

Non-GAAP Financial Measure– Adjusted Net Investment Income



On a supplemental basis, we disclose Adjusted NII (including on a per share basis), which is a financial measure calculated and presented on basis other than in accordance with GAAP. Adjusted NII represents net investment income, excluding the capital gains incentive fee, in periods in which such expense occurs. GAAP requires recognition of a capital gains incentive fee in our financial statements when aggregate net realized and unrealized capital gains, if any, on a cumulative basis is positive from the date of the election to be a BDC through the reporting date. Such fees are subject to further conditions specified in the investment advisory agreement with OFS Capital Management, LLC, principally related to the realization of such net gains, before OFS Capital Management, LLC is entitled to payment, and such recognized fees are subject to the risk of reversal should unrealized gains diminish to become losses. Management believes that Adjusted NII is a useful indicator of operations exclusive of any net capital gains incentive fee, as net investment income does not include the net gains, realized or unrealized, associated with the capital gains incentive fee.

Management believes Adjusted NII facilitates the 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 quarters ended December 31, 2022 and September 30, 2022 (dollar amounts in thousands, except per share data) (Unaudited):

	December 31, 2022		September 30, 2022	
	(000's)	Per Share	(000's)	Per Share
Net investment income	\$ 4,727	\$ 0.35	\$ 4,372	\$ 0.33
Capital Gains Fee	-	-	-	-
Adjusted NII	\$ 4,727	\$ 0.35	\$ 4,372	\$ 0.33