

Edgar Filing: OFS Capital Corp - Form 10-Q

OFS Capital Corp  
Form 10-Q  
November 02, 2018  
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, 2018

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 814-00813

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

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

State or Other Jurisdiction of  
Incorporation or Organization

10 S. Wacker Drive, Suite 2500, Chicago, Illinois  
Address of Principal Executive Offices

60606  
Zip Code

(847) 734-2000

Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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

Emerging growth company

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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 ý

The number of shares of the issuer's Common Stock, \$0.01 par value, outstanding as of November 1, 2018 was 13,352,824.

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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:

Term	Explanation or Definition
1940 Act	Investment Company Act of 1940, as amended
Administration Agreement	Administration Agreement between the Company and OFS Services dated November 7, 2012
Annual Distribution Requirement	Distributions to our stockholders, for each taxable year, of at least 90% of our ICTI
April 2017 Offering	The April 2017 follow-on public offering 3,625,000 shares of our common stock at an offering price of \$14.57 per share.
ASC	Accounting Standards Codification, as issued by the FASB
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
CLO	Collateralized loan obligation
Code	Internal Revenue Code of 1986, as amended
DRIP	Distribution reinvestment plan
EBITDA	Earnings before interest, taxes, depreciation, and amortization
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
GAAP	Accounting principles generally accepted in the United States
HPCI	Hancock Park Corporate Income, Inc., a Maryland corporation and non-traded BDC 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
Indicative Prices	Market quotations, prices from pricing services or bids from brokers or dealers
Investment Advisory Agreement	Investment Advisory and Management Agreement between the Company and OFS Advisor dated November 7, 2012
IPO	Initial Public Offering
LIBOR	London Interbank Offered Rate
Net Loan Fees	The cumulative amount of fees, such as discounts, premiums and amendment fees that are deferred and recognized as income over the life of the loan.
OCCI	OFS Credit Company Income, Inc., a Delaware corporation and a non-diversified, closed-end management investment company for whom OFS Advisor serves as investment adviser
OFS Advisor	OFS Capital Management, LLC, a wholly owned subsidiary of OFSAM and registered investment adviser under the 1940 Act
OFS Capital WM	OFS Capital WM, LLC, a wholly owned investment company subsidiary of the Company
OFS Services	OFS Capital Services, LLC, a wholly owned subsidiary of OFSAM and affiliate of OFS Advisor
OFSAM	Orchard First Source Asset Management, LLC, a full-service provider of capital and leveraged finance solutions to U.S. corporations
PIK	Payment-in-kind, non-cash interest or dividends payable as an addition to the loan or equity security producing the income.
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

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Term	Explanation or Definition
SBCAA	Small Business Credit Availability Act
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 OFS SBIC I GP, LLC on December 4, 2013
SBIC Act	Small Business Investment Act of 1958, as amended
SBIC I LP	OFS SBIC I, LP, a wholly owned SBIC subsidiary of the Company
SEC	U.S. Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Stock Repurchase Program	The open market stock repurchase program for shares of the Company's common stock under Rule 10b-18 of the Exchange Act
Transaction Price	The cost of an arm's length transaction occurring in the same security
Unsecured Notes Due April 2025	The Company's \$50.0 million aggregate principal amount of 6.375% notes due April 30, 2025
Unsecured Notes Due October 2025	The Company's \$46.0 million aggregate principal amount of 6.5% notes due October 30, 2025

### 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 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 debt or equity 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, including the ability to incur additional leverage under the Small Business Credit Availability Act.

Although we believe that the assumptions on which these forward-looking statements are based on and 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, 2017. 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, and Section 21E of the Exchange Act.

## PART I. FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

## OFS Capital Corporation and Subsidiaries

## Consolidated Balance Sheets

(Dollar amounts in thousands, except per share data)

	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Investments, at fair value:		
Non-control/non-affiliate investments (amortized cost of \$281,575 and \$209,360, respectively)	\$ 272,764	\$ 197,374
Affiliate investments (amortized cost of \$106,754 and \$70,402, respectively)	112,305	69,557
Control investment (amortized cost of \$10,306 and \$10,213, respectively)	10,964	10,568
Total investments at fair value (amortized cost of \$398,635 and \$289,975, respectively)	396,033	277,499
Cash and cash equivalents	6,043	72,952
Interest receivable	2,637	2,734
Prepaid expenses and other assets	3,825	4,593
Total assets	\$ 408,538	\$ 357,778
Liabilities		
Revolving line of credit	\$ 17,000	\$ 17,600
SBA debentures (net of deferred debt issuance costs of \$2,375 and \$2,657, respectively)	147,505	147,223
Unsecured notes (net of deferred debt issuance costs of \$1,688 and \$0, respectively)	48,312	—
Interest payable	976	1,596
Payable to adviser and affiliates (Note 3)	3,348	2,463
Payable for investments purchased	6,777	—
Accrued professional fees	686	433
Other liabilities	336	127
Total liabilities	224,940	169,442
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, 2018, and December 31, 2017, respectively	\$ —	\$ —
Common stock, par value of \$0.01 per share, 100,000,000 shares authorized, 13,352,824 and 13,340,217 shares issued and outstanding as of September 30, 2018, and December 31, 2017, respectively	134	133
Paid-in capital in excess of par	187,846	187,398
Accumulated undistributed net investment income	7,599	9,404
Accumulated undistributed net realized gain (loss)	(9,120)	) 3,881
Net unrealized depreciation on investments	(2,861)	) (12,480 )
Total net assets	183,598	188,336
Total liabilities and net assets	\$ 408,538	\$ 357,778
Number of shares outstanding	13,352,824	13,340,217
Net asset value per share	\$ 13.75	\$ 14.12

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Investment income				
Interest income:				
Non-control/non-affiliate investments	\$7,424	\$ 5,485	\$19,508	\$ 14,520
Affiliate investments	2,455	1,601	7,308	5,089
Control investment	255	236	744	1,302
Total interest income	10,134	7,322	27,560	20,911
Payment-in-kind interest and dividend income:				
Non-control/non-affiliate investments	178	350	524	976
Affiliate investments	308	394	1,054	1,120
Control investment	28	27	82	104
Total payment-in-kind interest and dividend income	514	771	1,660	2,200
Dividend income:				
Non-control/non-affiliate investments	—	—	—	50
Affiliate investments	—	33	130	118
Control investment	58	92	185	262
Total dividend income	58	125	315	430
Fee income:				
Non-control/non-affiliate investments	251	679	664	1,027
Affiliate investments	7	208	12	431
Control investment	18	17	52	135
Total fee income	276	904	728	1,593
Total investment income	10,982	9,122	30,263	25,134
Expenses				
Interest expense	2,393	1,503	6,196	4,229
Management fee	1,678	1,310	4,586	3,726
Incentive fee	1,170	1,090	3,041	2,249
Professional fees	458	284	859	840
Administration fee	311	274	1,252	982
Other expenses	282	259	1,287	1,050
Total expenses before incentive fee waiver	6,292	4,720	17,221	13,076
Incentive fee waiver (see Note 3)	—	—	(22)	)—
Total expenses, net of incentive fee waiver	6,292	4,720	17,199	13,076
Net investment income	4,690	4,402	13,064	12,058
Net realized and unrealized gain (loss) on investments				
Net realized loss on non-control/non-affiliate investments	—	(5,204)	) (5,003)	) (5,041)
Net realized gain (loss) on affiliate investments	—	3,617	(4,018)	) 4,491
Net unrealized appreciation (depreciation) on non-control/non-affiliate investments	(923)	) 1,196	2,925	(7,350)
Net unrealized appreciation (depreciation) on affiliate investments	1,223	(2,901)	) 6,396	(2,243)
Net unrealized appreciation on control investment	189	65	303	1,845
Net gain (loss) on investments	489	(3,227)	) 603	(8,298)
Net increase in net assets resulting from operations	\$5,179	\$ 1,175	\$ 13,667	\$ 3,760
Net investment income per common share – basic and diluted	\$0.35	\$ 0.33	\$0.98	\$ 1.00

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Net increase in net assets resulting from operations per common share – basic and diluted	\$0.39	\$ 0.09	\$1.02	\$ 0.31
Distributions declared per common share	\$0.34	\$ 0.34	\$1.05	\$ 1.02
Basic and diluted weighted average shares outstanding	13,350,483	13,331,690	13,346,630	12,089,895

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See Notes to Financial Statements.

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

	Nine Months Ended September 30,	
	2018	2017
Increase in net assets resulting from operations:		
Net investment income	\$ 13,064	\$ 12,058
Net realized loss on investments	(9,021 )	(550 )
Net unrealized appreciation (depreciation) on investments	9,624	(7,748 )
Net increase in net assets resulting from operations	13,667	3,760
Distributions to stockholders from:		
Accumulated net investment income	(13,513 )	(12,362 )
Accumulated net realized gain (loss)	(5,036 )	—
Total distributions to stockholders	(18,549 )	(12,362 )
Common stock transactions:		
Public offering of common stock, net of expenses	—	53,348
Reinvestment of stockholder distributions	144	132
Net increase in net assets resulting from capital transactions	144	53,480
Net increase (decrease) in net assets	(4,738 )	44,878
Net assets:		
Beginning of period	188,336	143,778
End of period	\$ 183,598	\$ 188,656
Accumulated undistributed net investment income	\$ 7,599	\$ 6,942
Common stock activity:		
Public offering of common stock	—	3,625,000
Common stock issued from reinvestment of stockholder distributions	12,607	9,554
Common stock issued and outstanding at beginning of period	13,340,217	9,700,297
Common stock issued and outstanding at end of period	13,352,824	13,334,851

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,	
	2018	2017
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 13,667	\$ 3,760
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net realized loss on investments	9,021	550
Net unrealized depreciation (appreciation) on investments	(9,624 )	7,748
Amortization of Net Loan Fees	(992 )	(1,187 )
Amendment fees collected	79	112
Payment-in-kind interest and dividend income	(1,659 )	(2,199 )
Amortization of deferred debt issuance costs	532	402
Amortization of intangible asset	146	147
Purchase and origination of portfolio investments	(185,806)	(114,663)
Proceeds from principal payments on portfolio investments	34,891	86,527
Proceeds from sale or redemption of portfolio investments	42,659	7,456
Changes in other operating assets and liabilities:		
Interest receivable	97	(12 )
Interest payable	(620 )	(1,204 )
Payable to adviser and affiliates	885	228
Other assets and liabilities	797	(147 )
Net cash used in operating activities	(95,927 )	(12,482 )
Cash flows from financing activities		
Proceeds from common stock offering, net of expenses	—	53,423
Distributions paid to stockholders	(18,405 )	(12,231 )
Borrowings under revolving line of credit	70,500	28,000
Repayments under revolving line of credit	(71,100 )	(20,400 )
Issuance of unsecured notes	48,247	—
Other financing activities	(224 )	(101 )
Net cash provided by financing activities	29,018	48,691
Net increase (decrease) in cash and cash equivalents	(66,909 )	36,209
Cash and cash equivalents — beginning of period	72,952	17,659
Cash and cash equivalents — end of period	\$ 6,043	\$ 53,868
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 6,284	\$ 5,031
Distributions paid by issuance of common stock	144	132

See Notes to Financial Statements.

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments

September 30, 2018

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Non-control/Non-affiliate Investments									
Baymark Health Services, Inc.	Outpatient Mental Health & Sub. Abuse Centers	10.35%	(L +8.25%)	3/22/2018	3/1/2025	\$4,000	\$3,963	\$3,947	2.1 %
Carolina Lubes, Inc. (4)	Automotive Oil Change and Lubrication Shops	10.21%	(L +7.25%)	8/23/2017	8/23/2022	20,982	20,841	21,123	11.5
Senior Secured Loan (8)		9.59%	(L +7.25%)	8/23/2017	8/23/2022	1,363	1,351	1,356	0.7
Senior Secured Loan (Revolver)						22,345	22,192	22,479	12.2
Cirrus Medical Staffing, Inc. (4)	Temporary Help Services	10.63%	(L +8.25%)	3/5/2018	10/19/2022	13,026	12,886	12,770	7.0
Senior Secured Loan		10.63%	(L +8.25%)	3/5/2018	10/19/2022	128	128	125	0.1
Senior Secured Loan (Revolver)						13,154	13,014	12,895	7.1
Community Intervention Services, Inc. (4) (6) (10) (11)	Outpatient Mental Health and Substance Abuse Centers	7.0%		7/16/2015	1/16/2021	8,924	7,639	—	—
Subordinated Loan		cash / 6.0% PIK	N/A	7/16/2015	1/16/2021	8,924	7,639	—	—
Confie Seguros Holdings II Co.	Insurance Agencies								

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	and Brokerages								
Senior Secured Loan		11.74%	(L +9.50%)	7/7/2015	5/8/2019	9,678	9,634	9,600	5.2
	Other Justice, Public Order, and Safety Activities								
Constellis Holdings, LLC									
Senior Secured Loan		11.39%	(L +9.00%)	4/28/2017	4/21/2025	9,950	9,827	9,637	5.2
	Security Systems Services (except Locksmiths)								
Convergint Technologies									
Senior Secured Loan		8.99%	(L +6.75%)	9/28/2018	2/2/2026	1,781	1,790	1,790	—
	Direct Health and Medical Insurance Carriers								
Davis Vision, Inc.									
Senior Secured Loan		9.00%	(L +6.75%)	7/17/2018	12/1/2025	3,185	3,181	3,181	1.7

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2018

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
DuPage Medical Group	Offices of Physicians, Mental Health Specialists	9.17%	(L +7.00%)	8/22/2017	8/15/2025	\$ 7,098	\$ 7,173	\$ 7,129	3.9 %
Eblens Holdings, Inc.	Shoe Store	12.0% cash / 1.0% PIK	N/A	7/13/2017	1/13/2023	8,897	8,828	8,783	4.8
Subordinated Loan (11)				7/13/2017			713	726	0.4
Common Equity (71,250 Class A units) (10)				7/13/2017		8,897	9,541	9,509	5.2
Elgin Fasteners Group	Bolt, Nut, Screw, Rivet, and Washer Manufacturing	8.89%	(L +6.50%)	10/31/2011	8/27/2018 (5)	3,699	3,699	3,570	1.9
Envocore Holding, LLC (FKA LRI Holding, LLC) (4)	Electrical Contractors and Other Wiring Installation Contractors	11.63%	(L +9.25%)	6/30/2017	6/30/2022	17,344	17,230	16,996	9.3
Senior Secured Loan				6/30/2017			300	251	0.1
Preferred Equity (238,095 Series B units) (10)				6/30/2017					
Preferred Equity (13,315 Series C units) (10)				8/13/2018			13	13	—
GGC Aerospace Topco L.P.	Other Aircraft Parts and Auxiliary					17,344	17,543	17,260	9.4

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	Equipment Manufacturing								
Senior Secured Loan		11.07%	(L +8.75%)	12/29/2017	9/8/2024	5,000	4,889	4,933	2.7
Common Equity (368,852 Class A units) (10)				12/29/2017			450	416	0.2
Common Equity (40,984 Class B units) (10)				12/29/2017			50	21	—
						5,000	5,389	5,370	2.9
JBR Clinical Research, Inc. (4) (8)	Research and Development in the Social Sciences and Humanities								
Senior Secured Loan		9.34%	(L +6.25%)	8/2/2018	8/2/2023	13,100	13,100	13,100	7.1
MAI Holdings, Inc. (4)	Printing Machinery and Equipment Manufacturing								
Senior Secured Loan		9.50%	N/A	6/21/2018	6/1/2023	5,000	5,000	4,978	2.7
Maverick Healthcare Equity, LLC (4)	Home Health Equipment Rental								
Preferred Equity (1,250,000 units) (10)				12/10/2014			900	26	—
Common Equity (1,250,000 Class A units) (10)				12/10/2014			—	—	—
							900	26	—

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2018

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
My Alarm Center, LLC (4) (10) (13) Preferred Equity (1,485 Class A units), 8% PIK	Security Systems Services (except Locksmiths)			7/14/2017		\$ 1,571	\$ 1,316	0.7	%
Preferred Equity (1,198 Class B units)				7/14/2017		1,198	—	—	
Preferred Equity (335 Class Z units)				9/12/2018		325	1,038	0.6	
Common Equity (64,149 units)				7/14/2017		—	—	—	
						3,094	2,354	1.3	
O2 Holdings, LLC (4) Senior Secured Loan	Fitness and Recreational Sports Centers	15.27%	(L +13.00%)	9/2/2016	9/30/2019	13,910	13,662	13,927	7.6
Online Tech Stores, LLC (4) Subordinated Loan	Stationary & Office Supply Merchant Wholesaler	10.50% cash / 1.0% PIK	N/A	2/1/2018	8/1/2023	16,106	15,825	15,919	8.7
OnSite Care, PLLC (4) (8) Senior Secured Loan	Home Health Care Services	10.14%	(L +6.25%)	8/10/2018	8/10/2023	7,100	7,031	7,031	3.8
Parfums Holding Company, Inc.	Cosmetics, Beauty Supplies, and Perfume Stores								

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Senior Secured Loan		11.00%	(L +8.75%)	11/16/2017	6/30/2025	6,320	6,334	6,383	3.5
Pelican Products, Inc.	Unlaminated Plastics Profile Shape Manufacturing								
Senior Secured Loan		9.85%	(L +7.75%)	9/24/2018	5/1/2026	4,969	4,987	4,987	2.7
Performance Team LLC (4)	General Warehousing and Storage								
Senior Secured Loan		12.23%	(L +10.00%)	5/24/2018	11/24/2023	20,300	20,110	20,320	11.1
Planet Fitness Midwest LLC (4)	Fitness and Recreational Sports Centers								
Subordinated Loan		13.00%	N/A	6/16/2016	12/16/2021	5,000	4,971	5,025	2.7

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2018

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
PM Acquisition LLC	All Other General Merchandise Stores	11.50% cash / 2.5% PIK	N/A	9/30/2017	10/29/2021	\$ 5,527	\$ 5,467	\$ 5,491	3.0 %
Senior Secured Loan							499	280	0.2
Common Equity (499 units) (10) (13)				9/30/2017		5,527	5,966	5,771	3.2
Resource Label Group, LLC	Commercial Printing (except Screen and Books)								
Senior Secured Loan		10.84%	(L +8.50%)	6/7/2017	11/26/2023	4,821	4,764	4,747	2.6
RPLF Holdings, LLC (10) (13)	Software Publishers								
Common Equity (254,110 Class A units)				1/17/2018			254	302	0.2
Security Alarm Financing Enterprises, L.P. (4) (14)	Security Systems Services (except Locksmiths)	14.00% cash / 3.38% PIK	(L +15.00%)	10/14/2016	6/19/2020	12,694	12,636	12,790	7.0
Subordinated Loan									
Sentry Centers Holdings, LLC	Other Professional, Scientific, and Technical								

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	Services								
Senior Secured Loan (15)		13.70%	(L +11.50%)	1/25/2016	7/24/2020	8,863	8,801	8,787	4.8
Common Equity (5,000 Series C units) (10) (13)				3/31/2014			500	988	0.5
						8,863	9,301	9,775	5.3
Southern Technical Institute, LLC (4) (6) (10)	Colleges, Universities, and Professional Schools								
Subordinated Loan		6.00%	PIK	6/27/2018	12/31/2021	1,494	—	—	—
Other				6/27/2018			—	—	—
						1,494	—	—	—
SSH Group Holdings, Inc., Senior Secured Loan	Child Day Care Services	6.59%	(L +4.25%)	7/26/2018	7/30/2025	984	982	982	0.5
Senior Secured Loan		10.59%	(L +8.25%)	7/26/2018	7/30/2026	7,216	7,145	7,145	3.9
						8,200	8,127	8,127	4.4
Stancor, L.P. (4)	Pump and Pumping Equipment Manufacturing								
Preferred Equity (1,250,000 Class A units), 8% PIK (10)				8/19/2014			1,501	1,654	0.9
						—	1,501	1,654	0.9

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2018

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
STS Operating, Inc.	Industrial Machinery and Equipment Merchant Wholesalers	6.49%	(L +4.25%)	5/16/2018	12/11/2024	\$ 640	\$ 638	\$ 634	0.3 %
Senior Secured Loan		10.24%	(L +8.00%)	5/15/2018	4/30/2026	9,073	9,069	8,903	4.8
						9,713	9,707	9,537	5.1
The Escape Game, LLC (4)	Other amusement and recreation industries	10.98%	(L +8.75%)	12/22/2017	12/22/2022	7,000	6,956	6,874	3.7
Senior Secured Loan		10.98%		7/20/2018	12/22/2022	2,333	2,333	2,292	1.2
Senior Secured Loan (Delayed Draw)						9,333	9,289	9,166	4.9
Truck Hero, Inc.	Truck Trailer Manufacturing	10.46%	(L +8.25%)	5/30/2017	4/21/2025	7,014	6,975	7,083	3.9
United Biologics Holdings, LLC (4) Preferred Equity (151,787 units) (10) Warrants (29,374 units) (10)	Medical Laboratories			4/16/2013			9	20	—
				7/26/12	3/05/2022 (12)		82	28	—
						—	91	48	—
Wand Intermediate I LP	Automotive Body, Paint, and Interior Repair and Maintenance	9.58%	(L +7.25%)	5/14/2018	9/19/2022	3,331	3,365	3,347	1.8
Senior Secured Loan									
Total Non-control/Non-affiliate						277,850	281,572	272,764	27.9

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Investments									
Affiliate Investments									
3rd Rock Gaming Holdings, LLC	Software Publishers								
Senior Secured Loan		9.67%	(L +7.50%)	3/13/2018	3/12/2023	21,875	21,583	21,593	11.8
Common Equity (2,547,250 units) (10) (13)				3/13/2018		2,547	1,918	1.0	
						21,875	24,130	23,511	12.8
All Metals Holding, LLC (4)	Metal Service Centers and Other Metal Merchant Wholesalers								
Senior Secured Loan		12.0%	cash / 1.0% PIK	N/A	12/31/2014	12/28/2021	19,451	18,932	19,609
Common Equity (797,443 units) (10)					12/31/2014		523	3,524	1.9
							19,451	19,455	23,133
Contract Datascan Holdings, Inc. (4)	Office Machinery and Equipment Rental and Leasing								
Subordinated Loan		11.00%	N/A	8/5/2015	2/5/2021	8,000	7,989	8,000	4.4

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Consolidated Schedule of Investments - Continued

September 30, 2018

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Authorized Cost	Fair Value (3)	Percent of Net Assets
Preferred Equity (3,061 Series A shares), 10% PIK (10)				8/5/2015		\$ 4,792	\$ 6,495	3.5 %	
Common Equity (11,273 shares) (10)				6/28/2016		104	2,678	1.5	
						8,000	12,885	17,173	9.4
DRS Imaging Services, LLC	Data Processing, Hosting, and Related Services								
Senior Secured Loan (4) (8)		12.75%	(L +8.00%)	3/8/2018	3/8/2023	5,446	5,354	5,414	2.9
Common Equity (453 units) (10) (13)				3/8/2018		454	459	459	0.3
						5,446	5,808	5,873	3.2
Master Cutlery, LLC (4) (6) (10)	Sporting and Recreational Goods and Supplies Merchant Wholesalers								
Subordinated Loan (11)		13.00%	N/A	4/17/2015	4/17/2020	5,102	4,764	1,683	0.9
Preferred Equity (3,723 Series A units), 8% PIK				4/17/2015		3,483	—	—	—
Common Equity (15,564 units)				4/17/2015		—	—	—	—
						5,102	5,247	1,683	0.9
NeoSystems Corp. (4)	Other Accounting Services								
Subordinated Loan		10.50% cash / 2.75% PIK	N/A	8/29/2014	8/13/2019	2,177	2,173	2,142	1.2
Preferred Equity				8/14/2014		1,499	2,250	2,250	1.2

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(521,962 convertible shares), 10% PIK (10)						2,1773,672	4,392	2.4
Pfanstiehl Holdings, Inc. (4)	Pharmaceutical Preparation Manufacturing							
Subordinated Loan		10.50%	N/A	1/1/2014	9/29/2022	3,7883,816	3,788	2.1
Common Equity (400 Class A shares)				1/1/2014		217	7,366	4.0
						3,7884,033	11,154	6.1
Professional Pipe Holdings, LLC	Plumbing, Heating, and Air-Conditioning Contractors							
Senior Secured Loan		12.33%	(L +10.25%)	3/23/2018	3/23/2023	8,2508,102	8,085	4.4
Common Equity (1,414 Class A units) (10)				3/23/2018		1,414	1,513	0.8
						8,2509,516	9,598	5.2
TRS Services, LLC (4) (10) (11)	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance							
Senior Secured Loan		10.99%	(L +8.75%)	12/10/2014	12/10/2019	14,6944,614	14,406	7.8
		cash / 1.00%	PIK					

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2018

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Preferred Equity (329,266 Class AA units), 15% PIK				6/30/2016			\$ 448	\$ 456	0.2 %
Preferred Equity (3,000,000 Class A units), 11% PIK				12/10/2014			3,374	926	0.5
Common Equity (3,000,000 units)				12/10/2014			572	—	—
Total Affiliate Investments Control Investment						14,694	19,008	15,788	8.5
MTE Holding Corp. (4)	Travel Trailer and Camper Manufacturing					88,783	106,754	112,305	61.1
Subordinated Loan (to Mirage Trailers, LLC, a controlled, consolidated subsidiary of MTE Holding Corp.)		13.74% cash / 1.5% PIK	(L +11.50%)	11/25/2015	11/25/2020	7,268	7,237	7,340	4.0
Common Equity (554 shares)				11/25/2015			3,069	3,624	2.0
						7,268	10,306	10,964	6.0
						7,268	10,306	10,964	6.0

Total Control  
Investment

Total Investments \$373,901 \$398,635 \$396,033 195.0%

Equity ownership may be held in shares or units of companies affiliated with the portfolio company. The (1) Company's investments are generally classified as "restricted securities" as such term is defined under Regulation S-X Rule 6-03(f) or Securities Act Rule 144.

Substantially all of the investments that bear interest at a variable rate are indexed to LIBOR (L), and reset monthly, quarterly, or semi-annually. Variable-rate loans with an aggregate cost of \$282,370 include LIBOR reference rate floor provisions of generally 1% to 2%; at September 30, 2018, the reference rate on all such (2) instruments was above the stated floors. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at September 30, 2018. 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) Investments (or portion thereof) held by SBIC I LP. All other investments pledged as collateral under the PWB Credit Facility.

Elgin Fasteners Group became contractually due on August 27, 2018. The lending group entered into a forbearance (5) agreement to extend the maturity through September 26, 2019. The investment shall continue to accrue interest as the borrower has continued to make interest and amortization payments.

(6) Investment was on non-accrual status as of September 30, 2018, meaning the Company has ceased recognizing all or a portion of income on the investment. See Note 4 for further details.

(7) Reserved.

The Company has entered into a contractual arrangement with co lenders whereby, subject to certain conditions, it (8) has agreed to receive its payment after the repayment of certain co lenders pursuant to a payment waterfall. The table below provides additional details as of September 30, 2018:

Portfolio Company	Credit Agreement	Additional Interest per Annum
Carolina Lubes, Inc.	9.59%	0.62%
DRS Imaging Services, LLC	10.31%	2.44%
JBR Clinical Research, Inc.	8.6%	0.74%
OnSite Care, PLLC	8.51%	1.63%

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

September 30, 2018

(Dollar amounts in thousands)

(9)Reserved.

(10)Non-income producing.

(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, 2018:

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%	13.00% or 12.00%	1.00 %
Master Cutlery, LLC	Senior Secured Loan	0% to 13.00%	13.00% to 0%	13.00 %
TRS Services, LLC	Senior Secured Loan	0% or 1.00%	10.84% or 1.00%	1.00 %

(12)Represents expiration date of the warrants.

(13)All or portion of investment held by a wholly-owned subsidiary subject to income tax.

The PIK provision is reset at the beginning of each interest period equal to the excess of reference rate over the

(14)reference rate floor of 1.00%. The PIK interest rate in the schedule represents the current PIK interest rate in effect.

(15)Maximum interest rate allowable under the terms of this investment is 13.50%.

See Notes to Financial Statements.

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments

December 31, 2017

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Non-control/Non-affiliate Investments									
Aegis Acquisition, Inc. Senior Secured Loan	Testing Laboratories	10.17%	(L +8.50%)	10/31/2017	8/24/2021	\$ 3,520	\$ 3,470	\$3,439	1.8 %
Armor Holdings II LLC Senior Secured Loan	Other Professional, Scientific, and Technical Services	10.70%	(L +9.00%)	7/20/2016	12/26/2020	3,500	3,476	3,570	1.9
Avison Young Canada, Inc. Senior Secured Loan (5) (6)	Offices of Real Estate Agents and Brokers	9.50%	N/A	12/23/2016	12/15/2021	4,000	3,939	4,070	2.3
BJ's Wholesale Club, Inc. Senior Secured Loan	Warehouse Clubs and Supercenters	8.95%	(L +7.50%)	5/9/2017	2/3/2025	9,268	9,158	9,063	4.8
Carolina Lubes, Inc. (5) (9) Senior Secured Loan Senior Secured Loan (Revolver) Preferred Equity (973 units) 14% PIK	Automotive Oil Change and Lubrication Shops	9.28%	(L +7.25%)	8/23/2017	8/23/2022	21,411	21,236	21,430	11.4
		8.59%	(L +7.25%)	8/23/2017	8/23/2022	487	473	489	0.3
				8/23/2017			3,039	3,065	1.6
						21,898	24,748	24,984	13.3
Community Intervention Services, Inc. (5)	Outpatient Mental Health and Substance								

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	Abuse Centers	7.0%							
Subordinated Loan (7) (11)		cash / 6.0% PIK	N/A	7/16/2015	1/16/2021	8,530	7,639	—	—
	Insurance Agencies and Brokerages								
Confie Seguros Holdings II Co. Senior Secured Loan		10.98%	(L +9.50%)	7/7/2015	5/8/2019	9,678	9,579	9,417	5.0
	Other Justice, Public Order, and Safety Activities								
Constellis Holdings, LLC Senior Secured Loan		10.69%	(L +9.00%)	4/28/2017	4/21/2025	9,950	9,813	9,919	5.3
	Offices of Physicians, Mental Health Specialists								
DuPage Medical Group Senior Secured Loan		8.42%	(L +7.00%)	8/22/2017	8/15/2025	5,600	5,547	5,503	2.9

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December 31, 2017

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Eblens Holdings, Inc.	Shoe Store	12.0% cash / 1.00% PIK	N/A	7/13/2017	1/13/2023	\$ 8,830	\$ 8,749	\$ 8,726	4.6 %
Subordinated Loan									
Common Equity (71,250 Class A units)				7/13/2017			713	771	0.4
						8,830	9,462	9,497	5.0
Elgin Fasteners Group	Bolt, Nut, Screw, Rivet, and Washer Manufacturing	8.44%	(L +6.75%)	10/31/2011	8/27/2018	3,888	3,873	3,544	1.9
Senior Secured Loan									
GGC Aerospace Topco L.P.	Other Aircraft Parts and Auxiliary Equipment Manufacturing	10.23%	(L +8.75%)	12/29/2017	9/8/2024	5,000	4,875	4,875	2.6
Senior Secured Loan									
Common Equity (368,852 Class A units)				12/29/2017			450	450	0.2
Common Equity (40,984 Class B units)				12/29/2017			50	50	—
						5,000	5,375	5,375	2.8
LRI Holding, LLC (5)	Electrical Contractors and Other Wiring Installation Contractors	10.94%	(L +9.25%)	6/30/2017	6/30/2022	18,269	18,125	18,205	9.7
Senior Secured Loan									
Preferred Equity (238,095 Series B				6/30/2017			300	300	0.2

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units)						18,269	18,425	18,505	9.9
Maverick Healthcare Equity, LLC (5)	Home Health Equipment Rental								
Preferred Equity (1,250,000 units) (10)				12/10/2014		900	141	0.1	
Common Equity (1,250,000 Class A units) (10)				12/10/2014		—	—	—	
						900	141	0.1	
My Alarm Center, LLC (5)	Security Systems Services (except Locksmiths)								
Preferred Equity (1,485 Class A units), 8% PIK (10) (13)				7/14/2017		1,540	1,540	0.8	
Preferred Equity (1,198 Class B units)				7/14/2017		1,198	1,198	0.6	
Common Equity (64,149 units) (13)				7/14/2017		—	43	—	
						2,738	2,781	1.4	
NVA Holdings, Inc.	Veterinary Services								
Senior Secured Loan		8.69%	(L +7.00%)	5/18/2016	8/14/2022	743	743	748	0.4
O2 Holdings, LLC (5)	Fitness and Recreational Sports Centers								
Senior Secured Loan		14.56%	(L +13.00%)	9/2/2016	9/2/2021	13,350	12,977	13,617	7.2

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Consolidated Schedule of Investments - Continued

December 31, 2017

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Parfums Holding Company, Inc. Senior Secured Loan	Cosmetics, Beauty Supplies, and Perfume Stores	10.45%	(L +8.75%)	11/16/2017	6/30/2025	\$ 3,520	\$ 3,492	\$ 3,472	1.8 %
Planet Fitness Midwest LLC (5) Subordinated Loan	Fitness and Recreational Sports Centers	13.00%	N/A	6/16/2016	12/16/2021	5,000	4,964	5,011	2.7
PM Acquisition LLC Senior Secured Loan	All Other General Merchandise Stores	11.50% cash / 1.00% PIK	N/A	9/30/2017	10/29/2021	6,187	6,108	6,059	3.2
Common equity (499 units) (10)				9/30/2017			499	278	0.1
						6,187	6,607	6,337	3.3
Resource Label Group, LLC Senior Secured Loan	Commercial Printing (except Screen and Books)	10.19%	(L +8.50%)	6/7/2017	11/26/2023	4,821	4,755	4,767	2.5
Security Alarm Financing Enterprises, L.P. (5) Subordinated Loan (14)	Security Systems Services (except Locksmiths)	14.00% cash / 0.69% PIK	(L +13.00%)	10/14/2016	6/19/2020	12,525	12,441	12,364	6.6

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Sentry Centers Holdings, LLC	Other Professional, Scientific, and Technical Services								
Senior Secured Loan		13.07%	(L +11.50%)	1/25/2016	7/24/2019	4,195	4,156	4,259	2.3
Preferred Equity (5,000 Series C units), 8% PIK (10) (13)				3/31/2014			527	527	0.3
						4,195	4,683	4,786	2.6
Southern Technical Institute, LLC (5)	Colleges, Universities, and Professional Schools								
Subordinated Loan (10)		15.00% PIK	N/A	12/2/2014	12/2/2020	3,520	3,451	1,201	0.6
Preferred Equity (1,764,720 Class SP-1 units), 15.75% PIK (8) (10)				3/30/2016			2,094	—	—
Warrants (2,174,905 Class A units) (10)				3/30/2016	3/30/2026		46	—	—
						3,520	5,591	1,201	0.6



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Warrants (29,374 units) (10)			7/26/2012	3/5/2022	82	147	0.1
					4,273	4,346	4,512 2.4
Total Non-control/Non-affiliate Investments					199,332	209,360	197,374 104.9
Affiliate Investments							
All Metals Holding, LLC (5)	Metal Service Centers and Other Metal Merchant Wholesalers						
Senior Secured Loan		12.00% cash / 1.00% PIK	N/A	12/31/2014	12/28/2021	12,869	12,288 12,759 6.8
Common Equity (637,954 units) (10)				12/31/2014		565	1,785 0.9
						12,869	12,853 14,544 7.7

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(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Contract Datascan Holdings, Inc. (5) Subordinated Loan	Office Machinery and Equipment Rental and Leasing	12.00%	N/A	8/5/2015	2/5/2021	\$ 8,000	\$ 7,985	\$ 8,000	4.2 %
Preferred Equity (3,061 Series A shares), 10% PIK (10)				8/5/2015			4,347	5,964	3.2
Common Equity (11,273 shares) (10)				6/28/2016			104	260	0.1
						8,000	12,436	14,224	7.5
Jobson Healthcare Information, LLC (5) (9)	Other Professional, Scientific, and Technical Services	10.13% cash / 5.30% PIK	(L +13.43%)	7/23/2014	7/21/2019	15,447	15,241	12,910	6.9
Senior Secured Loan (11)									
Common Equity (13 member units)				12/15/2017			—	—	—
Warrants (1 member unit) (10)				7/23/2014	7/21/2019		454	—	—
						15,447	15,695	12,910	6.9
Master Cutlery, LLC (5)	Sporting and Recreational Goods and Supplies Merchant Wholesalers								
Subordinated Loan		13.00%	N/A	4/17/2015	4/17/2020	4,705	4,692	2,873	1.5
Preferred Equity (3,723 Series A units),				4/17/2015			3,483	—	—

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8% PIK (8) (10) Common Equity (15,564 units) (10)				4/17/2015		—	—	—	
						4,705	8,175	2,873	1.5
NeoSystems Corp.(5)	Other Accounting Services								
		10.50%							
Subordinated Loan		cash / 1.25%	N/A	8/29/2014	8/13/2019	2,143	2,136	2,143	1.1
		PIK							
Preferred Equity (521,962 convertible shares), 10% PIK (10)				8/14/2014			1,390	2,248	1.2
						2,143	3,526	4,391	2.3
Pfanstiehl Holdings, Inc. (5)	Pharmaceutical Preparation Manufacturing								
Subordinated Loan		10.50%	N/A	1/1/2014	9/29/2021	3,788	3,823	3,755	2.0
Common Equity (400 Class A shares)				1/1/2014			217	4,755	2.5
						3,788	4,040	8,510	4.5

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

December 31, 2017

(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
TRS Services, LLC (5)	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance								
Senior Secured Loan Preferred Equity (329,266 Class AA units), 15% PIK (10)		10.07%	(L +8.50%)	12/10/2014	12/10/2019	\$9,466	\$9,330	\$9,466	5.0 %
Preferred Equity (3,000,000 Class A units), 11% PIK (8) (10)				6/30/2016			401	409	0.2
Preferred Equity (3,000,000 Class A units), 11% PIK (8) (10)				12/10/2014			3,374	2,230	1.2
Common Equity (3,000,000 units) (10)				12/10/2014			572	—	—
Total Affiliate Investments						9,466	13,677	12,105	6.4
						56,418	70,402	69,557	36.8
Control Investment MTE Holding Corp. (2) (5)	Travel Trailer and Camper Manufacturing								
Subordinated Loan (to Mirage)		13.07%	(L cash / +13.50%)	11/25/2015	11/25/2020	7,186	7,144	7,118	3.8
		1.50%							

Trailers, LLC, a controlled, consolidated subsidiary of MTE Holding Corp.) Common Equity (554 shares)	PIK	11/25/2015	3,069	3,450	1.8
			7,186	10,213	5.6
Total Control Investment			7,186	10,213	5.6
Total Investments			\$262,936	\$289,975	\$277,499 147.3%

Equity ownership may be held in shares or units of companies affiliated with the portfolio company. The Company's investments are generally classified as "restricted securities" as such term is defined under Regulation S-X Rule 6-03(f) or Securities Act Rule 144.

Substantially all of the investments that bear interest at a variable rate are indexed to LIBOR (L), and reset monthly, quarterly, or semi-annually. Variable-rate loans with an aggregate cost of \$189,022 include LIBOR reference rate floor provisions of generally 1% to 2%; at December 31, 2017, approximately 7% of the Company's

LIBOR referenced amounts are subject to a reference rate floor of 2.00%. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at December 31, 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.

Fair value was determined using significant unobservable inputs for all of the Company's investments. See Note 6 for further details.

The negative amount represents the excess of the par value of an unfunded commitment in excess of its fair value.

Investments (or portion thereof) held by SBIC I LP. All other investments pledged as collateral under the PWB Credit Facility.

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, 2017, 97.53% of the Company's assets were qualifying assets.

Investment was on non-accrual status as of December 31, 2017, meaning the Company has ceased recognizing all or a portion of income on the investment. See Note 4 for further details.

The fair value of the most-recently recognized PIK dividend as of December 31, 2017, was \$-0-.

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 9.28% at December 31, 2017, includes additional interest of 0.69% per annum as specified under the contractual arrangement among the Company and the co lenders.

Non-income producing.

## OFS Capital Corporation and Subsidiaries

## Consolidated Schedule of Investments - Continued

December 31, 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 December 31, 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%	13.00% or 12.00%	1.00 %
Jobson Healthcare Information, LLC	Senior Secured Loan	1.50% to 5.30%	13.93% to 10.13%	5.30 %
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)All or portion of investment held by a wholly-owned subsidiary subject to income tax.

The PIK provision is reset at the beginning of each interest period equal to the excess of reference rate over the

(14)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

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 Subchapter M of 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 serves as the investment adviser for HPCI, a non-traded BDC with an investment strategy and objective similar to the Company. OFS Advisor also serves as the investment adviser for OCCI, a newly organized, non-diversified, externally managed, closed-end management investment company that has registered as an investment company under the 1940 Act that primarily invests in the equity tranche of CLOs.

The Company may make investments directly or through SBIC I LP. 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, and capitalization thresholds that may limit distributions to the Company; and is subject to periodic audits and examinations of its financial statements.

Note 2. Summary of Significant Accounting Policies

**Basis of presentation:** The Company is an investment company as defined in the accounting and reporting guidance under ASC Topic 946, Financial Services—Investment Companies. The accompanying interim consolidated financial statements of the Company and related financial information have been prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6, 10 and 12 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. However, 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 as of and for the periods presented. 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, 2017. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

**Significant Accounting Policies:** The following information supplements the description of significant accounting policies contained in Note 2 to the Company's consolidated financial statements included in the Company's 2017 Form 10-K.

**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.

**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 this risk of loss is minimal. The amount of loss due to credit risk from debt investments if borrowers fail to perform according to the terms of the contracts, and the collateral or other security for those instruments proved to be of no value to the Company, is equal to the

Company's recorded investment in debt instruments and the unfunded loan commitments as disclosed in Note 6.

**New Accounting Standards:** In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606). The guidance in this ASU supersedes the revenue recognition requirements in Revenue Recognition (ASC Topic 605). Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The application of this guidance did not have a material impact on the Company's consolidated financial statements.

## OFS Capital Corporation and Subsidiaries

## Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates, adds and modifies certain disclosure requirements for fair value measurements. The amendments are effective for all entities for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company adopted this guidance effective September 30, 2018.

The Company did not adopt any other new accounting pronouncements during the three or nine months ended September 30, 2018 that had or is expected to have a material impact on the Company's consolidated financial statements.

The following table discusses recently issued ASUs, as issued by the FASB yet to be adopted by the Company:

Standard	Description	Effect of adoption on the financial statements
Standards that are not yet adopted		
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 2017-08, 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.
ASU 2017-12, Derivatives and Hedging, Targeted Improvements to Accounting for Hedging Activities	Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires, for qualifying hedges, the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. Additionally, the guidance also expands an entity's ability to apply hedge accounting for nonfinancial and financial risk components, simplifies the hedge documentation and hedge effectiveness assessment requirements and modifies certain disclosure requirements.	Annual reporting periods beginning after December 15, 2018, including interim periods within those years. Early adoption is permitted. The Company is currently evaluating the impact this ASU will have on the Company's consolidated financial position or disclosures.

## 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 the Investment Advisory Agreement. The Investment Advisory Agreement was most recently re-approved by the Board on April 5, 2018. 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's services under the Investment Advisory Agreement are not exclusive to the Company and OFS Advisor is free to furnish similar services to other entities, including other funds affiliated with OFS Advisor, so long as its services to the Company are not impaired. OFS Advisor also serves as the investment adviser or collateral manager to CLO funds and other companies, including HPCI and OCCI.

## OFS Capital Corporation and Subsidiaries

## Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

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.

The incentive fee has two parts. The first part ("Income Incentive Fee") is calculated and payable quarterly in arrears based on the Company's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees 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 (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.

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 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).

On May 1, 2018, OFS Advisor agreed to irrevocably waive the receipt of \$22 in Income Incentive Fees (based on net investment income) related to net investment income, that it would otherwise be entitled to receive under the Investment Advisory Agreement for the three months ended March 31, 2018. As a result of the voluntary fee waiver, the Company incurred Income Incentive Fee expense of \$714 for the three months ended March 31, 2018, which is equal to the Income Incentive Fee expense the Company incurred for the three months ended December 31, 2017. The voluntary fee waiver did not include Capital Gain Fees, which was \$0 for the three months ended March 31, 2018.

## OFS Capital Corporation and Subsidiaries

## Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

**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 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 the 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' 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. To the extent that OFS Services outsources any of its functions, the Company will pay the fees associated with such functions on a direct basis without profit to OFS Services.

Expenses recognized for the three and nine months ended September 30, 2018 and 2017, under agreements with OFS Advisor and OFS Services are presented below:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Base management fees	\$1,678	\$1,310	\$4,586	\$3,726
Incentive fees:				
Income Incentive Fee	1,170	1,090	3,041	2,249
Capital Gain Fee	—	—	—	—
Incentive fee waiver	—	—	(22	) —
Administration fee expense	311	274	1,252	982

## Note 4. Investments

As of September 30, 2018, the Company had loans to 42 portfolio companies, of which 82% were senior secured loans and 18% were subordinated loans, at fair value, as well as equity investments in 15 of these portfolio companies. The Company also held equity investments in 5 portfolio companies in which it did not hold a debt investment. At September 30, 2018, investments consisted of the following:

	Amortized Cost	Percentage of Net Assets	Fair Value	Percentage of Net Assets
Senior secured debt investments <sup>(1)</sup>	\$ 291,896	159.0 %	\$ 292,275	159.1 %
Subordinated debt investments	75,878	41.3	65,470	35.7
Preferred equity	19,413	10.6	14,445	7.9
Common equity and warrants	11,448	6.2	23,843	13.0
Total investments	\$ 398,635	217.1 %	\$ 396,033	215.7 %

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(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. Amortized cost and fair value of these investments were \$46,326 and \$46,668, respectively.

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## OFS Capital Corporation and Subsidiaries

## Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

As of September 30, 2018, all of the Company's investments 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 investment portfolio were as follows:

	Amortized Cost	Percentage of Total Amortized Cost	Net Assets %	Fair Value	Percentage of Total Fair Value	Net Assets %
Administrative and Support and Waste Management and Remediation Services						
Security Systems Services (except Locksmiths)	\$ 17,520	4.4%	9.6 %	\$ 16,934	4.3%	9.2 %
Temporary Help Services	13,014	3.3	7.1	12,895	3.3	7.0
Arts, Entertainment, and Recreation						
Fitness and Recreational Sports Centers	18,633	4.7	10.1	18,952	4.8	10.3
Other amusement and recreation industries	9,289	2.3	5.1	9,166	2.3	5.0
Construction						
Electrical Contractors and Other Wiring Installation Contractors	17,543	4.4	9.6	17,260	4.4	9.4
Plumbing, Heating, and Air-Conditioning Contractors	9,516	2.4	5.2	9,598	2.4	5.2
Education Services						
Colleges, Universities, and Professional Schools	—	—	—	—	—	—
Finance and Insurance						
Direct Health and Medical Insurance Carriers	3,181	0.8	1.7	3,181	0.8	1.7
Insurance Agencies and Brokerages	9,634	2.4	5.2	9,600	2.4	5.2
Health Care and Social Assistance						
Child Day Care Services	8,127	2.0	4.4	8,127	2.1	4.4
Home Health Care Services	7,031	1.8	3.8	7,031	1.8	3.8
Medical Laboratories	91	—	—	48	—	—
Offices of Physicians, Mental Health Specialists	7,173	1.8	3.9	7,129	1.8	3.9
Outpatient Mental Health and Substance Abuse Centers	11,602	2.9	6.3	3,947	1.0	2.1
Information						
Data Processing, Hosting, and Related Services	5,808	1.5	3.2	5,873	1.5	3.2
Software Publishers	24,384	6.1	13.4	23,813	5.9	13.1
Manufacturing						
Bolt, Nut, Screw, Rivet, and Washer Manufacturing	3,699	0.9	2.0	3,570	0.9	1.9
Commercial Printing (except Screen and Books)	4,764	1.1	2.6	4,747	1.2	2.6
Other Aircraft Parts and Auxiliary Equipment Manufacturing	5,389	1.4	2.9	5,370	1.4	2.9
Pharmaceutical Preparation Manufacturing	4,033	1.0	2.2	11,154	2.8	6.1
Printing Machinery and Equipment Manufacturing	5,000	1.3	2.7	4,978	1.3	2.7
Pump and Pumping Equipment Manufacturing	1,501	0.4	0.8	1,654	0.4	0.9
Travel Trailer and Camper Manufacturing	10,306	2.6	5.6	10,964	2.8	6.0

## OFS Capital Corporation and Subsidiaries

## Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

	Amortized Cost	Percentage of Total Amortized Cost	Net Assets	Fair Value	Percentage of Total Fair Value	Net Assets
Truck Trailer Manufacturing	6,975	1.7	3.8	7,083	1.8	3.9
Unlaminated Plastics Profile Shape Manufacturing	4,987	1.3	2.7	4,987	1.3	2.7
Other Services (except Public Administration)						
Automotive Body, Paint, and Interior Repair and Maintenance	3,365	0.8	1.8	3,347	0.8	1.8
Automotive Oil Change and Lubrication Shops	22,192	5.6	12.1	22,479	5.7	12.3
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	19,008	4.8	10.4	15,788	4.0	8.6
Professional, Scientific, and Technical Services						
Other Accounting Services	3,672	0.9	2.0	4,392	1.1	2.4
Other Professional, Scientific, and Technical Services	9,301	2.3	5.1	9,775	2.5	5.3
Research and Development in the Social Sciences and Humanities	13,100	3.3	7.1	13,100	3.3	7.1
Public Administration						
Other Justice, Public Order, and Safety Activities	9,827	2.5	5.4	9,637	2.4	5.2
Real Estate and Rental and Leasing						
Home Health Equipment Rental	900	0.2	0.5	26	—	—
Office Machinery and Equipment Rental and Leasing	12,885	3.2	7.0	17,173	4.3	9.4
Retail Trade						
Cosmetics, Beauty Supplies, and Perfume Stores	6,334	1.6	3.4	6,383	1.6	3.5
Shoe store	9,541	2.4	5.2	9,509	2.4	5.2
All Other General Merchandise Stores	5,966	1.5	3.2	5,771	1.5	3.1
Transportation and Warehousing						
General Warehousing and Storage	20,110	5.0	11.0	20,320	5.1	11.1
Wholesale Trade						
Industrial Machinery and Equipment Merchant Wholesalers	9,707	2.4	5.3	9,537	2.4	5.2
Metal Service Centers and Other Metal Merchant Wholesalers	19,455	4.9	10.6	23,133	5.8	12.7
Sporting and Recreational Goods and Supplies Merchant Wholesalers	8,247	2.1	4.5	1,683	0.4	0.9
Stationary & Office Supply Merchant Wholesaler	15,825	4.0	8.6	15,919	4.0	8.7
	\$398,635	100.0%	217.1%	\$396,033	100.0%	215.7%

As of December 31, 2017, the Company had loans to 35 portfolio companies, of which 79% were senior secured loans and 21% 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 2 portfolio companies in which it did not hold a debt investment.

OFS Capital Corporation and Subsidiaries

Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

As of December 31, 2017, investments consisted of the following:

	Amortized Cost	Percentage of Net Assets	Fair Value	Percentage of Net Assets
Senior secured debt investments <sup>(1)</sup>	\$ 196,020	104.1 %	\$ 195,112	103.5 %
Subordinated debt investments	63,031	33.5	51,198	27.2
Preferred equity	24,103	12.8	19,200	10.2
Common equity and warrants	6,821	3.6	11,989	6.4
Total investments	\$ 289,975	154.0 %	\$ 277,499	147.3 %

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. Amortized cost and fair value of these investments was \$21,709 and \$21,919, respectively.

At December 31, 2017, all but one (domiciled in Canada) of the Company's investments, with an amortized cost and fair value of \$3,939 and \$4,070, 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 investment portfolio were as follows:

	Amortized Cost	Percentage of Total: Amortized Cost	Percentage of Total: Net Assets	Fair Value	Percentage of Total: Fair Value	Percentage of Total: Net Assets
Administrative and Support and Waste Management and Remediation Services						
Security Systems Services (except Locksmiths)	\$ 15,179	5.2%	8.1 %	\$ 15,145	5.5%	8.0 %
Arts, Entertainment, and Recreation						
Fitness and Recreational Sports Centers	17,941	6.2	9.5	18,628	6.7	9.9
Other Amusement and Recreation Industries	6,948	2.4	3.7	6,948	2.5	3.7
Construction						
Electrical Contractors and Other Wiring Installation Contractors	18,425	6.4	9.8	18,505	6.7	9.8
Education Services						
Colleges, Universities, and Professional Schools	5,591	1.9	3.0	1,201	0.4	0.6
Finance and Insurance						
Insurance Agencies and Brokerages	9,579	3.3	5.1	9,417	3.4	5.0
Offices of Real Estate Agents and Brokers	3,939	1.4	2.1	4,070	1.5	2.2
Health Care and Social Assistance						
Medical Laboratories	4,346	1.5	2.3	4,512	1.6	2.4
Offices of Physicians, Mental Health Specialists	5,547	1.9	2.9	5,503	2.0	2.9
Outpatient Mental Health and Substance Abuse Centers	7,639	2.6	4.1	—	—	—
Manufacturing						
Bolt, Nut, Screw, Rivet, and Washer Manufacturing	3,873	1.3	2.1	3,544	1.3	1.9
Commercial Printing (except Screen and Books)	4,755	1.6	2.5	4,767	1.7	2.5
Other Aircraft Parts and Auxiliary Equipment Manufacturing	5,375	1.9	2.9	5,375	1.9	2.9
Pharmaceutical Preparation Manufacturing	4,040	1.4	2.1	8,510	3.1	4.5
Pump and Pumping Equipment Manufacturing	9,397	3.2	5.0	9,405	3.4	5.0



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OFS Capital Corporation and Subsidiaries

Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

Travel Trailer and Camper Manufacturing	10,213	3.5	5.5	10,568	3.7	5.5
Truck Trailer Manufacturing	6,971	2.4	3.8	7,064	2.5	3.7
Other Services (except Public Administration)						
Automotive Oil Change and Lubrication Shops	24,748	8.5	13.1	24,984	9.0	13.3
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	13,677	4.8	7.3	12,105	4.4	6.4
Professional, Scientific, and Technical Services						
Computer Systems Design and Related Services	7,303	2.5	3.9	7,334	2.6	3.9
Other Accounting Services	3,526	1.2	1.9	4,391	1.6	2.3
Other Professional, Scientific, and Technical Services	23,854	8.2	12.7	21,266	7.7	11.3
Testing Laboratories	3,470	1.2	1.8	3,439	1.2	1.8
Veterinary Services	743	0.3	0.4	748	0.3	0.4
Public Administration						
Other Justice, Public Order, and Safety Activities	9,813	3.4	5.2	9,919	3.6	5.3
Real Estate and Rental and Leasing						
Home Health Equipment Rental	900	0.3	0.5	141	0.1	0.1
Office Machinery and Equipment Rental and Leasing	12,436	4.3	6.6	14,224	5.1	7.6
Retail Trade						
Cosmetics, Beauty Supplies, and Perfume Stores	3,492	1.2	1.9	3,472	1.3	1.8
Shoe store	9,462	3.3	5.0	9,497	3.4	5.0
Warehouse Clubs and Supercenters	9,158	3.2	4.9	9,063	3.3	4.8
All Other General Merchandise Stores	6,607	2.3	3.5	6,337	2.3	3.4
Wholesale Trade						
Metal Service Centers and Other Metal Merchant Wholesalers	12,853	4.4	6.8	14,544	5.2	7.7
Sporting and Recreational Goods and Supplies Merchant Wholesalers	8,175	2.8	4.3	2,873	1.0	1.5
	\$289,975	100.0%	154.0%	\$277,499	100.0%	147.3%

In December 2017, the Company's investment in Jobson Healthcare Information, LLC ("Jobson") was restructured, whereby the lender group, including the Company, purchased all the outstanding equity of Jobson for a nominal purchase price. During the nine months ending September 30, 2018, the Company sold its debt and equity securities in Jobson and recognized a realized loss \$3,931, of which \$2,786 was recognized as unrealized losses as of December 31, 2017.

In June 2018, the Company's investment in Southern Technical Institute, LLC was restructured. The Company converted its subordinated note, SP-1 preferred shares, and warrants for a \$1,471 subordinated loan and 1,764 shares of Class A-1 common units. The cost and fair value of the securities received were \$-0- and \$-0- as of September 30, 2018. The Company recognized a realized loss on the restructuring of \$5,608 for the nine months ended September 30, 2018, of which \$4,407 was recognized as unrealized losses as of December 31, 2017.

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. Interest accruals and Net Loan Fee amortization are resumed on non-accrual investments only when they are brought current with respect to principal, interest and when, in the judgment of management, the investments are estimated to be fully collectible as to all principal. The aggregate amortized cost and fair value of loans on non-accrual status with respect to



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(Dollar amounts in thousands, except per share data)

all interest and Net Loan Fee amortization was \$12,403 and \$1,683, respectively at September 30, 2018, and \$11,090 and \$1,201 at December 31, 2017, respectively.

In August 2018, the Elgin Fasteners Group senior secured loan became contractually due. The lending group entered into a forbearance agreement with respect to the maturity date through September 26, 2019 subject to other terms and conditions. The investment will continue to accrue interest as the borrower has continued to make interest and amortization payments.

Note 5. Fair Value of Financial Instruments

The Company's investments are valued at fair value as determined in good faith by management under the supervision, and review and approval of the Board.

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 judgment or estimation by management. 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.

There were no transfers among Level 1, 2 and 3 for the three and nine months ended September 30, 2018 and 2017. 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.

OFS Capital Corporation and Subsidiaries

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(Dollar amounts in thousands, except per share data)

The following tables provide quantitative information about valuation techniques and the Company's significant inputs to the Company's Level 3 fair value measurements as of September 30, 2018 and December 31, 2017. 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, 2018 <sup>(1)</sup>	Valuation technique	Unobservable inputs	Range (Weighted average)
Debt investments:				
Senior secured	\$ 254,059	Discounted cash flow	Discount rates	6.84% - 19.99% (13.14%)
Subordinated	56,447	Discounted cash flow	Discount rates	7.19% - 16.05% (12.42%)
	9,023	Enterprise value	EBITDA multiples	4.00x - 7.25x (5.54x)

Equity investments:

Preferred equity	14,432	Enterprise value	EBITDA multiples	5.00x - 9.00x (7.91x)
Common equity and warrants	23,843	Enterprise value	EBITDA multiples	4.00x - 11.75x (9.35x)

(1) Excludes \$38,216, \$0, and \$13, of senior secured debt investments, subordinated debt investments, and equity investments, respectively, valued at Transaction Prices.

	Fair Value at December 31, 2017 <sup>(1)</sup>	Valuation technique	Unobservable inputs	Range (Weighted average)
Debt investments:				
Senior secured	\$ 152,231	Discounted cash flow	Discount rates	10.01% - 16.50% (12.24%)
	12,910	Enterprise value	EBITDA multiples	7.50x - 7.50x (7.50x)
	9,063	Indicative Prices	Broker-dealers' quotes	N/A
Subordinated	47,117	Discounted cash flow	Discount rates	11.24% - 16.90% (14.69%)
	4,074	Enterprise value	EBITDA multiples	4.25x - 7.25x (6.37x)

Equity investments:

Preferred equity	19,200	Enterprise value	EBITDA multiples	4.25x - 13.48x (7.80x)
Common equity and warrants	11,489	Enterprise value	EBITDA multiples	4.25x - 8.28x (6.27x)

(1) Excludes \$20,908, \$7, and \$500 of senior secured debt investments, subordinated debt investments, and equity investments, respectively, valued at a Transaction Price.

Averages in the preceding two tables were weighted by the fair value of the related instruments.

Changes in market credit spreads or events impacting 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 fair values, with the fair value of a particular debt investment susceptible to change in inverse relation to the changes in the discount rate. Changes in EBITDA and/or EBITDA multiples, as well as changes in the discount rate, could have a significant impact on fair values, with the fair value of an equity investment

susceptible to change in tandem with the changes in EBITDA and/or EBITDA multiples, and in inverse relation to changes in the discount rate. 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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Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

The following tables present changes in investments measured at fair value using Level 3 inputs for the nine months ended September 30, 2018 and September 30, 2017.

	Nine Months Ended September 30, 2018				
	Senior Secured Debt Investments	Subordinated Debt Investments	Preferred Equity	Common Equity and Warrants	Total
Level 3 assets, January 1, 2018	\$ 195,112	\$ 51,198	\$ 19,200	\$ 11,989	\$ 277,499
Net realized gain (loss) on investments	(3,076 )	(3,469 )	(1,890 )	(586 )	(9,021 )
Net unrealized appreciation (depreciation) on investments	1,286	1,425	(65 )	7,226	9,872
Amortization of Net Loan Fees	893	99	—	—	992
Capitalized PIK interest and dividends	506	452	701	—	1,659
Purchase and origination of portfolio investments	166,386	20,930	338	4,928	192,582
Proceeds from principal payments on portfolio investments	(29,726 )	(5,165 )	—	—	(34,891 )
Sale and redemption of portfolio investments	(39,106 )	—	(3,339 )	(214 )	(42,659 )
Reclassification between preferred equity and common equity and warrants			(500 )	500	—
Level 3 assets, September 30, 2018	\$ 292,275	\$ 65,470	\$ 14,445	\$ 23,843	\$ 396,033
	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 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, dividends, and fees	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	\$ 194,153	\$ 62,942	\$ 28,499	\$ 11,036	\$ 296,630

The net unrealized appreciation (depreciation) reported in the Company's consolidated statements of operations for the nine months ended September 30, 2018 and 2017, attributable to the Company's Level 3 assets held at those respective period ends was \$4,438 and \$(5,425), respectively.



## OFS Capital Corporation and Subsidiaries

## Notes to Financial Statements

(Dollar amounts in thousands, except per share data)

## Other Financial Assets and Liabilities

GAAP requires disclosure of the fair value of financial instruments for which it is practical to estimate such value. 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, 2018 and December 31, 2017, the fair value of the Company's SBA debentures using Level 3 inputs is estimated at \$148,041 and \$155,510, respectively.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since fair value measurements are only required for a portion of the Company's assets and liabilities. 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.

## Note 6. Commitments and Contingencies

Unfunded commitments as of September 30, 2018, were as follows:

Name of Portfolio Company	Investment Type	Commitment
Carolina Lubes, Inc.	Senior Secured Loan (Revolver)	\$ 1,557
Cirrus Medical Staffing, Inc.	Senior Secured Loan (Revolver)	1,280
The Escape Game, LLC	Senior Secured Loan (Delayed Draw)	4,667
TRS Services, LLC	Senior Secured Loan (Delayed Draw)	1,000
		\$ 8,504

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, 2018.

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 SBA Debentures issued by SBIC I LP and other SBA regulations generally restrict assets held by SBIC I LP. On a stand-alone basis, SBIC I LP held \$251,043 and \$251,601 in assets at September 30, 2018, and December 31, 2017, respectively, which accounted for approximately 61% and 70% of the Company's total consolidated assets, respectively. These assets can not be pledged under any debt obligation of the Company.

**PWB Credit Facility:** The Company has up to \$50,000 of available credit under its PWB Credit Facility maturing January 31, 2020, of which \$17,000 was drawn as of September 30, 2018. The average dollar amount of borrowings outstanding during the nine months ended September 30, 2018 and 2017, were \$11,607 and \$8,980, respectively. The effective interest rate on the PWB Credit Facility was 6.40% at September 30, 2018. Availability under the PWB Credit Facility as of September 30, 2018 was \$33,000 based on the stated advance rate of 50% of the borrowing base.

**Unsecured Notes:** In April 2018, the Company publicly offered the Unsecured Notes Due April 2025 with aggregate principal of \$50,000. The total net proceeds to the Company from the Unsecured Notes Due April 2025, after deducting underwriting discounts and offering costs of \$1,753 were \$48,247.

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The Unsecured Notes Due April 2025 mature on April 30, 2025, and bear an effective interest rate, including amortization of deferred debt issuance costs, of 6.975%. The Unsecured Notes Due April 2025 are direct unsecured obligations and rank equal in right of payment with all current and future unsecured indebtedness of the Company. Because the Unsecured Notes Due

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## OFS Capital Corporation and Subsidiaries

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(Dollar amounts in thousands, except per share data)

April 2025 are not secured by any of the Company's assets, they are effectively subordinated to all existing and future secured unsubordinated indebtedness (or any indebtedness that is initially unsecured as to which the Company subsequently grant a security interest), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under the PWB Credit Facility. The Unsecured Notes Due April 2025 may be redeemed in whole or in part at any time or from time to time at the Company's option on or after April 30, 2020. The indenture governing the Unsecured Notes Due April 2025 contains certain covenants (i) prohibiting additional borrowings, including through the issuance of additional debt securities, unless the Company's asset coverage, as defined in the 1940 Act, after giving effect to any exemptive relief granted to the Company by the SEC, equals at least 200% (or 150% on and after May 3, 2019) after such borrowings; and (ii) prohibiting (a) the declaration of any cash dividend or distribution upon any class of the Company's capital stock (except to the extent necessary for the Company to maintain its treatment as a RIC under Subchapter M of the Code), or (b) the purchase any capital stock if the Company's asset coverage, as defined in the 1940 Act, were below 200% (or 150% on and after May 3, 2019) at the time of such capital transaction and after deducting the amount of such transaction.

Interest expense for the three and nine months ended September 30, 2018 and 2017 on the Company's outstanding borrowings is presented below:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
SBA Debentures	\$1,295	\$1,295	\$3,846	\$3,846
PWB Credit Facility	233	208	773	382
Unsecured Notes Due April 2025	865	—	1,577	—
Total interest expense	\$2,393	\$1,503	\$6,196	\$4,229

## Note 8. Federal Income Tax

The Company has elected to be taxed as a RIC under Subchapter M of the Code. The determination of the tax attributes of the Company's distributions is made annually as of the end of its fiscal year based on its ICTI and distributions for the full year.

The Company records reclassifications to its capital accounts for permanent and temporary differences between the GAAP and tax treatment of components of income and the bases of assets and liabilities. Reclassifications for the three and nine months ended September 30, 2018 and 2017, were as follows:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Paid-in capital in excess of par	\$268	\$1,470	\$304	\$1,534
Accumulated undistributed net investment income	355	184	(1,260)	516
Accumulated undistributed net realized gain (loss)	(623)	(1,654)	956	(2,050)

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, 2018, and December 31, 2017, were as follows:

	September 30, 2018	December 31, 2017
Tax-basis amortized cost of investments	\$ 394,506	\$282,401
Tax-basis gross unrealized appreciation on investments	22,689	16,207
Tax-basis gross unrealized depreciation on investments	(21,162)	(21,109)

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Tax-basis net unrealized appreciation (depreciation) on investments	1,527	(4,902 )
Fair value of investments	\$ 396,033	\$ 277,499

For further information, see the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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(Dollar amounts in thousands, except per share data)

Note 9. Financial Highlights

The following is a schedule of financial highlights for the three and nine months ended September 30, 2018 and 2017:

	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Per share data:				
Net asset value per share at beginning of period	\$ 13.70	\$ 14.40	\$ 14.12	\$ 14.82
Distributions <sup>(4)</sup>	(0.34)			