

# Non-GAAP Financial Measure– Adjusted Net Investment Income



- » On a supplemental basis, management provides disclosure of adjusted net investment income ("Adjusted NII"), which is a financial measure calculated and presented on a basis of accounting other than in accordance with generally accepted accounting principles of the United States of America ("GAAP"). Adjusted NII excludes the expense related to capital gains incentives incurred under our investment advisory and management agreement with OFS Capital Management, LLC ("Advisory Agreement"). Our Advisory Agreement includes a two part incentive fee: part one that provides incentive fees based on our pre-incentive fee net investment income for the immediately preceding calendar quarter, and part two that provides incentive fees based on our cumulative net realized gains since inception of the Advisory Agreement (the "Capital Gains Incentive Fee"). GAAP requires recognition of this expense as incurred, necessitating an accrual for fees on unrealized gains. Thus, the Capital Gains Incentive Fee recognized in our September 30, 2021 financial statements is not currently payable under the terms of the Advisory Agreement. Moreover, since the Capital Gains Incentive Fee is determined, in part, on the basis of net unrealized gains as of September 30, 2021, such fees are subject to reversal should net unrealized gains diminish or revert to net unrealized losses. Additionally, GAAP requires such fees to be included as a component of net investment income. Management believes this measure facilitates analysis of our results of operations and provides greater transparency into the determination of incentive fees. Adjusted NII is not meant as a substitute for net investment income determined in accordance with GAAP and should be considered in the context of the entirety of our reported results of operations, financial position and cash flows determined in accordance with GAAP.
- » The following table provides a reconciliation from net investment income (the most comparable GAAP measure) to Adjusted NII for the three months ended September 30, 2021 (dollar amounts in thousands, except per share data)

	(000's)	Per Common Share
Net investment income	\$ 3,235	\$ 0.24
Capital Gains Incentive Fee	102	0.01
Adjusted Net Investment Income	\$ 3,337	\$ 0.25