credit Income Fund, L.P.

⁵ Private Placement is defined as an offering that is exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to section 4(2) or section 4(5) or pursuant to rule 504, rule 505 or rule 506 thereunder.

6. No Supervised Person, except in the course of the rightful exercise of his or her job responsibilities, shall reveal to any other person, information regarding any Advisory Client or any investment or Security transaction being considered, recommended or executed on behalf of any Advisory Client. (See Section III.)
7. No OFS BDC Director, except in the course of the rightful exercise of his or her board responsibilities, shall reveal to any other person information regarding any OFS BDC or any “Portfolio Company”, defined as any legal entity in which an OFS BDC or another Advisory Client holds an investment regardless of whether or not the investment is a Security, or any investment or Security transaction being considered, recommended, or executed on behalf of any other Advisory Client. (See Section III.)
8. No Supervised Person shall make any recommendation concerning the purchase or sale of any Security by an Advisory Client without disclosing, to the extent known, the interest of the Firm or any Supervised Person, if any, in such Security or the issuer thereof, including, without limitation (a) any direct or indirect beneficial ownership of any Security of such issuer; (b) any contemplated transaction by such person in such Security; and (c) any present or proposed relationship with respect to such Security, issuer or its affiliates.
9. Subject to certain exceptions permitted by applicable law, each OFS BDC shall not, directly or indirectly extend, maintain or arrange for the extension of credit or the renewal of an extension of credit, in the form of a personal loan to any officer or director of the BDC. Any Supervised Person or person who serves as a director on the board of directors of any OFS BDC (“OFS BDC Director”) who becomes aware that their respective OFS BDC may be extending or arranging for the extension of credit to a director or officer, or person serving an equivalent function, should notify and consult with a Compliance Officer to ensure that the proposed extension of credit complies with this Code and the applicable law.
10. No Supervised Person shall engage in insider trading (as described in the “Inside Information Policy” in Section III.) whether for his or her own benefit or for the benefit of others.
11. No Supervised Person may communicate material, nonpublic information concerning any Security, or its issuer, or Portfolio Company to anyone unless it is properly within his or her duties to do so. No OFS BDC Director may communicate material, nonpublic information concerning any Security of an issuer in which the OFS BDC Director knows, or, in the course of his or her duties as a director, should have known, OFS BDC has a current investment, or with respect to which an investment or Security is Being Considered for Purchase or Sale by any OFS BDC (“OFS BDC Portfolio Security”) or Portfolio

Company of their respective OFS BDC to anyone unless it is properly within his or her duties to do so. A Security is “Being Considered for Purchase or Sale” when a recommendation to purchase or sell the Security has been made and communicated and, with respect to the person making the recommendation, when such person seriously considers making such a recommendation. In all cases, a Security which has been recommended for purchase or sale pursuant to an Investment Committee memorandum, presentation, due diligence package or other formal Investment Committee recommendation shall be deemed to be a Security Being Considered for Purchase or Sale.

12. Each Supervised Person shall complete a compliance questionnaire (the “Regulatory Compliance Disclosure”) prior to employment and annually thereafter, within the prescribed deadline, as provided by the Compliance Department, (“Compliance Due Date”) through the Firm’s automated compliance system. Each Supervised Person shall supplement the Regulatory Compliance Disclosure, as necessary, to reflect any material change between annual disclosures, and must immediately report if any of the conditions addressed in the Regulatory Compliance Disclosure become applicable to such Supervised Person.
13. Every Supervised Person must avoid any activity that might give rise to a question as to whether the Firm’s objectivity as a fiduciary has been compromised. (See Section V)
14. Access Persons are required to disclose to a Compliance Officer the existence of any account that is capable of holding or currently holds any Securities (including Securities excluded from the definition of a Reportable Security), as well as their personal holdings of Reportable Securities immediately upon becoming an Access Person (which shall include the holdings of Related Persons), and in no case later than ten (10) days beyond the date the individual becomes an Access Person. Access Persons are also required to maintain brokerage accounts capable of holding Reportable Securities with Approved Brokers, which have contracted to provide holdings and transaction reporting to the Compliance Department on the Firm’s automated compliance system. Access Persons must confirm the accuracy and completeness of the information so provided to the Firm on a quarterly and annual basis by the Compliance Due Date. Initial and quarterly reports must disclose the existence of all accounts that hold or are capable of holding any Securities, even if none of those Securities fall within the definition of a “Reportable Security. (See Section II).
15. The intentional creation, transmission or use of false rumors is inconsistent with the Firm’s commitment to high ethical standards and may violate the antifraud provisions of the Advisers Act, among other securities laws of the United States. Accordingly, no Supervised Person may maliciously create, disseminate or use false rumors. This prohibition covers oral and written communications, including the use of electronic communication media such as e-mail, PIN messages, instant messages, tweets, text messages, blogs and chat rooms. Because of the difficulty identifying “false” rumors, the Firm discourages Supervised Persons from creating, passing or using any rumor.

C.PERIODIC COMPLIANCE AND TRAINING

Each Supervised Person is required to complete all assigned Compliance certifications and disclosures by the Compliance Due Date. Absent an exemption granted to you by a Compliance Officer, failure to complete such items by the Compliance Due Date will likely constitute a violation of this Code and may result in the imposition of sanctions.

The Compliance Department also presents and/or coordinates mandatory training on this Code at least annually, and may assign mandatory or voluntary training at such other times as a Compliance Officer may determine are appropriate. Failure to participate in mandatory training sessions, unless excused in writing by a Compliance Officer, will likely constitute a violation of this Code and may lead to sanctions. The Compliance Department will maintain an attendance or completion list, as appropriate, of all Supervised Persons participating in such training sessions.

D.ACKNOWLEDGMENT

Each Supervised Person must certify upon commencement of employment, at least annually thereafter, and at such other times as a Compliance Officer may determine, that he or she has read, understands, is subject to and has complied with the Code. Any Supervised Person who has any questions about the applicability of the Code to a particular situation should promptly consult with a Compliance Officer.

E.REPORTING AND SANCTIONS

While compliance with the provisions of the Code is anticipated, Supervised Persons should be aware that, in response to any violations, the Firm (or any OFS BDC, as applicable) shall take whatever action is deemed necessary under the circumstances including, but without limitation, the imposition of appropriate sanctions. These sanctions may include, among others, verbal or written warnings, the reversal of trades, reallocation of trades to client accounts, disgorgement of profits deemed improper, suspension or termination of personal trading or investment privileges, reduction in bonus or bonus opportunity, monetary fines payable to a recognized charitable organization of the Supervised Person's choice or, in more serious cases, suspension or termination of employment and/or the making of any civil or criminal referral to the appropriate governmental authorities.

Moreover, Supervised Persons are required to promptly report any violation(s) of the this Code, any other compliance policies adopted by OFS Adviser or the Rule 38a-1 Manual adopted by any OFS BDC (collectively "Compliance Policies"), or any activity that may adversely affect the Firm's or any OFS BDC's business or reputation, to a Compliance Officer. The Compliance Department maintains a record of all violations of the Code and other Compliance Policies and any corrective actions taken. Supervised Persons are encouraged to identify themselves when reporting such conduct, but they may also report anonymously. Reporting should be made through a letter to a Compliance Officer or via the telephonic and electronic reporting procedures detailed in the Firm's "Whistleblower Hotline Information" attached hereto as *Attachment A*. Further, all activities reported by Supervised Persons will be treated anonymously and confidentially (to the extent reasonably practicable) in order to encourage Supervised Persons to come forward with perceived problems. The Firm and each OFS BDC are committed to a full, unbiased review of any matter(s) raised.

The Firm and OFS BDC prohibit retaliation against any such personnel who, in good faith, seeks help or reports known or suspected violations (even if the reported event is determined not to be a violation), including personnel who assist in making a report or who cooperate in an investigation. Any Supervised Person who engages in retaliatory conduct will be subject to disciplinary action, up to and including termination of employment.

F.ADDITIONAL RESTRICTIONS AND WAIVERS BY OFS ADVISER AND THE OFS BDCs

From time to time, the CCO may determine that it is in the best interests of the Firm to subject certain Supervised Persons or other persons (i.e., consultants and third party service providers) to restrictions or requirements in addition to those set forth in the Code. In such cases, the affected persons will be notified of the additional restrictions or requirements and will be required to abide by them as if they were included in the Code. In addition, under extraordinary circumstances, the CCO may grant a waiver of certain of these restrictions or requirements contained in the Code on a case by case basis. In order for a Supervised Person to rely on any such waiver, it must be granted in writing.

Any waiver of the requirements of the Code for executive officers of any OFS BDC or any OFS BDC Director may be made only by the respective OFS BDC's board of directors or a committee of the board, and must be promptly disclosed to shareholders of the OFS BDC as required by law or relevant exchange rule or regulation.

The Compliance Department maintains a log of all requests for exceptions and waivers and the determinations made with respect to such requests.

G.REVIEW BY THE BOARD OF DIRECTORS OF EACH OFS BDC

The CCO will prepare a written report to be considered by the board of directors of each OFS BDC (1) quarterly, that identifies any violations of the Code with respect to each OFS BDC requiring significant remedial action during the past quarter and the nature of that remedial action; and (2) annually, that (a) describes any issues arising under the Code since the last written report to the Board, including, but not limited to, information about material violations of the Code and sanctions imposed in response to such violations, and (b) identifies any recommended changes in existing restrictions or procedures based upon each OFS BDC's and/or OFS Adviser's experience under the Code, then-prevailing industry practices, or developments in applicable laws or regulations, and (c) certifies that each OFS BDC and OFS Adviser have each adopted procedures reasonably designed to prevent violations of the Code, and of the federal securities laws in accordance with the requirements of the Advisers Act and the Company Act.

The board of directors of each OFS BDC will also be asked to approve any material changes to the Code within six (6) months after the adoption of such change, based on a determination that the Code, as amended, contains policies and procedures reasonably designed to prevent violations of the federal securities laws.

H.CCO REPORTING

The CCO will prepare a written report to be considered by Senior Management no less than annually, that (a) describes any issues arising under the Code since the last written report, including, but not limited to, information about material violations of the Code and sanctions imposed in response to such violations, and (b) identifies any recommended changes in existing restrictions or procedures based upon OFS Adviser's experience under the Code, then-prevailing industry practices, or developments in applicable laws or regulations.

The CCO of each OFS BDC will prepare a written report to be considered by the OFS BDC Directors no less than annually, that (a) describes any issues arising under the Compliance Policies since the last written report, including, but not limited to, information about material violations of the Compliance Policies and sanctions imposed in response to such violations, and (b) identifies any recommended changes in existing restrictions or procedures based upon each OFS BDC's and/or OFS Adviser's experience under the Compliance Policies, then-prevailing industry practices, or developments in applicable laws or regulations.

I. CONFLICT WITH EMPLOYEE HANDBOOK

Where this Code addresses policies that are also addressed in other corporate policies or in the Employee Handbook of Orchard First Source Capital, Inc. or another Affiliate by which a Supervised Person is employed, the policies herein are intended to augment, and not to supersede or replace, the relevant corporate or Employee Handbook policies. In the event of any conflict that would prohibit a Supervised Person from complying with both sets of policies, the Supervised Person should address the conflict to the Compliance Officer.

II. PERSONAL INVESTMENT POLICY

A. INTRODUCTION AND DEFINITIONS

The Advisers Act, specifically Rule 204A-1, requires “Access Persons” of a registered investment adviser, such as OFS Adviser, to provide periodic reports regarding transactions and holdings in Reportable Securities beneficially owned by Access Persons. Rule 17j-1 under the Company Act requires similar reports for “Access Persons” to a BDC, such as each of the OFS BDCs.

The purpose of this Personal Investment Policy and related procedures is to advise Access Persons of their ethical and legal responsibilities with respect to Securities transactions involving (i) possible conflicts of interest with Advisory Clients, including the OFS BDCs, and (ii) the possession and use of material, nonpublic information (“MNPI”). It is a violation of the Code for any Access Person of OFS Adviser or any OFS BDC to use their knowledge concerning a trade, pending trade, or contemplated trade or investment by an OFS BDC or any other Advisory Client to profit personally, directly or indirectly, as a result of such transaction, including by personally purchasing or selling such Securities.

The following definitions are utilized within this Personal Investments Policy and more broadly within the rest of the Code.

“Access Person” with respect to OFS Adviser means (a) any Supervised Person who (i) has access to nonpublic information regarding any Advisory Client’s purchase or sale of Securities, or nonpublic information regarding the portfolio holdings of any Advisory Client (including any OFS BDC); or (ii) is involved in making Securities recommendations to Advisory Clients (including any OFS BDC), or has access to such recommendations that are nonpublic; and (b) all directors, officers and partners of OFS Adviser⁶.

For purposes of the Code, all Supervised Persons are generally considered to be Access Persons of OFS Adviser, and all Access Persons of OFS Adviser are considered to be Access Persons of each OFS BDC. OFS BDC Directors are also considered Access Persons of each OFS BDC but are generally exempt from Recordkeeping, Reporting and Statement of Restrictions requirements of Access Persons included in this Code, except as described in Section II.D below.

“Affiliate Account” means: (i) the personal Securities account of an Access Person or the account of any Related Person in which Reportable Securities may be held or transacted; (ii) any such Securities account for which any Access Person serves as custodian, trustee, or otherwise acts in a fiduciary capacity or with respect to which an Access Person either has authority to make investment decisions or from time to time makes investment recommendations, except with respect to Advisory Clients; (iii) any such Securities account of any person, partnership, joint venture, trust or other entity in which an Access Person or his or her Related Person has Beneficial Ownership or other Beneficial Interest; and (iv) and accounts containing Reportable Funds of which an Access Person or his or her Related Person has Beneficial Ownership or Beneficial Interest.

⁶ The Chief Compliance Officer or his/her designee may consider any director, officer, member or employee of an Affiliate of OFS Adviser to be a Supervised Person, and Access Person if appropriate, of OFS Adviser if the Chief Compliance Officer determines that such person performs services for OFS Adviser, through any staffing or similar agreement, such that the person would constitute a Supervised Person or Access Person if such person was a director, officer, member or employee of OFS Adviser. The Compliance Department will maintain a list of all such persons and whether each person is (1) a Supervised Person and (2) an Access Person and will notify each person of relevant requirements. The majority of OFS Adviser's personnel are employees of Orchard First Source Capital, Inc., an Affiliate of OFS Adviser.

“Beneficial Interest” means an interest whereby a person can, directly or indirectly, control the disposition of a Security or a Reportable Fund or derive a monetary, pecuniary or other right or benefit from the purchase, sale or ownership of a Security or a Reportable Fund (e.g., interest payments or dividends).

“Beneficial Ownership” of a Security, Reportable Fund or account means, consistent with Section 16 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rule 16a-1(a)(2) thereunder, ownership of Securities, Securities accounts, or Reportable Funds by or for the benefit of a person or his or her Related Person. Beneficial Ownership specifically includes any Security or account in which the Access Person or any Related Persons holds a direct or indirect Beneficial Interest or retains voting power (or the ability to direct such a vote) or investment power (which includes the power to acquire or dispose of, or the ability to direct the acquisition or disposition of, a Security, Securities accounts or Reportable Funds), directly or indirectly (e.g., by exercising a power of attorney or otherwise).

“Exempt Security” is any Security that falls into any of the following categories: (i) shares issued by open-end mutual funds (excluding exchange traded funds (“ETFs”), except Reportable Funds, if any); (ii) shares issued by money market funds; (iii) Security purchases or sales that are part of an automatic dividend reinvestment plan (e.g., DRIP accounts, etc.); (iv) College Direct Savings Plans (e.g., 529 College Savings Program, etc.); (v) shares issued by unit investment trusts that are invested exclusively in one or more open-end funds (so long as such funds are not Reportable Funds); (vi) bankers’ acceptances, bank certificates of deposit or time deposits, commercial paper and other short term high quality debt instruments with one year or less to maturity; and (vii) treasury obligations (e.g., T-bills, notes and bonds) or other Securities issued/guaranteed by the U.S. Government, its agencies, or instrumentalities (e.g., FNMA, GNMA).

“Related Person” means the spouse, domestic partner, child or stepchild, parent or stepparent, grandchild, grandparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law (including adoptive relationships) of an Access Person, who either resides with, or is financially dependent upon, the Access Person, or whose investments are controlled by the Access Person.

“Reportable Fund” means any Fund for which OFS Advisor or any Affiliate acts as investment adviser, sub-adviser or underwriter.

“Reportable Security” means every Security and Reportable Fund in which an Access Person or a Related Person has a Beneficial Ownership or other Beneficial Interest, except for an Exempt Security.

“Security” means any note, stock, treasury stock, bond, debenture, evidence of indebtedness ⁷, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate,

reorganization certificate or subscription, transferable share, investment contract, voting trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas or other mineral rights, any put, call, straddle, option or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or a put, call, straddle, option or privilege, entered into on a national securities exchange relating to foreign currency, or in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

Note that Security has a different definition for purposes of the Inside Information Policy of the Code.

B.RECORDKEEPING AND REPORTING REQUIREMENTS

Under the Advisers Act and the Company Act, OFS Adviser and each OFS BDC are required to keep records of transactions in Reportable Securities in which Access Persons have Beneficial Ownership or a direct or indirect Beneficial Interest.

1. Reports

The following personal Securities holding and transaction reporting requirements have been adopted to enable each of OFS Adviser and each OFS BDC to satisfy their legal and regulatory requirements:

- In all cases, within ten (10) days of becoming an Access Person, every new Access Person shall submit to the Compliance Department, through the Firm’s automated compliance system, the required information about any Affiliated Account that holds or is capable of holding any Securities (including Securities excluded from the definition of a Reportable Security), as well as all Reportable Securities holdings (which information must be current as of a date no more than forty-five (45) days prior to the date the person becomes an Access Person);

⁷ Note that, for most purposes, evidences of indebtedness are treated as “Securities” for securities law purposes; insider trading prohibitions are an exception to this general rule.

- Within sixty (60) days of becoming an Access Person, every new Access Person must transfer all Affiliated Accounts in which the Access Person or his or her Related Persons have direct influence or control in the investment decisions (“Non-Managed Accounts”) and in which Reportable Securities are held or are capable of being held to a broker-dealer to which the Compliance Department has access via the Firm’s automated compliance system (an “Approved Broker”). Subsequently, any new Non-Managed Accounts opened on behalf of such Access Person or his or her Related Person in which Reportable Securities will be held or transacted must be established with an Approved Broker. The Compliance Department will maintain a list of Approved Brokers. Holdings

and transactions in Reportable Securities in these accounts are reported to the Compliance Department by the Approved Brokers through the automated compliance system.

- Any exception to the Approved Broker policy above must be approved in writing by a Compliance Officer.
- By the Compliance Due Date and no later than thirty (30) days after each quarter end, every Access Person is required to certify all Affiliated Accounts via the Firm's automated compliance system. Any updates to an Access Person's Affiliated Accounts must be reported via the Firm's automated compliance system within thirty (30) days of opening or closing of such Affiliated Account.
- By the Compliance Due Date and no later than thirty (30) days after each quarter end, every Access Person is required to certify via the Firm's automated compliance system, all transactions in Reportable Securities in Non-Managed Accounts, as recorded by the system during the quarter. Any transactions in Reportable Securities in a Non-Managed Account not included within the Firm's automated compliance system should be reported separately by the Access Person.
- By the Compliance Due Date and no later than forty-five (45) days following the end of each calendar year (i.e., February 14), every Access Person is required to certify, via the Firm's automated compliance system, such Access Person's Affiliated Accounts and Reportable Securities holdings in all Non-Managed Accounts as of year-end. Any holdings in Reportable Securities in a Non-Managed Account not included within the Firm's automated compliance system should be reported separately by the Access Person.

2. Determining Whether an Account is an Affiliated Account

In most cases, determining whether an Access Person or his or her Related Person has Beneficial Ownership of or a Beneficial Interest in the Reportable Securities held in an account (which would make such account an Affiliated Account for purposes hereof) is a straight-forward process. It is, however, important to note that, in some cases, an owner of an equity interest in an entity may be considered to have Beneficial Ownership of the assets of that entity. In general, equity holders are not deemed to have Beneficial Ownership of Securities held by an entity that is not "controlled" by the equity holders or in which the equity holders do not have or share investment control over the entity's portfolio. Because the determination of whether an equity holder controls an entity or its investment decisions can be complicated, Access Persons are encouraged to seek guidance from a Compliance Officer. To the extent such guidance is not sought, any failure by an Access Person to properly identify all Affiliated Accounts will be treated as a violation of the Code.

3. Managed Accounts

The Firm recognizes that it may be impossible or impractical for Affiliated Accounts that are controlled or invested by a third party, such as an investment adviser or broker ("Managed Accounts"), to comply with the Reporting and Restricted List procedures of the Code. Therefore, Managed Accounts

are exempted from such procedures, *provided* that the Access Person cedes any and all control over investment decisions for the account (other than general asset class and objectives guidelines) to such third party and does not communicate with such person with respect to individual transactions for the account. Special rules apply with respect to whether an Access Person “controls” the investment decisions of an entity in which he or she invests; guidance from a Compliance Officer should be sought in such instances.

The Firm requires that general information regarding Managed Accounts, including broker, account title, account number, and the status of the account, be reported through the Firm’s automated compliance system. In order to properly establish a Managed Account, the Access Persons is required to provide to the Compliance Department evidence that full investment discretion has been provided to the third-party investment adviser or broker (e.g., provide the investment management agreement). Upon establishing a Managed Account in the Firm’s automated compliance system and quarterly thereafter, the Access Person is required to certify within the Firm’s automated compliance system that he or she does not participate, directly or indirectly in individual investment decisions in the Managed Account or be made aware of such decisions before transactions are executed.

4. Non-Transferable Accounts

The Firm recognizes that it may be impossible or impracticable for certain types of Non-Managed Accounts (e.g. 401(k) accounts) of Access Persons or their Related Persons with other employers, an account pledged to secure a personal loan, etc. to be transferred to an Approved Broker. A Compliance Officer may exempt any such Non-Managed Account from the Approved Broker procedures set forth above provided that the Access Person shall be responsible for reporting transactions and holdings of Reportable Securities (e.g. shares of employer stock) in such account as set forth above and complying with the Restricted List procedures with respect to such Non-Managed Accounts.

The Firm requires that all such “non-transferable” Non-Managed Accounts be reported to the Compliance Department so that an exemption may properly be granted. General information regarding such accounts must be reported through the Firm’s automated compliance system. A Compliance Officer may, as a condition to exempting such Affiliated Accounts, require, initially and periodically thereafter, copies of account statements, a certification from the Access Person, or such other information as such Compliance Officer deems prudent.

5. Transactions Subject to Review

All personal trading related disclosures and certifications are reviewed by a Compliance Officer and disclosed transactions are compared against the investments made or considered by each of the Advisory Clients. Such review and comparison are designed to evaluate compliance with the Code and further, to determine whether there have been any violations of applicable law. Reporting made by a Compliance Officer is reviewed by a different Compliance Officer so that no Compliance Officer is reviewing his or her own reporting.

C.STATEMENT OF RESTRICTIONS

1. Restricted List

No Access Person or Related Person may make a trade in a Security in which an Access Person or a Related Person has a Beneficial Ownership or other Beneficial Interest (“Personal Securities Trade”) in the Securities of an issuer listed on the Firm’s Restricted List. Before an Access Person or Related Person makes a Personal Securities Trade, the Access Person must review the Restricted List and confirm that neither the Security to be traded nor its issuer are listed thereon. The fact that a particular issuer or Security has been placed on the Restricted List is itself sensitive and confidential. The contents of the Restricted List should never be communicated to persons outside of the Firm except in the limited circumstances in which a Compliance Officer has determined that it is necessary and appropriate to disclose such information for bona fide business purposes. The Firm may place an issuer on the Restricted List at any time without prior notice to Access Persons. Therefore, Access Persons who obtain Securities of an issuer that is later placed on the Restricted List may be “frozen in,” or prohibited from disposing of such Securities, until the issuer has been removed from the Restricted List. Because Access Persons are already required to obtain pre-approval for the purchase or sale of any Private Placement (see below), the Restricted List is limited to issuers with a class of publicly-traded Securities.

(a) Securities

The name of an issuer or Security could be placed on the Restricted List for many reasons, including when:

- the Firm, any investment adviser Affiliate, or an Advisory Client purchases a Security of a particular issuer or such Security is Being Considered for Purchase or Sale;
- the Firm or any investment adviser Affiliate executes a confidentiality agreement with or relating to an issuer;
- the Firm, any investment adviser Affiliate, or an Advisory Client has declared itself “Private” with respect to an issuer in an electronic workspace;
- the Firm becomes bound by a fiduciary obligation or other duty (for example, because an Access Person has become a board member of an issuer);
- an Access Person becomes a member of an issuer’s board on behalf of the Firm or a Portfolio Company;
- an Access Person becomes aware of (or is likely to become aware of) MNPI about a Security or issuer; or
- the Firm, as determined by a Compliance Officer, has determined to include an issuer to avoid the appearance of impropriety and protect the Firm’s reputation for integrity and ethical conduct.

(b) Procedures

The Compliance Department maintains and updates the Firm’s Restricted List. It is the responsibility of Access Persons, however, to ensure that the Firm’s Restricted List is accurate. Please refer to the Confidentiality Policy for further information on the relevant procedures.

- **Additions** : Access Persons who become aware of any of the circumstances set forth in subsection 1.a) above, or who for any other reason believe an issuer or Security should be added to the Restricted List, should immediately notify a Compliance Officer in order to ensure that the Restricted List is updated.
- **Deletions** : When the circumstances set forth in subsection 1.a) above no longer exist, or the Firm is no longer bound by the obligations giving rise to the inclusion of an issuer or Security on the Restricted List, Access Persons should notify a Compliance Officer so that the proposed removal can be assessed and the name of the issuer or Security can be promptly removed, as necessary, from the Restricted List.
- **Changes** : From time to time, the Compliance Department will update the Restricted List as contemplated by this Personal Investment Policy and the Confidentiality Policy. Access Persons are responsible for checking the Restricted List in all cases before engaging in any Personal Securities Trade.

Generally, Securities that are on the Restricted List because OFS Adviser or an investment adviser Affiliate has entered into a confidentiality agreement, declared itself “private” or otherwise accessed MNPI with respect to an issuer, must stay on the list for at least one hundred eighty (180) days after the applicable Advisory Client(s) have liquidated the holding. A Compliance Officer may determine that a longer or shorter “stay” period is appropriate for issuers or Securities in such Compliance Officer’s sole discretion.

2. Private Placements and Initial Public Offerings

No IPO may be purchased and no Private Placement of Securities may be purchased or sold for any Affiliated Account, except with the prior, express written approval of (i) the CCO or designee; or (ii) where such Access Person is the CCO, the prior written approval of a member of Senior Management. Requests to make such investments shall be made through the Firm’s automated compliance system. A record of such approval (or denial), and a brief description of the reasoning supporting such decision will be maintained in accordance with the recordkeeping requirements of the Advisers Act and the Company Act.

3. Trades by OFS BDC Directors

OFS BDC Directors are prohibited from trading any OFS BDC Portfolio Security.

4. Trades of OFS BDC Securities or CMCT

All Access Persons are prohibited from buying or selling shares issued by any OFS BDC or CIM Commercial Trust Corporation (“CMCT”), a public REIT managed by CIM Group, an Affiliate of OFS Adviser, except during an open trading window announced by a Compliance Officer. Except with the express written consent of the CCO, all Access Persons are prohibited from buying or selling options on, or futures or other derivatives related to, shares issued by any OFS BDC or CMCT, and are likewise prohibited from selling short, shares of any OFS BDC or CMCT.

5. Trades by Access Persons Serving on Company Boards

Companies for which Access Persons serve on the board of directors may permit members of its board of directors to purchase or sell stock based on a predetermined schedule (such as a Rule 10b5-1 Plan ⁸) that is approved by the company (“Predetermined Schedule”). Personal Securities Trades made in accordance with a Predetermined Schedule by Access Persons who serve on the board of directors of such companies are exempt from the restriction against trading in Securities added to the Restricted List after the adoption of the Predetermined Schedule, however such Predetermined Schedules must be disclosed to a Compliance Officer prior to making the trade and are subject to the reporting requirements set forth in the section above. Further, purchases and sales of Securities by such company’s directors during an established trading window may be permitted with prior notice to, and at the discretion of, a Compliance Officer.

⁸ A Rule 10b5-1 plan is a written plan for trading Securities that is designed in accordance with Rule 105-1(c). Any person executing pre-planned transactions pursuant to a Rule 10b5-1 plan that was established in good faith at a time when that person was unaware of material nonpublic information has an affirmative defense against accusations of insider trading, even if actual trades made pursuant to the plan are executed at a time when the individual may be aware of material nonpublic information.

6. No Personal Trades Through OFS Adviser’s Traders

No Personal Securities Trades may be effected through OFS Adviser’s trading personnel.

7. Use of Brokerage for Personal or Family Benefit

No Access Person may, for direct or indirect personal or a Related Person’s benefit, execute a trade with a broker by using the influence (actual or implied) of OFS Adviser or any Access Person’s influence (actual or implied) with OFS Adviser.

8. No “Front Running”

While the Code contains policies and procedures designed to promote ethical conduct with respect to Personal Securities Trades, irrespective of the application of any particular trading policy or restriction, no Personal Securities Trades may be effected by any Access Person who is aware or should be aware that (i) there is a pending buy or sell order in the Securities of that same issuer for any Advisory Client of OFS Adviser, or (ii) a purchase or sale of the Securities of that same issuer can reasonably be anticipated for an OFS Adviser Advisory Client in the next five (5) calendar days. No Personal Securities Trade may be executed with a view toward making a profit from a change in price of such Security resulting from anticipated transactions by or for OFS Adviser’s Advisory Clients.

D. REQUIREMENTS OF DISINTERESTED DIRECTORS

The Recordkeeping, Reporting, and Statement of Restrictions provisions listed above (except those in Section II(C)(3-4) do not apply to any OFS BDC Director who is not an interested person of any OFS BDC within the meaning of Section 2(a)(19) of the Company Act (“Disinterested Directors”) of each of the OFS BDCs, except as the following describes. A Disinterested Director need only report a transaction if, at the time of a Personal Securities Trade in a Reportable Security, the Disinterested Director knew, or, in the ordinary course of fulfilling his or her duties as a director, should have known

that during the fifteen (15) day period immediately preceding or after the date of the transaction, their OFS BDC purchased or sold the Security or the Security was Being Considered for Purchase or Sale by their OFS BDC or OFS Adviser.

III. INSIDE INFORMATION POLICY

A. INTRODUCTION

The prohibitions against insider trading set forth in the federal securities laws play an essential role in maintaining the fairness, health and integrity of our markets. These laws also establish fundamental standards of business conduct that govern our daily activities and help to ensure that Advisory Client's trust and confidence are not compromised in any way. Consistent with these principals, OFS Adviser forbids any Supervised Person from (i) trading Securities for the Firm, any Advisory Client or any account in which a Supervised Person has a Beneficial Interest, if that Supervised Person is "aware" of material and nonpublic information ("MNPI" or "Inside Information") concerning an issuer; or (ii) communicating MNPI to others in violation of the law. This conduct is frequently referred to as "insider trading." This policy applies to all Supervised Persons, and extends to activities within and outside of each Supervised Person's duties at OFS Adviser or with any OFS BDC.

The term "insider trading" is not specifically defined under the federal securities laws (most guidance in this area can be found under case law and related judicial decisions), but generally is used to refer to improper trading in Securities ⁹ *on the basis* of MNPI (whether or not the person trading is an insider). A person is generally deemed to trade "on the basis of MNPI if that person is aware of MNPI when making the purchase or sale, regardless of whether the person specifically relied on the information in making an investment decision. It is generally understood that the law prohibits trading by an insider on the basis of MNPI about the Security or issuer. To be held liable under the law, the person trading generally must violate a duty of trust or confidence owed directly, indirectly or derivatively to the issuer of that Security or the shareholders of that issuer, or to any other person who is the source of the material nonpublic information (e.g., an employer). The law also prohibits the communication of inside information to others and provides for penalties and punitive damages against the "tipper" even if he or she does not gain personally from the improper trading.

⁹ OFS Adviser often transacts in syndicated or other loan interests on the basis of information that is not available to other members of the syndicate, or to the public in general; however, for the limited purpose of this policy, "Securities" (as defined in the Exchange Act) do not include such loan interests or other "evidences of indebtedness." If you are uncertain as to whether a particular investment is a "security" for purposes of this policy, contact the Legal/Compliance Department.

B. KEY TERMS

1. What is a "Security"?

The Exchange Act, which covers insider trading, defines "Security" very broadly to include most types of financial instruments ¹⁰, except bank debt. ¹¹ There may be instances where Supervised Persons receive information about such investments that is not generally known by other institutional investors

- even those institutional investors who may be similarly situated (e.g., lenders that are privy to nonpublic information and have access to bank-level information or primary lender meetings). Although trading in “non-security” investments on the basis of nonpublic information is not prohibited by federal securities laws, such trading may be prohibited by fiduciary obligations, other federal or state statutes, or contractual obligations such as confidentiality agreements.¹² In situations where OFS Adviser has access to MNPI to which other potential investors/counterparties may not have access, Supervised Persons should consult with a Compliance Officer or Senior Management, as appropriate, as to whether a proposed purchase or sale of an investment should be made, and, if made, should include the use of a “Big Boy” letter (see the Firm’s Confidentiality Policy), a confidentiality agreement (see the Firm’s Confidentiality Policy), or, if the investment is a syndicated loan, the execution by OFS Adviser of the standard LSTA form, which includes disclosure concerning the possibility of access to such information. In addition, even if trading in a “non-security” investment is permissible because the above standards are met, Supervised Persons are still prohibited from trading in any Securities issued by the relevant borrower, either for an Advisory Client or themselves, if the information obtained would be material with respect to the Securities transaction. This would also include indirect participation in such a transaction; for example, by participating in an Investment Committee meeting in which a decision regarding such Securities was being considered.

2. Who is an Insider?

The concept of an “insider” is broad. It includes officers, directors and employees of a company. In addition, a person can be a “temporary insider” if he or she enters into a special confidential relationship in the conduct of a company’s affairs and as a result is given access to information solely for the company’s purposes. A temporary insider can include, among others, a company’s attorneys, accountants, consultants, bank lending officers, investment advisers (such as OFS Adviser) and the employees of such organizations. OFS Adviser may become a temporary insider by signing a confidentiality agreement or by accessing material nonpublic information on a private electronic workspace.

¹⁰ For purposes of the Inside Information Policy, “Security” means any note, stock, treasury stock, security feature, security-based swap, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a “security”; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker’s acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.

¹¹ Note that, for most purposes, evidences of indebtedness are treated as “securities” for securities law purposes; insider trading prohibitions are an exception to this general rule.

¹² The Compliance Department maintains the CCO Approval List on the Firm’s Restricted List and Advisory Clients may not transact in these investments unless an exception to the prohibition from trading a security on the Restricted List has been granted by the CCO or his or her designee. Please refer to the Confidentiality Policy for more information.

3. What is Material Information?

Trading on inside information is not a basis for liability unless the information is material. “Material” information generally is defined as information with respect to which there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions, or information that is reasonably certain to have a substantial effect on the price of a company’s Securities.

Among other things, the following types of information are generally regarded as “material”:

- dividend or earnings announcements
- write-downs or write-offs of assets
- additions to reserves for bad debts or contingent liabilities
- expansion or curtailment of company or major division operations
- merger, joint venture announcements
- new product/service/marketing announcements
- new supplier/manufacturing/production announcements
- material charge/impairment announcements
- senior management changes
- changes in control
- material restatement of previously issued financial statements
- discovery or research developments
- criminal indictments and civil and government investigations, litigations and/or settlements
- pending labor disputes
- debt service or liquidity problems
- bankruptcy or insolvency problems
- tender offers, stock repurchase plans, etc.
- recapitalizations

Material information does not have to relate to a company’s business. For example, in Carpenter v. U.S., 18 U.S. 316 (1987), the Supreme Court considered as material certain information about the contents of a forthcoming newspaper column that was expected to affect the market price of a Security. In that case, a Wall Street Journal reporter was found criminally liable for disclosing to others the dates that reports on various companies would appear in the Journal and whether those reports would be favorable or not.

4. What is Nonpublic Information?

Information is nonpublic until it has been effectively communicated to the marketplace. One must be able to point to some fact to show that the information is generally public. For example, information found in a report filed with the SEC, or appearing in Dow Jones, Reuters Economic Services, The Wall Street Journal, Bloomberg or other publications of general circulation would be considered public. Supervised Persons should seek specific guidance from a Compliance Officer in situations where information concerning an issuer or its affiliated entities (e.g., subsidiaries) may not have been made available to the investment community generally but was made available to a group of institutional investors.

5. Contacts with Companies

From time to time, Supervised Persons may meet with members of senior management at publicly-traded companies associated with an investment, or a prospective investment. OFS Adviser may make investment decisions on the basis of the Firm's conclusions formed through such contacts and analysis of publicly-available information regarding foreign and U.S. companies. Difficult legal issues arise when, during these contacts, a Supervised Person becomes aware of MNPI about those companies. This could happen, for example, if a company's chief financial officer prematurely discloses quarterly results to a Supervised Person, a broker or a securities analyst, or if an investor relations representative makes a selective disclosure of adverse news to a handful of investors. In such situations, Supervised Persons should immediately contact a Compliance Officer if he or she believes that he or she may have received MNPI about a publicly traded company.

6. Tender Offers

Tender offers raise heightened concerns in the law of insider trading for two reasons. First, tender offer activity often produces gyrations in the price of the target company's Securities. Trading during this period is more likely to attract regulatory attention (and produces a disproportionate percentage of insider trading cases). Second, the SEC has adopted a rule which expressly forbids trading and "tipping" while in possession of MNPI regarding a tender offer received from the tender offeror, the target company or anyone acting on behalf of either. Supervised Persons should exercise caution any time they become aware of nonpublic information relating to a tender offer.

7. Penalties for Insider Trading

Penalties for trading on or inappropriately communicating MNPI are severe, both for the individuals involved and their employers. A person can be subject to some or all of the penalties below, even if he or she does not personally benefit from the violations. Penalties include:

- civil injunctions;
- disgorgement of profits;
- punitive damages (i.e., fines for the person who committed the violation of up to three (3) times the profit gained or loss avoided, irrespective of whether the person actually benefited personally);
- felony convictions which include possible jail sentences; and
- fines and sanctions against the employer or other controlling person.

C.INSIDER TRADING PROCEDURES

The following procedures have been established to assist Supervised Persons in avoiding insider trading, and to aid OFS Adviser in preventing, detecting and imposing sanctions for insider trading. The following procedures should be read in conjunction with other policies set forth in this Code, and in the Compliance Policies.

1. Identifying Inside Information

Before trading in the Securities of a company about which they may have potential MNPI, Supervised Persons should ask themselves the following questions:

- Is the information material? Is this information that an investor would consider important in making his or her investment decisions (e.g., whether the investor should buy, sell or hold a Security)? Is this information that would substantially affect the market price of the Securities if generally disclosed?
- Is the information nonpublic? To whom has this information been provided? Has the information been effectively communicated to the marketplace by being published in Reuters, The Wall Street Journal, Bloomberg or other publications of general circulation? Remember that information that has been communicated to a relatively large group of sophisticated investors does not by itself mean that the information is public (e.g., large group of potential bank debt investors during an *invitation only* meeting).

2. Restricting Access to Material and Nonpublic Information

Care should be taken so that MNPI is secure. For example, files containing MNPI should be sealed or locked; access to computer files containing MNPI should be restricted. As a general matter, materials containing such information should not be removed from the Firm's premises and, if they are, appropriate measures should be maintained to protect the materials from loss or disclosure. Among other things, Supervised Persons should:

- distribute materials containing MNPI only on a need-to-know" basis;
- take care so that telephone conversations cannot be overheard when discussing matters involving MNPI (e.g., speaker telephones should generally be used in a way so that outsiders who might be in OFS Advisers' offices are not inadvertently exposed to this information);
- limit access to offices and conference rooms when these rooms contain MNPI; and
- not leave materials containing MNPI displayed on the computer viewing screen when they leave their computers unattended.

3. Review and Dissemination of Certain Investment Related Information

As part of its consideration of certain investments, including in certain types of "non-Securities" (e.g., bank debt instruments), the Firm may enter into confidentiality agreements with third parties (e.g., issuers, sponsors, syndicate members or other lenders) that could have implications for the Firm's compliance with federal securities laws. Those agreements may sometimes contain so-called "stand-still" provisions, which specifically restrict the Firm's activity in Securities of identified issuers, but more typically simply raise the possibility that nonpublic information may be disclosed to the recipient and seek the receiving party's acknowledgment of that understanding and agreement not to disclose any MNPI transmitted. The procedures for executing confidentiality agreements are set forth in the Firm's Confidentiality Policy. Many potential counterparties or their agents specifically require that potential investors sign a confidentiality agreement before they will be provided access to investment-related information. Because of the importance of our policies regarding access to and use of confidential information, confidentiality agreements may only be reviewed, negotiated and executed as set forth in the Firm's Confidentiality Policy.

4. Determination of Materiality

Given the unique asset classes in which OFS Adviser typically invests, Supervised Persons may receive detailed information about a Security that may not be otherwise readily available to the investing public. The issue of “materiality” and the ultimate determination as to whether the information provided rises to the level of MNPI should not be made independently by a Supervised Person. Rather, the individual should contact a Compliance Officer so that an analysis may be performed and an informed determination may be made. Unless otherwise determined by a Compliance Officer, in consultation with investment staff and outside legal counsel, as appropriate, information received about a publicly-traded Security that is not readily available to the investing public shall be deemed to be and treated as material.

5. Policies and Procedures Relating to Paid Research Consultants and Expert Network Firms Regarding Securities

While it is permissible to utilize consultants who may provide information relating to Securities as part of the research process, OFS Adviser must be particularly sensitive about the information that these consultants provide. Accordingly, OFS Adviser has adopted the following procedures with which all Supervised Persons must comply in connection with their contact and interaction with paid consultants who provide information relating to Securities or their issuers:

- The Supervised Person must obtain the prior written approval of a Compliance Officer before engaging a paid consultant if; (1) substantive information related to a Security or its issuer will be discussed as part of the engagement; and/or (2) the consultant is either employed with an issuer of Securities at the time of the engagement or was employed with such an issuer within six months of the engagement. The Compliance Department will maintain a log of all such engagements.
- Prior to the commencement of a phone call or meeting with a paid consultant where it is anticipated that substantive information related to a Security or its issuer will be discussed, the Supervised Person must inform such consultant that:
 - (i) the Firm may invest in the public and non-public Securities and private debt markets,
 - (ii) the Firm does not wish to receive MNPI,
 - (iii) the purpose of speaking with such consultant is to obtain his/her independent insight as it relates to a particular industry, sector or company, and
 - (iv) such consultant should not share any MNPI or confidential information that he/she may have a duty to keep confidential or that he/she otherwise should not disclose.
- The Supervised Person should also confirm with such consultant that he/she will not be violating any agreement, duty or obligation such consultant may have with any employer or other institution.

- Supervised Persons must keep and maintain logs of all call or conversations with such consultants, which should include the date/time of the conversation, the name of the consultant and a summary of the information discussed on the call.
- In the event that a Supervised Person learns or has reason to suspect that he or she has been provided with confidential or MNPI relating to a Security from a consultant, the Supervised Person must immediately contact a Compliance Officer prior to either communicating such confidential or material nonpublic information to anyone else, or making any investment or trading decisions.

Agreements with paid research consultants and expert network firms who provide information relating to Securities must be pre-approved by a Compliance Officer and may be signed only by (i) Bilal Rashid on behalf of Senior Management in the case of Advisory Clients other than OCV I; and (ii) Mark Yung on behalf of Senior Management only in the case of OCV I, after consultation with, and approval by, a Compliance Officer. Depending on the facts and circumstances, the CCO may impose other conditions on the engagement of consultants or on the conduct of the engagement, including, but not limited to, the participation of a Compliance Officer on any phone calls or in any correspondence between the consultant and the Firm.

IV. GIFTS, ENTERTAINMENT AND POLITICAL ACTIVITIES

A. INTRODUCTION

OFS Adviser attempts to minimize any activity that might give rise to a question as to whether the Firm's objectivity as a fiduciary has been compromised.

B. GIFTS AND ENTERTAINMENT POLICY

One possible area of fiduciary concern relates to providing or receiving meals, gifts or entertainment from third parties with which OFS Adviser or its Advisory Clients, including each OFS BDC, joint business partners, service providers and current and prospective clients (collectively "Outside Parties" and each an "Outside Party"), do business.

Supervised Persons are strictly prohibited from soliciting anything of value from Outside Parties. Further, no Supervised Person may give or receive any gift, meal or entertainment that could or is intended to influence decision-making or to make a person beholden, in any way, to another person or company that seeks to do or is currently doing business with the Firm or its Advisory Clients. Lavish or luxurious gifts and entertainment, and gifts and entertainment that are received or provided on a frequent basis, are generally deemed to meet this standard and, unless a Compliance Officer indicates otherwise, are prohibited. In addition, depending upon a Supervised Person's responsibilities, specific regulatory requirements may dictate the types and extent of gifts and entertainment that Supervised Persons may give or receive. The Firm is committed to competing solely on the merit of its products and services, and Supervised Persons should avoid any actions that create a perception that favorable treatment of Outside Parties by the Firm was sought, received or given in exchange for gifts or entertainment.

1. Business Meals

Supervised Persons may share meals with Outside Parties in the ordinary course of business. **Meals received by Supervised Persons from Outside Parties should not exceed \$250 per person per meal. Meals provided by Supervised Persons to Outside Parties are generally permissible and should also not exceed \$250 per person per meal**, subject to certain pre-approval requirements applicable to providing meals to Public Officials. A "Public Official" includes any person who is employed full- or part-time by a government, or by regional subdivisions of governments, including states, provinces, districts, counties, cities, towns and villages or by independent agencies, state-owned businesses, state-controlled businesses or public academic institutions. This would include, for example, employees of sovereign wealth funds, government-sponsored pension plans (i.e. pension plans for the benefit of government employees), heads of state, lower level employees of state-controlled businesses and government-sponsored university endowments. "Public Official" also includes political party officials and candidates for political office.

2. Providing Gifts

Any Supervised Person who offers a gift to an Outside Party must be sure that it cannot reasonably be interpreted as an attempt to gain an unfair business advantage or otherwise reflect negatively upon the Firm. In addition, a Supervised Person may never use personal funds or resources to do something that cannot be done with Firm resources. A gift may include any services or merchandise of any kind or discounts on merchandise or services and other items of value. **Supervised Persons are prohibited from giving gifts of cash, cash equivalents (such as gift cards and gift certificates) and securities to Outside Parties**. This policy does not prohibit the provision of occasional or nominal non-cash gift items, such as holiday gifts, to Outside Parties so long as the value of the gift(s) provided by a Supervised Person to any one recipient over a calendar year does not exceed \$250. **Once the aggregate amount proposed to be provided by a Supervised Person to any one recipient during one calendar year exceeds \$250, that Supervised Person must obtain pre-approval from a member of Senior Management and a Compliance Officer.** Such request should be submitted via the Firm's automated compliance system. Further, anything of value to be provided to Public Officials requires pre-approval from a Compliance Officer. Such requests should be submitted via the Firm's automated compliance system.

The Compliance Department shall periodically review gifts provided for compliance with this Code as part of quarterly expense reimbursement review process.

If you are unsure of OFS Adviser's policy with respect to providing gifts in any circumstance, you should consult with a Compliance Officer.

3. Receiving Gifts

No Supervised Person should obtain any material personal benefits or favors because of his or her position with the Firm. Each Supervised Person's decisions on behalf of the Firm must be free from undue influence. Soliciting gifts from Outside Parties is strictly prohibited. A gift may include any services or merchandise of any kind or discounts on merchandise or services and other items of value. Supervised Persons are prohibited from receiving gifts of cash, cash equivalents (such as gift cards and gift certificates) and securities from Outside Parties. This policy does not prohibit the receipt of occasional or nominal non-cash gift items, such as holiday gifts, so long as the value of the gift(s) received by a Supervised Person from any one source over a calendar year does not exceed \$250. Any gift that will cause the total received by that Supervised Person from a single source to exceed \$250 for the calendar year, and any additional gift thereafter received during the calendar year, requires pre-approval by a Compliance Officer. Such requests should be submitted via the Firm's automated compliance system.

Gifts in any amount received by a Supervised Person from an Outside Party, except for gifts of nominal value (e.g., logo items, including pens, notepads, coffee mugs and baseball caps) must be reported via the Firm's automated compliance system at the time of receipt. The Compliance Department will periodically review gifts received for reasonableness, propriety and compliance with this policy.

4. Entertainment

The gift policies above are not intended to prohibit the acceptance or provision of non-extravagant entertainment that facilitates the handling of the Firm's business. Thus, normal and customary entertainment (e.g., concerts, exhibitions or games featuring local sports teams, where the person providing the entertainment is present), that is not frequent or "lavish" and does not influence the selection of Outside Parties, is acceptable. Note, entertainment provided by or to a Supervised Person where the person providing the entertainment does not attend should be treated as a "gift." Also, if you bring a personal acquaintance to an entertainment event hosted by an Outside Party, your guest's ticket should be treated as a "gift." Business meals are not considered entertainment for purposes of this Policy (see Section IV.B. 1. "Business Meals" above for additional information).

No Supervised Person may provide or accept extravagant or excessive entertainment to or from an Outside Party. **Any entertainment that a Supervised Person reasonably expects to exceed \$500 in market value per person must be pre-approved by a Compliance Officer** . Such requests should be submitted via the Firm's automated compliance system. Further, entertainment of any value to be provided to Public Officials requires pre-approval from a Compliance Officer. Such requests should be submitted via the Firm's automated compliance system.

Entertainment in any amount received by a Supervised Person must be reported via the Firm's automated compliance system within a reasonable amount of time of participating in such entertainment and no later than 30 days of participation in such event. Entertainment provided to Outside Parties is not required to be reported in the Firm's automated compliance system, as OFS Adviser shall track all entertainment expenses in the Firm's corporate accounting records. The Compliance Department periodically reviews entertainment provided by Supervised Persons for compliance with this Code as part of its quarterly expense reimbursement review process.

5. Providing Meals, Gifts and Entertainment to Public Officials and Union Employees

Specific requirements and restrictions apply regarding the offering of meals, gifts and entertainment to Public Officials and can vary depending on the governmental branch/body, state or other jurisdiction. For example, many government pension plans place strict limits on the value of any meal provided by a service provider, such as the Firm, to the pension plans' employees. Certain jurisdictions even ban service providers from providing anything of value to their public employees, including promotional items of nominal value. Penalties for violating these gift laws can range from monetary fines to disqualification from RFP participation and rescindment of existing investment mandates. Private unions are subject to Department of Labor gift rules and regulations and service providers, such as the Firm, must comply with prescribed limits and reporting requirements when providing gifts and meals to union employees. Accordingly, it is against Firm policy to offer or give meals, gifts, entertainment or anything of value to Public Officials or union officials or employees unless the regulations applicable to that individual permit acceptance of such items. **Further, Supervised Persons are prohibited from offering or giving anything of value, including nominal items or snacks, to Public Officials or union officials or employees without first obtaining the approval of a Compliance Officer.** Such requests for prior approval should be submitted via the Firm's automated compliance system.

If you are unsure of applicable laws, rules and regulations with respect to providing gifts, meals and entertainment to Public Officials and union employees or officials in any circumstance, you should consult with a Compliance Officer.

6.Receipt of Meals, Gifts or Entertainment by Traders from Brokers/Agent Bank Employees

Traders or other investment professionals with the ability to influence the selection of brokers/agent banks with respect to trading in Securities and broadly syndicated loans are prohibited from receiving meals, gifts or entertainment in any value from an employee of such broker/agent bank without preapproval from a Compliance Officer. Such request for pre-approval should be submitted via the Firm's automated compliance system.

C.POLITICAL ACTIVITY POLICY

1. Introduction

The SEC, along with certain states, municipalities and public pension plans, have adopted regulations limiting or completely disqualifying investment advisers from providing services to, or accepting placements from, a government entity if certain political contributions¹³ are made or solicited¹⁴ by the Firm, certain of its Supervised Persons, or, in some instances, a Supervised Person's Related Persons. Under these "pay to play" regulations, a single prohibited political contribution to a candidate or officeholder, political party, political action committee or other political organization at practically every level of government (including local, state and federal) may preclude the Firm from providing services to, or accepting placements from, the applicable government entity and may compel the firm to repay compensation received by the Firm in connection with such services or placements.

¹³ Contributions include cash, checks, gifts, subscriptions, loans, advances, deposits of money, "in kind" contributions (e.g., the provision of free professional services) or anything else of value provided for the purpose of influencing an election for a federal, state or local office, including any payments for debts incurred in such an election.

¹⁴ Solicitation of contributions encompasses any fundraising activity on behalf of a candidate, campaign or political organization, including direct solicitation, hosting of events and/or aggregating, coordinating or "bundling" the contributions of others.

OFS Adviser and its Affiliates (other than natural persons, as provided below) generally do not make or solicit contributions in any amount to any federal, state, county or local political campaign, candidate or officeholder, or any political organization (e.g., political party committee and political action committee ("PAC")). As such, Supervised Persons are prohibited from making or soliciting contributions in the name of or on behalf of OFS Advisers and/or its Affiliates unless otherwise approved by the Compliance Department and a member of Senior Management.

No Supervised Person of the Firm or his/her Related Persons may engage in Political Activity for any federal, state, county, or local political campaign, candidate or officeholder, or any political organizations (e.g., political party committee, political action committee), without the prior written

approval of a Compliance Officer. Such requests should be submitted via the Firm's automated compliance system. "Political Activity" is defined as monetary or in-kind campaign contributions to, or for the benefit of, any government official, candidate running for office, political party or legislative leadership, politically active non-profit, ballot measure committee or PAC as well as the solicitation and coordination of campaign contributions. Volunteering for a campaign that does not include solicitation or coordination of campaign contributions does not require pre-approval.

A Supervised Person must submit a Political Activity pre-approval request on behalf of the Supervised Person (or his or her Related Person) through the Firm's automated compliance system prior to engaging in Political Activity, and such submission must include all pertinent information related to the proposed activity, including, but not limited to, the individual wishing to contribute, amount of the contribution, the name of the intended recipient, the nature of the recipient's candidacy, whether the proposed recipient holds an existing political office (whether local, state or federal), and whether the Supervised Person (or his or her Related Person, where applicable) is legally entitled to vote for the proposed recipient. Because of the serious nature of the sanctions applicable to a pay to play violation, requests to engage in Political Activity for the benefit of state and local officials and candidates are generally limited and/or declined, depending on whether a Supervised Person is legally entitled to vote for the candidate. As such, requests to contribute to state or local candidates and officials may be approved up to \$350, where the Supervised Person is legally entitled to vote for the candidate, and is limited to \$150 or less, where a Supervised Person is not legally entitled to vote for the candidate or where the relevant jurisdiction imposes more restrictive limits. A Compliance Officer may elect to deny the proposed Political Activity for any reason, even if one of the general exceptions noted above is met.

The Firm expects that every Supervised Person will explain the importance of compliance with this policy to his/her Related Persons, and ensure their clear understanding of the obligation to follow these requirements. Moreover, the applicable laws in this area are complex and a trap for the unwary -- no Supervised Person should attempt to decide for himself or herself whether a Political Activity is prohibited or permissible.

2. Indirect Violations

The pay to play laws also prohibit actions taken indirectly that the Firm or its Supervised Persons could not take directly without violating the law. For example, it is improper and unlawful to provide funds to a third party (such as a consultant or attorney) with the understanding that the third party will use such funds to make an otherwise prohibited contribution. Such indirect violations may result in a prohibition on the Firm from receiving compensation and result in other sanctions, including possible criminal penalties. If any Supervised Person learns of facts and circumstances suggesting a possible indirect violation, that Supervised Person must report such facts and circumstances to a Compliance Officer immediately.

3. Periodic Disclosure

In order to ensure compliance with this policy, every Supervised Person must submit via the Firm's automated compliance system, a disclosure and certification setting forth all Political Activity by the Supervised Person and his/her Related Persons for the previous two (2) years or confirming that

no such contributions have been made, prior to and at commencement of employment. Supervised Persons are also required to disclose and certify all Political Activity in which they or their Related Persons have engaged on a quarterly basis.

V. OUTSIDE BUSINESS ACTIVITIES AND EMPLOYEE RELATIONSHIPS

A. OUTSIDE BUSINESS ACTIVITIES

From time to time, Supervised Persons may be asked and/or desire to own, work for or serve as general partners, managing members, principals, proprietors, consultants, agents, representatives, or employees of outside organizations, all of which are considered “Outside Business Activities”. These organizations may include public or private corporations, limited and general partnerships, businesses, family trusts, endowments and foundations.

Outside Business Activities may, however, create potential conflicts of interest and/or provide access to MNPI. So that the Compliance Department can address these potential issues, **Supervised Persons must obtain pre-approval from their supervisor and a Compliance Officer to engage in Outside Business Activities** . Approval should be requested through the Firm’s automated compliance system.

Prior approval is generally not required to assume positions with charitable and other non-profit organizations or civic and trade associations. However, if your responsibilities will involve the provision of investment advice, such as participation on the investment committee of a non-profit organization, or the organization is a client or business partner of the Firm or its Affiliates, you must obtain pre-approval from a Compliance Officer.

B. DIRECTOR AND OFFICER POSITIONS

In other instances, Supervised Persons may be asked or desire to serve as a director, trustee or officer for organizations unaffiliated with the Firm and its affiliates (“Outside Director and Officer Positions”) or for organizations that are affiliated with the Firm, such as a Portfolio Company (“Affiliated Director and Officer Positions”).

As a prospective board member, trustee or officer, it is critical that you coordinate with the Compliance Department to ensure that potential conflicts of interest are addressed and special measures are taken to handle and maintain the confidentiality of any information that you may obtain in your new position. As such, in the event that you wish to assume an Outside Director and Officer Position, you must obtain pre-approval from your supervisor and a Compliance Officer. However, if you are assuming an Affiliated Director and Officer Position, you must only disclose your new position to the Compliance Department and in a timely manner. Such disclosures and requests for pre-approval should be made through the Firm’s automated compliance system.

You are prohibited from engaging in any outside activity previously described, without the pre-approval or disclosure required for such activity. Outside Director and Officer Positions will be approved only if any associated conflicts of interest and insider trading risks, actual or apparent, can be satisfactorily mitigated or resolved. Please note, however, you are not required to seek pre-approval or provide disclosure to serve as a board member or officer of a personal residential organization, such as a homeowner’s association or coop board, or an entity formed for purposes of estate planning.

C.EMPLOYEE RELATIONSHIPS

The Firm needs to be aware of relationships maintained by Supervised Persons with third parties that may create the potential for conflicts of interest. The Firm uses this information to assess the need to prohibit certain Supervised Persons from handling matters where such a conflict exists or institute mitigating controls surrounding the levels of business activity or contract negotiations where a relationship posing a conflict has been identified. This may include situations where a Supervised Person's Related Person is: 1) a director, owner (5% or more) or senior executive of a public company, 2) employed by a company with which the Firm is conducting or may conduct business, and such Related Person is in a position to make decisions with respect to such business (e.g. a law firm, real estate broker or general contractor), or 3) employed by or serving in an office of a state or local government entity (e.g., city retirement system, state office, public university), in which the Related Person has the authority, directly or indirectly, to affect the entity's current or prospective relationship with the Firm. Such relationships should be disclosed using the Firm's automated compliance system.

VI. ANTI-CORRUPTION POLICY

The purpose of the OFS Adviser's Anti-Corruption Policy is to ensure compliance by the Firm and its personnel with applicable anti-bribery laws. As such, the Policy prohibits OFS Adviser personnel from offering, promising, paying or providing, or authorizing the promising, paying or providing (in each case, directly or indirectly, including through third parties) of any amount of money or anything of value to any Public Official or Private Sector Counterparty (defined below), including a person actually known to be an immediate family member of such parties, in order to improperly influence or reward any action or decision by such person for the Firm's benefit.

Neither funds from the Firm nor funds from any other source may be used to make any such payment or gift on behalf of or for the Firm's benefit.

(a) Requirements for Interaction with Public Officials

The U.S. Foreign Corrupt Practices Act ("FCPA") is a U.S. federal law that generally prohibits the bribery of foreign officials ("Public Officials"), directly or indirectly, by any individual, business entity or employee of any such entity for the purpose of obtaining or retaining business and/or gaining an unfair advantage.

"Public Official", for purposes of this Policy, includes any person who is employed full- or part-time by a government, or by regional subdivisions of governments, including states, provinces, districts, counties, cities, towns and villages or by independent agencies, state-owned businesses, state-controlled businesses or public academic institutions. This would include, for example, employees of sovereign wealth funds, government-sponsored pension plans (i.e. pension plans for the benefit of government employees), heads of state, lower level employees of state-controlled businesses and government-sponsored university endowments. "Public Official" also includes political party officials and candidates for political office. For example, a campaign contribution is the equivalent of a payment to a Public Official under the FCPA. In certain cases, providing a payment or thing of value to a person actually known to be an immediate family member of a Public Official or a charity associated with a Public Official may be the equivalent of providing a thing of value to the Public Official directly.

Under the FCPA, the employees of public international organizations, such as the African and Asian Development Banks, the European Union, the International Monetary Fund, the United Nations and the Organization of American States, are considered Public Officials.

In April 2010, the United Kingdom, passed its own anti-bribery law, the Bribery Act 2010 (the "Bribery Act"). However, the law went further than the FCPA, prohibiting not only bribery of "foreign public officials" but also the bribery of private parties. Further, the Bribery Act, unlike the FCPA, prohibits "passive" bribery or the acceptance of bribes, in addition to "active" bribery, or giving a bribe.

The OFS Adviser Anti-Corruption Policy is applicable to all OFS Adviser personnel, regardless of their country of citizenship or residency. Although the FCPA and the Bribery Act are the principal anti-bribery statutes applicable to OFS Adviser and its personnel worldwide, OFS Adviser and its personnel are also subject to the applicable anti-bribery laws of all jurisdictions in which they do business and any jurisdictions involved in OFS Adviser's cross-border transactions. OFS Adviser personnel who are not U.S. or U.K. citizens or residents may also be subject to anti-bribery laws of their countries of citizenship or residency, as applicable.

Prior to transacting business (including merger and acquisition transactions and the retention of certain third parties) outside the U.S. or U.K., you should consult with the Compliance Department and Legal Department to obtain the applicable policies, requirements and procedures pertinent to complying with the applicable anti-bribery laws of such jurisdictions.

(b) Requirements for Interaction with Private Sector Counterparty Representatives

OFS personnel should be sensitive to anti-corruption issues in their dealings directly or indirectly, with Private Sector Counterparty Representatives. A Private Sector Counterparty Representative is an owner, employee or representative of a private entity, such as a partnership or corporation, with which OFS Adviser is conducting or seeking to conduct business. Individuals affiliated with current and prospective clients, service providers and other third parties in such a capacity are all "Private Sector Counterparty Representatives".

Bribery concerns may arise in connection with your day-to-day interactions with Private Sector Counterparty Representatives, regarding, for example, the offering of investment opportunities or the solicitation of OFS Adviser business by service providers. It is important to be mindful of the anti-bribery laws and to avoid any action that may give the appearance of bribery in your dealings with such individuals. While you may engage in the exchange of gifts, meals and entertainment with Private Sector Counterparty Representatives in the normal and routine course of business, it is important that you adhere to this Policy and to the Gifts, Meals and Entertainment Policy of this Code to avoid running afoul of the anti-corruption laws.

(c) Requirements for Retention of Certain Third Parties

Payments by OFS Adviser to Third Parties raise special concerns under the FCPA, Bribery Act and any other applicable anti-bribery laws. A "Third Party" is defined as any consultant, investor, joint venture partner, local partner, broker, agent or other third party retained or to be retained by OFS Adviser for purposes of dealing with a Public Official or a Private Sector Counterparty Representative on behalf of OFS Adviser or where the contemplated services are likely to involve business-related interactions with a Public Official or Private Sector Counterparty Representative on behalf of OFS Adviser. Because of the risk that a Third Party may seek to secure business for OFS Adviser or its Advisory Clients through violations of the FCPA or Bribery Act and that OFS Adviser or its Advisory

Client's Portfolio Companies may be subject to liability under the FCPA or Bribery Act as a result, any agreement with a Third Party that is engaged to do business with OFS Adviser is subject to specific due diligence and contractual requirements to assure compliance with the Firm's Anti-Corruption Policy.

(d) Pre-Approval Requirements

Unless otherwise authorized by the CCO or a Compliance Officer, you are required to adhere to the following policies and procedures, designed to facilitate your compliance with applicable anti-bribery laws.

You must obtain pre-approval for the following types of expenses, donations and contributions:

- Gifts, meals, entertainment, travel or lodging provided to a Public Official or a person actually known to be an immediate family member or guest of a Public Official;
- Charitable donations made on behalf of OFS Adviser at the request of a Private Sector Counterparty Representative;
- Charitable donations made in an individual capacity or on behalf of OFS Adviser at the request of or for the benefit of a Public Official; and
- Political contributions made to any Public Official on behalf of OFS Adviser or at the request of an Outside Party.

Pre-approval requests should be submitted via the Firm's automated compliance system.

ATTACHMENTS

Whistleblower Information.....Attachment A

The listed attachment is also available on OFS Adviser's automated compliance system, or from the Compliance Department.

Whistleblower Hotline Information

As part of our Whistleblower Policy, we have established an anonymous hotline where you will be able to report any suspected violation(s) of our various codes of conduct, any activity that may adversely affect the Firm's business or reputation, or any other inappropriate conduct of which you may become aware. Although we encourage you to report any concerns or problems you may have to your supervisor, there may be times where you may not feel comfortable voicing these concerns or problems to them. Due to this, we have set up an anonymous hotline with Report It Systems. Through Report It, you can report any situations or concerns without having any adverse ramifications for you. If you desire or need to report a violation or misconduct, you can do so by either calling the Report It hotline or by logging into their website. The OFS Report It username and password information is listed below.

- **Username: OFS Management**
- **Password: OFS Management**

1. Toll free hotline number: 1-877-778-5463 (1 -877-RPT-LINE)
2. Website address: www.reportit.net
 - a. Click on the Report It Online link
 - b. Click on the Report It Now button
 - c. Type the Username/Password under the "Create Report" column
 - d. Click on the Report It Now button

You will be able to anonymously file a wide variety of reports from questionable accounting or auditing matters to harassment or hostile work environment through either the website or the toll free hotline number. Any report that you submit will be handled anonymously by Report It and your name will not be provided by Report It to any OFS contact. We hope that by implementing this hotline service, you will be able to keep our organization free from fraudulent and unethical accounting/auditing activity while achieving our goal to maintain and conduct our business at the utmost level of professional standards and best practices.

CODE OF BUSINESS CONDUCT

Introduction

Ethics are important to OFS Capital Corporation (the “*Company*”, “*our*”, “*us*”, or “*we*”) and to its management. The Company is committed to the highest ethical standards and to conducting its business with the highest level of integrity.

All officers, directors and employees of the Company and its investment adviser, OFS Capital Management, LLC (the “*Adviser*”) are responsible for maintaining this level of integrity and for complying with the policies contained in this Code of Business Conduct (the “*Code*”). If you have a question or concern about what is proper conduct for you or anyone else, please raise these concerns with any member of the Company’s management, or follow the procedures outlined in applicable sections of this Code.

Purpose of the Code

This Code is intended to:

- help you recognize ethical issues and take the appropriate steps to resolve these issues;
- deter ethical violations;
- assist you in reporting any unethical or illegal conduct; and
- reaffirm and promote our commitment to a corporate culture that values honesty and accountability.

All employees, as a condition of employment or continued employment, will acknowledge in writing that they have received a copy of this Code, read it, and understand that the Code contains our expectations regarding their conduct.

Conflicts of Interest

You must avoid any conflict, or the appearance of a conflict, between your personal interest and our interests. A conflict exists when your personal interests in any way interferes with our interests, or when you take any action or have any interests that may make it difficult for you to perform your job objectively and effectively. For example, a conflict of interest may exist if:

- you cause us or the Adviser to enter into business relationships with you or a member of your family, or invest in companies affiliated with you or a member of your family;
 - you use any nonpublic information about us or the Adviser, our customers or our other business partners for your personal gain, or the gain of a member of your family; or
 - you use or communicate confidential information obtained in the course of your work for your or another’s personal benefit.
-

Corporate Opportunities

Each of us has a duty to advance the legitimate interests of the Company when the opportunity to do so presents itself. Therefore, you may not:

- take for yourself personally opportunities, including investment opportunities, discovered through the use of your position with us or the Adviser, or through the use of either's property or information;
- use our or the Adviser's property, information, or position for your personal gain or the gain of a family member; or
- compete, or prepare to compete, with us or the Adviser.

Confidentiality

You must not disclose confidential information regarding us, the Adviser, our affiliates, our lenders, our clients, or our other business partners, unless disclosure is authorized or required by law. Confidential information includes all non-public information that might be harmful to, or useful to the competitors of, the Company, our affiliates, our lenders, our clients, or our other business partners. This obligation continues even after you leave the Company, until the information becomes publicly available.

Fair Dealing

You must endeavor to deal fairly with our customers, suppliers and business partners, or any other companies or individuals with whom we do business or come into contact with, including fellow employees and our competitors. You must not take unfair advantage of these or other parties by means of:

- manipulation;
- concealment;
- abuse of privileged information;
- misrepresentation of material facts; or
- any other unfair-dealing practice.

Protection and Proper Use of Company Assets

Our assets are to be used only for legitimate business purposes. You should protect our assets and ensure that they are used efficiently.

Incidental personal use of telephones, fax machines, copy machines, personal computers and similar equipment is generally allowed if there is no significant added cost to us, it does not interfere with your work duties, and is not related to an illegal activity or to any outside business.

Compliance with Applicable Laws, Rules and Regulations

Each of us has a duty to comply with all laws, rules and regulations that apply to our business. Highlighted below are some of the key compliance guidelines that must be followed.

- **Insider trading.** It is against the law to buy or sell securities using material information that is not available to the public. Individuals who give this “inside” information to others may be liable to the same extent as the individuals who trade while in possession of such information. You must not trade in our securities, or the securities of our affiliates, our lenders, our clients, or our other business partners while in the possession of “inside” information.
- **“Whistleblower” protections.** It is against the law to discharge, demote, suspend, threaten, harass, or discriminate in any manner against an employee who provides information or otherwise assists in investigations or proceedings relating to violations of federal securities laws or other federal laws prohibiting fraud against shareholders. You must not discriminate in any way against an employee who engages in these “whistleblower” activities.
- **Investment Company Act requirements.** A separate code of ethics has been established to comply with the Investment Company Act of 1940 and is applicable to those persons designated in such code.
- **Document retention.** You must adhere to appropriate procedures governing the retention and destruction of records consistent with applicable laws, regulations and our policies. You may not destroy, alter or falsify any document that may be relevant to a threatened or pending lawsuit or governmental investigation.

Please talk to any member of senior management if you have any questions about how to comply with the above regulations and other laws, rules and regulations.

In addition, we expect you to comply with all our policies and procedures that apply to you. We may modify or update our policies and procedures in the future, and may adopt new company policies and procedures from time to time. You are also expected to observe the terms of any confidentiality agreement, employment agreement or other similar agreement that applies to you.

Equal Opportunity, Harassment

We are committed to providing equal opportunity in all of our employment practices including selection, hiring, promotion, transfer, and compensation of all qualified applicants and employees without regard to race, color, sex or gender, sexual orientation, religion, age, national origin, handicap, disability, citizenship status, or any other status protected by law. With this in mind, there are certain behaviors that will not be tolerated. These include harassment, violence, intimidation, and discrimination of any kind involving race, color, sex or gender, sexual orientation, religion, age, national origin, handicap, disability, citizenship status, marital status, or any other status protected by law.

Accuracy of Company Records

We require honest and accurate recording and reporting of information in order to make responsible business decisions. This includes such data as quality, safety, and personnel records, as well as financial records.

All financial books, records and accounts must accurately reflect transactions and events, and conform both to required accounting principles and to our system of internal controls.

Retaining Business Communications

The law requires us to maintain certain types of corporate records, usually for specified periods of time. Failure to retain those records for those minimum periods could subject us to penalties and fines, cause the loss of rights, obstruct justice, place us in contempt of court, or seriously disadvantage us in litigation.

From time to time we establish retention or destruction policies in order to ensure legal compliance. We expect you to fully comply with any published records retention or destruction policies, provided that you should note the following exception: If you believe, or we inform you, that our records are relevant to any litigation or governmental action, or any potential litigation or action, then you must preserve those records until we determine the records are no longer needed. This exception supersedes any previously or subsequently established destruction policies for those records. If you believe that this exception may apply, or have any questions regarding the possible applicability of that exception, please contact our Chief Compliance Officer.

Political Contributions

No funds of the Company may be given directly to political candidates. You may, however, engage in political activity with your own resources on your own time, subject to your compliance with any other applicable policies and procedures promulgated by the Company and the Adviser with respect to political contributions.

Media Relations

We must speak with a unified voice in all dealings with the press and other media. As a result, our senior management or external communications vendor should handle all media communications. If an employee (not including senior management) are contacted by a member of the media, the request must be forwarded to our external communications vendor and the employee must obtain pre-approval from Compliance Department prior to speaking with the media.

Intellectual Property Information

Information generated in our business is a valuable asset. Protecting this information plays an important role in our growth and ability to compete. Such information includes business and research plans; objectives and strategies; trade secrets; unpublished financial information; salary and benefits data; lender and other business partner lists. Employees who have access to our intellectual property information are obligated to safeguard it from unauthorized access and:

- Not disclose this information to persons outside of the Company;
- Not use this information for personal benefit or the benefit of persons outside of the Company; and
- Not share this information with other employees except on a legitimate “need to know” basis.

Internet and E-Mail Policy

We provide an e-mail system and Internet access to certain of our employees to help them do their work. You may use the e-mail system and the Internet only for legitimate business purposes in the course of your duties. Incidental and occasional personal use is permitted, but never for personal gain or any improper use. Further, you are prohibited from discussing or posting information regarding the Company in any external electronic forum, including Internet chat rooms or electronic bulletin boards.

Reporting Violations and Complaint Handling

You are responsible for compliance with the rules, standards and principles described in this Code. In addition, you should be alert to possible violations of the Code by the Company’s or the Adviser’s employees, officers and directors, and you are expected to report a violation promptly. Normally, reports should be made to one’s immediate supervisor. Under some circumstances, it may be impractical or you may feel uncomfortable raising a matter with your supervisor. In those instances, you are encouraged to contact our Chief Compliance Officer who will investigate and report the matter to our Chief Executive Officer and/or Board of Directors, as the circumstance dictates. You will also be expected to cooperate in an investigation of a violation.

Anyone who has a concern about our conduct, the conduct of an officer of the Company or its Adviser or our accounting, internal accounting controls or auditing matters, may communicate that concern to the Audit Committee of the Board of Directors by direct communication with our Chief Compliance Officer or by email or in writing. All reported concerns shall be forwarded to the Audit Committee and will be simultaneously addressed by our Chief Compliance Officer in the same way that other concerns are addressed by us. The status of all outstanding concerns forwarded to the Audit Committee will be reported on a quarterly basis by our Chief Compliance Officer. The Audit Committee may direct that certain matters be presented to the full board and may also direct special treatment, including the retention of outside advisors or counsel, for any concern reported to it.

All reports will be investigated and whenever possible, requests for confidentiality shall be honored. And, while anonymous reports will be accepted, please understand that anonymity may hinder or impede the investigation of a report. All cases of questionable activity or improper actions will be reviewed for appropriate action, discipline or corrective actions. Whenever possible, we will keep confidential the identity of employees, officers or directors who are accused of violations, unless or until it has been determined that a violation has occurred.

There will be no reprisal, retaliation or adverse action taken against any employee who, in good faith, reports or assists in the investigation of, a violation or suspected violation, or who makes an inquiry about the appropriateness of an anticipated or actual course of action.

For reporting concerns about the Company's or the Adviser's conduct, the conduct of an officer of the Company or the Adviser, or about the Company's or the Adviser's accounting, internal accounting controls or auditing matters, you may use the following means of communication:

1. By Mail

**ADDRESS: OFS CAPITAL CORPORATION
10 South Wacker Drive, Suite 2500
Chicago, IL 60606**

In the case of a confidential, anonymous submission, employees should set forth their concerns in writing and forward them in a sealed envelope to the Chairperson of the Audit Committee, in care of our Chief Compliance Officer, such envelope to be labeled with a legend such as: "To be opened by the Audit Committee only."

2. Whistleblower Hotline – Please refer to Attachment A for instructions on how to report your concerns via Report It.

Administration of the Code

The Chief Compliance Officer has overall responsibility for administering the Code and reporting on the administration of and compliance with the Code and related matters to our Board of Directors.

Sanctions for Code Violations

All violations of the Code will result in appropriate corrective action, up to and including dismissal. If the violation involves potentially criminal activity, the individual or individuals in question will be reported, as warranted, to the appropriate authorities.

Application/Waivers

All the directors, officers and employees of the Company and the Adviser are subject to this Code.

Insofar as other policies or procedures of the Company or the Adviser govern or purport to govern the behavior or activities of all persons who are subject to this Code, they are superseded by this Code to the extent that they overlap or conflict with the provisions of this Code.

Any amendment or waiver of the Code for an executive officer or member of our Board of Directors must be made by our Board of Directors and disclosed on a Form 8-K filed with the Securities and Exchange Commission within four business days following such amendment or waiver.

Revisions and Amendments

This Code may be revised, changed or amended at any time with the approval of our Board of Directors. Following any material revisions or updates, an updated version of this Code will be distributed to you, and will supersede the prior version of this Code effective upon distribution. We may ask you to execute an acknowledgement confirming that you have read and understood the revised version of the Code, and that you agree to comply with the provisions.

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350 , as adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2017 (the "Report") of OFS Capital Corporation (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Bilal Rashid, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, that:

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

/s/ Bilal Rashid

Name: Bilal Rashid
Date: November 3, 2017

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350 , as adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2017 (the "Report") of OFS Capital Corporation (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Jeffrey A. Cerny, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, that:

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

/s/ Jeffrey A. Cerny

Name: Jeffrey A. Cerny
Date: November 3, 2017