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OFS Capital Corp
Form 10-Q
August 04, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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 46-1339639
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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 ☐ Accelerated filer ☒

Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

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Emerging growth company ☒

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

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

The number of shares of the issuer's Common Stock, \$0.01 par value, outstanding as of August 1, 2017 was 13,331,665.

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
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
SBA 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,” “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 limited 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 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)

	June 30, 2017 (unaudited)	December 31, 2016
Assets		
Investments, at fair value:		
Non-control/non-affiliate investments (amortized cost of \$213,626 and \$178,279, respectively)	\$ 200,020	\$ 173,219
Affiliate investments (amortized cost of \$64,922 and \$76,306, respectively)	70,982	81,708
Control investments (amortized cost of \$22,148 and \$24,722, respectively)	25,906	26,700
Total investments at fair value (amortized cost of \$300,696 and \$279,307, respectively)	296,908	281,627
Cash and cash equivalents	46,920	17,659
Interest receivable	1,250	1,770
Prepaid expenses and other assets	3,882	3,974
Total assets	\$ 348,960	\$ 305,030
Liabilities		
Revolving line of credit	\$ 6,000	\$ 9,500
SBA debentures (net of deferred debt issuance costs of \$2,847 and \$3,037, respectively)	147,033	146,843
Interest payable	1,596	1,599
Management and incentive fees payable	1,484	2,119
Administration fee payable	369	435
Accrued professional fees	422	477
Other liabilities	60	279
Total liabilities	156,964	161,252
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 June 30, 2017, and December 31, 2016, respectively	\$ —	\$ —
Common stock, par value of \$0.01 per share, 100,000,000 shares authorized, 13,331,655 and 9,700,297 shares issued and outstanding as of June 30, 2017, and December 31, 2016, respectively	133	97
Paid-in capital in excess of par	187,791	134,300
Accumulated undistributed net investment income	6,888	6,731
Accumulated undistributed net realized gain	972	330
Net unrealized appreciation (depreciation) on investments	(3,788)	2,320
Total net assets	191,996	143,778
Total liabilities and net assets	\$ 348,960	\$ 305,030
Number of shares outstanding	13,331,655	9,700,297
Net asset value per share	\$ 14.40	\$ 14.82

See Notes to Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Investment income				
Interest income:				
Non-control/non-affiliate investments	\$4,681	\$ 4,431	\$9,522	\$ 9,167
Affiliate investments	1,708	1,671	3,586	3,357
Control investment	581	490	1,143	831
Total interest income	6,970	6,592	14,251	13,355
Dividend income:				
Non-control/non-affiliate investments	129	134	212	162
Affiliate investments	312	294	702	823
Control investments	137	111	170	111
Total dividend income	578	539	1,084	1,096
Fee income:				
Non-control/non-affiliate investments	169	517	325	995
Affiliate investments	176	7	234	39
Control investments	85	28	118	41
Total fee income	430	552	677	1,075
Total investment income	7,978	7,683	16,012	15,526
Expenses				
Interest expense	1,339	1,308	2,726	2,616
Management fees	1,224	1,089	2,416	2,204
Incentive fee	(22)	)857	1,159	1,590
Professional fees	293	303	556	617
Administration fee	307	326	708	754
General and administrative expenses	521	343	791	633
Total expenses	3,662	4,226	8,356	8,414
Net investment income	4,316	3,457	7,656	7,112
Net realized and unrealized gain (loss) on investments				
Net realized gain on non-control/non-affiliate investments	163	—	163	2,566
Net realized gain on affiliate investments	874	—	874	—
Net change in unrealized appreciation/depreciation on non-control/non-affiliate investments	(5,505)	)962	(8,546)	)(3,130)
Net change in unrealized appreciation/depreciation on affiliate investments	(3,366)	)296	658	442
Net change in unrealized appreciation/depreciation on control investment	1,237	(377)	) 1,780	(373)
Net gain (loss) on investments	(6,597)	)881	(5,071)	)(495)
Net increase (decrease) in net assets resulting from operations	\$(2,281)	)\$ 4,338	\$ 2,585	\$ 6,617
Net investment income per common share – basic and diluted	\$0.33	\$ 0.36	\$0.67	\$ 0.73

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Net increase (decrease) in net assets resulting from operations per common share – basic and diluted	\$(0.17)	\$ 0.45	\$ 0.23	\$ 0.68
Distributions declared per common share	\$0.34	\$ 0.34	\$0.68	\$ 0.68
Basic and diluted weighted average shares outstanding	13,197,759	12,692,346	11,458,700	10,691,764

See Notes to Financial Statements.

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

	Six Months Ended June 30,	
	2017	2016
Increase in net assets resulting from operations:		
Net investment income	\$7,656	\$7,112
Net realized gain on investments	1,037	2,566
Net change in unrealized appreciation/depreciation on investments	(6,108)	(3,061)
Net increase in net assets resulting from operations	2,585	6,617
Distributions to stockholders from:		
Accumulated net investment income	(7,830)	(6,590)
Total distributions to stockholders	(7,830)	(6,590)
Common stock transactions:		
Public offering of common stock, net of expenses	53,373	—
Reinvestment of stockholder distributions	90	41
Net increase in net assets resulting from capital transactions	53,463	41
Net increase in net assets	48,218	68
Net assets:		
Beginning of period	\$143,778	\$143,012
End of period	\$191,996	\$143,080
Accumulated undistributed net investment income	\$6,888	\$5,160
Common stock activity:		
Public offering of common stock	3,625,000	—
Common stock issued from reinvestment of stockholder distributions	6,358	3,152
Shares issued and outstanding at beginning of period	9,700,297	9,691,170
Shares issued and outstanding at end of period	13,331,655	9,694,322

See Notes to Financial Statements.

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

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$2,585	\$6,617
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net realized gain on investments	(1,037)	(2,566)
Net change in unrealized appreciation/depreciation on investments	6,108	3,061
Amortization of Net Loan Fees	(669)	(831)
Amendment fees collected	27	71
Payment-in-kind interest and dividend income	(1,428)	(1,193)
Amortization of deferred debt issuance costs	260	241
Amortization of intangible asset	98	98
Purchase and origination of portfolio investments	(72,219)	(20,290)
Proceeds from principal payments on portfolio investments	51,409	31,558
Proceeds from sale or redemption of portfolio investments	2,400	2,115
Changes in operating assets and liabilities:		
Interest receivable	520	—
Interest payable	(3)	43
Management and incentive fees payable	(635)	(291)
Administration fee payable	(66)	(108)
Other assets and liabilities	(297)	(102)
Net cash provided by (used in) operating activities	(12,947)	18,423
Cash flows from financing activities		
Proceeds from common stock offering, net of expenses	53,448	—
Distributions paid to stockholders	(7,740)	(6,549)
Borrowings under revolving line of credit	11,000	—
Repayments under revolving line of credit	(14,500)	—
Net cash provided by (used in) financing activities	42,208	(6,549)
Net increase in cash and cash equivalents	29,261	11,874
Cash and cash equivalents — beginning of year	17,659	32,714
Cash and cash equivalents — end of year	\$46,920	\$44,588
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$2,469	\$2,331
Distributions paid by issuance of common stock	90	41

See Notes to Financial Statements.

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments

June 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	Percent of Net Assets
Non-control/Non-affiliate Investments								
Armor Holdings II LLC	Other Professional, Scientific, and Technical Services							
Senior Secured Loan		10.25%	(L +9.00%)	12/26/2020	\$ 3,500	\$ 3,472	\$ 3,500	1.8 %
AssuredPartners, Inc	Insurance Agencies and Brokerages							
Senior Secured Loan		10.23%	(L +9.00%)	10/20/2023	5,000	4,865	5,100	2.7
Avison Young Canada, Inc.	Offices of Real Estate Agents and Brokers							
Senior Secured Loan (4) (5)		9.50%	N/A	12/15/2021	4,000	3,931	4,029	2.1
BCC Software, LLC (4)	Custom Computer Programming Services							
Senior Secured Loan		9.23%	(L +8.00%)	6/20/2019	6,852	6,788	6,826	3.6
Senior Secured Loan (Revolver) (9) (3)		N/A	(L +8.00%)	6/20/2019	—	(6)	(4)	—
					6,852	6,782	6,822	3.6
BJ's Wholesale Club, Inc.	Warehouse Clubs and Supercenters							
Senior Secured Loan		8.71%	(L +7.50%)	2/3/2025	7,300	7,267	7,157	3.7
Community Intervention Services, Inc. (4)	Outpatient Mental Health and Substance Abuse Centers							
Subordinated Loan (6) (10)		7.0% cash / 6.0%	N/A	1/16/2021	8,274	7,639	3,285	1.7

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Common equity (Success Fee) (9)					—	—	—	—
					8,274	7,639	3,285	1.7
Confie Seguros Holdings II Co.	Insurance Agencies and Brokerages							
Senior Secured Loan		11.05%	(L +9.75%)	5/8/2019	7,850	7,814	7,752	4.0
Constellis Holdings, LLC	Other Justice, Public Order, and Safety Activities							
Senior Secured Loan		6.30%	(L +5.00%)	4/21/2024	4,975	4,926	4,949	2.6
Senior Secured Loan		10.3%	(L +9.00%)	4/21/2025	9,950	9,804	9,876	5.1
					14,925	14,730	14,825	7.7
Elgin Fasteners Group	Bolt, Nut, Screw, Rivet, and Washer Manufacturing							
Senior Secured Loan		8.55%	(L +7.25%)	8/27/2018	3,996	3,986	3,650	1.9

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

June 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	Percent of Net Assets
Inhance Technologies Holdings LLC Senior Secured Loan	Other Basic Inorganic Chemical Manufacturing	5.80%	(L +4.50%)	6/30/2019	\$ 1,971	\$ 1,959	\$1,965	1.0 %
Intrafusion Holding Corp. (4) Senior Secured Loan (8)	Other Outpatient Care Centers	11.00%	(L +6.75%)	9/25/2020	14,250	14,213	14,250	7.4
Jobson Healthcare Information, LLC (4) Senior Secured Loan (10)	Other Professional, Scientific, and Technical Services	10.13% cash / 4.80% PIK	(L +12.93%)	7/21/2019	15,055	14,781	12,888	6.7
Warrants (1,056,428 member units) (9)				7/21/2019 (11)		454	—	—
					15,055	15,235	12,888	6.7
LRI Holding, LLC (4) Senior Secured Loan	Electrical Contractors and Other Wiring Installation Contractors	10.55%	(L +9.25%)	6/30/2022	18,500	18,338	18,338	9.6
Preferred Equity (238,095 units)						300	300	0.2
					18,500	18,638	18,638	9.8
Maverick Healthcare Equity, LLC (4) Preferred Equity (1,250,000 units) (9)	Home Health Equipment Rental					900	358	0.2
Common Equity (1,250,000 units) (9)						—	—	—
						900	358	0.2
MN Acquisition, LLC (4)	Software Publishers							

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Senior Secured Loan		11.65%	(L + 10.50%)	3/17/2022	4,108	4,038	4,060	2.1
My Alarm Center, LLC (4)	Security Systems Services (except Locksmiths)							
Senior Secured Loan (6)		12.15%	(L +11.00%)	7/9/2019	6,896	6,701	1,745	0.9
Preferred Equity (100 Class A units) (9)						203	—	—
Preferred Equity (25 Class A-1 units) (9)						44	—	—
					6,896	6,948	1,745	0.9
MYI Acquiror Limited (5)	Insurance Agencies and Brokerages							
Senior Secured Loan		5.75%	(L +4.50%)	5/28/2019	4,686	4,681	4,686	2.4
NVA Holdings, Inc.	Veterinary Services							
Senior Secured Loan		8.30%	(L +7.00%)	8/14/2022	743	743	750	0.4

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

June 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	Percent of Net Assets
O2 Holdings, LLC (4)	Fitness and Recreational Sports Centers							
Senior Secured Loan		12.22%	(L +11.00%)	9/2/2021	\$ 10,000	\$ 9,925	\$9,874	5.1 %
Planet Fitness Midwest LLC (4)	Fitness and Recreational Sports Centers							
Subordinated Loan		13.00%	N/A	12/16/2021	5,000	4,959	5,029	2.6
PM Acquisition LLC	All Other General Merchandise Stores							
Senior Secured Loan		11.50%	N/A	10/31/2021	6,254	6,200	6,180	3.2
Common equity (499 units) (9)						499	348	0.2
					6,254	6,699	6,528	3.4
Quantum Spatial, Inc.	Other Information Services							
Senior Secured Loan		0.0675	(L +5.50%)	8/27/2017	2,419	2,417	2,412	1.3
Ranpak Corp.	Packaging Machinery Manufacturing							
Senior Secured Loan		8.42%	(L +7.25%)	10/3/2022	1,680	1,666	1,661	0.9
Resource Label Group, LLC	Commercial Printing (except Screen and Books)							
Senior Secured Loan		5.80%	(L +4.50%)	5/26/2023	1,929	1,910	1,910	1.0
Senior Secured Loan		8.80%	(L +7.50%)	11/26/2023	4,821	4,749	4,751	2.5
					6,750	6,659	6,661	3.5
Security Alarm Financing Enterprises, L.P. (4)	Security Systems Services (except Locksmiths)							
Subordinated Loan			(L +13.00%)	6/19/2020	12,505	12,404	12,230	6.4

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14.00%
cash /
0.3% PIK

Sentry Centers Holdings, LLC	Other Professional, Scientific, and Technical Services						
Senior Secured Loan		12.73%	(L +11.50%) 7/24/2019	4,202	4,150	4,284	2.2
Preferred Equity (5,000 units) (9) (12)					506	506	—
				4,202	4,656	4,790	2.2
smarTours, LLC (4)	Tour Operators						
Preferred Equity (500,000 units) (9)					439	1,080	0.6

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

June 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	Percent of Net Assets
Southern Technical Institute, LLC (4)	Colleges, Universities, and Professional Schools	10.30%	(L +12.00%)	12/2/2020	\$ 3,494	\$ 3,419	\$ 3,013	1.6 %
Subordinated Loan		cash / 3.0% PIK						
Preferred Equity (1,764,720 units), 15.75% PIK (9)						2,094	1,455	0.8
Warrants (2,174,905 units) (9)				3/30/2026 (11)		46	—	—
					3,494	5,559	4,468	2.4
Stancor, L.P. (4)	Pump and Pumping Equipment Manufacturing							
Senior Secured Loan		10.22%	(L +9.00%)	8/19/2019	8,787	8,754	8,706	4.5
Preferred Equity (1,250,000 units), 8% PIK (7) (9)						1,501	875	0.5
					8,787	10,255	9,581	5.0
TravelCLICK, Inc.	Computer Systems Design and Related Services							
Senior Secured Loan		8.98%	(L +7.75%)	11/8/2021	7,334	7,298	7,334	3.8
Truck Hero, Inc.	Truck Trailer Manufacturing							
Senior Secured Loan		9.41%	(L +8.25%)	4/21/2025	4,941	4,868	4,901	2.6
Senior Secured Loan		5.16%	(L +4.00%)	4/21/2024	1,384	1,370	1,376	0.7
					6,325	6,238	6,277	3.3
United Biologics Holdings, LLC (4)	Medical Laboratories							
Senior Secured Loan (10)			N/A	4/30/2018	4,230	4,182	4,220	2.2

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		12.0% cash / 2.0% PIK						
Subordinated Loan (9)		8.0% PIK	N/A	4/30/2019	7	7	6	—
Preferred Equity (151,787 units) (9)						9	20	—
Warrants (29,374 units) (9)				03/05/2022 (11)		82	58	—
					4,237	4,280	4,304	2.2
VanDeMark Chemical Inc.	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Loan		6.55%	(L +5.25%)	11/30/2017	2,338	2,331	2,331	1.2
Total Non-control/Non-affiliate Investments					209,231	213,626	200,020	104.0
Affiliate Investments								
All Metals Holding, LLC (4)	Metal Service Centers and Other Metal Merchant Wholesalers							
Senior Secured Loan		12.0% cash / 1.0% PIK	N/A	12/28/2021	12,932	12,272	12,932	6.7
Common Equity (637,954 units) (9)						565	1,458	0.8
					12,932	12,837	14,390	7.5

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

June 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	Percent of Net Assets
Contract DataScan Holdings, Inc. (4)	Office Machinery and Equipment Rental and Leasing							
Subordinated Loan		12.00%	N/A	2/5/2021	\$ 8,000	\$ 7,983	\$8,000	4.2 %
Preferred Equity (3,061 shares), 10% PIK (9)						4,069	5,427	2.8
Common Equity (11,273 shares) (9)						104	—	—
					8,000	12,156	13,427	7.0
Master Cutlery, LLC (4)	Sporting and Recreational Goods and Supplies Merchant Wholesalers							
Subordinated Loan		13.00%	N/A	4/17/2020	4,705	4,689	3,993	2.1
Preferred Equity (3,723 units), 5% cash, 3% PIK (7) (9)						3,483	—	—
Common Equity (15,564 units) (9)						—	—	—
					4,705	8,172	3,993	2.1
NeoSystems Corp. (4)	Other Accounting Services							
Subordinated Loan		10.50% cash / 2.25% PIK	N/A	8/13/2019	2,125	2,117	2,064	1.1
Preferred Equity (521,962 convertible shares), 10% PIK (9)						1,323	1,332	0.7
					2,125	3,440	3,396	1.8
Pfanstiehl Holdings, Inc. (4)	Pharmaceutical Preparation Manufacturing							
Subordinated Loan		10.50%	N/A	9/29/2021	3,788	3,827	3,788	2.0

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Common Equity (400 shares)				217	4,463	2.3
				3,788	4,044	4.3
Strategic Pharma Solutions, Inc. (4)	Other Professional, Scientific, and Technical Services					
Senior Secured Loan	11.43%	(L +10.00%)	12/18/2020	8,411	8,353	8,579 4.5
Preferred Equity (1,191 units), 6% PIK (9)					1,972	5,700 3.0
				8,411	10,325	14,279 7.5
TRS Services, LLC (4)	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance					
Senior Secured Loan	9.97%	cash / (L +9.25%) 0.5% PIK	12/10/2019	9,796	9,630	9,796 5.1
Preferred Equity (329,266 Class AA units), 15% PIK (9)					372	381 0.2
Preferred Equity (3,000,000 Class A units), 11% PIK (9)					3,374	3,069 1.6
Common Equity (3,000,000 units) (9)					572	— —
				9,796	13,948	13,246 6.9
Total Affiliate Investments				49,757	64,922	70,982 37.1

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

June 30, 2017

(Dollar amounts in thousands)

Portfolio Company(1) Investment Type Control Investments	Industry	Interest Rate (2)	Spread Above Index (2)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Malabar International (4)	Other Aircraft Parts and Auxiliary Equipment Manufacturing	11.25% cash / 2.0% PIK	N/A	11/13/2021	\$7,693	\$7,714	\$7,829	4.1 %
Subordinated Loan								
Preferred Stock (1,644 shares), 6% cash						4,283	7,476	3.9
					7,693	11,997	15,305	8.0
MTE Holding Corp. (4)	Travel Trailer and Camper Manufacturing	12.73% cash / 1.5% PIK	(L +13.00%)	11/25/2020	7,131	7,082	7,083	3.7
Subordinated Loan (to Mirage Trailers, LLC, a controlled, consolidated subsidiary of MTE Holding Corp.)								
Common Equity (554 shares)						3,069	3,518	1.8
					7,131	10,151	10,601	5.5
Total Control Investment					14,824	22,148	25,906	13.5
Total Investments					\$273,812	\$300,696	\$296,908	154.6 %

(1) Equity ownership may be held in shares or units of companies affiliated with the portfolio company.

The majority of investments that bear interest at a variable rate are indexed to LIBOR (L), and reset monthly, quarterly, or semi-annually. Approximately 16% of the Company's LIBOR referenced investments are subject to an (2) interest rate floor. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at June 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) The negative fair value is the result of the unfunded commitment being below par.

(4) Investments held by OFS SBIC I, LP. All other investments pledged as collateral under the PWB Credit Facility.

(5)

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 June 30, 2017, 97.18% of the Company's assets were qualifying assets.

(6) Investment was on non-accrual status as of June 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.

(7) Recognition of PIK and/or dividend income discontinued as of June 30, 2017. See Note 2, Dividend Income for further details.

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% at June 30, 2017, includes additional interest of 1.75% per annum as specified under the contractual arrangement among the Company and the co-lenders.

(9) Non-income producing.

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

June 30, 2017

(Dollar amounts in thousands)

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 June 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 %
Jobson Healthcare Information, LLC	Senior Secured Loan	1.5% or 4.80%	10.13% or 13.43%	4.80 %
MTE Holding Corp.	Subordinated Loan	0% or 1.5%	12.73% or 14.23%	1.50 %
United Biologics Holdings, LLC	Senior Secured Loan	0% or 2.00%	14.00% or 12.00%	2.00 %

(11) Represents expiration date of the warrants.

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

See Notes to Financial Statements.

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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	Percent of Net Assets
Non-control/Non-affiliate Investments								
Accurate Group Holdings, Inc. (4) Subordinated Loan	Offices of Real Estate Appraisers	13.00%	N/A	8/23/2018	\$ 10,000	\$ 10,032	\$ 10,000	7.0 %
Armor Holdings II LLC	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
AssuredPartners, Inc	Insurance Agencies and Brokerages							
Senior Secured Loan		10.00%	(L +9.00%)	10/20/2023	5,000	4,854	5,013	3.5
Avison Young Canada, Inc.	Offices of Real Estate Agents and Brokers							
Senior Secured Loan (4) (5)		9.50%	N/A	12/15/2021	4,000	3,923	3,923	2.7
BCC Software, LLC (4)	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) (10) (3)		N/A	(L +8.00%)	6/20/2019	—	(8) —	—
					5,143	5,097	5,143	3.6
Community Intervention Services, Inc. (4)	Outpatient Mental Health and Substance Abuse Centers							
Subordinated Loan (6) (11)		7.0% cash / 6.0% PIK	N/A	1/16/2021	8,030	7,639	5,393	3.8
Confie Seguros Holdings II Co.	Insurance Agencies and Brokerages							
Senior Secured Loan		10.25%	(L +9.00%)	5/8/2019	4,000	3,976	3,973	2.8

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C7 Data Centers, Inc. (4) Senior Secured Loan (9)	Other Computer Related Services	12.47%	(L +8.50%)	6/22/2020	14,850	14,738	14,883	10.4
Elgin Fasteners Group	Bolt, Nut, Screw, Rivet, and Washer Manufacturing	8.50%	(L +7.25%)	8/27/2018	4,104	4,090	3,555	2.5
Inhance Technologies Holdings LLC	Other Basic Inorganic Chemical Manufacturing	5.50%	(L +4.50%)	2/7/2018	2,032	2,027	2,017	1.4

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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	Percent of Net Assets
Intrafusion Holding Corp. (4) Senior Secured Loan (8)	Other Outpatient Care Centers	11.33%	(L +6.75%)	9/25/2020	\$ 14,250	\$ 14,207	\$ 14,393	10.0 %
Jobson Healthcare Information, LLC (4) Senior Secured Loan (11)	Other Professional, Scientific, and Technical Services	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) (10)				7/21/2019 (12)		454	—	—
					14,762	14,877	12,346	8.6
Maverick Healthcare Equity, LLC (4) Preferred Equity (1,250,000 units) (10) Common Equity (1,250,000 units) (10)	Home Health Equipment Rental					900	1,037	0.7
						—	—	—
						900	1,037	0.7
MN Acquisition, LLC (4) Senior Secured Loan	Software Publishers	10.50%	(L + 9.50%)	8/24/2021	4,989	4,896	4,949	3.4
My Alarm Center, LLC (4)	Security Systems Services (except Locksmiths)							

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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) (10)					203	205	0.1
Preferred Equity (25 Class A-1 units) (10)					44	36	—
				6,250	6,281	6,501	4.5
MYI Acquiror Limited (5)	Insurance Agencies and Brokerages						
Senior Secured Loan	5.75%	(L +4.50%)	5/28/2019	4,686	4,680	4,613	3.2
NHR Holdings, LLC	Other Telecommunications						
Senior Secured Loan	5.50%	(L +4.25%)	11/30/2018	2,666	2,652	2,630	1.8
NVA Holdings, Inc.	Veterinary Services						
Senior Secured Loan	8.00%	(L +7.00%)	8/14/2022	650	650	651	0.5
O2 Holdings, LLC (4)	Fitness and Recreational Sports Centers						
Senior Secured Loan	11.77%	(L +11.00%)	9/2/2021	9,500	9,417	9,430	6.6

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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	Percent of Net Assets
PM Acquisition LLC Senior Secured Loan	All Other General Merchandise Stores	11.50%	N/A	10/31/2021	\$ 6,402	\$ 6,340	\$6,340	4.4 %
Common equity (499 units) (10)						499	499	0.3
					6,402	6,839	6,839	4.7
Planet Fitness Midwest LLC (4) Subordinated Loan	Fitness and Recreational Sports Centers	13.00%	N/A	12/16/2021	5,000	4,955	4,980	3.5
Quantum Spatial, Inc. (f/k/a Aero-Metric, Inc.) Senior Secured Loan	Other Information Services	6.75% cash / 1.0% PIK	(L +6.50%)	8/27/2017	2,440	2,427	2,340	1.6
Ranpak Corp. Senior Secured Loan	Packaging Machinery Manufacturing	8.25%	(L +7.25%)	10/3/2022	2,000	1,996	1,885	1.3
Security Alarm Financing Enterprises, L.P. (4) Subordinated Loan	Security Systems Services (except Locksmiths)	14.00%	(L +13.00%)	6/19/2020	12,500	12,382	12,382	8.6
Sentry Centers Holdings, LLC Senior Secured Loan	Other Professional, Scientific, and Technical Services	12.40%	(L +11.50%)	7/24/2019	4,209	4,145	4,171	2.9
smarTours, LLC (4) Preferred Equity (500,000 units) (10)	Tour Operators					439	1,019	0.7

Southern Technical
Institute, LLC (4)
Subordinated Loan

Colleges, Universities,
and Professional
Schools