

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

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)

| | |
|--|---|
| <u>Delaware</u> State or Other Jurisdiction of Incorporation or Organization | <u>46-1339639</u> I.R.S. Employer Identification No. |
| <u>10 S. Wacker Drive, Suite 2500, Chicago, Illinois</u> Address of Principal Executive Offices | <u>60606</u> Zip Code |
| <u>(847) 734-2000</u> Registrant's Telephone Number, Including Area Code | |

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, \$0.01 par value per share | OFS | The Nasdaq Global Select Market |
| 4.95% Notes due 2028 | OFSSH | The Nasdaq Global Select Market |

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 | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input checked="" type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the issuer's Common Stock, \$0.01 par value, outstanding as of August 3, 2022 was 13,429,777.

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 |
| Adjusted NII | A financial measure calculated and presented on a basis other than in accordance with GAAP and represents net investment income excluding the capital gains incentive fee |
| Administration Agreement | Administration Agreement between the Company and OFS Services dated November 7, 2012 |
| Affiliated Account | An account, other than the Company, managed by OFS Advisor or an affiliate of OFS Advisor |
| Affiliated Fund | Certain other funds, including other BDCs and registered investment companies managed by OFS Advisor or by registered investment advisers controlling, controlled by, or under common control with, OFS Advisor |
| ASC | Accounting Standards Codification, 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 |
| BNP Facility | A secured revolving credit facility, as amended, that provides for borrowings in an aggregate principal amount up to \$150,000,000 issued pursuant to a Revolving Credit and Security Agreement, as amended, by and among OFSCC-FS, the lenders from time to time parties thereto, BNP Paribas, as administrative agent, OFSCC-FS Holdings, LLC, a wholly owned subsidiary of the Company, as equityholder, the Company, as servicer, Citibank, N.A., as collateral agent and Virtus Group, LP, as collateral administrator |
| Board | The Company’s board of directors |
| CLO | Collateralized loan obligation |
| Code | Internal Revenue Code of 1986, as amended |
| Company | OFS Capital Corporation and its consolidated subsidiaries |
| 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 |
| LIBOR | London Interbank Offered Rate |
| NAV | Net asset value. NAV is calculated as consolidated total assets less consolidated total liabilities and can be expressed in the aggregate or on a per share basis |
| Net Loan Fees | The cumulative amount of fees, such as origination fees, discounts, premiums and amendment fees that are deferred and recognized as income over the life of the loan |
| OCCI | OFS Credit Company, 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 advisor under the Investment Advisers Act of 1940, as amended |
| 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 |
| OFSCC-FS | OFSCC-FS, LLC, an indirect wholly owned subsidiary of the Company |

| Term | Explanation or Definition |
|------------------------------------|--|
| OFSCC-FS Assets | Assets held by the Company through OFSCC-FS |
| OFSCC-MB | OFSCC-MB, Inc., a wholly owned subsidiary taxed under subchapter C of the Code that generally holds the equity investments of the Company that are taxed as pass-through entities |
| OID | Original issue discount |
| Order | An exemptive relief order from the SEC to permit us to co-invest in portfolio companies with Affiliated Funds in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions |
| Parent | OFS Capital Corporation |
| PIK | Payment-in-kind, non-cash interest or dividends payable as an addition to the loan or equity security producing the income |
| Portfolio Company Investment | A debt or equity investment in a portfolio company. Portfolio Company Investments exclude Structured Finance Notes |
| Prime Rate | United States Prime interest rate |
| PWB Credit Facility | A senior secured revolving credit facility, as amended, with Pacific Western Bank, as lender, that provides for borrowings to the Company in an aggregate principal amount up to \$35,000,000 |
| RIC | Regulated investment company under the Code |
| SBA | United States Small Business Administration |
| SBIC | A fund licensed under the SBA Small Business Investment Company Program |
| SBIC Acquisition | The Company's acquisition of the remaining ownership interests in SBIC I LP and OFS SBIC I GP, LLC on December 4, 2013 |
| SBIC I LP | OFS SBIC I, LP, a wholly owned SBIC subsidiary of the Company |
| SBIC I GP | OFS SBIC I GP, LLC |
| SEC | United States Securities and Exchange Commission |
| Securities Act | Securities Act of 1933, as amended |
| SOFR | Secured Overnight Financing Rate |
| 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 |
| Structured Finance Notes | CLO mezzanine debt, CLO subordinated debt and CLO loan accumulation facility positions |
| Transaction Price | The price in an arm's length transaction involving the same security |
| Unsecured Notes | The Unsecured Notes Due September 2023, the Unsecured Notes Due April 2025, the Unsecured Notes Due October 2025, the Unsecured Notes Due October 2026, the Unsecured Notes Due February 2026 and the Unsecured Notes Due October 2028 |
| Unsecured Notes Due April 2025 | The Company's \$50.0 million aggregate principal amount of 6.375% notes due April 30, 2025, which were redeemed on March 12, 2021 |
| Unsecured Notes Due February 2026 | The Company's \$125.0 million aggregate principal amount of 4.75% notes due February 10, 2026 |
| Unsecured Notes Due October 2025 | The Company's \$48.5 million aggregate principal amount of 6.5% notes due October 30, 2025, which were redeemed on March 12, 2021 |
| Unsecured Notes Due October 2026 | The Company's \$54.3 million aggregate principal amount of 5.95% notes due October 31, 2026, which were redeemed on November 22, 2021 |
| Unsecured Notes Due October 2028 | The Company's \$55.0 million aggregate principal amount of 4.95% notes due October 31, 2028 |
| Unsecured Notes Due September 2023 | The Company's \$25.0 million aggregate principal amount of 6.25% notes due September 30, 2023, which were redeemed on November 1, 2021 |

Forward-Looking Statements

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

- our ability and experience operating a BDC or an SBIC, or maintaining our tax treatment as a RIC under Subchapter M of the Code;
- our dependence on key personnel;
- our ability to maintain or develop referral relationships;
- our ability to replicate historical results;
- the ability of OFS Advisor to identify, invest in and monitor companies that meet our investment criteria;
- the belief that the carrying amounts of our financial instruments, such as cash, receivables and payables approximate the fair value of such items due to the short maturity of such instruments and that such financial instruments are held with high credit quality institutions to mitigate the risk of loss due to credit risk;
- actual and potential conflicts of interest with OFS Advisor and other affiliates of OFSAM;
- restrictions on our ability to enter into transactions with our affiliates;
- the impact of interest and inflation rates on our business prospects and the prospects of our portfolio companies;
- our ability to comply with SBA regulations and requirements;
- the use of borrowed money to finance a portion of our investments;
- our ability to incur additional leverage pursuant to Section 61(a)(2) of the 1940 Act and the impact of such leverage on our net investment income and results of operations;
- competition for investment opportunities;
- our plans to focus on first lien senior secured loans to larger borrowers and the impact on our risk profile, including our belief that the seniority of such loans in a borrower's capital structure may provide greater downside protection against adverse economic changes, including those caused by the ongoing impacts of the coronavirus (“COVID-19”) pandemic, the ongoing conflict between Russia and Ukraine, and rising interest and inflation rates;
- the percentage of investments that will bear interest on a floating rate or fixed rate basis;
- interest rate volatility, including the transition from LIBOR to SOFR and/or other alternative reference rate(s);
- the ability of SBIC I LP to make distributions enabling us to meet RIC requirements;
- plans by SBIC I LP to repay its outstanding SBA debentures;
- 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;
- the impact of current political, economic and industry conditions, including changes in the interest rate environment, significant market volatility, supply chain disruptions, other conditions affecting the financial and capital markets, and the ongoing impacts of the COVID-19 pandemic on our business, financial condition, results of operations and fair value of our portfolio investments;
- the impact of the ongoing conflict between Russia and Ukraine;
- the belief that we have sufficient levels of liquidity to support our existing portfolio companies and deploy capital in new investment opportunities;

- the belief that long-dated financing affords us operational flexibility;
- the fluctuation of the fair value of our investments due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value; and
- the effect of new or modified laws or regulations governing our operations.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, 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 “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 4, 2022, and “Part II, Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, filed on May 6, 2022, and this Quarterly Report on Form 10-Q. 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 Report on Form 10-Q are excluded from the safe harbor protection provided by Section 21E of the Exchange Act.

PART I. FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

OFS Capital Corporation and Subsidiaries

Consolidated Statements of Assets and Liabilities

(Dollar amounts in thousands, except per share data)

| | June 30, 2022 | December 31, 2021 |
|---|--------------------------|------------------------------|
| | (unaudited) | |
| Assets | | |
| Investments, at fair value: | | |
| Non-control/non-affiliate investments (amortized cost of \$489,849 and \$428,398, respectively) | \$ 456,076 | \$ 421,567 |
| Affiliate investments (amortized cost of \$17,635 and \$17,650, respectively) | 91,601 | 72,584 |
| Control investment (amortized cost of \$0 and \$11,264, respectively) | — | 12,948 |
| Total investments, at fair value (amortized cost of \$507,484 and \$457,312, respectively) | 547,677 | 507,099 |
| Cash | 14,844 | 43,048 |
| Interest receivable | 1,883 | 1,475 |
| Receivable for investments sold | — | 14,893 |
| Prepaid expenses and other assets | 2,917 | 2,533 |
| Total assets | \$ 567,321 | \$ 569,048 |
| Liabilities | | |
| Revolving lines of credit | \$ 134,100 | \$ 100,000 |
| SBA debentures (net of deferred debt issuance costs of \$319 and \$555, respectively) | 50,601 | 69,365 |
| Unsecured notes (net of deferred debt issuance costs of \$4,155 and \$4,554, respectively) | 175,845 | 175,446 |
| Interest payable | 3,714 | 3,685 |
| Payable to adviser and affiliates (Note 3) | 2,672 | 6,217 |
| Payable for investments purchased | 3,905 | 8,788 |
| Accrued professional fees | 383 | 452 |
| Other liabilities | 389 | 1,351 |
| Total liabilities | 371,609 | 365,304 |
| Commitments and contingencies (Note 6) | | |
| Net assets | | |
| Preferred stock, par value of \$0.01 per share, 2,000,000 shares authorized, -0- shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively | \$ — | \$ — |
| Common stock, par value of \$0.01 per share, 100,000,000 shares authorized, 13,429,777 and 13,422,413 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively | 134 | 134 |
| Paid-in capital in excess of par | 185,195 | 185,113 |
| Total distributable earnings | 10,383 | 18,497 |
| Total net assets | 195,712 | 203,744 |
| Total liabilities and net assets | \$ 567,321 | \$ 569,048 |
| Number of shares outstanding | 13,429,777 | 13,422,413 |
| Net asset value per share | \$ 14.57 | \$ 15.18 |

See Notes to Consolidated Financial Statements (unaudited).

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|---------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Investment income | | | | |
| Interest income: | | | | |
| Non-control/non-affiliate investments | \$ 10,345 | \$ 9,384 | \$ 20,047 | \$ 18,245 |
| Affiliate investments | — | 932 | — | 1,860 |
| Control investment | — | 322 | 141 | 689 |
| Total interest income | 10,345 | 10,638 | 20,188 | 20,794 |
| Dividend income: | | | | |
| Non-control/non-affiliate investments | — | — | 713 | — |
| Affiliate investments | 5 | 59 | 5 | 106 |
| Control investment | — | 136 | 45 | 136 |
| Total dividend income | 5 | 195 | 763 | 242 |
| Fee income: | | | | |
| Non-control/non-affiliate investments | 82 | 583 | 421 | 834 |
| Affiliate investments | — | — | — | 37 |
| Control investment | — | — | 6 | — |
| Total fee income | 82 | 583 | 427 | 871 |
| Total investment income | 10,432 | 11,416 | 21,378 | 21,907 |
| Expenses | | | | |
| Interest expense | 3,943 | 4,241 | 7,567 | 9,066 |
| Management fee | 2,056 | 1,876 | 4,076 | 3,710 |
| Income Incentive Fee | — | 809 | — | 809 |
| Capital Gains Fee | (2,988) | — | (1,916) | — |
| Professional fees | 352 | 489 | 759 | 876 |
| Administration fee | 423 | 439 | 874 | 1,007 |
| Other expenses | 398 | 327 | 765 | 654 |
| Total expenses | 4,184 | 8,181 | 12,125 | 16,122 |
| Net investment income | 6,248 | 3,235 | 9,253 | 5,785 |
| Net realized and unrealized gain (loss) on investments | | | | |
| Net realized loss on non-control/non-affiliate investments | (190) | (10,841) | (203) | (10,750) |
| Net realized gain on control investments | — | — | 278 | — |
| Income tax expense on net realized investment gains | — | — | (48) | — |
| Net unrealized appreciation (depreciation) on non-control/non-affiliate investments | (22,158) | 18,071 | (26,942) | 19,655 |
| Net unrealized appreciation on affiliate investments | 7,241 | 11,465 | 19,033 | 13,391 |
| Net unrealized appreciation (depreciation) on control investment | — | 716 | (1,684) | 1,104 |
| Deferred tax benefit (expense) on investments net unrealized appreciation/depreciation | 35 | (205) | (6) | (271) |
| Net gain (loss) on investments | (15,072) | 19,206 | (9,572) | 23,129 |
| Loss on extinguishment of debt | — | — | (144) | (2,299) |
| Net increase (decrease) in net assets resulting from operations | \$ (8,824) | \$ 22,441 | \$ (463) | \$ 26,615 |
| Net investment income per common share – basic and diluted | \$ 0.47 | \$ 0.24 | \$ 0.69 | \$ 0.43 |
| Net increase (decrease) in net assets resulting from operations per common share – basic and diluted | \$ (0.66) | \$ 1.67 | \$ (0.03) | \$ 1.98 |
| Distributions declared per common share | \$ 0.29 | \$ 0.22 | \$ 0.57 | \$ 0.42 |
| Basic and diluted weighted average shares outstanding | 13,425,477 | 13,411,998 | 13,423,970 | 13,410,524 |

See Notes to Consolidated Financial Statements (unaudited).

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

| | Preferred Stock | | Common Stock | | Paid-in capital in excess of par | Total distributable earnings (losses) | Total net assets |
|--|------------------|-----------|------------------|-----------|----------------------------------|---------------------------------------|------------------|
| | Number of shares | Par value | Number of shares | Par value | | | |
| Balances at December 31, 2020 | — | \$ — | 13,409,559 | \$ 134 | \$ 187,124 | \$ (28,302) | \$ 158,956 |
| Net increase in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 5,785 | 5,785 |
| Net realized loss on investments, net of taxes | — | — | — | — | — | (10,750) | (10,750) |
| Loss on extinguishment of debt | — | — | — | — | — | (2,299) | (2,299) |
| Net unrealized appreciation on investments, net of taxes | — | — | — | — | — | 33,879 | 33,879 |
| Distributions to stockholders: | | | | | | | |
| Common stock issued from reinvestment of stockholder distributions | — | — | 6,376 | — | 60 | — | 60 |
| Dividends declared | — | — | — | — | — | (5,633) | (5,633) |
| Common stock repurchased under Stock Repurchase Program | — | — | (700) | — | (5) | — | (5) |
| Net increase for the six month period ended June 30, 2021 | — | — | 5,676 | — | 55 | 20,982 | 21,037 |
| Balances at June 30, 2021 | — | \$ — | 13,415,235 | \$ 134 | \$ 187,179 | \$ (7,320) | \$ 179,993 |
| Balances at March 31, 2021 | — | \$ — | 13,411,962 | \$ 134 | \$ 187,146 | \$ (26,810) | \$ 160,470 |
| Net increase in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 3,235 | 3,235 |
| Net realized loss on investments, net of taxes | — | — | — | — | — | (10,841) | (10,841) |
| Net unrealized appreciation on investments, net of taxes | — | — | — | — | — | 30,047 | 30,047 |
| Distributions to stockholders: | | | | | | | |
| Common stock issued from reinvestment of stockholder distributions | — | — | 3,273 | — | 33 | — | 33 |
| Dividends declared | — | — | — | — | — | (2,951) | (2,951) |
| Net increase for the three month period ended June 30, 2021 | — | — | 3,273 | — | 33 | 19,490 | 19,523 |
| Balances at June 30, 2021 | — | \$ — | 13,415,235 | \$ 134 | \$ 187,179 | \$ (7,320) | \$ 179,993 |

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

| | Preferred Stock | | Common Stock | | Paid-in capital in excess of par | Total distributable earnings (losses) | Total net assets |
|--|------------------|-------------|-------------------|---------------|----------------------------------|---------------------------------------|-------------------|
| | Number of shares | Par value | Number of shares | Par value | | | |
| Balances at December 31, 2021 | — | \$ — | 13,422,413 | \$ 134 | \$ 185,113 | \$ 18,497 | \$ 203,744 |
| Net decrease in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 9,253 | 9,253 |
| Net realized gain on investments, net of taxes | — | — | — | — | — | 27 | 27 |
| Loss on extinguishment of debt | — | — | — | — | — | (144) | (144) |
| Net unrealized depreciation on investments, net of taxes | — | — | — | — | — | (9,599) | (9,599) |
| Distributions to stockholders: | | | | | | | |
| Common stock issued from reinvestment of stockholder distributions | — | — | 7,364 | — | 82 | — | 82 |
| Dividends declared | — | — | — | — | — | (7,651) | (7,651) |
| Net increase (decrease) for the six month period ended June 30, 2022 | — | — | 7,364 | — | 82 | (8,114) | (8,032) |
| Balances at June 30, 2022 | <u>—</u> | <u>\$ —</u> | <u>13,429,777</u> | <u>\$ 134</u> | <u>\$ 185,195</u> | <u>\$ 10,383</u> | <u>\$ 195,712</u> |
| Balances at March 31, 2022 | — | \$ — | 13,425,429 | \$ 134 | \$ 185,152 | \$ 23,100 | \$ 208,386 |
| Net decrease in net assets resulting from operations: | | | | | | | |
| Net investment income | — | — | — | — | — | 6,248 | 6,248 |
| Net realized loss on investments, net of taxes | — | — | — | — | — | (190) | (190) |
| Net unrealized depreciation on investments, net of taxes | — | — | — | — | — | (14,882) | (14,882) |
| Distributions to stockholders: | | | | | | | |
| Common stock issued from reinvestment of stockholder distributions | — | — | 4,348 | — | 43 | — | 43 |
| Dividends declared | — | — | — | — | — | (3,893) | (3,893) |
| Net increase (decrease) for the three month period ended June 30, 2022 | — | — | 4,348 | — | 43 | (12,717) | (12,674) |
| Balances at June 30, 2022 | <u>—</u> | <u>\$ —</u> | <u>13,429,777</u> | <u>\$ 134</u> | <u>\$ 185,195</u> | <u>\$ 10,383</u> | <u>\$ 195,712</u> |

See Notes to Consolidated Financial Statements (unaudited).

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

| | Six Months Ended June 30, | |
|--|----------------------------------|------------------|
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| Net increase (decrease) in net assets resulting from operations | \$ (463) | \$ 26,615 |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities: | | |
| Net realized (gain) loss on investments | (75) | 10,750 |
| Income tax expense on net realized investment gains | 48 | — |
| Loss on extinguishment of debt | 144 | 2,299 |
| Net unrealized (appreciation) depreciation on investments, net of taxes | 9,599 | (33,879) |
| Amortization of Net Loan Fees | (794) | (1,521) |
| Amendment fees collected | 112 | 97 |
| Payment-in-kind interest and dividend income | (316) | (943) |
| Accretion of interest income on Structured Finance Notes | (4,785) | (4,670) |
| Amortization of debt issuance costs | 751 | 888 |
| Amortization of intangible asset | 205 | 111 |
| Purchase and origination of portfolio investments | (122,608) | (128,848) |
| Proceeds from principal payments on portfolio investments | 54,525 | 100,817 |
| Proceeds from sale or redemption of portfolio investments | 12,179 | 10,294 |
| Proceeds from distributions received from Structured Finance Notes | 11,214 | 6,356 |
| Changes in operating assets and liabilities: | | |
| Interest receivable | (408) | 247 |
| Interest payable | 29 | 912 |
| Payable to adviser and affiliates | (3,545) | 100 |
| Receivable for investment sold | 14,893 | — |
| Payable for investments purchased | (4,883) | 7,952 |
| Other assets and liabilities | (535) | 249 |
| Net cash used in operating activities | (34,713) | (2,174) |
| Cash flows from financing activities | | |
| Distributions paid to stockholders | (7,569) | (5,573) |
| Borrowings under revolving lines of credit | 49,850 | 42,400 |
| Repayments under revolving lines of credit | (15,750) | (50,400) |
| Repayments of SBA debentures | (19,000) | (9,765) |
| Redemption of unsecured notes | — | (98,525) |
| Proceeds from unsecured notes offering, net of discounts | — | 121,791 |
| Payment of deferred financing costs | (1,022) | (298) |
| Repurchases of common stock under Stock Repurchase Program | — | (5) |
| Net cash provided by (used in) financing activities | 6,509 | (375) |
| Net decrease in cash | (28,204) | (2,549) |
| Cash at beginning of period | 43,048 | 37,708 |
| Cash at end of period | <u>\$ 14,844</u> | <u>\$ 35,159</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for interest | \$ 6,787 | \$ 7,266 |
| Reinvestment of distributions to stockholders | 82 | 60 |

See Notes to Consolidated Financial Statements (unaudited).

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| 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 | | | | | | | | | |
| Debt and Equity Investments | | | | | | | | | |
| <i>24 Seven Holdco, LLC (15)</i> | Temporary Help Services | | | | | | | | |
| Senior Secured Loan | | 7.60% | (L +6.00%) | 1/28/2022 | 11/16/2027 | \$ 8,955 | \$ 8,893 | \$ 8,861 | 4.4 % |
| <i>Aegion Corporation (15) (22)</i> | Water and Sewer Line and Related Structures Construction | | | | | | | | |
| Senior Secured Loan | | 6.27% | (L +4.75%) | 4/1/2021 | 5/17/2028 | 2,426 | 2,395 | 2,250 | 1.1 |
| <i>Allen Media, LLC (14) (15)</i> | Cable and Other Subscription Programming | | | | | | | | |
| Senior Secured Loan | | 7.70% | (SOFR +5.50%) | 3/2/2021 | 2/10/2027 | 3,788 | 3,782 | 3,393 | 1.7 |
| <i>All Star Auto Lights, Inc. (4) (15)</i> | Motor Vehicle Parts (Used) Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan | | 8.41% | (L +6.50%) | 12/19/2019 | 8/20/2025 | 23,217 | 22,935 | 23,217 | 11.9 |
| <i>Astro One Acquisition Corporation</i> | Other Miscellaneous Nondurable Goods Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan | | 10.75% | (L +8.50%) | 1/31/2022 | 9/14/2029 | 3,000 | 2,656 | 2,486 | 1.3 |
| <i>Asurion, LLC</i> | Communication Equipment Repair and Maintenance | | | | | | | | |
| Senior Secured Loan | | 6.92% | (L +5.25%) | 6/28/2022 | 1/31/2028 | 2,000 | 1,745 | 1,718 | 0.9 |
| <i>Atlantis Holding, LLC (15)</i> | Electronics and Appliance Stores | | | | | | | | |
| Senior Secured Loan | | 9.30% | (SOFR +7.25%) | 3/29/2022 | 3/31/2029 | 8,421 | 8,116 | 7,716 | 3.9 |
| <i>Autokiniton US Holdings, Inc. (14) (15)</i> | Automotive Parts and Accessories Stores | | | | | | | | |
| Senior Secured Loan | | 5.62% | (L +4.50%) | 3/26/2021 | 4/6/2028 | 2,683 | 2,675 | 2,488 | 1.3 |
| <i>Avison Young (15) (22)</i> | Nonresidential Property Managers | | | | | | | | |
| Senior Secured Loan | | 6.99% | (L +5.75%) | 11/25/2021 | 1/31/2026 | 3,966 | 3,951 | 3,940 | 2.0 |
| <i>Bass Pro Group, LLC (14) (15)</i> | Sporting Goods Stores | | | | | | | | |
| Senior Secured Loan | | 5.42% | (L +3.75%) | 2/26/2021 | 3/6/2028 | 979 | 974 | 895 | 0.5 |

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| 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 |
|--|---|----------------------|---------------------------|--------------------------------|-----------|---------------------|-------------------|-------------------|--------------------------|
| <i>Baymark Health Services, Inc. (15)</i> | | | | | | | | | |
| | Outpatient Mental Health & Sub. Abuse Centers | | | | | | | | |
| Senior Secured Loan | | 10.17% | (L +8.50%) | 6/10/2021 | 6/11/2028 | \$ 4,962 | \$ 4,898 | \$ 4,997 | 2.6 % |
| Senior Secured Loan (Delayed Draw) (5) | | 10.17% | (L +8.50%) | 6/10/2021 | 6/11/2028 | 2,760 | 2,645 | 2,818 | 1.4 |
| | | | | | | 7,722 | 7,543 | 7,815 | 4.0 |
| <i>Boca Home Care Holdings, Inc. (20)</i> | | | | | | | | | |
| | Services for the Elderly and Persons with Disabilities | | | | | | | | |
| Senior Secured Loan (Delayed Draw) (5) (15) | | 8.80% | (SOFR +6.50%) | 2/25/2022 | 2/25/2027 | 9,669 | 9,579 | 9,421 | 4.8 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (SOFR +6.50%) | 2/25/2022 | 2/25/2027 | — | (12) | (33) | — |
| Common Equity (1,290 Class A units) (10) (13) | | | | 2/25/2022 | | — | 1,290 | 1,178 | 0.6 |
| | | | | | | 9,669 | 10,857 | 10,566 | 5.4 |
| <i>Constellis Holdings, LLC (10)</i> | | | | | | | | | |
| | Other Justice, Public Order, and Safety Activities | | | | | | | | |
| Common Equity (20,628 common shares) | | | | 3/27/2020 | | | 703 | 29 | — |
| <i>Convergent Technologies Holdings, LLC</i> | | | | | | | | | |
| | Security Systems Services (except Locksmiths) | | | | | | | | |
| Senior Secured Loan | | 8.42% | (L +6.75%) | 9/28/2018 | 3/30/2029 | 4,838 | 4,827 | 4,795 | 2.5 |
| <i>Corel Inc. (14) (15)</i> | | | | | | | | | |
| | Software Publishers | | | | | | | | |
| Senior Secured Loan | | 6.57% | (L +5.00%) | 3/2/2021 | 7/2/2026 | 636 | 635 | 610 | 0.3 |
| <i>Creation Technologies (15) (22)</i> | | | | | | | | | |
| | Bare Printed Circuit Board Manufacturing | | | | | | | | |
| Senior Secured Loan | | 6.46% | (L +5.50%) | 9/24/2021 | 10/5/2028 | 2,000 | 1,986 | 1,761 | 0.9 |
| <i>Dessert Holdings</i> | | | | | | | | | |
| | Ice Cream and Frozen Dessert Manufacturing | | | | | | | | |
| Senior Secured Loan | | 9.50% | (L +7.25%) | 2/2/2022 | 6/8/2029 | 1,667 | 1,639 | 1,593 | 0.8 |
| <i>DHX Media Ltd. (14) (15) (22)</i> | | | | | | | | | |
| | Motion Picture and Video Production | | | | | | | | |
| Senior Secured Loan | | 5.92% | (L +4.25%) | 3/19/2021 | 3/18/2028 | 3,954 | 3,913 | 3,741 | 1.9 |
| <i>Diamond Sports Group, LLC (14) (15)</i> | | | | | | | | | |
| | Television Broadcasting | | | | | | | | |
| Senior Secured Loan | | 9.18% | (SOFR +8.00%) | 3/9/2022 | 5/25/2026 | 254 | 247 | 253 | 0.1 |
| Senior Secured Loan | | 4.43% | (SOFR +3.25%) | 11/19/2019 | 8/24/2026 | 1,945 | 1,945 | 473 | 0.2 |
| | | | | | | 2,199 | 2,192 | 726 | 0.3 |

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| 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 |
|--|--|----------------------------|---------------------------|--------------------------------|------------|---------------------|-------------------|-------------------|--------------------------|
| <i>Directy Financing, LLC (14) (15)</i> | | | | | | | | | |
| | Wired Telecommunications Carriers | | | | | | | | |
| Senior Secured Loan | | 6.67% | (L +5.00%) | 7/22/2021 | 8/2/2027 | \$ 2,097 | \$ 2,093 | \$ 1,936 | 1.0 % |
| <i>East West Manufacturing (15)</i> | | | | | | | | | |
| | Fluid Power Pump and Motor Manufacturing | | | | | | | | |
| Senior Secured Loan | | 7.28% | (SOFR +5.75%) | 2/11/2022 | 12/22/2028 | 1,959 | 1,941 | 1,891 | 1.0 |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (SOFR +2.88%) | 2/11/2022 | 12/22/2028 | — | (3) | (10) | — |
| | | | | | | 1,959 | 1,938 | 1,881 | 1.0 |
| <i>Eblens Holdings, Inc. (20)</i> | | | | | | | | | |
| | Shoe Store | | | | | | | | |
| Subordinated Loan (6) (11) | | 12.50% cash / 1.50% PIK | N/A | 7/13/2017 | 1/13/2023 | 9,261 | 9,210 | 7,142 | 3.6 |
| Common Equity (71,250 Class A units) (10) | | | | 7/13/2017 | | | 713 | — | — |
| | | | | | | 9,261 | 9,923 | 7,142 | 3.6 |
| <i>Electrical Components International, Inc.</i> | | | | | | | | | |
| | Current-Carrying Wiring Device Manufacturing | | | | | | | | |
| Senior Secured Loan | | 10.03% | (L +8.50%) | 4/8/2021 | 6/26/2026 | 3,679 | 3,314 | 3,471 | 1.8 |
| <i>EnergySolutions, LLC (14) (15)</i> | | | | | | | | | |
| | Hazardous Waste Treatment and Disposal | | | | | | | | |
| Senior Secured Loan | | 6.00% | (L +3.75%) | 7/8/2021 | 5/9/2025 | 1,778 | 1,775 | 1,663 | 0.8 |
| <i>Envocore Holding, LLC (F/K/A LRI Holding, LLC) (4) (19)</i> | | | | | | | | | |
| | Electrical Contractors and Other Wiring Installation Contractors | | | | | | | | |
| Senior Secured Loan | | 7.50% | N/A | 12/31/2021 | 12/31/2025 | 6,391 | 6,391 | 6,391 | 3.3 |
| Senior Secured Loan (6) | | 10.00% PIK | N/A | 12/31/2021 | 12/31/2026 | 6,751 | 6,584 | 3,221 | 1.6 |
| Senior Secured Loan (Revolver) (5) | | 7.50% | N/A | 11/29/2021 | 12/31/2025 | 771 | 771 | 771 | 0.4 |
| Equity Participation Rights (23) | | | | 12/31/2021 | | — | 4,722 | — | — |
| | | | | | | 13,913 | 18,468 | 10,383 | 5.3 |
| <i>Excelin Home Health, LLC (4)</i> | | | | | | | | | |
| | Home Health Care Services | | | | | | | | |
| Senior Secured Loan | | 11.75% | (L +9.50%) | 10/25/2018 | 9/30/2025 | 4,250 | 4,172 | 4,208 | 2.2 |
| <i>GGC Aerospace Topco L.P.</i> | | | | | | | | | |
| | Other Aircraft Parts and Auxiliary Equipment Manufacturing | | | | | | | | |
| Common Equity (368,852 Class A units) (10) | | | | 12/29/2017 | | | 450 | — | — |
| Common Equity (40,984 Class B units) (10) | | | | 12/29/2017 | | | 50 | — | — |
| | | | | | | | 500 | — | — |

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| 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 |
|--|---|--------------------------|---------------------------|--------------------------------|------------|---------------------|-------------------|-------------------|--------------------------|
| <i>Honor HN Buyer Inc</i> | | | | | | | | | |
| | Services for the Elderly and Persons with Disabilities | | | | | | | | |
| Senior Secured Loan (15) | | 8.25% | (L +6.00%) | 10/15/2021 | 10/15/2027 | \$ 6,565 | \$ 6,449 | \$ 6,352 | 3.2 % |
| Senior Secured Loan (Delayed Draw) (5) (15) | | 8.25% | (L +6.00%) | 10/15/2021 | 10/15/2027 | 1,913 | 1,859 | 1,779 | 0.9 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +6.00%) | 10/15/2021 | 10/15/2027 | — | (13) | (25) | — |
| | | | | | | 8,478 | 8,295 | 8,106 | 4.1 |
| <i>Idera</i> | | | | | | | | | |
| | Computer and Computer Peripheral Equipment and Software Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan | | 7.82% | (L +6.75%) | 1/27/2022 | 3/2/2029 | 4,000 | 4,000 | 3,744 | 1.9 |
| <i>Inergex Holdings, LLC</i> | | | | | | | | | |
| | Other Computer Related Services | | | | | | | | |
| Senior Secured Loan (11) | | 9.25% cash / 1.0% PIK | (L +8.00%) | 10/1/2018 | 10/1/2024 | 15,260 | 15,001 | 15,260 | 7.8 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +7.00%) | 10/1/2018 | 10/1/2024 | — | (11) | — | — |
| | | | | | | 15,260 | 14,990 | 15,260 | 7.8 |
| <i>Intouch Midco Inc. (15) (22)</i> | | | | | | | | | |
| | All Other Professional, Scientific, and Technical Services | | | | | | | | |
| Senior Secured Loan | | 6.42% | (L +4.75%) | 12/20/2019 | 8/24/2025 | 2,894 | 2,862 | 2,846 | 1.5 |
| <i>Ivanti Software, Inc. (14) (15)</i> | | | | | | | | | |
| | Software Publishers | | | | | | | | |
| Senior Secured Loan | | 5.85% | (L +4.25%) | 3/26/2021 | 12/1/2027 | 2,978 | 2,988 | 2,573 | 1.3 |
| <i>JP Intermediate B, LLC (15)</i> | | | | | | | | | |
| | Drugs and Druggists' Sundries Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan | | 6.74% | (L +5.50%) | 1/14/2021 | 11/15/2025 | 5,553 | 5,379 | 4,859 | 2.5 |
| <i>Karman Buyer Corp (14) (15)</i> | | | | | | | | | |
| | Advertising Agencies | | | | | | | | |
| Senior Secured Loan | | 6.17% | (L +4.50%) | 3/2/2022 | 10/28/2027 | 2,296 | 2,264 | 2,119 | 1.1 |
| <i>KNS Acquisition Corp. (14) (15)</i> | | | | | | | | | |
| | Electronic Shopping and Mail- Order Houses | | | | | | | | |
| Senior Secured Loan | | 8.50% | (L +6.25%) | 4/16/2021 | 4/21/2027 | 6,869 | 6,830 | 6,635 | 3.4 |
| <i>Kreg LLC</i> | | | | | | | | | |
| | Other Ambulatory Health Care Services | | | | | | | | |
| Senior Secured Loan (15) | | 8.50% | (L +6.25%) | 12/20/2021 | 12/20/2026 | 20,244 | 20,108 | 19,889 | 10.2 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +6.25%) | 12/20/2021 | 12/20/2026 | — | (15) | (39) | — |
| | | | | | | 20,244 | 20,093 | 19,850 | 10.2 |

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| 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 |
|---|--|----------------------|---------------------------|--------------------------------|------------|---------------------|-------------------|-------------------|--------------------------|
| <i>LogMeIn, Inc. (14) (15)</i> | | | | | | | | | |
| | Data Processing, Hosting, and Related Services | | | | | | | | |
| Senior Secured Loan | | 6.35% | (L +4.75%) | 3/26/2021 | 8/31/2027 | \$ 2,961 | \$ 2,960 | \$ 2,287 | 1.2 % |
| <i>Magenta Buyer LLC (14) (15)</i> | | | | | | | | | |
| | Software Publishers | | | | | | | | |
| Senior Secured Loan | | 5.98% | (L +4.75%) | 7/28/2021 | 7/27/2028 | 4,838 | 4,825 | 4,363 | 2.2 |
| <i>McGraw Hill Global Education Holdings, LLC (14) (15)</i> | | | | | | | | | |
| | All Other Publishers | | | | | | | | |
| Senior Secured Loan | | 5.55% | (L +4.75%) | 4/1/2021 | 7/28/2028 | 2,298 | 2,278 | 2,088 | 1.1 |
| <i>Metasource (15)</i> | | | | | | | | | |
| | All Other Business Support Services | | | | | | | | |
| Senior Secured Loan | | 7.78% | (SOFR +6.25%) | 5/17/2022 | 5/17/2027 | 2,793 | 2,766 | 2,766 | 1.4 |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (SOFR +6.25%) | 5/17/2022 | 5/17/2024 | — | (11) | (11) | — |
| | | | | | | 2,793 | 2,755 | 2,755 | 1.4 |
| <i>Milrose Consultants, LLC (4)</i> | | | | | | | | | |
| | Administrative Management and General Management Consulting Services | | | | | | | | |
| Senior Secured Loan (15) | | 8.75% | (L +6.50%) | 7/16/2019 | 7/16/2025 | 22,250 | 22,250 | 21,803 | 11.1 |
| Senior Secured Loan (Revolver) (5) | | 8.75% | (L +6.50%) | 7/16/2019 | 7/16/2025 | 476 | 469 | 444 | 0.2 |
| | | | | | | 22,726 | 22,719 | 22,247 | 11.3 |
| <i>Molded Devices, Inc.</i> | | | | | | | | | |
| | Other Industrial Machinery Manufacturing | | | | | | | | |
| Senior Secured Loan (15) | | 7.00% | (L +6.00%) | 11/1/2021 | 11/1/2026 | 8,029 | 7,959 | 7,798 | 4.0 |
| Senior Secured Loan (Delayed Draw) (5) (15) | | n/m (18) | (L +6.00%) | 11/1/2021 | 11/1/2026 | — | (6) | (42) | — |
| Senior Secured Loan (Revolver) (5) | | 7.00% | (L +6.00%) | 11/1/2021 | 11/1/2026 | 603 | 594 | 575 | 0.3 |
| | | | | | | 8,632 | 8,547 | 8,331 | 4.3 |
| <i>Odyssey Logistics and Technology Corporation (14) (15)</i> | | | | | | | | | |
| | Freight Transportation Arrangement | | | | | | | | |
| Senior Secured Loan | | 5.24% | (L +4.00%) | 4/5/2021 | 10/12/2024 | 987 | 977 | 950 | 0.5 |
| <i>One GI LLC</i> | | | | | | | | | |
| | Offices of Other Holding Companies | | | | | | | | |
| Senior Secured Loan (Delayed Draw) (15) | | 8.42% | (L +6.75%) | 12/13/2021 | 12/22/2025 | 7,545 | 7,414 | 7,221 | 3.7 |
| Senior Secured Loan (Delayed Draw) (5) (15) | | n/m (18) | (L +6.75%) | 12/13/2021 | 12/13/2023 | — | (29) | (171) | (0.1) |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +6.75%) | 12/13/2021 | 12/22/2025 | — | (25) | (62) | — |
| | | | | | | 7,545 | 7,360 | 6,988 | 3.6 |

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|---|---|------------------------------|-----------------------------------|---|-----------------|-----------------------------|---------------------------|---------------------------|----------------------------------|
| <i>Parfums Holding Company, Inc. (14) (15)</i> | Cosmetics, Beauty Supplies, and Perfume Stores | | | | | | | | |
| Senior Secured Loan | | 5.67% | (L +4.00%) | 6/25/2019 | 6/30/2024 | \$ 1,462 | \$ 1,462 | \$ 1,384 | 0.7 % |
| <i>Peraton Inc. (14) (15)</i> | Management Consulting Services | | | | | | | | |
| Senior Secured Loan | | 5.42% | (L +3.75%) | 4/2/2021 | 2/1/2028 | 408 | 408 | 384 | 0.2 |
| <i>Planet Bingo, LLC (F/K/A 3rd Rock Gaming Holdings, LLC) (6) (10)</i> | Software Publishers | | | | | | | | |
| Senior Secured Loan | | 4.00% | N/A | 3/13/2018 | 3/12/2023 | 16,728 | 14,192 | 7,303 | 3.7 |
| <i>PM Acquisition LLC (10) (20)</i> | All Other General Merchandise Stores | | | | | | | | |
| Common Equity (499 units) | | | | 9/30/2017 | | | 499 | 1,119 | 0.6 |
| <i>Professional Pipe Holdings, LLC</i> | Plumbing, Heating, and Air- Conditioning Contractors | | | | | | | | |
| Senior Secured Loan | | 9.75% cash / 1.00% PIK | (L +9.75%) | 3/23/2018 | 3/24/2025 | 2,559 | 2,550 | 2,584 | 1.3 |
| <i>RC Buyer, Inc.</i> | Other Automotive Mechanical and Electrical Repair and Maintenance | | | | | | | | |
| Senior Secured Loan | | 8.75% | (L +6.50%) | 6/24/2022 | 7/30/2029 | 1,125 | 1,080 | 1,080 | 0.6 |
| <i>Reception Purchaser LLC (15)</i> | Transportation and Warehousing | | | | | | | | |
| Senior Secured Loan | | 8.20% | (SOFR +6.00%) | 4/28/2022 | 3/24/2028 | 5,109 | 5,034 | 5,034 | 2.6 |
| <i>Resource Label Group, LLC (14) (15)</i> | Commercial Printing (except Screen and Books) | | | | | | | | |
| Senior Secured Loan | | 5.92% | (L +4.25%) | 7/2/2021 | 7/7/2028 | 3,420 | 3,411 | 3,207 | 1.6 |
| <i>RPLF Holdings, LLC (10) (13)</i> | Software Publishers | | | | | | | | |
| Common Equity (345,339 Class A units) | | | | 1/17/2018 | | | 492 | 735 | 0.4 |

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| 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 |
|---|---|----------------------|---------------------------|--------------------------------|-------------------|---------------------|-------------------|-------------------|--------------------------|
| <i>RSA Security (15)</i> | Computer and Computer Peripheral Equipment and Software Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan (14) | | 5.93% | (L +4.75%) | 4/16/2021 | 4/27/2028 | \$ 2,783 | \$ 2,769 | \$ 2,412 | 1.2 % |
| Senior Secured Loan | | 8.97% | (L +7.75%) | 4/16/2021 | 4/27/2029 | 4,450 | 4,396 | 4,049 | 2.1 |
| | | | | | | 7,233 | 7,165 | 6,461 | 3.3 |
| <i>RumbleOn, Inc. (15) (22)</i> | Other Industrial Machinery Manufacturing | | | | | | | | |
| Senior Secured Loan | | 9.25% | (L +8.25%) | 8/31/2021 | 8/31/2026 | 4,169 | 3,968 | 3,884 | 2.0 |
| Senior Secured Loan (Delayed Draw) (5) | | 9.25% | (L +8.25%) | 8/31/2021 | 2/23/2023 | 1,261 | 1,249 | 1,139 | 0.6 |
| Warrants (warrants to purchase up to \$600,000 in common stock) | | | | 8/31/2021 | 2/28/2023 (12) | | 200 | 2 | — |
| | | | | | | 5,430 | 5,417 | 5,025 | 2.6 |
| <i>Sentry Centers Holdings, LLC (10) (13)</i> | Convention and Trade Show Organizers | | | | | | | | |
| Preferred Equity (1,603 Series B units) | | | | 9/4/2020 | | | 160 | 101 | 0.1 |
| <i>Signal Parent, Inc. (14) (15)</i> | New Single-Family Housing Construction (except For- Sale Builders) | | | | | | | | |
| Senior Secured Loan | | 5.17% | (L +3.50%) | 3/25/2021 | 4/3/2028 | 1,831 | 1,815 | 1,611 | 0.8 |
| <i>Southern Technical Institute, LLC (4) (23)</i> | Colleges, Universities, and Professional Schools | | | | | | | | |
| Equity appreciation rights | | | | 6/27/2018 | | | — | 7,192 | 3.7 |
| <i>Spring Education Group, Inc. (F/K/A SSH Group Holdings, Inc.) (15)</i> | Child Day Care Services | | | | | | | | |
| Senior Secured Loan | | 10.50% | (L +8.25%) | 7/26/2018 | 7/30/2026 | 6,399 | 6,355 | 6,034 | 3.1 |
| <i>SSJA Bariatric Management LLC (15)</i> | Offices of Physicians, Mental Health Specialists | | | | | | | | |
| Senior Secured Loan | | 7.20% | (SOFR +5.00%) | 8/26/2019 | 8/26/2024 | 9,725 | 9,683 | 9,679 | 4.9 |
| Senior Secured Loan | | 7.20% | (SOFR +5.00%) | 12/31/2020 | 8/26/2024 | 1,051 | 1,044 | 1,046 | 0.5 |
| Senior Secured Loan | | 7.20% | (SOFR +5.00%) | 12/8/2021 | 8/26/2024 | 2,647 | 2,626 | 2,634 | 1.3 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (SOFR +5.00%) | 8/26/2019 | 8/26/2024 | — | (3) | (3) | — |
| | | | | | | 13,423 | 13,350 | 13,356 | 6.7 |

OFS Capital Corporation and Subsidiaries
Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2022
(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 |
|--|--|----------------------|---------------------------|--------------------------------|-------------------|---------------------|-------------------|-------------------|--------------------------|
| <i>SS Acquisition, LLC (15)</i> | | | | | | | | | |
| | Sports and Recreation Instruction | | | | | | | | |
| Senior Secured Loan (8) | | 7.87% | (L +6.87%) | 12/30/2021 | 12/30/2026 | \$ 3,042 | \$ 3,014 | \$ 3,016 | 1.5 % |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (L +6.87%) | 12/30/2021 | 12/30/2026 | — | — | (15) | — |
| | | | | | | 3,042 | 3,014 | 3,001 | 1.5 |
| <i>Staples, Inc. (14) (15) (22)</i> | | | | | | | | | |
| | Business to Business Electronic Markets | | | | | | | | |
| Senior Secured Loan | | 6.29% | (L +5.00%) | 6/24/2019 | 4/16/2026 | 2,915 | 2,866 | 2,548 | 1.2 |
| <i>STS Operating, Inc.</i> | | | | | | | | | |
| | Industrial Machinery and Equipment Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan | | 9.67% | (L +8.00%) | 5/15/2018 | 4/30/2026 | 9,073 | 9,071 | 9,035 | 4.5 |
| <i>The Escape Game, LLC (4)</i> | | | | | | | | | |
| | Other amusement and recreation industries | | | | | | | | |
| Senior Secured Loan | | 8.67% | (L +7.00%) | 12/21/2021 | 12/22/2024 | 16,333 | 16,333 | 16,234 | 8.3 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +7.00%) | 12/21/2021 | 12/22/2024 | — | (38) | (28) | — |
| | | | | | | 16,333 | 16,295 | 16,206 | 8.3 |
| <i>Thryv, Inc. (14) (15)</i> | | | | | | | | | |
| | Directory and Mailing List Publishers | | | | | | | | |
| Senior Secured Loan | | 9.74% | (L +8.50%) | 2/18/2021 | 3/1/2026 | 2,889 | 2,835 | 2,832 | 1.4 |
| <i>Tolema Acquisition, INC.</i> | | | | | | | | | |
| | Motorcycle, Bicycle, and Parts Manufacturing | | | | | | | | |
| Senior Secured Loan (15) | | 7.67% | (L +6.00%) | 10/14/2021 | 10/14/2026 | 15,583 | 15,516 | 15,559 | 7.9 |
| Senior Secured Loan (Revolver) (5) | | 7.67% | (L +6.00%) | 10/14/2021 | 10/14/2026 | 746 | 735 | 742 | 0.4 |
| | | | | | | 16,329 | 16,251 | 16,301 | 8.3 |
| <i>Tony's Finer Foods Enterprises, LLC</i> | | | | | | | | | |
| | Supermarkets and Other Grocery (except Convenience) Stores | | | | | | | | |
| Senior Secured Loan (15) | | 7.15% | (SOFR +6.00%) | 4/20/2022 | 4/20/2028 | 7,953 | 7,877 | 7,877 | 4.0 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (SOFR +6.00%) | 4/20/2022 | 4/20/2027 | — | (10) | (10) | — |
| | | | | | | 7,953 | 7,867 | 7,867 | 4.0 |
| <i>TruGreen Limited Partnership</i> | | | | | | | | | |
| | Landscaping Services | | | | | | | | |
| Senior Secured Loan | | 10.75% | (L +8.50%) | 5/13/2021 | 11/2/2028 | 4,500 | 4,620 | 4,498 | 2.3 |
| <i>United Biologics Holdings, LLC (4) (10)</i> | | | | | | | | | |
| | Medical Laboratories | | | | | | | | |
| Preferred Equity (4,701 units) | | | | 4/16/2013 | | | 9 | 16 | — |
| Warrants (3,976 units) | | | | 7/26/2012 | 4/16/2023 (12) | | 8 | 8 | — |
| | | | | | | | 17 | 24 | — |

Consolidated Schedule of Investments - Continued (unaudited)

June 30, 2022

(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 |
|---|----------|----------------------|---------------------------|--------------------------------|------------|---------------------|-------------------|-------------------|--------------------------|
| <i>West Corporation (14) (15)</i> | | | | | | | | | |
| All Other Telecommunications | | | | | | | | | |
| Senior Secured Loan | | 5.17% | (L +3.50%) | 2/26/2021 | 10/10/2024 | \$ 871 | \$ 861 | \$ 746 | 0.4 % |
| Senior Secured Loan | | 5.67% | (L +4.00%) | 7/29/2021 | 10/10/2024 | 2,564 | 2,519 | 2,192 | 1.1 |
| | | | | | | 3,435 | 3,380 | 2,938 | 1.5 |
| <i>Yahoo / Verizon Media (14) (15)</i> | | | | | | | | | |
| Internet Publishing and Broadcasting and Web Search Portals | | | | | | | | | |
| Senior Secured Loan | | 7.17% | (L +5.50%) | 7/21/2021 | 9/1/2027 | 3,210 | 3,179 | 3,053 | 1.6 |
| Total Debt and Equity Investments | | | | | | \$ 385,215 | \$ 387,507 | \$ 366,198 | 186.8 % |
| Structured Finance Note Investments | | | | | | | | | |
| <i>Subordinated Notes and Mezzanine Debt (9) (22)</i> | | | | | | | | | |
| <i>Apex Credit CLO 2020 Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 15.27% | | 11/16/2020 | 10/20/2031 | \$ 11,080 | \$ 9,520 | \$ 8,186 | 4.2 % |
| <i>Apex Credit CLO 2021 Ltd (7)</i> | | | | | | | | | |
| Subordinated Notes | | 14.87% | | 5/28/2021 | 7/18/2034 | 8,630 | 7,052 | 5,594 | 2.9 |
| <i>Apex Credit CLO 2022-1A (7)</i> | | | | | | | | | |
| Subordinated Notes | | 13.36% | | 4/28/2022 | 4/22/2033 | 10,726 | 8,694 | 8,694 | 4.4 |
| <i>Ares L CLO</i> | | | | | | | | | |
| Mezzanine debt - Class E | | 6.69% | (L +5.65%) | 2/17/2022 | 1/15/2032 | 6,000 | 5,708 | 5,329 | 2.7 |
| <i>Barings CLO 2019-I Ltd.</i> | | | | | | | | | |
| Mezzanine debt - Class E | | 7.90% | (L +6.86%) | 2/23/2022 | 4/15/2035 | 8,000 | 7,889 | 7,348 | 3.8 |
| <i>Battalion CLO XI, Ltd.</i> | | | | | | | | | |
| Mezzanine debt - Class E | | 8.03% | (L +6.85%) | 4/25/2022 | 4/24/2034 | 6,000 | 5,824 | 5,478 | 2.8 |
| <i>Dryden 53 CLO, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes - Income | | 21.46% | | 10/26/2020 | 1/15/2031 | 2,700 | 1,507 | 1,162 | 0.6 |
| Subordinated Notes | | 21.43% | | 10/26/2020 | 1/15/2031 | 2,159 | 1,205 | 929 | 0.5 |
| | | | | | | 4,859 | 2,712 | 2,091 | 1.1 |
| <i>Dryden 76 CLO, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 19.10% | | 9/27/2019 | 10/20/2032 | 2,750 | 2,118 | 1,894 | 1.0 |

OFS Capital Corporation and Subsidiaries
Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2022
(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 |
|--|-----------------|------------------------------|-----------------------------------|---|-----------------|-----------------------------|---------------------------|---------------------------|----------------------------------|
| <i>Elevation CLO 2017-7, Ltd. (7) (16)</i> | | | | | | | | | |
| Subordinated Notes | | 0.0% | | 2/6/2019 | 7/15/2030 | \$ 5,860 | \$ 1,722 | \$ 378 | 0.2 % |
| <i>Flatiron CLO 18, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 18.90% | | 1/2/2019 | 4/17/2031 | 9,680 | 6,748 | 5,615 | 2.9 |
| <i>Madison Park Funding XXIII, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 22.74% | | 1/8/2020 | 7/27/2047 | 10,000 | 6,106 | 5,393 | 2.8 |
| <i>Madison Park Funding XXIX, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 14.50% | | 12/22/2020 | 10/18/2047 | 9,500 | 6,532 | 5,596 | 2.9 |
| <i>Monroe Capital MML CLO X, Ltd.</i> | | | | | | | | | |
| Mezzanine debt - Class E-R | | 10.06% | (SOFR +8.75%) | 4/22/2022 | 5/20/2034 | 1,000 | 937 | 937 | 0.5 |
| <i>Octagon Investment Partners 39, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 18.28% | | 1/23/2020 | 10/20/2030 | 7,000 | 4,484 | 3,450 | 1.8 |
| <i>Park Avenue Institutional Advisers CLO Ltd 2021-1</i> | | | | | | | | | |
| Mezzanine debt - Class E | | 8.36% | (L +7.30%) | 1/26/2021 | 1/20/2034 | 1,000 | 976 | 905 | 0.5 |
| <i>Redding Ridge 4 (7)</i> | | | | | | | | | |
| Subordinated Notes | | 14.47% | | 3/4/2021 | 4/15/2030 | 1,300 | 1,050 | 785 | 0.4 |
| <i>Regatta II Funding</i> | | | | | | | | | |
| Mezzanine debt - Class DR2 | | 7.99% | (L +6.95%) | 6/5/2020 | 1/15/2029 | 800 | 757 | 738 | 0.4 |
| <i>Regatta XXII Funding Ltd</i> | | | | | | | | | |
| Mezzanine debt - Class E | | 8.52% | (L +7.19%) | 5/6/2022 | 6/16/2035 | 3,000 | 2,970 | 2,970 | 1.5 |
| <i>THL Credit Wind River 2019-3 CLO Ltd (7)</i> | | | | | | | | | |
| Subordinated Notes | | 14.48% | | 4/5/2019 | 4/15/2031 | 7,000 | 5,449 | 4,199 | 2.1 |
| <i>Trinitas CLO VIII (7)</i> | | | | | | | | | |
| Subordinated Notes | | 21.80% | | 3/4/2021 | 7/20/2117 | 5,200 | 3,023 | 2,374 | 1.2 |

Consolidated Schedule of Investments - Continued (unaudited)

June 30, 2022

(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 |
|--|----------|---|---------------------------|--------------------------------|------------|---------------------|-------------------|-------------------|--------------------------|
| <i>Venture 45 CLO Ltd.</i> | | | | | | | | | |
| Mezzanine debt - Class E | | 8.57% | (SOFR +7.70%) | 4/18/2022 | 7/20/2035 | \$ 3,000 | \$ 2,926 | \$ 2,926 | 1.5 % |
| <i>Wellfleet CLO 2018-2 (7)</i> | | | | | | | | | |
| Subordinated Notes | | 21.70% | | 3/4/2021 | 10/20/2031 | 1,000 | 645 | 498 | 0.3 |
| Total Subordinated Notes and Mezzanine Debt Investments | | | | | | \$ 123,385 | \$ 93,842 | \$ 81,378 | 41.9 % |
| <i>Loan Accumulation Facility (17) (22)</i> | | | | | | | | | |
| <i>Brightwood Capital MM CLO 2022-1, LTD</i> | | | | | | | | | |
| Loan accumulation facility | | 14.50% | | 1/5/2022 | 12/31/2032 | \$ 8,500 | \$ 8,500 | \$ 8,500 | 4.3 % |
| Total Loan Accumulation Facility Investment | | | | | | \$ 8,500 | \$ 8,500 | \$ 8,500 | 4.3 % |
| Total Structured Finance Notes | | | | | | \$ 131,885 | \$ 102,342 | \$ 89,878 | 46.2 % |
| Total Non-control/Non-affiliate Investments | | | | | | \$ 517,100 | \$ 489,849 | \$ 456,076 | 233.0 % |
| Affiliate Investments | | | | | | | | | |
| <i>Contract Datascan Holdings, Inc. (4) (10) (20)</i> | | Office Machinery and Equipment Rental and Leasing | | | | | | | |
| Preferred Equity (3,061 Series A shares), 10% PIK | | | | 8/5/2015 | | \$ 5,849 | \$ 4,487 | | 2.3 % |
| Common Equity (11,273 shares) | | | | 6/28/2016 | | | 104 | 134 | 0.1 |
| | | | | | | | 5,953 | 4,621 | 2.4 |
| <i>DRS Imaging Services, LLC (10) (13) (20)</i> | | Data Processing, Hosting, and Related Services | | | | | | | |
| Common Equity (1,135 units) | | | | 3/8/2018 | | | 1,135 | 1,269 | 0.6 |
| <i>Master Cutlery, LLC (4) (10) (20)</i> | | Sporting and Recreational Goods and Supplies Merchant Wholesalers | | | | | | | |
| Subordinated Loan (6) (11) | | 13.00% | N/A | 4/17/2015 | 7/20/2023 | 8,046 | 4,680 | 161 | 0.1 |
| Preferred Equity (3,723 Series A units), 8% PIK | | | | 4/17/2015 | | | 3,483 | — | — |
| Common Equity (15,564 units) | | | | 4/17/2015 | | | — | — | — |
| | | | | | | 8,046 | 8,163 | 161 | 0.1 |
| <i>Pfanstiehl Holdings, Inc. (4) (20) (21)</i> | | Pharmaceutical Preparation Manufacturing | | | | | | | |
| Common Equity (400 Class A shares) | | | | 1/1/2014 | | | 217 | 83,153 | 42.5 |

Consolidated Schedule of Investments - Continued (unaudited)

June 30, 2022

(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 |
|---|---|----------------------|---------------------------|--------------------------------|----------|---------------------|-------------------|-------------------|--------------------------|
| <i>TalentSmart Holdings, LLC (10) (13) (20)</i> Common Equity (1,595,238 Class A shares) | Professional and Management Development Training | | | 10/11/2019 | | \$ 1,595 | \$ 1,050 | | 0.5 % |
| <i>TRS Services, LLC (4) (20)</i> Preferred Equity (1,937,191 Class A units), 11% PIK Common Equity (3,000,000 units) (10) | Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance | | | 12/10/2014 | | — | 1,347 | 0.7 | |
| | | | | 12/10/2014 | | 572 | — | — | |
| | | | | | | 572 | 1,347 | 0.7 | |
| Total Affiliate Investments | | | | | | \$ 8,046 | \$ 17,635 | \$ 91,601 | 46.8 % |
| Total Investments | | | | | | \$ 525,146 | \$ 507,484 | \$ 547,677 | 279.8 % |

- (1) 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.
- (2) At June 30, 2022, the Company held loans with an aggregate principal amount of \$345,313, or 93% of the total loan portfolio, that bear interest at a variable rate indexed to LIBOR (L) or SOFR, and reset monthly, quarterly, or semi-annually. As of June 30, 2022, variable-rate loans with an aggregate principal amount of \$42,778 were subject to reference rate floor provisions of 1.00%. For each variable-rate investment, the Company has provided the spread over the reference rate and current interest rate in effect at June 30, 2022. 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) Unless otherwise noted by footnote 14, fair value was determined using significant unobservable inputs for all of the Company's investments and are considered Level 3 under GAAP. See **Note 5** for further details.
- (4) Investments (or portion thereof) held by SBIC I LP. These assets are pledged as collateral of the SBA debentures and cannot be pledged under any debt obligation of the Company.
- (5) Subject to unfunded commitments. See **Note 6**.
- (6) Investment was on non-accrual status as of June 30, 2022, meaning the Company has suspended recognition of all or a portion of income on the investment. See **Note 4** for further details.
- (7) Amortized cost reflects accretion of effective yield less any cash distributions received or entitled to be received from CLO subordinated debt investments. CLO subordinated debt positions are entitled to recurring distributions which are generally equal to the residual cash flow of payments received on underlying securities less contractual payments to debt holders and fund expenses.
- (8) 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 table below provides additional details as of June 30, 2022:

| Portfolio Company | Reported Interest Rate | Interest Rate per Credit Agreement | Additional Interest per Annum |
|---------------------|---------------------------|---------------------------------------|-------------------------------------|
| SS Acquisition, LLC | 7.87% | 7.50% | 0.37% |

- (9) The rate disclosed on subordinated note investments is the estimated effective yield, generally established at purchase and re-evaluated upon receipt of distributions, and based upon projected amounts and timing of future distributions and the projected amount and timing of terminal principal payments at the time of estimation. The estimated yield and investment cost may ultimately not be realized.
- (10) Non-income producing.

Consolidated Schedule of Investments - Continued (unaudited)**June 30, 2022****(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 June 30, 2022:

| Portfolio Company | Investment Type | Range of PIK Option | Range of Cash Option | Maximum PIK Rate Allowed |
|--------------------------|------------------------|----------------------------|-----------------------------|---------------------------------|
| Eblens Holdings, Inc. | Subordinated Loan | 0% or 1.50% | 12.50% or 14.00% | 1.00% |
| Inergex Holdings, LLC | Senior Loan | 0% or 1.00% | 9.25% to 10.25% | 1.00% |
| Master Cutlery, LLC | Subordinated Loan | 0% to 13.00% | 0% to 13.00% | 13.00% |

- (12) Represents expiration date of the warrants.
- (13) All or portion of investment held by a wholly-owned subsidiary subject to income tax.
- (14) Fair value was determined by reference to observable inputs other than quoted prices in active markets and are considered Level 2 under GAAP. See **Note 5** for further details.
- (15) Investments (or portion thereof) held by OFSCC-FS. These assets are pledged as collateral of the BNP Facility and cannot be pledged under any debt obligation of the Parent.
- (16) As of June 30, 2022, the effective accretable yield has been estimated to be 0%, as the aggregate amount of projected distributions, including projected distributions related to liquidation of the underlying portfolio upon the security's anticipated optional redemption, is less than current amortized cost. Projected distributions are periodically monitored and re-evaluated. All actual distributions will be recognized as reductions to amortized cost until such time, if and when occurring, a future aggregate amount of then-projected distributions exceeds the security's then-current amortized cost.
- (17) Loan accumulation facilities are financing structures intended to aggregate loans that are expected to form part of the portfolio of a future CLO vehicle. Reported yields represent an estimated yield to be earned on the investment. Income notes associated with loan accumulation facilities generally pay returns equal to the actual income earned on facility assets less costs of senior financing and manager costs. As of June 30, 2022, the fair value of loan accumulation facilities were determined by reference to Transaction Price as an approximation of fair value.
- (18) Not meaningful as there is no outstanding balance on the revolver or delayed draw facility. The Company earns unfunded commitment fees on undrawn revolving lines of credit balances, which are reported in fee income.
- (19) The Company holds at least one seat on the portfolio company's board of directors.
- (20) The Company has an observer seat on the portfolio company's board of directors.
- (21) Portfolio company represents greater than 5% of total assets at June 30, 2022.
- (22) Non-qualifying assets under Section 55(a) of the 1940 Act. Qualifying assets as defined in Section 55 of the 1940 Act must represent at least 70% of the Company's assets immediately following the acquisition of any additional non-qualifying assets. As of June 30, 2022, approximately 80% of the Company's assets were qualifying assets.
- (23) Equity participation rights issued by unaffiliated third party fully covered with underlying positions in the portfolio company.

See Notes to Consolidated Financial Statements (unaudited).

OFS Capital Corporation and Subsidiaries
Consolidated Schedule of Investments
December 31, 2021
(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 | | | | | | | | | |
| <i>AAdvantage Loyalty IP Ltd. and American Airlines, Inc. (14) (15) (22)</i> | Scheduled Passenger Air Transportation | | | | | | | | |
| Senior Secured Loan | | 5.50% | (L +4.75%) | 3/10/2021 | 4/20/2028 | \$ 364 | \$ 360 | \$ 377 | 0.2 % |
| <i>Aegion Corporation (15) (22)</i> | Water and Sewer Line and Related Structures Construction | | | | | | | | |
| Senior Secured Loan | | 5.50% | (L +4.75%) | 4/1/2021 | 5/17/2028 | 630 | 627 | 628 | 0.3 |
| <i>Allen Media, LLC (14) (15)</i> | Cable and Other Subscription Programming | | | | | | | | |
| Senior Secured Loan | | 5.72% | (L +5.50%) | 3/2/2021 | 2/10/2027 | 3,807 | 3,801 | 3,810 | 1.8 |
| <i>All Star Auto Lights, Inc. (4) (15)</i> | Motor Vehicle Parts (Used) Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan | | 8.25% | (L +7.25%) | 12/19/2019 | 8/20/2025 | 23,335 | 23,005 | 23,052 | 11.3 |
| <i>Autokinton US Holdings, Inc. (14) (15)</i> | Automotive Parts and Accessories Stores | | | | | | | | |
| Senior Secured Loan | | 5.00% | (L +4.50%) | 3/26/2021 | 4/6/2028 | 2,696 | 2,688 | 2,704 | 1.3 |
| <i>Avison Young (15)</i> | Nonresidential Property Managers | | | | | | | | |
| Senior Secured Loan | | 5.97% | (L +5.75%) | 11/25/2021 | 1/31/2026 | 2,987 | 2,972 | 2,972 | 1.5 |
| <i>Ball Metalpack</i> | Metal Can Manufacturing | | | | | | | | |
| Senior Secured Loan | | 9.75% | (L +8.75%) | 6/8/2021 | 7/31/2026 | 2,167 | 2,143 | 2,167 | 1.1 |
| <i>Bass Pro Group, LLC (14) (15)</i> | Sporting Goods Stores | | | | | | | | |
| Senior Secured Loan | | 4.50% | (L +3.75%) | 2/26/2021 | 3/6/2028 | 1,967 | 1,958 | 1,972 | 1.0 |
| <i>BayMark Health Services, Inc. (15)</i> | Outpatient Mental Health and Substance Abuse Centers | | | | | | | | |
| Senior Secured Loan | | 9.50% | (L +8.50%) | 6/10/2021 | 6/11/2028 | 4,962 | 4,893 | 5,061 | 2.5 |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (L +8.50%) | 6/10/2021 | 6/11/2028 | — | (124) | 170 | 0.1 |
| | | | | | | 4,962 | 4,769 | 5,231 | 2.6 |
| <i>Constellis Holdings, LLC (10)</i> | Other Justice, Public Order, and Safety Activities | | | | | | | | |
| Common Equity (20,628 common shares) | | | | 3/27/2020 | | | 703 | 29 | — |

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|---|--|------------------------------|---------------------------------------|---|-----------------|-----------------------------|---------------------------|---------------------------|----------------------------------|
| <i>Convergint Technologies Holdings, LLC</i> Senior Secured Loan | Security Systems Services (except Locksmiths) | 7.50% | (L +6.75%) | 9/28/2018 | 3/30/2029 | \$ 4,838 | \$ 4,827 | \$ 4,887 | 2.4 % |
| <i>Corel Inc. (14) (15)</i> Senior Secured Loan | Software Publishers | 5.18% | (L +5.00%) | 3/2/2021 | 7/2/2026 | 2,271 | 2,265 | 2,270 | 1.1 |
| <i>Creation Technologies (15) (22)</i> Senior Secured Loan | Bare Printed Circuit Board Manufacturing | 6.00% | (L +5.50%) | 9/24/2021 | 10/5/2028 | 2,000 | 1,985 | 1,977 | 1.0 |
| <i>DHX Media Ltd. (14) (15) (22)</i> Senior Secured Loan | Motion Picture and Video Production | 5.00% | (L +4.25%) | 3/19/2021 | 3/18/2028 | 3,974 | 3,929 | 3,970 | 1.9 |
| <i>Diamond Sports Group, LLC (14) (15)</i> Senior Secured Loan | Television Broadcasting | 3.36% | (L +3.25%) | 11/19/2019 | 8/24/2026 | 1,955 | 1,957 | 918 | 0.5 |
| <i>DIRECTV Financing, LLC (14) (15)</i> Senior Secured Loan | Wired Telecommunications Carriers | 5.75% | (L +5.00%) | 7/22/2021 | 8/2/2027 | 4,395 | 4,388 | 4,405 | 2.2 |
| <i>Eblens Holdings, Inc. (20)</i> Subordinated Loan (11) Common Equity (71,250 Class A units) (10) | Shoe Store | 12.00% cash / 1.00% PIK | N/A | 7/13/2017 | 1/13/2023 | 9,207 | 9,181 | 9,049 | 4.4 |
| | | | | 7/13/2017 | | | 713 | 292 | 0.1 |
| | | | | | | 9,207 | 9,894 | 9,341 | 4.5 |
| <i>Electrical Components International, Inc.</i> Senior Secured Loan | Current-Carrying Wiring Device Manufacturing | 8.60% | (L +8.50%) | 4/8/2021 | 6/26/2026 | 3,000 | 2,653 | 2,954 | 1.4 |
| <i>EnergySolutions, LLC (14) (15)</i> Senior Secured Loan | Hazardous Waste Treatment and Disposal | 4.75% | (L +3.75%) | 7/8/2021 | 5/9/2025 | 1,837 | 1,833 | 1,837 | 0.9 |

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|---|--|------------------------|------------------------------|--------------------------------|------------|---------------------|-------------------|-------------------|--------------------------|
| <i>Envocore Holding, LLC (F/K/A LRI Holding, LLC) (4)</i> | | | | | | | | | |
| Senior Secured Loan | Electrical Contractors and Other Wiring Installation Contractors | 7.50% | N/A | 12/31/2021 | 12/31/2025 | \$ 6,424 | \$ 6,424 | \$ 6,424 | 3.2 % |
| Senior Secured Loan | | 10.00% PIK | N/A | 12/31/2021 | 12/31/2026 | 6,424 | 6,424 | 4,645 | 2.3 |
| Senior Secured Loan (Revolver) (5) | | 7.50% | N/A | 11/29/2021 | 12/31/2025 | 563 | 563 | 563 | 0.3 |
| Equity Participation Rights (23) | | | | 12/31/2021 | | — | 4,722 | — | — |
| | | | | | | 13,411 | 18,133 | 11,632 | 5.8 |
| <i>Excelin Home Health, LLC (4)</i> | | | | | | | | | |
| Senior Secured Loan | Home Health Care Services | 11.50% | (L +9.50%) | 10/25/2018 | 9/30/2025 | 4,250 | 4,182 | 4,250 | 2.1 |
| <i>GGC Aerospace Topco L.P.</i> | | | | | | | | | |
| Common Equity (368,852 Class A units) (10) | Other Aircraft Parts and Auxiliary Equipment Manufacturing | | | 12/29/2017 | | | 450 | 77 | — |
| Common Equity (40,984 Class B units) (10) | | | | 12/29/2017 | | | 50 | 3 | — |
| | | | | | | | 500 | 80 | — |
| <i>Honor HN Buyer Inc (15)</i> | | | | | | | | | |
| Senior Secured Loan | Services for the Elderly and Persons with Disabilities | 7.00% | (L +6.00%) | 10/15/2021 | 10/15/2027 | 6,598 | 6,471 | 6,471 | 3.2 |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (L +6.00%) | 10/15/2021 | 10/15/2027 | — | (40) | (40) | — |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +6.00%) | 10/15/2021 | 10/15/2027 | — | (15) | (15) | — |
| | | | | | | 6,598 | 6,416 | 6,416 | 3.2 |
| <i>Hunter Fan Company (14) (15)</i> | | | | | | | | | |
| Senior Secured Loan | Small Electrical Appliance Manufacturing | 5.75% | (L +5.00%) | 8/10/2021 | 5/8/2028 | 4,988 | 4,997 | 4,997 | 2.5 |
| <i>Inergex Holdings, LLC</i> | | | | | | | | | |
| Senior Secured Loan | Other Computer Related Services | 8.00% cash / 1.00% PIK | (L +8.00%) | 10/1/2018 | 10/1/2024 | 15,260 | 15,030 | 15,260 | 7.5 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +7.00%) | 10/1/2018 | 10/1/2024 | — | (13) | — | — |
| | | | | | | 15,260 | 15,017 | 15,260 | 7.5 |
| <i>Intouch Midco Inc. (15) (22)</i> | | | | | | | | | |
| Senior Secured Loan | All Other Professional, Scientific, and Technical Services | 4.85% | (L +4.75%) | 12/20/2019 | 8/24/2025 | 2,909 | 2,872 | 2,865 | 1.4 |
| <i>Ivanti Software, Inc. (14) (15)</i> | | | | | | | | | |
| Senior Secured Loan | Software Publishers | 5.00% | (L +4.25%) | 3/26/2021 | 12/1/2027 | 2,985 | 2,996 | 2,993 | 1.5 |

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|---|--|----------------------|------------------------------|--------------------------------|------------|---------------------|-------------------|-------------------|--------------------------|
| <i>JP Intermediate B, LLC (15)</i> | Drugs and Druggists' Sundries Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan | | 6.50% | (L +5.50%) | 1/14/2021 | 11/15/2025 | \$ 5,736 | \$ 5,529 | \$ 5,550 | 2.7 % |
| <i>KNS Acquisition Corp. (14) (15)</i> | Electronic Shopping and Mail- Order Houses | | | | | | | | |
| Senior Secured Loan | | 7.00% | (L +6.25%) | 4/16/2021 | 4/21/2027 | 6,956 | 6,913 | 6,870 | 3.4 |
| <i>Kreg LLC (15)</i> | Other Ambulatory Health Care Services | | | | | | | | |
| Senior Secured Loan | | 7.25% | (L +6.25%) | 12/20/2021 | 12/20/2026 | 20,500 | 20,347 | 20,347 | 10.0 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +6.25%) | 12/20/2021 | 12/20/2026 | — | (17) | (17) | — |
| | | | | | | 20,500 | 20,330 | 20,330 | 10.0 |
| <i>LogMeIn, Inc. (14) (15)</i> | Data Processing, Hosting, and Related Services | | | | | | | | |
| Senior Secured Loan | | 4.86% | (L +4.75%) | 3/26/2021 | 8/31/2027 | 2,979 | 2,977 | 2,966 | 1.5 |
| <i>Magenta Buyer LLC (14) (15)</i> | Software Publishers | | | | | | | | |
| Senior Secured Loan | | 5.75% | (L +5.00%) | 7/28/2021 | 7/27/2028 | 4,850 | 4,836 | 4,845 | 2.4 |
| <i>McGraw Hill Global Education Holdings, LLC (14) (15)</i> | All Other Publishers | | | | | | | | |
| Senior Secured Loan | | 4.85% | (L +4.75%) | 4/1/2021 | 7/28/2028 | 2,310 | 2,288 | 2,303 | 1.1 |
| <i>Milrose Consultants, LLC (4)</i> | Administrative Management and General Management Consulting Services | | | | | | | | |
| Senior Secured Loan (15) | | 7.50% | (L +6.50%) | 7/16/2019 | 7/16/2025 | 22,364 | 22,364 | 22,024 | 10.8 |
| Senior Secured Loan (Revolver) | | 7.50% | (L +6.50%) | 7/16/2019 | 7/16/2025 | 634 | 626 | 610 | 0.3 |
| | | | | | | 22,998 | 22,990 | 22,634 | 11.1 |
| <i>Molded Devices, Inc. (15)</i> | Other Industrial Machinery Manufacturing | | | | | | | | |
| Senior Secured Loan | | 8.25% | (Prime + 5.00%) | 11/1/2021 | 11/1/2026 | 8,069 | 7,991 | 7,991 | 3.9 |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (Prime + 5.00%) | 11/1/2021 | 11/1/2026 | — | (7) | (7) | — |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (Prime + 5.00%) | 11/1/2021 | 11/1/2026 | — | (9) | (9) | — |
| | | | | | | 8,069 | 7,975 | 7,975 | 3.9 |

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|---|---|------------------------------|---------------------------------------|---|-----------------|-----------------------------|---------------------------|---------------------------|----------------------------------|
| <i>Odyssey Logistics and Technology Corporation (14) (15)</i> Senior Secured Loan | Freight Transportation Arrangement | 5.00% | (L +4.00%) | 4/5/2021 | 10/12/2024 | \$ 1,985 | \$ 1,960 | \$ 1,970 | 1.0 % |
| <i>One GI LLC (15)</i> Senior Secured Loan (Delayed Draw) | Offices of Other Holding Companies | 7.75% | (L +6.75%) | 12/13/2021 | 3/13/2022 | 5,515 | 5,403 | 5,403 | 2.7 |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (L +6.75%) | 12/13/2021 | 12/13/2023 | — | (39) | (39) | — |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +6.75%) | 12/13/2021 | 12/22/2025 | — | (29) | (29) | — |
| | | | | | | 5,515 | 5,335 | 5,335 | 2.7 |
| <i>Parfums Holding Company, Inc. (14) (15)</i> Senior Secured Loan | Cosmetics, Beauty Supplies, and Perfume Stores | 4.10% | (L +4.00%) | 6/25/2019 | 6/30/2024 | 1,534 | 1,533 | 1,531 | 0.8 |
| <i>Peraton Inc. (14) (15)</i> Senior Secured Loan | Management Consulting Services | 4.50% | (L +3.75%) | 4/2/2021 | 2/1/2028 | 835 | 836 | 837 | 0.4 |
| <i>Planet Bingo, LLC (F/K/A 3rd Rock Gaming Holdings, LLC (6) (10)</i> Senior Secured Loan | Software Publishers | 4.00% | N/A | 3/13/2018 | 3/12/2023 | 16,728 | 14,358 | 7,027 | 3.3 |
| <i>PM Acquisition LLC (20)</i> Common Equity (499 units) (10) (13) | All Other General Merchandise Stores | | | 9/30/2017 | | | 499 | 1,698 | 0.8 |
| <i>Professional Pipe Holdings, LLC</i> Senior Secured Loan | Plumbing, Heating, and Air-Conditioning Contractors | 9.75% cash / 1.00% PIK | (L +9.75%) | 3/23/2018 | 3/24/2025 | 5,367 | 5,344 | 5,378 | 2.6 |
| <i>Resource Label Group, LLC (14) (15)</i> Senior Secured Loan | Commercial Printing (except Screen and Books) | 5.00% | (L +4.25%) | 7/2/2021 | 7/7/2028 | 694 | 692 | 694 | 0.3 |
| Senior Secured Loan (Delayed Draw) | | 5.00% | (L +4.25%) | 7/2/2021 | 7/2/2028 | 2,743 | 2,735 | 2,742 | 1.3 |
| | | | | | | 3,437 | 3,427 | 3,436 | 1.6 |
| <i>RPLF Holdings, LLC (10) (13)</i> Common Equity (345,339 Class A units) | Software Publishers | | | 1/17/2018 | | | 492 | 794 | 0.4 |

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|---|--|----------------------|------------------------------|--------------------------------|-------------------|---------------------|-------------------|-------------------|--------------------------|
| <i>RSA Security (15)</i> | Computer and Computer Peripheral Equipment and Software Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan (14) | | 5.50% | (L +4.75%) | 4/16/2021 | 4/27/2028 | \$ 2,797 | \$ 2,782 | \$ 2,680 | 1.3 % |
| Senior Secured Loan | | 8.50% | (L +7.75%) | 4/16/2021 | 4/27/2029 | 4,450 | 4,392 | 4,223 | 2.1 |
| | | | | | | 7,247 | 7,174 | 6,903 | 3.4 |
| <i>RumbleOn, Inc. (15) (22)</i> | Other Industrial Machinery Manufacturing | | | | | | | | |
| Senior Secured Loan | | 9.25% | (L +8.25%) | 8/31/2021 | 8/31/2026 | 4,190 | 3,964 | 4,006 | 2.0 |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (L +8.25%) | 8/31/2021 | 2/23/2023 | — | (18) | (79) | — |
| Warrants (warrants to purchase up to \$600,000 in common stock) | | | | 8/31/2021 | 2/28/2023 (12) | — | 200 | 274 | 0.1 |
| | | | | | | 4,190 | 4,146 | 4,201 | 2.1 |
| <i>Sentry Centers Holdings, LLC (10) (13)</i> | Other Professional, Scientific, and Technical Services | | | | | | | | |
| Preferred Equity (2,248 Series A units) | | | | 9/4/2020 | | | 51 | — | — |
| Preferred Equity (1,603 Series B units) | | | | 9/4/2020 | | | 160 | 12 | — |
| Common Equity (269 units) | | | | 9/4/2020 | | | 3 | — | — |
| | | | | | | | 214 | 12 | — |
| <i>Signal Parent, Inc. (14) (15)</i> | New Single-Family Housing Construction (except For-Sale Builders) | | | | | | | | |
| Senior Secured Loan | | 4.25% | (L +3.50%) | 3/25/2021 | 4/3/2028 | 1,840 | 1,823 | 1,794 | 0.9 |
| <i>SourceHOV Tax, Inc. (4)</i> | Other Accounting Services | | | | | | | | |
| Senior Secured Loan | | 7.50% | (L +6.50%) | 3/16/2020 | 3/16/2025 | 19,790 | 19,648 | 19,935 | 9.8 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +6.50%) | 5/17/2021 | 3/17/2025 | — | (15) | — | — |
| | | | | | | 19,790 | 19,633 | 19,935 | 9.8 |
| <i>Southern Technical Institute, LLC (4) (10)(23)</i> | Colleges, Universities, and Professional Schools | | | | | | | | |
| Equity Participation Rights | | | | 6/27/2018 | | | — | 7,408 | 3.6 |
| <i>Spring Education Group, Inc. (F/K/A SSH Group Holdings, Inc.) (15)</i> | Child Day Care Services | | | | | | | | |
| Senior Secured Loan | | 8.47% | (L +8.25%) | 7/26/2018 | 7/30/2026 | 6,399 | 6,336 | 5,916 | 2.9 |

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|---|---|----------------------|------------------------------|--------------------------------|------------|---------------------|-------------------|-------------------|--------------------------|
| <i>SSJA Bariatric Management LLC (15)</i> | Offices of Physicians, Mental Health Specialists | | | | | | | | |
| Senior Secured Loan | | 6.00% | (L +5.00%) | 8/26/2019 | 8/26/2024 | \$ 9,775 | \$ 9,723 | \$ 9,775 | 4.8 % |
| Senior Secured Loan | | 6.00% | (L +5.00%) | 12/31/2020 | 8/26/2024 | 1,056 | 1,048 | 1,056 | 0.5 |
| Senior Secured Loan | | 6.00% | (L +5.00%) | 12/8/2021 | 8/26/2024 | 2,660 | 2,634 | 2,660 | 1.3 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +5.00%) | 8/26/2019 | 8/26/2024 | — | (4) | — | — |
| | | | | | | 13,491 | 13,401 | 13,491 | 6.6 |
| <i>SS Acquisition, LLC (15)</i> | Sports and Recreation Instruction | | | | | | | | |
| Senior Secured Loan (8) | | 7.88% | (L +6.88%) | 12/30/2021 | 12/30/2026 | 3,042 | 3,011 | 3,011 | 1.5 |
| Senior Secured Loan (Delayed Draw) (5) | | n/m (18) | (L +6.88%) | 12/30/2021 | 12/30/2026 | — | — | — | — |
| | | | | | | 3,042 | 3,011 | 3,011 | 1.5 |
| <i>Staples, Inc. (14) (15) (22)</i> | Business to Business Electronic Markets | | | | | | | | |
| Senior Secured Loan | | 5.13% | (L +5.00%) | 6/24/2019 | 4/16/2026 | 2,930 | 2,875 | 2,838 | 1.4 |
| <i>STS Operating, Inc.</i> | Industrial Machinery and Equipment Merchant Wholesalers | | | | | | | | |
| Senior Secured Loan | | 9.00% | (L +8.00%) | 5/15/2018 | 4/30/2026 | 9,073 | 9,071 | 9,073 | 4.5 |
| <i>Teneo Global LLC (14) (15)</i> | Management Consulting Services | | | | | | | | |
| Senior Secured Loan | | 6.25% | (L +5.25%) | 9/10/2021 | 7/11/2025 | 1,421 | 1,415 | 1,427 | 0.7 |
| <i>The Escape Game, LLC (4)</i> | Other amusement and recreation industries | | | | | | | | |
| Senior Secured Loan | | 8.00% | (L +7.00%) | 12/21/2021 | 12/22/2024 | 16,333 | 16,333 | 16,382 | 8.0 |
| Senior Secured Loan (Revolver) (5) | | n/m (18) | (L +7.00%) | 12/21/2021 | | — | (46) | 14 | — |
| | | | | | | 16,333 | 16,287 | 16,396 | 8.0 |
| <i>Thryv, Inc. (14) (15)</i> | Directory and Mailing List Publishers | | | | | | | | |
| Senior Secured Loan | | 9.50% | (L +8.50%) | 2/18/2021 | 3/1/2026 | 2,050 | 2,004 | 2,085 | 1.0 |
| <i>Tolema Acquisition, INC. (15)</i> | Motorcycle, Bicycle, and Parts Manufacturing | | | | | | | | |
| Senior Secured Loan | | 7.00% | (L +6.00%) | 10/14/2021 | 10/14/2026 | 14,889 | 14,818 | 14,818 | 7.3 |
| Senior Secured Loan (Revolver) (5) | | 7.00% | (L +6.00%) | 10/14/2021 | 10/14/2026 | 360 | 348 | 348 | 0.2 |
| | | | | | | 15,249 | 15,166 | 15,166 | 7.5 |
| <i>TruGreen Limited Partnership</i> | Landscaping Services | | | | | | | | |
| Senior Secured Loan | | 9.25% | (L +8.50%) | 5/13/2021 | 11/2/2028 | 4,500 | 4,630 | 4,590 | 2.3 |

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|---|---|----------------------|------------------------------|--------------------------------|------------------|---------------------|-------------------|-------------------|--------------------------|
| <i>United Biologics Holdings, LLC (4) (10)</i> | Medical Laboratories | | | | | | | | |
| Preferred Equity (151,787 units) | | | | 4/16/2013 | | | \$ 9 | \$ 17 | — % |
| Warrants (29,374 units) | | | | 7/26/2012 | 3/5/2022 (12) | | 82 | 8 | — |
| | | | | | | | 91 | 25 | — |
| <i>West Corporation (14) (15)</i> | All Other Telecommunications | | | | | | | | |
| Senior Secured Loan | | 4.50% | (L +3.50%) | 2/26/2021 | 10/10/2024 | 887 | 874 | 838 | 0.4 |
| Senior Secured Loan | | 5.00% | (L +4.00%) | 7/29/2021 | 10/10/2024 | 2,611 | 2,555 | 2,485 | 1.2 |
| | | | | | | 3,498 | 3,429 | 3,323 | 1.6 |
| <i>Yahoo / Verizon Media (14) (15)</i> | Internet Publishing and Broadcasting and Web Search Portals | | | | | | | | |
| Senior Secured Loan | | 6.25% | (L +5.50%) | 7/21/2021 | 9/1/2027 | 3,294 | 3,249 | 3,299 | 1.6 |
| Total Debt and Equity Investments | | | | | | \$ 350,939 | \$ 353,447 | \$ 346,366 | 170.1 % |
| Structured Finance Note Investments (22) | | | | | | | | | |
| Subordinated Notes and Mezzanine Debt (9) (16) | | | | | | | | | |
| <i>Apex Credit CLO 2020 (7)</i> | | | | | | | | | |
| Subordinated Notes | | 10.20% | | 11/16/2020 | 10/20/2031 | \$ 11,080 | \$ 9,297 | \$ 9,090 | 4.5 % |
| <i>Apex Credit CLO 2021 Ltd (7)</i> | | | | | | | | | |
| Subordinated Notes | | 14.53% | | 5/28/2021 | 7/18/2034 | 8,630 | 7,797 | 7,442 | 3.7 |
| <i>Dryden 53 CLO, LTD. (7)</i> | | | | | | | | | |
| Subordinated Notes - Income | | 23.72% | | 10/26/2020 | 1/15/2031 | 2,700 | 1,611 | 1,672 | 0.8 |
| Subordinated Notes | | 23.69% | | 10/26/2020 | 1/15/2031 | 2,159 | 1,289 | 1,337 | 0.7 |
| | | | | | | 4,859 | 2,900 | 3,009 | 1.5 |
| <i>Dryden 76 CLO, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 15.73% | | 9/27/2019 | 10/20/2032 | 2,750 | 2,119 | 2,374 | 1.2 |
| <i>Elevation CLO 2017-7, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 11.96% | | 2/6/2019 | 7/15/2030 | 10,000 | 6,137 | 5,357 | 2.6 |
| <i>Flatiron CLO 18, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 19.09% | | 1/2/2019 | 4/17/2031 | 9,680 | 6,942 | 7,331 | 3.6 |

OFS Capital Corporation and Subsidiaries
Consolidated Schedule of Investments
December 31, 2021
(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 |
|--|-----------------|------------------------------|---------------------------------------|---|-----------------|-----------------------------|---------------------------|---------------------------|----------------------------------|
| <i>Madison Park Funding XXIII, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 24.21% | | 1/8/2020 | 7/27/2047 | \$ 10,000 | \$ 6,370 | \$ 7,211 | 3.5 % |
| <i>Madison Park Funding XXIX, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 15.88% | | 12/22/2020 | 10/18/2047 | 9,500 | 6,899 | 7,001 | 3.4 |
| <i>Monroe Capital MML CLO X, LTD.</i> | | | | | | | | | |
| Mezzanine debt - Class E | | 10.92% | (L +8.85%) | 8/7/2020 | 8/20/2031 | 1,000 | 949 | 996 | 0.5 |
| <i>Octagon Investment Partners 39, Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 17.69% | | 1/23/2020 | 10/20/2030 | 7,000 | 4,733 | 4,845 | 2.4 |
| <i>Park Avenue Institutional Advisers CLO Ltd 2021-1</i> | | | | | | | | | |
| Mezzanine debt - Class E | | 8.63% | (L +7.30%) | 1/26/2021 | 1/20/2034 | 1,000 | 974 | 988 | 0.5 |
| <i>Redding Ridge 4 (7)</i> | | | | | | | | | |
| Subordinated Notes | | 18.02 | | 3/4/2021 | 4/15/2030 | 1,300 | 1,104 | 1,106 | 0.5 |
| <i>Regatta II Funding</i> | | | | | | | | | |
| Mezzanine debt - Class DR2 | | 13.42% | (L +6.95%) | 6/5/2020 | 1/15/2029 | 800 | 737 | 795 | 0.4 |
| <i>THL Credit Wind River 2019-3 CLO Ltd. (7)</i> | | | | | | | | | |
| Subordinated Notes | | 13.09% | | 4/5/2019 | 4/15/2031 | 7,000 | 5,710 | 5,231 | 2.6 |
| <i>Trinitas CLO VIII (7)</i> | | | | | | | | | |
| Subordinated Notes | | 21.34% | | 3/4/2021 | 7/20/2117 | 5,200 | 3,128 | 3,229 | 1.6 |
| <i>Wellfleet CLO 2018-2 (7)</i> | | | | | | | | | |
| Subordinated Notes | | 19.74% | | 3/4/2021 | 10/20/2031 | 1,000 | 655 | 696 | 0.3 |
| Total Subordinated Notes and Mezzanine Debt Investments | | | | | | \$ 90,799 | \$ 66,451 | \$ 66,701 | 32.8 % |

Consolidated Schedule of Investments
December 31, 2021
(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 |
|---|----------|----------------------|------------------------------|--------------------------------|-----------|---------------------|-------------------|-------------------|--------------------------|
| Loan Accumulation Facility (17) (22) | | | | | | | | | |
| <i>Apex Credit CLO 2021-II Ltd</i> | | | | | | | | | |
| Loan accumulation facility | | 13.50% | | 7/14/2021 | 7/14/2022 | \$ 8,500 | \$ 8,500 | \$ 8,500 | 4.2 % |
| Total Structured Finance Notes | | | | | | <u>\$ 99,299</u> | <u>\$ 74,951</u> | <u>\$ 75,201</u> | <u>37.0 %</u> |
| Total Non-control/Non-affiliate Investments | | | | | | <u>\$ 450,238</u> | <u>\$ 428,398</u> | <u>\$ 421,567</u> | <u>207.1 %</u> |
| Affiliate Investments | | | | | | | | | |
| <i>Contract Datascan Holdings, Inc. (4) (10) (20)</i> | | | | | | | | | |
| Office Machinery and Equipment Rental and Leasing | | | | | | | | | |
| Preferred Equity (3,061 Series A shares) 10% PIK | | | | 8/5/2015 | | \$ 5,849 | \$ 2,748 | | 1.3 % |
| Common Equity (11,273 shares) | | | | 6/28/2016 | | 104 | 25 | | — |
| | | | | | | <u>5,953</u> | <u>2,773</u> | | <u>1.3</u> |
| <i>DRS Imaging Services, LLC (20)</i> | | | | | | | | | |
| Data Processing, Hosting, and Related Services | | | | | | | | | |
| Common Equity (1,135 units) (10) (13) | | | | 3/8/2018 | | | 1,135 | 1,289 | 0.6 |
| <i>Master Cutlery, LLC (4) (10)(20)</i> | | | | | | | | | |
| Sporting and Recreational Goods and Supplies Merchant Wholesalers | | | | | | | | | |
| Subordinated Loan (6) (11) | | 13.00% (11) | N/A | 4/17/2015 | 7/20/2022 | 7,563 | 4,696 | 699 | 0.3 |
| Preferred Equity (3,723 Series A units), 8% PIK | | | | 4/17/2015 | | | 3,483 | — | — |
| Common Equity (15,564 units) | | | | 4/17/2015 | | | — | — | — |
| | | | | | | <u>7,563</u> | <u>8,179</u> | <u>699</u> | <u>0.3</u> |
| <i>Pfanstiehl Holdings, Inc. (4) (20) (21)</i> | | | | | | | | | |
| Pharmaceutical Preparation Manufacturing | | | | | | | | | |
| Common Equity (400 Class A shares) | | | | 1/1/2014 | | | 217 | 65,740 | 32.3 |
| <i>TalentSmart Holdings, LLC (20)</i> | | | | | | | | | |
| Professional and Management Development Training | | | | | | | | | |
| Common Equity (1,595,238 Class A shares) (10) (13) | | | | 10/11/2019 | | | 1,595 | 1,095 | 0.5 |

Consolidated Schedule of Investments
December 31, 2021
(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 |
|---|---|----------------------------|------------------------------|--------------------------------|-----------|---------------------|-------------------|-------------------|--------------------------|
| <i>TRS Services, LLC (4) (10) (20)</i> | Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance | | | | | | | | |
| Preferred Equity (1,937,191 Class A units), 11% PIK | | | | 12/10/2014 | | \$ — | \$ — | \$ 988 | 0.5 % |
| Common Equity (3,000,000 units) | | | | 12/10/2014 | | | 572 | — | — |
| | | | | | | | 572 | 988 | 0.5 |
| Total Affiliate Investments | | | | | | <u>\$ 7,563</u> | <u>\$ 17,650</u> | <u>\$ 72,584</u> | <u>35.5 %</u> |
| Control Investment | | | | | | | | | |
| <i>MTE Holding Corp. (4) (19)</i> | Travel Trailer and Camper Manufacturing | | | | | | | | |
| Subordinated Loan (to Mirage Trailers, LLC, a controlled, consolidated subsidiary of MTE Holding Corp.) | | 11.00% cash / 5.00% PIK | (L +15.00%) | 11/25/2015 | 4/30/2022 | \$ 8,195 | \$ 8,195 | \$ 8,195 | 4.0 % |
| Common Equity (554 shares) | | | | 11/25/2015 | | | 3,069 | 4,753 | 2.3 |
| | | | | | | 8,195 | 11,264 | 12,948 | 6.3 |
| Total Control Investment | | | | | | <u>\$ 8,195</u> | <u>\$ 11,264</u> | <u>\$ 12,948</u> | <u>6.3 %</u> |
| Total Investments | | | | | | <u>\$ 465,995</u> | <u>\$ 457,312</u> | <u>\$ 507,099</u> | <u>248.9 %</u> |

- 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), generally between 0.75% and 1.00% at December 31, 2021, and reset monthly, quarterly, or semi-annually. Variable-rate loans with an aggregate cost of \$316,558 include LIBOR reference rate floor provisions of generally 0.75% to 1.00% at December 31, 2021, the reference rates on such instruments were generally below the stated floor provisions. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at December 31, 2021. 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.
- Unless otherwise noted with footnote 14, fair value was determined using significant unobservable inputs for all of the Company's investments and are considered Level 3 under GAAP. See **Note 5** for further details.
- Investments (or portion thereof) held by SBIC I LP. These assets are pledged as collateral of the SBA debentures and cannot be pledged under any debt obligation of the Company.
- Subject to unfunded commitments. See Note 6.
- Investment was on non-accrual status as of December 31, 2021, meaning the Company has suspended recognition of all or a portion of income on the investment. See **Note 4** for further details.
- CLO subordinated debt positions are entitled to recurring distributions generally equal to the residual cash flow of payments received on underlying securities less contractual payments to debt holders and fund expenses.

Consolidated Schedule of Investments

December 31, 2021

(Dollar amounts in thousands)

- (8) 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 table below provides additional details as of December 31, 2021:

| Portfolio Company | Reported Interest Rate | Interest Rate per Credit Agreement | Additional Interest per Annum |
|---------------------|------------------------|------------------------------------|-------------------------------|
| SS Acquisition, LLC | 7.88% | 7.50% | 0.38% |

- (9) The rate disclosed is the estimated effective yield, generally established at purchase and re-evaluated upon receipt of distributions, and based upon projected amounts and timing of future distributions and the projected amount and timing of terminal principal payments at the time of estimation. The estimated yield and investment cost may ultimately not be realized.

- (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 December 31, 2021:

| Portfolio Company | Investment Type | Range of PIK Option | Range of Cash Option | Maximum PIK Rate Allowed |
|-----------------------|---------------------|---------------------|----------------------|--------------------------|
| 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% |

- (12) Represents expiration date of the warrants.

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

- (14) Fair value was determined by reference to observable inputs other than quoted prices in active markets and are considered Level 2 under GAAP. See **Note 5** for further details.

- (15) Investments (or portion thereof) held by OFSCC-FS. These assets are pledged as collateral of the BNP Facility and cannot be pledged under any other debt obligation of the Company.

- (16) Amortized cost reflects accretion of effective yield less any cash distributions received or entitled to be received from CLO subordinated debt investments.

- (17) Loan accumulation facilities are financing structures intended to aggregate loans that may be used to form the basis of a CLO vehicle. Reported yields represent the realized yield since acquisition. Income notes associated with loan accumulation facilities generally pay returns equal to the actual income earned on facility assets less costs of senior financing. As of December 31, 2021, the fair value of loan accumulation facilities were determined by reference to Transaction Price.

- (18) Not meaningful as there is no outstanding balance on the revolver or delayed draw loan. The Company earns unfunded commitment fees on undrawn revolving lines of credit balances, which are reported in fee income.

- (19) The Company holds at least one seat on the portfolio company's board of directors.

- (20) The Company has an observer seat on the portfolio company's board of directors.

- (21) Portfolio company at fair value represents greater than 5% of total assets at December 31, 2021.

- (22) Non-qualifying assets under Section 55(a) of the 1940 Act. Qualifying assets as defined in Section 55 of the 1940 Act must represent at least 70% of the Company's assets immediately following the acquisition of any additional non-qualifying assets. As of December 31, 2021, approximately 85% of the Company's assets were qualifying assets.

- (23) Equity participation rights issued by unaffiliated third party fully covered with underlying positions in the portfolio company.

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements (unaudited)
(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 investment objective is to provide stockholders with both current income and capital appreciation primarily through debt investments and, to a lesser extent, equity investments.

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 that of the Company. OFS Advisor also serves as the investment adviser for OCCI, a non-diversified, externally managed, closed-end management investment company that has registered as an investment company under the 1940 Act and that primarily invests in Structured Finance Notes. Additionally, OFS Advisor serves as the collateral manager to CLOs, adviser to separately-managed accounts and sub-advisor to investment companies managed by an affiliate.

The Company may make investments directly or through one or more of its subsidiaries: SBIC I LP, OFSCC-FS or OFSCC-MB.

SBIC I LP is an investment company subsidiary licensed under the SBA's small business investment company program. The Company is limited to follow-on investments in current portfolio companies held through SBIC I LP. SBIC I LP is subject to SBA regulations and policies, including periodic examinations by the SBA. Over time, SBIC I LP intends to repay its outstanding SBA debentures prior to their scheduled maturity dates.

OFSCC-FS, an indirect wholly owned and consolidated subsidiary of the Company, is a special-purpose vehicle formed in April 2019 for the purpose of acquiring senior secured loan investments. OFSCC-FS has debt financing through its BNP Facility, which provides OFSCC-FS with borrowing capacity of up to \$150,000.

OFSCC-MB is a wholly-owned and consolidated subsidiary taxed under subchapter C of the Code that generally holds the Company's equity investments in portfolio companies that are taxed as pass-through entities.

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. These consolidated financial statements and notes hereto 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, 2021, filed on March 4, 2022. 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 Annual Report on Form 10-K for the year ended December 31, 2021.

Reclassifications: Certain prior period amounts have been reclassified to conform to the current period presentation in the consolidated financial statements and the accompanying notes thereto. Reclassifications did not impact net increase in net assets resulting from operations, total assets, total liabilities or total net assets, or consolidated statements of changes in net assets and consolidated statements of cash flows classifications.

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.

Intangible asset: On December 4, 2013, in connection with the SBIC Acquisition, the Company recorded an intangible asset of \$2,500 attributable to the SBIC license. The Company amortizes this intangible asset on a straight-line basis over its estimated

Notes to Consolidated Financial Statements (unaudited)
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useful life. During the first quarter of 2022, the Company changed its estimate of the useful life to terminate on March 1, 2024 due to continued early redemptions of SBA debentures.

Concentration of credit risk: Aside from the Company's investments, 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. The Company places cash deposits only with high credit quality institutions which OFS Advisor believes will mitigate the risk of loss due to credit risk. The amount of loss due to credit risk from its investments, if borrowers completely fail to perform according to the terms of the contracts, is equal to the sum of the Company's recorded investments and the unfunded commitments disclosed in **Note 6**.

Valuation of Portfolio Investments: In December 2020, the SEC issued a final rule adopting Rule 2a-5 under the 1940 Act to establish requirements for determining fair value in good faith for purposes of the 1940 Act. The Company is evaluating the impact of adopting Rule 2a-5 on the consolidated financial statements and intends to comply with the new rule's mandatory requirements on or before the compliance date in September 2022.

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 continuation of the Investment Advisory Agreement was most recently approved by the Board on April 5, 2022. Under the terms of the Investment Advisory Agreement, which are in accordance with the 1940 Act and subject to the overall supervision of the 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 Advisor receives fees for providing services to the Company, 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, but including assets purchased with borrowed amounts and 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 resulting from the SBIC Acquisition from the base management fee calculation.

Effective January 1, 2022, OFS Advisor agreed to reduce its base management fee attributable to all of the OFSCC-FS Assets to 0.25% per quarter (1.00% annualized) of the average value of the OFSCC-FS Assets (excluding cash) at the end of the two most recently completed calendar quarters. OFS Advisor's base management fee reduction is renewable on an annual basis, and OFS Advisor is not entitled to recoup the amount of the base management fee reduced with respect to the OFSCC-FS Assets. OFS Advisor most recently renewed the agreement for the calendar year 2022 on February 4, 2022.

The incentive fee has two parts. The first part of the incentive fee ("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 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% hurdle rate (which is 8.0% annualized) and a

Notes to Consolidated Financial Statements (unaudited)
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“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 Gains 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), 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 at the end of such year, less all previous amounts paid in respect of the Capital Gains Fee. Since inception through June 30, 2022, the Company has not made a Capital Gains Fee payment.

The Company accrues the Capital Gains Fee if, on a cumulative basis, the sum of net realized capital gains (losses) plus net unrealized appreciation (depreciation) is positive. An accrued Capital Gains Fee relating to net unrealized appreciation is deferred, and not due to OFS Advisor, until the close of the year in which such gains are realized. 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 Gains 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). As of June 30, 2022 and December 31, 2021, Capital Gains Fees of \$-0- and \$1,916, respectively, were accrued and are included in the amounts payable to the investment adviser and affiliates as listed on the consolidated statements of assets and liabilities.

License Agreement: The Company is party to a license agreement with OFSAM under which OFSAM has granted 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. The Administration Agreement was most recently approved by the Board on April 5, 2022. Under the Administration Agreement, OFS Services performs, or oversees the performance of, the Company’s required administrative services, which include being responsible for the financial records that the Company is required to maintain and preparing reports to its stockholders and all other reports and materials required to be filed with the SEC or any other regulatory authority. In addition, OFS Services assists the Company in determining and publishing its net asset value, oversees the preparation and filing of its tax returns and the printing and dissemination of reports to its stockholders, and generally oversees the payment of the Company’s expenses and the performance of administrative and professional services rendered to the Company by others. Under the Administration Agreement, OFS Services also provides managerial assistance on the Company’s behalf to those portfolio companies that have accepted the Company’s offer to provide such assistance. Payment under the Administration Agreement is equal to an amount based upon the Company’s allocable portion of OFS Services’s overhead in performing its obligations under the Administration Agreement, including, but not limited to, rent, information technology services and the Company’s allocable portion of the cost of its officers, including its chief executive officer, chief financial officer, chief compliance officer, chief accounting officer and their respective staffs. 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.

Equity Ownership: As of June 30, 2022, affiliates of OFS Advisor held approximately 3,019,694 shares of common stock, which is approximately 22.5% of the Company's outstanding shares of common stock.

OFS Capital Corporation and Subsidiaries

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Expenses recognized under agreements with OFS Advisor and OFS Services and distributions paid to affiliates for the three and six months ended June 30, 2022 and 2021, are presented below:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------------|-----------------------------|----------|---------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Base management fees | \$ 2,056 | \$ 1,876 | \$ 4,076 | \$ 3,710 |
| Incentive fees: | | | | |
| Income Incentive Fee | — | 809 | — | 809 |
| Capital Gains Fee | (2,988) | — | (1,916) | — |
| Administration fee expense | 423 | 439 | 874 | 1,007 |
| Distributions paid to affiliates | 876 | 668 | 1,721 | 1,276 |

For the three and six months ended June 30, 2022, the negative Capital Gains Fee is due to the reversal of previously accrued Capital Gains Fees from the reduction in net unrealized appreciation on the investment portfolio during the three and six months ended June 30, 2022.

Note 4. Investments

As of June 30, 2022, the Company had loans to 66 portfolio companies, of which 98% were senior secured loans and 2% were subordinated loans, at fair value, as well as equity investments in five of these portfolio companies. The Company also held equity investments in 12 portfolio companies in which it did not hold a debt investment and 23 investments in Structured Finance Notes. At June 30, 2022, the Company's investments consisted of the following:

| | Amortized Cost | Percentage of Total | | Fair Value | Percentage of Total | |
|--|----------------|---------------------|------------|------------|---------------------|------------|
| | | Amortized Cost | Net Assets | | Fair Value | Net Assets |
| Senior secured debt investments | \$ 369,001 | 72.7 % | 188.4 % | \$ 348,676 | 63.7 % | 178.2 % |
| Subordinated debt investments | 13,890 | 2.7 | 7.1 | 7,303 | 1.3 | 3.7 |
| Preferred equity | 9,501 | 1.9 | 4.9 | 5,951 | 1.1 | 3.0 |
| Common equity, warrants and other ⁽¹⁾ | 12,750 | 2.5 | 6.5 | 95,869 | 17.5 | 49.0 |
| Total Portfolio Company Investments | 405,142 | 79.8 | 206.9 | 457,799 | 83.6 | 233.9 |
| Structured Finance Notes | 102,342 | 20.2 | 52.3 | 89,878 | 16.4 | 45.9 |
| Total investments | \$ 507,484 | 100.0 % | 259.2 % | \$ 547,677 | 100.0 % | 279.8 % |

(1) Includes the Company's investment in Pfanstiehl Holdings, Inc. See "Note 4 — Portfolio Concentration" for additional information.

Geographic composition is determined by the location of the corporate headquarters of the portfolio company. All international investments are denominated in US dollars. As of June 30, 2022 and December 31, 2021, the Company's investment portfolio was domiciled as follows:

| | June 30, 2022 | | December 31, 2021 | |
|-----------------------------|----------------|------------|-------------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| United States | \$ 402,281 | \$ 455,162 | \$ 378,823 | \$ 428,321 |
| Canada | 11,361 | 11,137 | 12,038 | 12,077 |
| Cayman Islands ¹ | 93,842 | 81,378 | 66,451 | 66,701 |
| Total investments | \$ 507,484 | \$ 547,677 | \$ 457,312 | \$ 507,099 |

(1) Investments domiciled in the Cayman Islands represent certain Structured Finance Note securities held by the Company. These investments generally represent beneficial interests in underlying portfolios of debt investments in companies domiciled in the United States.

OFS Capital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

As of June 30, 2022, the industry composition of the Company's investment portfolio was as follows:

| | Amortized Cost | Percentage of Total | | Fair Value | Percentage of Total | |
|---|-------------------|---------------------|------------|------------|---------------------|------------|
| | | Amortized Cost | Net Assets | | Fair Value | Net Assets |
| Administrative and Support and Waste Management and Remediation Services | | | | | | |
| All Other Business Support Services | \$ 2,755 | 0.5 % | 1.4 % | \$ 2,755 | 0.5 % | 1.4 % |
| Convention and Trade Show Organizers | 160 | — | 0.1 | 101 | — | 0.1 |
| Hazardous Waste Treatment and Disposal | 1,775 | 0.3 | 0.9 | 1,663 | 0.3 | 0.8 |
| Landscaping Services | 4,620 | 0.9 | 2.4 | 4,498 | 0.8 | 2.3 |
| Security Systems Services (except Locksmiths) | 4,827 | 1.0 | 2.5 | 4,795 | 0.9 | 2.5 |
| Temporary Help Services | 8,893 | 1.8 | 4.5 | 8,861 | 1.6 | 4.5 |
| Arts, Entertainment, and Recreation | | | | | | |
| Other Amusement and Recreation Industries | 16,295 | 3.2 | 8.3 | 16,206 | 3.0 | 8.3 |
| Construction | | | | | | |
| Electrical Contractors and Other Wiring Installation Contractors | 18,468 | 3.6 | 9.4 | 10,383 | 1.9 | 5.3 |
| New Single-Family Housing Construction (except For-Sale Builders) | 1,815 | 0.4 | 0.9 | 1,611 | 0.3 | 0.8 |
| Plumbing, Heating, and Air-Conditioning Contractors | 2,550 | 0.5 | 1.3 | 2,584 | 0.5 | 1.3 |
| Water and Sewer Line and Related Structures Construction | 2,395 | 0.5 | 1.2 | 2,250 | 0.4 | 1.1 |
| Education Services | | | | | | |
| Colleges, Universities, and Professional Schools | — | — | — | 7,192 | 1.3 | 3.7 |
| Professional and Management Development Training | 1,595 | 0.3 | 0.8 | 1,050 | 0.2 | 0.5 |
| Sports and Recreation Instruction | 3,014 | 0.6 | 1.5 | 3,001 | 0.5 | 1.5 |
| Health Care and Social Assistance | | | | | | |
| Child Day Care Services | 6,355 | 1.3 | 3.2 | 6,034 | 1.1 | 3.1 |
| Home Health Care Services | 4,172 | 0.8 | 2.1 | 4,208 | 0.8 | 2.2 |
| Medical Laboratories | 17 | — | — | 24 | — | — |
| Offices of Physicians, Mental Health Specialists | 13,350 | 2.6 | 6.8 | 13,356 | 2.4 | 6.8 |
| Other Ambulatory Health Care Services | 20,093 | 4.0 | 10.3 | 19,850 | 3.6 | 10.1 |
| Outpatient Mental Health and Substance Abuse Centers | 7,543 | 1.5 | 3.9 | 7,815 | 1.4 | 4.0 |
| Services for the Elderly and Persons with Disabilities | 19,152 | 3.8 | 9.8 | 18,672 | 3.4 | 9.5 |
| Information | | | | | | |
| All Other Publishers | 2,278 | 0.4 | 1.2 | 2,088 | 0.4 | 1.1 |
| All Other Telecommunications | 3,380 | 0.7 | 1.7 | 2,938 | 0.5 | 1.5 |
| Cable and Other Subscription Programming | 3,782 | 0.7 | 1.9 | 3,393 | 0.6 | 1.7 |
| Data Processing, Hosting, and Related Services | 4,095 | 0.8 | 2.1 | 3,556 | 0.6 | 1.8 |
| Directory and Mailing List Publishers | 2,835 | 0.6 | 1.4 | 2,832 | 0.5 | 1.4 |

OFS Capital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

| | Amortized Cost | Percentage of Total | | | Percentage of Total | |
|---|-------------------|---------------------|------------|------------|---------------------|------------|
| | | Amortized Cost | Net Assets | Fair Value | Fair Value | Net Assets |
| Internet Publishing and Broadcasting and Web Search Portals | \$ 3,179 | 0.6 % | 1.6 % | \$ 3,053 | 0.6 % | 1.6 % |
| Motion Picture and Video Production | 3,913 | 0.8 | 2.0 | 3,741 | 0.7 | 1.9 |
| Software Publishers | 23,132 | 4.5 | 11.8 | 15,584 | 2.8 | 8.0 |
| Television Broadcasting | 2,192 | 0.4 | 1.1 | 726 | 0.1 | 0.4 |
| Wired Telecommunications Carriers | 2,093 | 0.4 | 1.1 | 1,936 | 0.4 | 1.0 |
| Management of Companies and Enterprises | | | | | | |
| Offices of Other Holding Companies | 7,360 | 1.5 | 3.8 | 6,988 | 1.3 | 3.6 |
| Manufacturing | | | | | | |
| Bare Printed Circuit Board Manufacturing | 1,986 | 0.4 | 1.0 | 1,761 | 0.3 | 0.9 |
| Commercial Printing (except Screen and Books) | 3,411 | 0.7 | 1.7 | 3,207 | 0.6 | 1.6 |
| Current-Carrying Wiring Device Manufacturing | 3,314 | 0.7 | 1.7 | 3,471 | 0.6 | 1.8 |
| Other Aircraft Parts and Auxiliary Equipment Manufacturing | 500 | 0.1 | 0.3 | — | — | — |
| Fluid Power Pump and Motor Manufacturing | 1,938 | 0.4 | 1.0 | 1,881 | 0.3 | 1.0 |
| Ice Cream and Frozen Dessert Manufacturing | 1,639 | 0.3 | 0.8 | 1,593 | 0.3 | 0.8 |
| Motorcycle, Bicycle, and Parts Manufacturing | 16,251 | 3.2 | 8.3 | 16,301 | 3.0 | 8.3 |
| Other Industrial Machinery Manufacturing | 13,964 | 2.8 | 7.1 | 13,356 | 2.4 | 6.8 |
| Pharmaceutical Preparation Manufacturing | 217 | — | 0.1 | 83,153 | 15.1 | 42.5 |
| Other Services (except Public Administration) | | | | | | |
| Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance | 572 | 0.1 | 0.3 | 1,347 | 0.2 | 0.7 |
| Communication Equipment Repair and Maintenance | 1,745 | 0.3 | 0.9 | 1,718 | 0.3 | 0.9 |
| Other Automotive Mechanical and Electrical Repair and Maintenance | 1,080 | 0.2 | 0.6 | 1,080 | 0.2 | 0.6 |
| Professional, Scientific, and Technical Services | | | | | | |
| Administrative Management and General Management Consulting Services | 22,719 | 4.4 | 11.6 | 22,247 | 4.1 | 11.4 |
| Advertising Agencies | 2,264 | 0.4 | 1.2 | 2,119 | 0.4 | 1.1 |
| All Other Professional, Scientific, and Technical Services | 2,862 | 0.6 | 1.5 | 2,846 | 0.5 | 1.5 |
| Management Consulting Services | 408 | 0.1 | 0.2 | 384 | 0.1 | 0.2 |
| Other Computer Related Services | 14,990 | 3.0 | 7.7 | 15,260 | 2.8 | 7.8 |
| Public Administration | | | | | | |
| Other Justice, Public Order, and Safety Activities | 703 | 0.1 | 0.4 | 29 | — | — |
| Real Estate and Rental and Leasing | | | | | | |
| Nonresidential Property Managers | 3,951 | 0.8 | 2.0 | 3,940 | 0.7 | 2.0 |
| Office Machinery and Equipment Rental and Leasing | 5,953 | 1.2 | 3.0 | 4,621 | 0.8 | 2.4 |

OFS Capital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

| | Amortized Cost | Percentage of Total | | | Percentage of Total | |
|--|----------------|---------------------|------------|------------|---------------------|------------|
| | | Amortized Cost | Net Assets | Fair Value | Fair Value | Net Assets |
| Retail Trade | | | | | | |
| Automotive Parts and Accessories Stores | \$ 2,675 | 0.5 % | 1.4 % | \$ 2,488 | 0.5 % | 1.3 % |
| Cosmetics, Beauty Supplies, and Perfume Stores | 1,462 | 0.3 | 0.7 | 1,384 | 0.3 | 0.7 |
| Electronics and Appliance Stores | 8,116 | 1.6 | 4.1 | 7,716 | 1.4 | 3.9 |
| Electronic Shopping and Mail-Order Houses | 6,830 | 1.3 | 3.5 | 6,635 | 1.2 | 3.4 |
| Shoe store | 9,923 | 2.0 | 5.1 | 7,142 | 1.3 | 3.6 |
| Sporting Goods Stores | 974 | 0.2 | 0.5 | 895 | 0.2 | 0.5 |
| Supermarkets and Other Grocery (except Convenience) Stores | 7,867 | 1.6 | 4.0 | 7,867 | 1.4 | 4.0 |
| All Other General Merchandise Stores | 499 | 0.1 | 0.3 | 1,119 | 0.2 | 0.6 |
| Transportation and Warehousing | | | | | | |
| Freight Transportation Arrangement | 977 | 0.2 | 0.5 | 950 | 0.2 | 0.5 |
| Transportation and Warehousing | 5,034 | 1.0 | 2.6 | 5,034 | 0.9 | 2.6 |
| Wholesale Trade | | | | | | |
| Business to Business Electronic Markets | 2,866 | 0.6 | 1.5 | 2,548 | 0.5 | 1.3 |
| Computer and Computer Peripheral Equipment and Software Merchant Wholesalers | 11,165 | 2.2 | 5.7 | 10,205 | 1.9 | 5.2 |
| Drugs and Druggists' Sundries Merchant Wholesalers | 5,379 | 1.1 | 2.7 | 4,859 | 0.9 | 2.5 |
| Industrial Machinery and Equipment Merchant Wholesalers | 9,071 | 1.8 | 4.6 | 9,035 | 1.6 | 4.6 |
| Motor Vehicle Parts (Used) Merchant Wholesalers | 22,935 | 4.5 | 11.7 | 23,217 | 4.2 | 11.9 |
| Other Miscellaneous Nondurable Goods Merchant Wholesalers | 2,656 | 0.5 | 1.4 | 2,486 | 0.5 | 1.3 |
| Sporting and Recreational Goods and Supplies Merchant Wholesalers | 8,163 | 1.6 | 4.2 | 161 | — | 0.1 |
| Total Portfolio Company Investments | \$ 405,142 | 79.9 % | 207.0 % | \$ 457,799 | 83.4 % | 233.9 % |
| Structured Finance Notes | 102,342 | 20.1 | 52.3 | 89,878 | 16.6 | 45.9 |
| Total investments | \$ 507,484 | 100.0 % | 259.3 % | \$ 547,677 | 100.0 % | 279.8 % |

As of December 31, 2021, the Company had loans to 58 portfolio companies, of which 95% were senior secured loans and 5% were subordinated loans, at fair value, as well as equity investments in five of these portfolio companies. The Company also held an equity investment in 12 portfolio companies in which it did not hold a debt investment, as well as 17 investments in Structured Finance Notes. At December 31, 2021, investments consisted of the following:

| | Amortized Cost | Percentage of Total | | | Percentage of Total | |
|-----------------------------------|----------------|---------------------|------------|------------|---------------------|------------|
| | | Amortized Cost | Net Assets | Fair Value | Fair Value | Net Assets |
| Senior secured debt investments | \$ 336,132 | 73.3 % | 165.0 % | \$ 326,704 | 64.9 % | 160.4 % |
| Subordinated debt investments | 22,071 | 4.8 | 10.8 | 17,943 | 3.5 | 8.8 |
| Preferred equity | 9,552 | 2.1 | 4.7 | 3,765 | 0.7 | 1.8 |
| Common equity, warrants and other | 14,606 | 3.2 | 7.2 | 83,486 | 16.5 | 41.0 |
| Total debt and equity investments | \$ 382,361 | 83.4 % | 187.7 % | \$ 431,898 | 85.6 % | 212.0 % |
| Structured Finance Notes | 74,951 | 16.6 | 36.8 | 75,201 | 14.4 | 36.9 |
| Total | \$ 457,312 | 100.0 % | 224.5 % | \$ 507,099 | 100.0 % | 248.9 % |

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(Dollar amounts in thousands, except per share data)

As of December 31, 2021, the industry compositions of the Company's debt and equity investments were as follows:

| | Amortized Cost | Percentage of Total | | | Percentage of Total | |
|---|----------------|---------------------|------------|------------|---------------------|------------|
| | | Amortized Cost | Net Assets | Fair Value | Fair Value | Net Assets |
| Administrative and Support and Waste Management and Remediation Services | | | | | | |
| Convention and Trade Show Organizers | \$ 214 | — % | 0.1 % | \$ 12 | — % | — % |
| Hazardous Waste Treatment and Disposal | 1,833 | 0.4 | 0.9 | 1,837 | 0.4 | 0.9 |
| Landscaping Services | 4,630 | 1.0 | 2.3 | 4,590 | 0.9 | 2.3 |
| Security Systems Services (except Locksmiths) | 4,827 | 1.1 | 2.4 | 4,887 | 1.0 | 2.4 |
| Arts, Entertainment, and Recreation | | | | | | |
| Other Amusement and Recreation Industries | 16,287 | 3.6 | 8.0 | 16,396 | 3.2 | 8.0 |
| Construction | | | | | | |
| Electrical Contractors and Other Wiring Installation Contractors | 18,132 | 4.0 | 8.9 | 11,632 | 2.3 | 5.7 |
| New Single-Family Housing Construction (except For-Sale Builders) | 1,823 | 0.4 | 0.9 | 1,794 | 0.4 | 0.9 |
| Plumbing, Heating, and Air-Conditioning Contractors | 5,344 | 1.2 | 2.6 | 5,378 | 1.1 | 2.6 |
| Water and Sewer Line and Related Structures Construction | 627 | 0.1 | 0.3 | 628 | 0.1 | 0.3 |
| Education Services | | | | | | |
| Colleges, Universities, and Professional Schools | — | — | — | 7,408 | 1.5 | 3.6 |
| Professional and Management Development Training | 1,595 | 0.3 | 0.8 | 1,095 | 0.2 | 0.5 |
| Sports and Recreation Instruction | 3,011 | 0.7 | 1.5 | 3,011 | 0.6 | 1.5 |
| Health Care and Social Assistance | | | | | | |
| Child Day Care Services | 6,336 | 1.4 | 3.1 | 5,916 | 1.2 | 2.9 |
| Home Health Care Services | 4,182 | 0.9 | 2.1 | 4,250 | 0.8 | 2.1 |
| Medical Laboratories | 92 | — | — | 25 | — | — |
| Offices of Physicians, Mental Health Specialists | 13,402 | 2.9 | 6.6 | 13,491 | 2.7 | 6.6 |
| Other Ambulatory Health Care Services | 20,331 | 4.4 | 10.0 | 20,331 | 4.0 | 10.0 |
| Outpatient Mental Health and Substance Abuse Centers | 4,770 | 1.0 | 2.3 | 5,231 | 1.0 | 2.6 |
| Services for the Elderly and Persons with Disabilities | 6,416 | 1.4 | 3.1 | 6,416 | 1.3 | 3.1 |
| Information | | | | | | |
| All Other Publishers | 2,288 | 0.5 | 1.1 | 2,303 | 0.5 | 1.1 |
| All Other Telecommunications | 3,429 | 0.7 | 1.7 | 3,323 | 0.7 | 1.6 |
| Cable and Other Subscription Programming | 3,801 | 0.8 | 1.9 | 3,810 | 0.8 | 1.9 |
| Data Processing, Hosting, and Related Services | 4,112 | 0.9 | 2.0 | 4,255 | 0.8 | 2.1 |
| Directory and Mailing List Publishers | 2,004 | 0.4 | 1.0 | 2,085 | 0.4 | 1.0 |
| Internet Publishing and Broadcasting and Web Search Portals | 3,249 | 0.7 | 1.6 | 3,299 | 0.7 | 1.6 |
| Motion Picture and Video Production | 3,929 | 0.9 | 1.9 | 3,970 | 0.8 | 1.9 |
| Software Publishers | 24,948 | 5.5 | 12.2 | 17,929 | 3.5 | 8.8 |
| Television Broadcasting | 1,957 | 0.4 | 1.0 | 918 | 0.2 | 0.5 |
| Wired Telecommunications Carriers | 4,388 | 1.0 | 2.2 | 4,405 | 0.9 | 2.2 |

OFS Capital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

| | Amortized Cost | Percentage of Total | | Fair Value | Percentage of Total | |
|---|-------------------|---------------------|------------|------------|---------------------|------------|
| | | Amortized Cost | Net Assets | | Fair Value | Net Assets |
| Management of Companies and Enterprises | | | | | | |
| Offices of Other Holding Companies | \$ 5,336 | 1.2 % | 2.6 % | \$ 5,336 | 1.1 % | 2.6 % |
| Manufacturing | | | | | | |
| Bare Printed Circuit Board Manufacturing | 1,985 | 0.4 | 1.0 | 1,977 | 0.4 | 1.0 |
| Commercial Printing (except Screen and Books) | 3,427 | 0.7 | 1.7 | 3,436 | 0.7 | 1.7 |
| Current-Carrying Wiring Device Manufacturing | 2,653 | 0.6 | 1.3 | 2,954 | 0.6 | 1.4 |
| Motorcycle, Bicycle, and Parts Manufacturing | 15,166 | 3.3 | 7.4 | 15,166 | 3.0 | 7.4 |
| Metal Can Manufacturing | 2,143 | 0.5 | 1.1 | 2,167 | 0.4 | 1.1 |
| Other Aircraft Parts and Auxiliary Equipment Manufacturing | 500 | 0.1 | 0.2 | 80 | — | — |
| Other Industrial Machinery Manufacturing | 12,121 | 2.7 | 5.9 | 12,176 | 2.4 | 6.0 |
| Pharmaceutical Preparation Manufacturing | 217 | — | 0.1 | 65,740 | 13.0 | 32.3 |
| Small Electrical Appliance Manufacturing | 4,997 | 1.1 | 2.5 | 4,997 | 1.0 | 2.5 |
| Travel Trailer and Camper Manufacturing | 11,264 | 2.5 | 5.5 | 12,948 | 2.6 | 6.4 |
| Other Services (except Public Administration) | | | | | | |
| Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance | 572 | 0.1 | 0.3 | 988 | 0.2 | 0.5 |
| Professional, Scientific, and Technical Services | | | | | | |
| Administrative Management and General Management Consulting Services | 22,990 | 5.0 | 11.3 | 22,634 | 4.5 | 11.1 |
| All Other Professional, Scientific, and Technical Services | 2,872 | 0.6 | 1.4 | 2,865 | 0.6 | 1.4 |
| Management Consulting Services | 2,251 | 0.5 | 1.1 | 2,264 | 0.4 | 1.1 |
| Other Accounting Services | 19,631 | 4.3 | 9.6 | 19,927 | 3.9 | 9.8 |
| Other Computer Related Services | 15,017 | 3.3 | 7.4 | 15,260 | 3.0 | 7.5 |
| Public Administration | | | | | | |
| Other Justice, Public Order, and Safety Activities | 703 | 0.2 | 0.3 | 29 | — | — |
| Real Estate and Rental and Leasing | | | | | | |
| Nonresidential Property Managers | 2,972 | 0.6 | 1.5 | 2,972 | 0.6 | 1.5 |
| Office Machinery and Equipment Rental and Leasing | 5,952 | 1.3 | 2.9 | 2,774 | 0.5 | 1.4 |
| Retail Trade | | | | | | |
| Automotive Parts and Accessories Stores | 2,688 | 0.6 | 1.3 | 2,704 | 0.5 | 1.3 |
| Cosmetics, Beauty Supplies, and Perfume Stores | 1,533 | 0.3 | 0.8 | 1,531 | 0.3 | 0.8 |
| Electronic Shopping and Mail-Order Houses | 6,913 | 1.5 | 3.4 | 6,870 | 1.4 | 3.4 |
| Shoe Store | 9,893 | 2.2 | 4.9 | 9,342 | 1.8 | 4.6 |
| Sporting Goods Stores | 1,958 | 0.4 | 1.0 | 1,972 | 0.4 | 1.0 |
| All Other General Merchandise Stores | 499 | 0.1 | 0.2 | 1,698 | 0.3 | 0.8 |
| Transportation and Warehousing | | | | | | |
| Freight Transportation Arrangement | 1,960 | 0.4 | 1.0 | 1,970 | 0.4 | 1.0 |
| Scheduled Passenger Air Transportation | 360 | 0.1 | 0.2 | 377 | 0.1 | 0.2 |

OFS Capital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

| | Amortized Cost | Percentage of Total | | | Percentage of Total | | |
|--|----------------|---------------------|------------|------------|---------------------|------------|--|
| | | Amortized Cost | Net Assets | Fair Value | Fair Value | Net Assets | |
| Wholesale Trade | | | | | | | |
| Business to Business Electronic Markets | \$ 2,875 | 0.6 % | 1.4 % | \$ 2,838 | 0.6 % | 1.4 % | |
| Computer and Computer Peripheral Equipment and Software Merchant Wholesalers | 7,173 | 1.6 | 3.5 | 6,903 | 1.4 | 3.4 | |
| Drugs and Druggists' Sundries Merchant Wholesalers | 5,529 | 1.2 | 2.7 | 5,550 | 1.1 | 2.7 | |
| Industrial Machinery and Equipment Merchant Wholesalers | 9,071 | 2.0 | 4.5 | 9,073 | 1.8 | 4.5 | |
| Motor Vehicle Parts (Used) Merchant Wholesalers | 23,005 | 5.0 | 11.3 | 23,052 | 4.5 | 11.3 | |
| Sporting and Recreational Goods and Supplies Merchant Wholesalers | 8,179 | 1.8 | 3.9 | 699 | 0.1 | 0.2 | |
| Total debt and equity investments | \$ 382,361 | 83.4 % | 187.7 % | \$ 431,898 | 85.6 % | 212.0 % | |
| Structured Finance Notes | 74,951 | 16.6 | 36.8 | 75,201 | 14.4 | 36.9 | |
| Total investments | \$ 457,312 | 100.0 % | 224.5 % | \$ 507,099 | 100.0 % | 248.9 % | |

Non-Accrual Loans: Management reviews all loans that become past due on principal and interest, and/or when there is reasonable doubt that principal, cash interest, or PIK interest will be collected, for placement on non-accrual status. When a loan is placed on non-accrual status, unpaid interest is credited to income and is reversed. Additionally, Net Loan Fees are no longer accreted to interest income as of the date the loan is placed on non-accrual status. Interest payments subsequently received on non-accrual investments may be recognized as income or applied to principal depending upon management's judgment. Interest accruals and Net Loan Fee amortization are resumed on non-accrual investments only when they are brought current with respect to principal, interest and when, in the judgment of management, the investments are estimated to be fully collectible as to all principal and interest. The aggregate amortized cost and fair value of loans on non-accrual status with respect to all interest and Net Loan Fee amortization was \$34,666 and \$17,827, respectively, at June 30, 2022, and \$19,054 and \$7,726 respectively, at December 31, 2021.

Portfolio Concentration: The Company's common equity investment in Pfanstiehl Holdings, Inc., a global manufacturer of high-purity pharmaceutical ingredients, accounts for 15.2% and 42.5% of its total portfolio at fair value and its total net assets, respectively, as of June 30, 2022. Due to continued strong operating performance, the fair value of the Company's investment in the common equity of Pfanstiehl Holdings, Inc. has increased by \$17,413, to \$83,153, during the six months ended June 30, 2022.

Note 5. Fair Value of Financial Instruments

The Company's investments are carried at fair value as determined by the Board. These fair values are determined in accordance with a documented valuation policy and a consistently applied valuation process.

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 that market participants would use in pricing the subject 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 fair values based on 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.

Notes to Consolidated Financial Statements (unaudited)
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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. The Company generally categorizes its investment portfolio into Level 3, and to a lesser extent Level 2, of the hierarchy.

The Company assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the measurement date. Senior securities with a fair value of \$8,246 and \$1,611 were transferred from Level 2 to Level 3 during the three and six months ended June 30, 2022, respectively. Senior securities with a fair value of \$6,562 and \$895 were transferred from Level 3 to Level 2 during the three and six months ended June 30, 2021, respectively. Senior securities with a fair value of \$5,736 were transferred from Level 2 to Level 3 during the three months ended June 30, 2021. No senior securities were transferred from Level 2 to Level 3 during the six months ended June 30, 2021. Transfers between levels during the reporting periods were due to availability of reliable Indicative Prices in those periods.

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 as a result of economic and political developments, including impacts from the COVID-19 pandemic, the ongoing conflict between Russia and Ukraine, rising interest and inflation rates and related market volatility. Market risk is directly impacted by the volatility and liquidity in the markets in which certain investments are traded and can affect the fair value of our investments.

The following tables present the Company's investment portfolio measured at fair value on a recurring basis as of June 30, 2022, and December 31, 2021:

| Security | Level 1 | Level 2 | Level 3 | Fair Value at June 30, 2022 |
|--------------------------|----------------|------------------|-------------------|------------------------------------|
| Debt investments | \$ — | \$ 50,308 | \$ 305,671 | \$ 355,979 |
| Equity investments | — | — | 101,820 | 101,820 |
| Structured Finance Notes | — | — | 89,878 | 89,878 |
| | <u>\$ —</u> | <u>\$ 50,308</u> | <u>\$ 497,369</u> | <u>\$ 547,677</u> |

| Security | Level 1 | Level 2 | Level 3 | Fair Value at December 31, 2021 |
|--------------------------|----------------|------------------|-------------------|--|
| Debt investments | \$ — | \$ 65,591 | \$ 279,056 | \$ 344,647 |
| Equity investments | — | — | 87,251 | 87,251 |
| Structured Finance Notes | — | — | 75,201 | 75,201 |
| | <u>\$ —</u> | <u>\$ 65,591</u> | <u>\$ 441,508</u> | <u>\$ 507,099</u> |

OFS Capital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)
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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 June 30, 2022 and December 31, 2021. 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 provides information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

| | Fair Value at June 30, 2022 | Valuation technique | Unobservable inputs | Range (Weighted average) |
|-----------------------------------|--------------------------------|----------------------|--|-----------------------------|
| Debt investments: | | | | |
| Senior secured | \$ 252,220 | Discounted cash flow | Discount rates | 9.05% - 16.98% (11.19%) |
| Senior secured | 10,383 | Market approach | EBITDA multiples | 7.02x - 7.02x (7.02x) |
| Senior secured | 7,303 | Market approach | Revenue multiples | 0.70x - 0.70x (0.70x) |
| Senior secured | 28,462 | Market approach | Transaction Price | |
| Subordinated | 7,142 | Market approach | EBITDA multiples | 4.75x - 4.75x (4.75x) |
| Subordinated | 161 | Market approach | Revenue multiples | 0.24x - 0.24x (0.24x) |
| Structured Finance Notes | | | | |
| Subordinated notes ⁽¹⁾ | 45,675 | Discounted cash flow | Discount rates | 20.00% - 36.00% (24.45%) |
| | | | Constant default rate | 2.00% - 2.00% (2.00%) |
| | | | Recovery rate | 65.00% - 65.00% (65.00%) |
| Subordinated notes | 378 | Market approach | Net asset value liquidation ⁽²⁾ | |
| Subordinated notes | 8,694 | Market approach | Transaction Price | |
| Mezzanine debt | 19,798 | Discounted cash flow | Discount margin | 8.15% - 9.20% (8.42%) |
| | | | Constant default rate | 2.00% - 2.00% (2.00%) |
| | | | Recovery rate | 65.00% - 65.00% (65.00%) |
| Mezzanine debt | 6,833 | Market approach | Transaction Price | |
| Loan Accumulation Facility | 8,500 | Market approach | Transaction Price | |
| Equity investments: | | | | |
| Preferred equity | 4,503 | Market approach | EBITDA multiples | 7.28x - 7.28x (7.28x) |
| Preferred equity | 1,448 | Market approach | Revenue multiples | 0.24x - 3.00x (0.97x) |
| Common equity, warrants and other | 95,869 | Market approach | EBITDA multiples | 4.13x - 11.50x (8.62x) |
| | <u>\$ 497,369</u> | | | |

(1) The cash flows utilized in the discounted cash flow calculations assume: (i) liquidation of (a) certain distressed investments and (b) all investments currently in default held by the issuing CLO at their current market prices; and (ii) redeployment of proceeds at the issuing CLO's assumed reinvestment rate.

(2) Net asset value liquidation represents the fair value, or estimated expected residual value, of the subordinated note that has been optionally redeemed.

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| | Fair Value at December 31, 2021 | Valuation technique | Unobservable inputs | Range (Weighted average) |
|-----------------------------------|---------------------------------------|----------------------|--------------------------------------|-----------------------------|
| Debt investments: | | | | |
| Senior secured | \$ 178,382 | Discounted cash flow | Discount rates | 6.47% - 12.32% (9.25%) |
| Senior secured | 11,632 | Market approach | EBITDA multiples | 7.09x - 7.09x (7.09x) |
| Senior secured | 7,027 | Market approach | Revenue multiples | 0.74x - 0.74x (0.74x) |
| Senior secured | 64,072 | Market approach | Transaction Price | |
| Subordinated | 17,244 | Discounted cash flow | Discount rates | 15.90% - 17.49% (16.65%) |
| Subordinated | 699 | Market approach | Revenue multiples | 0.28x - 0.28x (0.28x) |
| Structured Finance Notes: | | | | |
| Subordinated notes ⁽¹⁾ | 63,922 | Discounted cash flow | Discount rates | 8.00% - 16.00% (12.39%) |
| | | | Constant default rate ⁽²⁾ | 0.00% - 2.00% (1.77%) |
| | | | Constant default rate ⁽³⁾ | 2.00% - 2.00% (2.00%) |
| | | | Recovery rate | 60.00% - 60.00% (60.00%) |
| Mezzanine debt | 2,779 | Discounted cash flow | Discount margin | 7.10% - 8.95% (7.91%) |
| | | | Constant default rate ⁽²⁾ | 2.00% - 3.00% (2.36%) |
| | | | Constant default rate ⁽³⁾ | 2.00% - 3.00% (2.36%) |
| | | | Recovery rate | 60.00% - 60.00% (60.00%) |
| Loan accumulation facility | 8,500 | Market approach | Transaction Price | |
| Equity investments: | | | | |
| Preferred equity | 2,748 | Market approach | EBITDA multiples | 7.80x - 7.80x (7.80x) |
| Preferred equity | 1,017 | Market approach | Revenue multiples | 0.15x - 3.00x (0.91x) |
| Common equity, warrants and other | 83,478 | Market approach | EBITDA multiples | 4.50x - 12.00x (8.10x) |
| Common equity, warrants and other | 8 | Market approach | Revenue multiples | 0.15x - 3.00x (0.15x) |
| | <u>\$ 441,508</u> | | | |

(1) The cash flows utilized in the discounted cash flow calculations assume: (i) liquidation of (a) certain distressed investments and (b) all investments currently in default held by the issuing CLO at their current market prices; and (ii) redeployment of proceeds at the issuing CLO's assumed reinvestment rate.

(2) Constant default rates for the six months ending June 30, 2022.

(3) Constant default rates for the period between June 30, 2022 and the assumed optional redemptions of the instruments.

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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The following tables present changes in investments measured at fair value using Level 3 inputs for the six months ended June 30, 2022 and June 30, 2021:

| | Six Months Ended June 30, 2022 | | | | | |
|---|--|--------------------------------------|-------------------------|--|---------------------------------|-------------------|
| | Senior Secured Debt Investments | Subordinated Debt Investments | Preferred Equity | Common Equity, Warrants and Other | Structured Finance Notes | Total |
| Level 3 assets, December 31, 2021 | \$ 261,113 | \$ 17,943 | \$ 3,765 | \$ 83,486 | \$ 75,201 | \$ 441,508 |
| Net realized loss on investments | (51) | — | (51) | (6) | — | (108) |
| Net unrealized appreciation (depreciation) on investments | (5,626) | (2,459) | 2,237 | 14,240 | (12,716) | (4,324) |
| Amortization of Net Loan Fees | 612 | 6 | — | — | 124 | 742 |
| Accretion of interest income on Structured Finance Notes | — | — | — | — | 4,785 | 4,785 |
| Capitalized PIK interest and dividends | 258 | 58 | — | — | — | 316 |
| Amendment fees | (112) | — | — | — | — | (112) |
| Purchase and origination of portfolio investments | 72,397 | — | — | 1,290 | 43,198 | 116,885 |
| Proceeds from principal payments on portfolio investments | (30,926) | (8,245) | — | — | (9,500) | (48,671) |
| Sale and redemption of portfolio investments | (908) | — | — | (3,141) | — | (4,049) |
| Proceeds from distributions received from portfolio investments | — | — | — | — | (11,214) | (11,214) |
| Transfers in to Level 3 | 1,611 | — | — | — | — | 1,611 |
| Level 3 assets, June 30, 2022 | <u>\$ 298,368</u> | <u>\$ 7,303</u> | <u>\$ 5,951</u> | <u>\$ 95,869</u> | <u>\$ 89,878</u> | <u>\$ 497,369</u> |

OFS Capital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

| | Six Months Ended June 30, 2021 | | | | | |
|---|--|--------------------------------------|-------------------------|--|---------------------------------|-------------------|
| | Senior Secured Debt Investments | Subordinated Debt Investments | Preferred Equity | Common Equity, Warrants and Other | Structured Finance Notes | Total |
| Level 3 assets, December 31, 2020 | \$ 284,078 | \$ 15,067 | \$ 11,543 | \$ 52,984 | \$ 56,425 | \$ 420,097 |
| Net realized loss on investments | (321) | (7,548) | (3,093) | — | — | (10,962) |
| Net unrealized appreciation on investments | 3,672 | 9,605 | 3,734 | 15,653 | 148 | 32,812 |
| Amortization of Net Loan Fees | 1,061 | 43 | — | — | 46 | 1,150 |
| Accretion of interest income on Structured Finance Notes | — | — | — | — | 4,670 | 4,670 |
| Capitalized PIK interest and dividends | 679 | 222 | 105 | — | — | 1,006 |
| Amendment fees | (97) | — | — | — | — | (97) |
| Purchase and origination of portfolio investments | 53,718 | — | — | — | 21,912 | 75,630 |
| Proceeds from principal payments on portfolio investments | (81,523) | (91) | — | — | (8,600) | (90,214) |
| Sale and redemption of portfolio investments | (8,863) | (91) | — | — | — | (8,954) |
| Proceeds from distributions received from portfolio investments | — | — | — | — | (6,356) | (6,356) |
| Transfers out of Level 3 | (895) | — | — | — | — | (895) |
| Level 3 assets, June 30, 2021 | <u>\$ 251,509</u> | <u>\$ 17,207</u> | <u>\$ 12,289</u> | <u>\$ 68,637</u> | <u>\$ 68,245</u> | <u>\$ 417,887</u> |

The net unrealized appreciation (depreciation) reported in the Company's consolidated statements of operations for the six months ended June 30, 2022 and 2021, attributable to the Company's Level 3 assets still held at those respective period ends was as follows:

| | Six Months Ended June 30, | |
|--|----------------------------------|------------------|
| | 2022 | 2021 |
| Senior secured debt investments | \$ (5,490) | \$ 2,796 |
| Subordinated debt investments | (2,458) | 2,071 |
| Preferred equity | 2,186 | 737 |
| Common equity, warrants and other | 15,846 | 15,653 |
| Structured Finance Notes | (12,668) | 160 |
| Net unrealized appreciation (depreciation) on investments held | <u>\$ (2,584)</u> | <u>\$ 21,417</u> |

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

Other Financial Assets and Liabilities

The Company provides 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 financial instruments. The PWB Credit Facility and BNP Facility are variable rate instruments and fair value is estimated to approximate carrying value.

The following table sets forth carrying values and fair values of the Company's debt as of June 30, 2022 and December 31, 2021:

| Description | As of June 30, 2022 | | As of December 31, 2021 | |
|-----------------------------------|---------------------|------------|-------------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| PWB Credit Facility | \$ — | \$ — | \$ — | \$ — |
| BNP Facility | 134,100 | 134,100 | 100,000 | 100,000 |
| Unsecured Notes Due February 2026 | 122,142 | 110,843 | 121,774 | 123,130 |
| Unsecured Notes Due October 2028 | 53,703 | 52,536 | 53,672 | 56,430 |
| SBA-guaranteed debentures | 50,601 | 50,642 | 69,365 | 73,011 |
| Total debt | \$ 360,546 | \$ 348,121 | \$ 344,811 | \$ 352,571 |

The following tables present the fair value measurements of the Company's debt and indicate the fair value hierarchy of the significant unobservable inputs utilized by the Company to determine such fair values as of June 30, 2022 and December 31, 2021:

| Description | June 30, 2022 | | | |
|-----------------------------------|---------------|---------|------------------------|------------|
| | Level 1 | Level 2 | Level 3 ⁽¹⁾ | Total |
| PWB Credit Facility | \$ — | \$ — | \$ — | \$ — |
| BNP Facility | — | — | 134,100 | 134,100 |
| Unsecured Notes Due February 2026 | — | — | 110,843 | 110,843 |
| Unsecured Notes Due October 2028 | 52,536 | — | — | 52,536 |
| SBA-guaranteed debentures | — | — | 50,642 | 50,642 |
| Total debt, at fair value | \$ 52,536 | \$ — | \$ 295,585 | \$ 348,121 |

| Description | December 31, 2021 | | | |
|-----------------------------------|-------------------|---------|------------------------|------------|
| | Level 1 | Level 2 | Level 3 ⁽¹⁾ | Total |
| PWB Credit Facility | \$ — | \$ — | \$ — | \$ — |
| BNP Facility | — | — | 100,000 | 100,000 |
| Unsecured Notes Due February 2026 | — | — | 123,130 | 123,130 |
| Unsecured Notes Due October 2028 | 56,430 | — | — | 56,430 |
| SBA-guaranteed debentures | — | — | 73,011 | 73,011 |
| Total debt, at fair value | \$ 56,430 | \$ — | \$ 296,141 | \$ 352,571 |

(1) For Level 3 measurements, fair value is estimated by discounting remaining payments at current market rates for similar instruments at the measurement date and considering such factors as the legal maturity date.

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Note 6. Commitments and Contingencies

As of June 30, 2022, the Company has outstanding commitments to fund investments totaling \$37,261 under various undrawn revolvers and other credit facilities.

Legal and regulatory proceedings: 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 June 30, 2022.

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

Indemnifications: In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide for general indemnification. 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 yet 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 \$175,942 and \$195,502 in assets at June 30, 2022 and December 31, 2021, respectively, which accounted for approximately 31% and 34% of the Company’s total consolidated assets, respectively. These assets cannot be pledged under any debt obligation of the Company.

On February 28, 2022, SBIC I LP redeemed \$19,000 of SBA debentures that were contractually due March 1, 2025 and September 1, 2025. As of June 30, 2022, SBIC I LP had outstanding debentures totaling \$50,920, which bear a fixed interest rate of 2.87% and mature on March 1, 2025.

For the three and six months ended June 30, 2022 and 2021, the components of interest expense, cash paid for interest, effective interest rates and average outstanding balances for the SBA debentures were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Stated interest expense | \$ 364 | \$ 703 | \$ 815 | \$ 1,472 |
| Amortization of debt issuance costs | 48 | 58 | 92 | 122 |
| Total interest and debt financing costs | \$ 412 | \$ 761 | \$ 907 | \$ 1,594 |
| Cash paid for interest expense | \$ — | \$ — | \$ 1,002 | \$ 1,553 |
| Effective interest rate | 3.23 % | 3.19 % | 3.17 % | 3.33 % |
| Average outstanding balance | \$ 50,920 | \$ 95,505 | \$ 57,113 | \$ 95,721 |

BNP Facility: On June 20, 2019, OFSCC-FS entered into the BNP Facility, which provides for borrowings in an aggregate principal amount up to \$150,000. On June 24, 2022, OFSCC-FS amended the BNP facility to, among other things: (i) extend the reinvestment period under the BNP Facility for three years from June 20, 2022 to June 20, 2025; (ii) extend the maturity date under the BNP Facility from June 20, 2024 to June 20, 2027; (iii) convert the benchmark interest rate from LIBOR to SOFR; (iv) increase the applicable margin by 0.40% on all classes of loans; and (v) increase the applicable margin floor from 1.925% to 2.65%. OFSCC-FS also pays a non-usage fee depending on the size of the unused portion of the BNP Facility. Fees and legal costs incurred in connection with the BNP Facility are amortized over the life of the facility.

The BNP Facility is collateralized by all the assets held by OFSCC-FS. OFSCC-FS and the Company have each made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities.

As of June 30, 2022 and December 31, 2021, OFSCC-FS had outstanding debt of \$134,100 and \$100,000, respectively. As of June 30, 2022, the unused commitment under the BNP Facility was \$15,900.

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

For the three and six months ended June 30, 2022 and 2021, the components of interest expense, cash paid for interest, average interest rates and average outstanding balances for the BNP Facility were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Stated interest expense | \$ 1,005 | \$ 385 | \$ 1,621 | \$ 780 |
| Amortization of debt issuance costs | 69 | 57 | 136 | 112 |
| Total interest and debt financing costs | \$ 1,074 | \$ 442 | \$ 1,757 | \$ 892 |
| Cash paid for interest expense | \$ 801 | \$ 360 | \$ 1,386 | \$ 757 |
| Effective interest rate | 3.21 % | 4.76 % | 2.92 % | 5.22 % |
| Average outstanding balance | \$ 133,876 | \$ 37,099 | \$ 120,438 | \$ 34,158 |

PWB Credit Facility: On March 7, 2018, the Company entered into the PWB Credit Facility. On February 17, 2021, the Company amended the PWB Credit Facility to among other things: (i) increase the maximum amount available from \$20,000 to \$25,000; (ii) decrease the interest rate floor from 5.25% per annum to 5.00% per annum; (iii) modify certain financial performance covenants; and (iv) extend the maturity date from February 28, 2021 to February 28, 2023. On April 22, 2022, the Company amended the PWB Credit Facility to: (i) increase the maximum amount available under the PWB Credit Facility from \$25,000 to \$35,000; and (ii) extend the maturity date of the PWB Credit Facility from February 28, 2023 to February 28, 2024. On November 15, 2021, the Company amended the BLA to decrease the interest rate floor from 5.0% to 4.0%, effective as of November 1, 2021. Fees and legal costs incurred in connection with the PWB Credit Facility are amortized over the life of the facility.

The maximum availability of the PWB Credit Facility is equal to 50% of the aggregate outstanding principal amount of eligible loans included in the borrowing base as specified in the BLA. The PWB Credit Facility is guaranteed by OFSCC-MB and secured by all of our current and future assets, excluding assets held by SBIC I LP, OFSCC-FS, and the Company's partnership interests in SBIC I LP and SBIC I GP. The Company has made customary representations and warranties and is required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities.

As of June 30, 2022 and December 31, 2021, the Company had \$-0- and \$-0-, respectively, of outstanding debt under the PWB Credit Facility. As of June 30, 2022, the unused commitment under the PWB Credit Facility was \$35,000.

For the three and six months ended June 30, 2022 and 2021, the components of interest expense, cash paid for interest, average interest rates and average outstanding balances for the PWB Credit Facility were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------|---------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Stated interest expense ⁽¹⁾ | \$ 29 | \$ 12 | \$ 47 | \$ 52 |
| Cash paid for interest expense | \$ 28 | \$ 16 | \$ 46 | \$ 46 |
| Effective interest rate ⁽²⁾ | n/m | n/m | n/m | n/m |
| Average outstanding balance | \$ 250 | \$ — | \$ 377 | \$ 1,118 |

(1) Stated interest expense includes unused fees.

(2) Not meaningful due to a considerable amount of unused fees in stated interest expense.

Unsecured Notes: As of June 30, 2022 and December 31, 2021, the Company had the following Unsecured Notes outstanding:

Unsecured Notes Due February 2026: On February 10, 2021 and March 18, 2021, the Company issued \$125,000 in aggregate principal of unsecured notes. The Unsecured Notes Due February 2026 bear interest at a rate of 4.75% per year payable semi-annually and mature on February 10, 2026. The Company may redeem the Unsecured Notes Due February 2026 in whole or in part at any time, or from time to time, at its option at par plus a "make-whole" premium, if applicable.

Unsecured Notes Due October 2028: On October 28, 2021 and November 1, 2021, the Company issued \$55,000 in aggregate principal of unsecured notes. The Unsecured Notes Due October 2028 bear interest at a rate of 4.95% per year payable semi-annually and mature on October 31, 2028. The Company may redeem the Unsecured Notes Due October 2028 in whole or in part at any time, or from time to time, at its option on or after October 31, 2023.

The Unsecured Notes 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 are not secured by any of the Company's assets, they are

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effectively subordinated to all existing and future secured unsubordinated indebtedness (or any indebtedness that is initially unsecured as to which the Company subsequently grants 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 indenture governing the Unsecured Notes contains certain covenants, including: (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 150% 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 of any capital stock unless the Company's asset coverage, as defined in the 1940 Act, is at least 150% at the time of such capital transaction and after deducting the amount of such transaction.

For the three and six months ended June 30, 2022 and 2021, the components of interest expense, cash paid for interest, average interest rates and average outstanding balances for the Unsecured Notes were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Stated interest expense | \$ 2,165 | \$ 2,699 | \$ 4,330 | \$ 5,874 |
| Amortization of debt issuance costs | 261 | 327 | 523 | 654 |
| Total interest and debt financing costs | \$ 2,426 | \$ 3,026 | \$ 4,853 | \$ 6,528 |
| Cash paid for interest expense | \$ 681 | \$ 1,195 | \$ 4,353 | \$ 4,910 |
| Effective interest rate | 5.39 % | 5.92 % | 5.39 % | 6.13 % |
| Average outstanding balance | \$ 180,000 | \$ 204,325 | \$ 180,000 | \$ 213,009 |

The following table shows the scheduled maturities of the principal balances of the Company's outstanding borrowings as of June 30, 2022:

| | Payments due by period | | | | |
|---------------------|------------------------|----------------|-----------|------------|---------------|
| | Total | Less than year | 1-3 years | 4-5 years | After 5 years |
| PWB Credit Facility | \$ — | \$ — | \$ — | \$ — | \$ — |
| Unsecured Notes | 180,000 | — | — | 125,000 | 55,000 |
| SBA Debentures | 50,920 | — | 50,920 | — | — |
| BNP Facility | 134,100 | — | — | 134,100 | — |
| Total | \$ 365,020 | \$ — | \$ 50,920 | \$ 259,100 | \$ 55,000 |

For the three and six months ended June 30, 2022 and 2021, the average dollar borrowings and weighted average effective interest rate on the Company's outstanding borrowings were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Average dollar borrowings | \$ 365,046 | \$ 336,929 | \$ 357,928 | \$ 344,005 |
| Weighted average effective interest rate | 4.32 % | 5.05 % | 4.23 % | 5.31 % |

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Note 8. Financial Highlights

The following is a schedule of financial highlights for the three and six months ended June 30, 2022 and 2021:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------------|---------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Per share operating performance: | | | | |
| Net asset value per share at beginning of period | \$ 15.52 | \$ 11.96 | \$ 15.18 | \$ 11.85 |
| Net investment income ⁽⁴⁾ | 0.47 | 0.24 | 0.69 | 0.43 |
| Net realized loss on investments, net of taxes ⁽⁴⁾ | (0.01) | (0.81) | — | (0.80) |
| Net unrealized appreciation (depreciation) on investments, net of taxes ⁽⁴⁾ | (1.12) | 2.24 | (0.71) | 2.52 |
| Loss on extinguishment of debt ⁽⁴⁾ | — | — | (0.01) | (0.17) |
| Total income (loss) from operations | (0.66) | 1.67 | (0.03) | 1.98 |
| Distributions | (0.29) | (0.22) | (0.57) | (0.42) |
| Issuance of common stock ⁽⁸⁾ | — | 0.01 | (0.01) | 0.01 |
| Net asset value per share at end of period | \$ 14.57 | \$ 13.42 | \$ 14.57 | \$ 13.42 |
| Per share market value, end of period | \$ 9.92 | \$ 9.96 | \$ 9.92 | \$ 9.96 |
| Total return based on market value ⁽¹⁾⁽⁷⁾ | (21.5)% | 15.9 % | (4.3)% | 45.6 % |
| Total return based on net asset value ⁽²⁾⁽⁷⁾ | (3.4)% | 14.7 % | 0.9 % | 18.4 % |
| Shares outstanding at end of period | 13,429,777 | 13,415,235 | 13,429,777 | 13,415,235 |
| Weighted average shares outstanding | 13,425,477 | 13,411,998 | 13,423,970 | 13,410,524 |
| Ratio/Supplemental Data (dollar amounts in thousands) | | | | |
| Average net asset value ⁽³⁾ | \$ 202,049 | \$ 170,232 | \$ 202,614 | \$ 166,473 |
| Net asset value at end of period | \$ 195,712 | \$ 179,993 | \$ 195,712 | \$ 179,993 |
| Net investment income | \$ 6,248 | \$ 3,235 | \$ 9,253 | \$ 5,785 |
| Ratio of total expenses to average net assets ⁽⁵⁾ | 8.3 % | 19.2 % | 12.0 % | 19.4 % |
| Ratio of total expenses and loss on extinguishment of debt to average net assets ⁽⁵⁾ | 8.3 % | 19.2 % | 12.0 % | 20.7 % |
| Ratio of net investment income to average net assets ⁽⁵⁾ | 12.4 % | 7.6 % | 9.1 % | 7.0 % |
| Ratio of loss on extinguishment of debt to average net assets ⁽⁷⁾ | — % | — % | 0.1 % | 1.4 % |
| Portfolio turnover ⁽⁶⁾ | 8.9 % | 12.7 % | 14.5 % | 25.3 % |

- (1) Calculated as ending market value less beginning market value, adjusted for distributions reinvested at prices based on the Company's dividend reinvestment plan for the respective distributions.
- (2) Calculated as ending net asset value less beginning net asset value, adjusted for distributions reinvested at the Company's dividend reinvestment plan for the respective distributions.
- (3) Based on the average of the net asset value at the beginning and end of the indicated period and if applicable the preceding calendar quarters.
- (4) Calculated on the average share method.
- (5) Annualized.
- (6) Portfolio turnover rate is calculated using the lesser of period-to-date sales, Structured Finance Note distributions and principal payments or period-to-date purchases over the average of the invested assets at fair value.
- (7) Not annualized.
- (8) Common stock issued through DRIP.

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

Note 9. Capital Transactions

Distributions: The Company intends to distribute to stockholders, on a quarterly basis, substantially all of its net investment income. In addition, although the Company intends to distribute at least annually net realized capital gains, net of taxes if any, out of assets legally available for such distribution, the Company may also retain such capital gains for investment through a deemed distribution.

The Company may be limited in its ability to make distributions due to the BDC asset coverage requirements of the 1940 Act. The Company's ability to make distributions may be affected by SBIC I LP's distributions to the Company, which are governed by SBA regulations and may require the prior approval of the SBA. In addition, distributions from OFSCC-FS to the Company are restricted by the terms and conditions of the BNP Facility. Net assets of SBIC I LP were \$124,765, and consolidated cash at June 30, 2022 includes \$7,460 held by SBIC I LP, of which \$3,474 was available for distribution to the Parent. Net Assets of OFSCC-FS were \$73,442, and consolidated cash at June 30, 2022 includes \$2,906 held by OFSCC-FS, of which \$-0- was available for distribution to the Parent.

The following table summarizes distributions declared and paid for the six months ended June 30, 2022 and 2021:

| Date Declared | Record Date | Payment Date | Amount Per Share | Cash Distribution | DRIP Shares Issued | DRIP Shares Value |
|---------------------------------------|--------------------|---------------------|-------------------------|--------------------------|---------------------------|--------------------------|
| Six Months Ended June 30, 2021 | | | | | | |
| March 2, 2021 | March 24, 2021 | March 31, 2021 | \$ 0.20 | \$ 2,655 | 3,103 | \$ 27 |
| May 11, 2021 | June 23, 2021 | June 30, 2021 | 0.22 | 2,918 | 3,273 | 33 |
| | | | <u>\$ 0.42</u> | <u>\$ 5,573</u> | <u>6,376</u> | <u>\$ 60</u> |
| Six Months Ended June 30, 2022 | | | | | | |
| March 1, 2022 | March 24, 2022 | March 31, 2022 | \$ 0.28 | \$ 3,719 | 3,016 | \$ 39 |
| May 3, 2022 | June 23, 2022 | June 30, 2022 | 0.29 | 3,850 | 4,348 | 43 |
| | | | <u>\$ 0.57</u> | <u>\$ 7,569</u> | <u>7,364</u> | <u>\$ 82</u> |

Distributions in excess of the Company's current and accumulated ICTI would be treated first as a return of capital to the extent of the stockholder's adjusted tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of the Company's distributions is made annually as of the end of its fiscal year based upon its estimated ICTI for the full year and distributions paid for the full year. Each year, a statement on Form 1099-DIV identifying the tax character of distributions is mailed to the Company's stockholders.

Stock Repurchase Program:

The Company maintains a Stock Repurchase Program under which the Company may acquire up to \$10.0 million of its outstanding common stock. On May 3, 2022, the Board extended the Stock Repurchase Program for an additional two-year period ending May 22, 2024, or until the approved dollar amount has been used to repurchase shares.

The following table summarizes shares of common stock repurchased under the Stock Repurchase Program during the six months ended June 30, 2022 and 2021, respectively.

| Period | Total Number of Shares Purchased | Cost of Shares Purchased | Average Price Paid Per Share |
|--|---|---------------------------------|-------------------------------------|
| Six Months Ended June 30, 2021 | | | |
| January 1, 2021 through March 31, 2021 | 700 | \$ 5 | \$ 6.70 |
| April 1, 2021 through June 30, 2021 | — | \$ — | \$ — |
| Six Months Ended June 30, 2022 | | | |
| January 1, 2022 through March 31, 2022 | — | \$ — | \$ — |
| April 1, 2022 through June 30, 2022 | — | \$ — | \$ — |

OFS Capital Corporation and Subsidiaries

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

Note 10. Consolidated Schedule of Investments In and Advances To Affiliates

Six Month Period Ended June 30, 2022

| Name of Portfolio Company | Investment Type (1) | Net Realized Gain (Loss) | Net change in unrealized appreciation/(depreciation) | Interest & PIK Interest | Dividends | Fees | Total Income (2) | December 31, 2021, Fair Value | Gross Additions (3) | Gross Reductions (4) | June 30, 2022, Fair Value (5) |
|--|-----------------------|--------------------------|--|-------------------------|-----------|------|------------------|-------------------------------|---------------------|----------------------|-------------------------------|
| Control Investment | | | | | | | | | | | |
| MTE Holding Corp. | Subordinated Loan | \$ — | \$ — | \$ 141 | \$ — | \$ 6 | \$ 147 | \$ 8,195 | \$ 35 | \$ (8,230) | \$ — |
| | Common Equity | 278 | (1,684) | — | 45 | — | 45 | 4,753 | — | (4,753) | — |
| | | 278 | (1,684) | 141 | 45 | 6 | 192 | 12,948 | 35 | (12,983) | — |
| Total Control Investment | | 278 | (1,684) | 141 | 45 | 6 | 192 | 12,948 | 35 | (12,983) | — |
| Affiliate Investments | | | | | | | | | | | |
| Contract Datascan Holdings, Inc. | Preferred Equity (6) | — | 1,739 | — | — | — | — | 2,748 | 1,739 | — | 4,487 |
| | Common Equity (6) | — | 109 | — | — | — | — | 25 | 109 | — | 134 |
| | | — | 1,848 | — | — | — | — | 2,773 | 1,848 | — | 4,621 |
| DRS Imaging Services, LLC | Common Equity (6) | — | (20) | — | — | — | — | 1,289 | — | (20) | 1,269 |
| Master Cutlery, LLC | Subordinated Loan (6) | — | (522) | — | — | — | — | 699 | — | (538) | 161 |
| | Preferred Equity (6) | — | — | — | — | — | — | — | — | — | — |
| | Common Equity (6) | — | — | — | — | — | — | — | — | — | — |
| | | — | (522) | — | — | — | — | 699 | — | (538) | 161 |
| Pfanstiehl Holdings, Inc | Common Equity | — | 17,413 | — | — | — | — | 65,740 | 17,413 | — | 83,153 |
| TalentSmart Holdings, LLC | Common Equity (6) | — | (45) | — | — | — | — | 1,095 | (45) | — | 1,050 |
| TRS Services, Inc. | Preferred Equity | — | 359 | — | 5 | — | 5 | 988 | 359 | — | 1,347 |
| | Common Equity (6) | — | — | — | — | — | — | — | — | — | — |
| | | — | 359 | — | 5 | — | 5 | 988 | 359 | — | 1,347 |
| Total Affiliate Investments | | — | 19,033 | — | 5 | — | 5 | 72,584 | 19,575 | (558) | 91,601 |
| Total Control and Affiliate Investments | | \$ 278 | \$ 17,349 | \$ 141 | \$ 50 | \$ 6 | \$ 197 | \$ 85,532 | \$ 19,610 | \$ (13,541) | \$ 91,601 |

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

- (1) Principal balance, interest rate and maturity of debt investments, and ownership detail for equity investments are presented in the consolidated schedule of investments. 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.
- (2) Represents the total amount of interest, fees or dividends included in income for the six months ended June 30, 2022, during which an investment was included in the Control Investment or Affiliate Investment categories.
- (3) Gross additions include increases in cost basis of investments resulting from a new portfolio investment, PIK interest, fees and dividends; accretion of OID, and net increases in unrealized appreciation or decreases in net depreciation.
- (4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments and sales, if any, and net decreases in net unrealized appreciation or net increases in net depreciation.
- (5) Fair value was determined using significant unobservable inputs. See **Note 5** for further details.
- (6) Non-income producing.

Notes to Consolidated Financial Statements (unaudited)
(Dollar amounts in thousands, except per share data)

Note 11. Subsequent Events

On August 2, 2022, the Board declared a distribution of \$0.29 per share for the third quarter of 2022, payable on September 30, 2022 to stockholders of record as of September 23, 2022.

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

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this Quarterly Report on Form 10-Q. For additional overview information on the Company, see “Item 1. Business” in our Annual Report on Form 10-K for the year ended December 31, 2021.

Overview

Key performance metrics are presented below:

| | June 30, 2022 | March 31, 2022 |
|--|---------------------------|-----------------------|
| Net asset value per common share | \$ 14.57 | \$ 15.52 |
| | Three Months Ended | |
| | June 30, 2022 | March 31, 2022 |
| Net investment income per common share | \$ 0.47 | \$ 0.22 |
| Net increase (decrease) in net assets resulting from operations per common share | (0.66) | 0.62 |
| Distributions paid per common share | 0.29 | 0.28 |
| Adjusted NII Per Common Share ⁽¹⁾ — Non-GAAP | | |
| Net investment income per common share | \$ 0.47 | \$ 0.22 |
| Capital gain incentive fee accrual per common share | (0.23) | 0.08 |
| Adjusted NII per common share — Non-GAAP | <u>\$ 0.24</u> | <u>\$ 0.30</u> |

(1) Adjusted NII is a financial measure calculated and presented on a basis other than in accordance with GAAP. For additional information regarding Adjusted NII, see “Results of Operations—Non-GAAP Financial Measure—Adjusted Net Investment Income”.

Our NAV per common share decreased 6.1% from \$15.52 at March 31, 2022 to \$14.57 at June 30, 2022, primarily due to net losses on our investment portfolio of \$15.1 million, or \$1.12 per common share. For the quarter ended June 30, 2022, net losses were primarily related to unrealized depreciation on our Structured Finance Notes and broadly syndicated loan investments due to widening of liquid credit market spreads.

For the quarter ended June 30, 2022, net investment income increased \$0.25 per share to \$0.47 per share primarily due to a \$3.0 million, or \$0.23 per share, reversal of previously accrued Capital Gains Fee. The reversal of previously accrued Capital Gains Fee was due to aggregate net unrealized depreciation recognized during the quarter ended June 30, 2022 due to widening of liquid credit market spreads. Total interest income increased \$0.5 million compared to the prior quarter, primarily related to an increase in interest income on our Structured Finance Notes, accelerations of Net Loan Fees from loan prepayments, rising interest rates and higher average invested asset balances. For the quarter ended June 30, 2022, dividend and fee income decreased \$1.0 million compared to the prior quarter, primarily due to a decrease in non-recurring cash dividends and syndication fees.

For the quarter ended June 30, 2022, our weighted-average debt interest costs increased to 4.3% compared to 4.2% for the quarter ended March 31, 2022, primarily due to an increase in the cost of debt on our BNP Facility resulting from LIBOR rate increases. As of June 30, 2022, approximately 63% of our outstanding debt was fixed rate and 100% of our outstanding debt matures in 2025 and beyond.

On August 2, 2022, the Board declared a distribution of \$0.29 per share for the third quarter of 2022, payable on September 30, 2022 to stockholders of record as of September 23, 2022.

As of June 30, 2022 and March 31, 2022, floating rate loans at fair value, excluding Structured Finance Notes, comprised 93% of our debt portfolio. Structured Finance Notes generally do not carry a stated rate of interest, but the loan portfolios underlying these investments are generally variable rate debt.

During the quarter ended June 30, 2022, our Structured Finance Note and broadly syndicated loan investments experienced net losses of \$9.3 million and \$7.0 million, respectively, largely related to widening of liquid credit market spreads. Our directly originated investments experienced a net gain of \$1.1 million primarily due to a \$7.8 million increase in the fair value of our common equity in Pfanstiehl Holdings, Inc. as a result of positive financial operating results. Pfanstiehl Holdings, Inc., a global manufacturer of high-purity pharmaceutical ingredients, accounted for 15.2% of our portfolio at fair value, and

42.5% of our consolidated net assets as of June 30, 2022. During the quarter ended June 30, 2022, our subordinated loan in Eblens Holdings, Inc. and our second lien senior secured loan in Envocore Holdings, LLC, were placed on non-accrual status. The Envocore Holdings, LLC second lien senior secured loan is a PIK loan where we stopped accruing our PIK coupon due to a decline in its fair value; however, that portfolio company remains current on another debt tranche that requires cash interest payments. As of June 30, 2022, our loan portfolio had four non-accrual loans with an aggregate fair value of \$17.8 million, or 3.3% of our total investments at fair value, compared to two non-accrual loans with an aggregate fair value of \$7.8 million, or 1.4% of our total investments at fair value, at March 31, 2022.

As of June 30, 2022, we had unfunded commitments of \$37.3 million to 17 portfolio companies. During the quarter ended June 30, 2022, we purchased Structured Finance Notes for a cost of \$21.1 million and funded \$31.3 million in new and existing Portfolio Company Investments.

At June 30, 2022, our asset coverage ratio of 162% exceeded the minimum asset coverage requirement of 150% under the 1940 Act, and we remained in compliance with all applicable covenants under our outstanding debt facilities. As of June 30, 2022, we had an unused commitment of \$35.0 million under our PWB Credit Facility, as well as an unused commitment of \$15.9 million under our BNP Facility, each of which are subject to a borrowing base and other covenants. Based on our portfolio's fair value and our equity capital at June 30, 2022, we could access all unused commitments under our credit facilities and remain in compliance with our asset coverage requirements.

On April 22, 2022, we amended the PWB Credit Facility to, among other things, increase the maximum amount available under the PWB Credit Facility from \$25.0 million to \$35.0 million. On June 24, 2022, we amended the BNP Facility to, among other things: (i) extend the reinvestment period under the BNP Facility for three years from June 20, 2022 to June 20, 2025; and (ii) extend the maturity date under the BNP Facility from June 20, 2024 to June 20, 2027. We continue to believe that we have sufficient levels of liquidity to support our existing portfolio companies and expect to continue to selectively deploy capital in new investment opportunities in this challenging environment.

Our financial condition, including the fair value of our portfolio investments, and results of operations may be materially impacted after June 30, 2022 by circumstances and events that are not yet known. To the extent our portfolio investments are adversely impacted by the COVID-19 pandemic, the ongoing conflict between Russia and Ukraine, rising interest rates, inflationary pressures, or by other factors, we may experience a material adverse impact on our future net investment income, the underlying value of our investments, our financial condition and the financial condition of our portfolio investments.

We are also subject to financial risks, including changes in market interest rates. As of June 30, 2022, approximately \$331.0 million (aggregate fair value), or 93%, of our debt investments bore interest at variable rates, of which 83% are LIBOR-based. We have prepared and planned for the transition away from LIBOR by incorporating alternate reference rates to be used in our credit agreements and making other preparations, and believe the impact of the transition will be minimal. However, it is not possible to predict the effect of these developments, and any future initiatives to regulate, reform or change the manner of administration of LIBOR could result in adverse consequences to the rate of interest payable and receivable on, market value of and market liquidity for LIBOR-based financial instruments. Additionally, on March 16, 2022, May 4, 2022, June 15, 2022 and July 27, 2022, the U.S. Federal Reserve approved interest rate increases and signaled that additional increases may be likely to combat inflation.

Critical Accounting Policies and Significant Estimates

Our critical accounting policies and estimates are those relating to revenue recognition and fair value estimates. Management has discussed the development and selection of each critical accounting policy and estimate with the Audit Committee of the Board. For descriptions of our revenue recognition and fair value policies, see "Item 8. Financial Statements - Notes to Financial Statements - Note 2" and "Management's Discussion and Analysis - Critical Accounting Policies and Significant Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2021.

Fair value estimates. In December 2020, the SEC issued a final rule adopting Rule 2a-5 under the 1940 Act to establish requirements for determining fair value in good faith for purposes of the 1940 Act. We are evaluating the impact of adopting Rule 2a-5 on the consolidated financial statements and intend to comply with the new rule's mandatory requirements on or before the compliance date in September 2022.

The following table illustrates the impact of our fair value measures if we selected the low or high end of the range of values for all investments at June 30, 2022 (dollar amounts in thousands):

| Investment Type | Fair Value at June 30, 2022 | Range of Fair Value | |
|-----------------------------------|--------------------------------|---------------------|-------------------|
| | | Low-end | High-end |
| Debt investments: | | | |
| Senior secured | \$ 348,676 | \$ 344,259 | \$ 353,293 |
| Subordinated | 7,303 | 5,015 | 9,663 |
| Structured Finance Notes: | | | |
| Subordinated notes | 54,747 | 52,392 | 57,099 |
| Mezzanine debt | 26,631 | 26,371 | 26,887 |
| Loan accumulation facilities | 8,500 | 8,500 | 8,500 |
| Equity investments: | | | |
| Preferred equity | 5,951 | 5,392 | 6,452 |
| Common equity, warrants and other | 95,869 | 89,990 | 101,772 |
| | <u>\$ 547,677</u> | <u>\$ 531,919</u> | <u>\$ 563,666</u> |

Related Party Transactions

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

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

OFS Advisor’s services under the Investment Advisory Agreement are not exclusive to us and OFS Advisor is free to furnish similar services to other entities, including other funds affiliated with OFS Advisor, so long as its services to us are not impaired. OFS Advisor also serves as the investment adviser to CLO funds and other assets, including HPCI and OCCI. Additionally, OFS Advisor provides sub-advisory services to CMFT Securities Investments, LLC, a wholly owned subsidiary of CIM Real Estate Finance Trust, Inc., a corporation that qualifies as a real estate investment trust. Additionally, OFS Advisor serves as sub-adviser to CIM Real Assets & Credit Fund, an externally managed registered investment company that operates as an interval fund that invests primarily in a combination of real estate, credit and related investments.

Effective January 1, 2022, OFS Advisor agreed to reduce its base management fee attributable to all of the OFSCC-FS Assets to 0.25% per quarter (1.00% annualized) of the average value of the OFSCC-FS Assets (excluding cash) at the end of the two most recently completed calendar quarters. OFS Advisor’s base management fee reduction is renewable on an annual basis and OFS Advisor is not entitled to recoup the amount of the base management fee reduced with respect to the OFSCC-FS Assets. OFS Advisor most recently renewed the agreement for the calendar year 2022 on February 4, 2022.

The 1940 Act generally prohibits BDCs from making certain negotiated co-investments with certain affiliates absent an order from the SEC permitting the BDC to do so. On August 4, 2020, we received the Order, which superseded a previous order we received on October 12, 2016, and provides us with greater flexibility to enter into co-investment transactions with Affiliated Funds. We are generally permitted to co-invest with Affiliated Funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our

stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

In addition, we may file an application for an amendment to our existing Order to permit us to continue to co-invest in our existing portfolio companies with certain affiliates that are private funds even if such other funds had not previously invested in such existing portfolio company, subject to certain conditions. However, if filed, there is no guarantee that such application will be granted.

Conflicts may arise when we make an investment in conjunction with an investment being made by an Affiliated Account, or in a transaction where an Affiliated Account has already made an investment. Investment opportunities are, from time to time, appropriate for more than one account in the same, different or overlapping securities of a portfolio company's capital structure. Conflicts arise in determining the terms of investments, particularly where these accounts may invest in different types of securities in a single portfolio company. Potential conflicts arise when addressing, among other things, questions as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be restructured, modified or refinanced. For a discussion of the risks associated with conflicts of interest, see "Item 1. Business — Conflicts of Interest", "Item 1A. Risk Factors — Risks Related to OFS Advisor and its Affiliates — We have potential conflicts of interest related to the purchases and sales that OFS Advisor makes on our behalf and/or on behalf of Affiliated Accounts" and "Item 1A. Risk Factors — Regulations — Conflicts of Interest - Conflicts Related to Portfolio Investments" in our Annual Report on Form 10-K for the year ended December 31, 2021.

Portfolio Composition and Investment Activity

Portfolio Composition

As of June 30, 2022, the fair value of our debt investment portfolio totaled \$356.0 million in 66 portfolio companies, of which 98% and 2% were senior secured loans and subordinated loans, respectively. As of June 30, 2022, we had equity investments in 17 portfolio companies with a fair value of approximately \$101.8 million. We also have 23 investments in Structured Finance Notes with a fair value of \$89.9 million. We had unfunded commitments of \$37.3 million to 17 portfolio companies at June 30, 2022. Set forth in the tables and charts below is selected information with respect to our portfolio as of June 30, 2022 and December 31, 2021.

The following table presents our investment portfolio by each wholly owned legal entity within the consolidated group as of June 30, 2022 and December 31, 2021 (dollar amounts in thousands):

| | June 30, 2022 | | December 31, 2021 | |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| OFS Capital Corporation (Parent) | \$ 197,195 | \$ 173,722 | \$ 157,190 | \$ 150,254 |
| SBIC I LP | 94,533 | 167,825 | 125,584 | 183,524 |
| OFSCC-FS | 212,374 | 202,975 | 171,101 | 170,132 |
| OFSCC-MB | 3,382 | 3,155 | 3,437 | 3,189 |
| Total investments | <u>\$ 507,484</u> | <u>\$ 547,677</u> | <u>\$ 457,312</u> | <u>\$ 507,099</u> |

The following table presents our ten largest debt and equity investments by portfolio company based on fair value as of June 30, 2022 (dollar amounts in thousands):

| | Amortized Cost | Fair Value | % of Total Portfolio, at Fair Value |
|--|-------------------|-------------------|-------------------------------------|
| Pfanstiehl Holdings, Inc. | \$ 217 | \$ 83,153 | 15.2 % |
| All Star Auto Lights, Inc. | 22,935 | 23,217 | 4.2 % |
| Milrose Consultants, LLC | 22,719 | 22,247 | 4.1 % |
| Kreg LLC | 20,093 | 19,850 | 3.6 % |
| Toleamar Acquisition, Inc. | 16,251 | 16,301 | 3.0 % |
| The Escape Game, LLC | 16,295 | 16,206 | 3.0 % |
| Inergex Holdings, LLC | 14,990 | 15,260 | 2.8 % |
| SSJA Bariatric Management, LLC | 13,350 | 13,356 | 2.4 % |
| Boca Home Care Holdings, Inc. | 10,857 | 10,566 | 1.9 % |
| Envocore Holding, LLC (F/K/A LRI Holding, LLC) | 18,468 | 10,383 | 1.9 % |
| Total | \$ 156,175 | \$ 230,539 | 42.1 % |

As of June 30, 2022 and December 31, 2021, approximately 4.1% and 11.5% of our total portfolio at fair value and net assets, respectively, were comprised of Structured Finance Notes managed by a single adviser.

Portfolio Yields

The following table presents weighted-average yields metrics for our portfolio as of June 30, 2022 and March 31, 2022:

| | For the Three Months Ended | |
|--|----------------------------|----------------|
| | June 30, 2022 | March 31, 2022 |
| Weighted-average performing current yield ⁽¹⁾ : | | |
| Debt investments | 7.4 % | 7.5 % |
| Structured Finance Notes | 13.1 % | 14.2 % |
| Interest-bearing investments | 8.6 % | 8.8 % |
| Weighted-average performing income yield ⁽²⁾ : | | |
| Debt investments | 7.9 % | 7.7 % |
| Structured Finance Notes | 13.5 % | 14.3 % |
| Interest-bearing investments | 9.1 % | 9.0 % |
| Weighted-average realized yield: | | |
| Interest-bearing investments ⁽³⁾ | 8.6 % | 8.6 % |
| Total portfolio ⁽⁴⁾ | 8.2 % | 8.2 % |

- (1) Current yield is calculated as (a) the actual amount earned on performing investments, including interest and prepayment fees but excluding amortization of Net Loan Fees, divided by (b) the weighted-average of total performing investments amortized cost.
- (2) Income yield is calculated as (a) the actual amount earned on performing investments, including interest and prepayment fees and amortization of Net Loan Fees, divided by (b) the weighted-average of total performing investment amortized cost.
- (3) Realized yield is computed as (a) the actual amount earned on interest-bearing investments, including interest, prepayment fees and Net Loan Fees, divided by (b) the weighted-average of total interest-bearing investments amortized cost, in each case, including debt investments on non-accrual status and non-income producing Structured Finance Notes.
- (4) Realized yield is computed as (a) the actual amount earned on all investments including interest, dividends and prepayment fees, amortization of Net Loan Fees, and dividends received divided by (b) the weighted-average of total investments amortized cost or cost.

For the quarter ended June 30, 2022, the weighted average realized yield remained stable compared to the prior quarter, primarily due to LIBOR rate increases, offset by two loans being placed on non-accrual status during the quarter.

Weighted-average yields of our investments are not the same as a return on investment for our stockholders, but rather the gross investment income from our investment portfolio before the payment of all of our fees and expenses. There can be no assurance that the weighted average yields will remain at their current levels.

Portfolio Company Investments

The following table summarizes the composition of our Portfolio Company Investments as of June 30, 2022 and December 31, 2021 (dollar amounts in thousands):

| | June 30, 2022 | | December 31, 2021 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Senior secured debt investments | \$ 369,001 | \$ 348,676 | \$ 336,132 | \$ 326,704 |
| Subordinated debt investments | 13,890 | 7,303 | 22,071 | 17,943 |
| Preferred equity | 9,501 | 5,951 | 9,552 | 3,765 |
| Common equity, warrants and other ⁽¹⁾ | 12,750 | 95,869 | 14,606 | 83,486 |
| Total Portfolio Company Investments | \$ 405,142 | \$ 457,799 | \$ 382,361 | \$ 431,898 |
| Number of portfolio companies | 78 | 78 | 70 | 70 |

(1) As of June 30, 2022, other investments represent equity participation right investments with an aggregate cost and fair value of \$4.7 million and \$7.2 million, respectively. As of December 31, 2021, other investments represent equity participation right investments with an aggregate cost and fair value of \$4.7 million and \$7.4 million, respectively.

At June 30, 2022, 98% and 64% of our loan portfolio and total portfolio, respectively, consisted of senior secured loans, based on fair value. We believe the seniority of our debt investments in the borrowers' capital structures may provide greater downside protection against adverse economic changes, including those caused by the impacts of the COVID-19 pandemic, the ongoing conflict between Russia and Ukraine, rising interest and inflation rates and related market volatility.

As of June 30, 2022, the three largest industries of our Portfolio Company Investments by fair value, were (1) Manufacturing (27.2%), (2) Health Care and Social Assistance (15.3%) and (3) Professional, Scientific, and Technical Services (9.4%), totaling approximately 51.9% of our Portfolio Company Investment portfolio. For a full summary of our investment portfolio by industry, see "Item 1—Financial Statements—Note 4."

As of June 30, 2022, our common equity investment in Pfanstiehl Holdings, Inc., a global manufacturer of high-purity pharmaceutical ingredients, accounted for 15.2% and 42.5% of our total portfolio at fair value and our total net assets, respectively. Due to increased financial operating results, the fair value of our investment in the common equity of Pfanstiehl Holdings, Inc. has increased by \$17.4 million, to \$83.2 million, during the six months ended June 30, 2022. The value of this investment is substantially comprised of unrealized appreciation of \$82.9 million. A deterioration in the operating performance of the company or other factors underlying the valuation of this investment could have a material impact on our NAV.

Structured Finance Notes

The following table summarizes the composition of our Structured Finance Notes as of June 30, 2022, and December 31, 2021 (in thousands):

| | June 30, 2022 | | December 31, 2021 | |
|--------------------------------|----------------|------------|-------------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Subordinated notes | \$ 65,855 | \$ 54,747 | \$ 63,791 | \$ 63,922 |
| Mezzanine debt | 27,987 | 26,631 | 2,660 | 2,779 |
| Loan accumulation facilities | 8,500 | 8,500 | 8,500 | 8,500 |
| Total Structured Finance Notes | \$ 102,342 | \$ 89,878 | \$ 74,951 | \$ 75,201 |

Investment Activity

The following is a summary of our investment activity for the three and six months ended June 30, 2022 (dollar amounts in millions):

| | Three Months Ended June 30, 2022 | Six Months Ended June 30, 2022 |
|---|-------------------------------------|-----------------------------------|
| Investments in new Portfolio Companies | \$ 26.9 | \$ 59.8 |
| Investments in existing Portfolio Companies | 4.4 | 19.6 |
| Investments in Structured Finance Notes | 21.1 | 43.2 |
| Total investment purchases and originations | \$ 52.4 | \$ 122.6 |
| Proceeds from principal payments and equity distributions | \$ 34.9 | \$ 54.5 |
| Proceeds from investments sold or redeemed | 9.1 | 12.2 |
| Proceeds from distributions received from Structured Finance Notes | 5.5 | 11.2 |
| Total proceeds from principal payments, equity distributions and investments sold | \$ 49.5 | \$ 77.9 |

During the six months ended June 30, 2022, notable investments in new portfolio companies, included 24 Seven Holdco, LLC (\$8.9 million senior secured loan), Atlantis Holding, LLC (\$8.1 million senior secured loan), Tony's Finer Foods Enterprises, LLC (\$7.9 million senior secured loan) and Boca Home Care Holdings, Inc. (\$9.6 million senior secured loan).

During the six months ended June 30, 2022, notable principal payments included SourceHOV Tax, Inc. (\$19.8 million senior secured loan).

The following is a summary of our investment activity for the three and six months ended June 30, 2021 (dollar amounts in millions):

| | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2021 |
|---|-------------------------------------|-----------------------------------|
| Investments in new Portfolio Companies | \$ 26.5 | \$ 62.8 |
| Investments in existing Portfolio Companies | 18.0 | 44.2 |
| Investments in Structured Finance Notes | 15.7 | 21.9 |
| Total investment purchases and originations | \$ 60.2 | \$ 128.9 |
| Proceeds from principal payments and equity distributions | \$ 52.2 | \$ 100.8 |
| Proceeds from investments sold or redeemed | 9.7 | 10.3 |
| Proceeds from distributions received from Structured Finance Notes | 3.7 | 6.4 |
| Total proceeds from principal payments, equity distributions and investments sold | \$ 65.6 | \$ 117.5 |

Notable investments in new portfolio companies during the six months ended June 30, 2021, included KNS Acquisition Corp. (\$5.0 million senior secured loan), Electrical Components International, Inc. (\$5.6 million senior secured loan) and TruGreen Limited Partnership (\$4.7 million senior secured loan).

Risk Monitoring

We categorize investments in the debt securities of portfolio companies into seven risk categories based on relevant information about the ability of borrowers to service their debt. For additional information regarding our risk categories, see “Item 1. Business–Portfolio Review/Risk Monitoring” in our Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 4, 2022. The following table shows the classification of our debt securities of portfolio companies, excluding Structured Finance Notes, by credit risk rating as of June 30, 2022 and December 31, 2021 (dollar amounts in thousands):

| Risk Category | Debt Investments, at Fair Value | | | |
|------------------------|---------------------------------|----------------|-------------------|----------------|
| | June 30, 2022 | | December 31, 2021 | |
| 1 (Low Risk) | \$ — | — % | \$ — | — % |
| 2 (Below Average Risk) | — | — | — | — |
| 3 (Average) | 330,264 | 92.9 | 324,370 | 94.2 |
| 4 (Special Mention) | 18,251 | 5.1 | 12,550 | 3.6 |
| 5 (Substandard) | 7,303 | 2.1 | 7,027 | 2.0 |
| 6 (Doubtful) | 161 | — | 699 | 0.2 |
| 7 (Loss) | — | — | — | — |
| | <u>\$ 355,979</u> | <u>100.1 %</u> | <u>\$ 344,646</u> | <u>100.0 %</u> |

As of June 30, 2022, our risk ratings remained stable compared to December 31, 2021. During the six months ended June 30, 2022, a debt investment with an amortized cost and fair value of \$9.2 million and \$7.1 million, respectively, had a risk rating downgrade from risk category 3 to risk category 4.

Non-Accrual Loans

Management reviews all loans that become past due on principal and interest, and/or when there is reasonable doubt that principal, cash interest, or PIK interest will be collected, for placement on non-accrual status. When a loan is placed on non-accrual status, unpaid interest is credited to income and is reversed. Additionally, Net Loan Fees are no longer accreted to interest income as of the date the loan is placed on non-accrual status. Interest payments subsequently received on non-accrual investments may be recognized as income or applied to principal depending upon management’s judgment. Interest accruals and Net Loan Fee amortization are resumed on non-accrual investments only when they are brought current with respect to principal, interest and when, in the judgment of management, the investments are estimated to be fully collectible as to all principal and interest. During the quarter ended June 30, 2022, two loans with an aggregate amortized cost and fair value of \$15.8 million and \$10.4 million, respectively, were placed on non-accrual status. The aggregate amortized cost and fair value of loans on non-accrual status with respect to all interest and Net Loan Fee amortization was \$34.7 million and \$17.8 million, respectively, at June 30, 2022, and \$19.1 million and \$7.7 million, respectively, at December 31, 2021.

Results of Operations

Our key financial measures are described in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Key Financial Measures” in our Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 4, 2022. The following is a discussion of the key financial measures that management employs in reviewing the performance of our operations.

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

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

The following analysis compares our quarterly results of operations to the preceding quarter, as well as our year-to-date results of operations to the corresponding period in the prior year. We believe a comparison of our current quarterly results

to the preceding quarter is more meaningful and transparent than a comparison to the corresponding prior-year quarter as our results of operations are not influenced by seasonal factors the latter comparison is designed to elicit and highlight.

Comparison of the three months ended June 30, 2022 and March 31, 2022 and comparison of the six months ended June 30, 2022 and 2021

Consolidated operating results for the three months ended June 30, 2022 and March 31, 2022 and the six months ended June 30, 2022 and 2021 are as follows (in thousands):

| | Three Months Ended | | Six Months Ended June 30, | |
|--|--------------------|-----------------|---------------------------|------------------|
| | June 30, 2022 | March 31, 2022 | 2022 | 2021 |
| Investment income | | | | |
| Interest income: | | | | |
| Cash interest income | \$ 7,283 | \$ 7,013 | \$ 14,296 | \$ 13,809 |
| PIK interest income | 49 | 278 | 327 | 837 |
| Net Loan Fee amortization | 509 | 267 | 777 | 1,466 |
| Accretion of interest income on Structured Finance Notes | 2,503 | 2,282 | 4,785 | 4,670 |
| Other interest income | 1 | 2 | 3 | 12 |
| Total interest income | 10,345 | 9,842 | 20,188 | 20,794 |
| Dividend income: | | | | |
| Preferred equity PIK dividends | — | — | — | 106 |
| Cash dividends | 5 | 758 | 763 | 136 |
| Total dividend income | 5 | 758 | 763 | 242 |
| Fee income: | | | | |
| Syndication fees | — | 257 | 257 | 656 |
| Prepayment and other fees | 82 | 89 | 170 | 215 |
| Total fee income | 82 | 346 | 427 | 871 |
| Total investment income | 10,432 | 10,946 | 21,378 | 21,907 |
| Total expenses | 4,184 | 7,941 | 12,125 | 16,122 |
| Net investment income | 6,248 | 3,005 | 9,253 | 5,785 |
| Net gain (loss) on investments | (15,072) | 5,500 | (9,572) | 23,129 |
| Loss on extinguishment of debt | — | (144) | (144) | (2,299) |
| Net increase (decrease) in net assets resulting from operations | \$ (8,824) | \$ 8,361 | \$ (463) | \$ 26,615 |

Interest income by debt investment type for the three months ended June 30, 2022 and March 31, 2022 and six months ended June 30, 2022 and 2021, is summarized below (in thousands):

| | Three Months Ended | | Six Months Ended June 30, | |
|----------------------------------|--------------------|----------------|---------------------------|-----------|
| | June 30, 2022 | March 31, 2022 | 2022 | 2021 |
| Interest income: | | | | |
| Senior secured debt investments | \$ 7,021 | \$ 6,416 | \$ 13,438 | \$ 14,818 |
| Subordinated debt investments | — | 444 | 444 | 1,306 |
| Structured Finance Notes | 3,324 | 2,982 | 6,306 | 4,670 |
| Total interest income | 10,345 | 9,842 | 20,188 | 20,794 |
| Less Net Loan Fees accelerations | (221) | (40) | (261) | (893) |
| Recurring interest income | \$ 10,124 | \$ 9,802 | \$ 19,927 | \$ 19,900 |

Investment Income

For the quarter ended June 30, 2022, total investment income of \$10.4 million decreased by \$0.5 million compared to the quarter ended March 31, 2022, primarily due to a decrease of \$1.0 million in dividend and fee income, offset by an increase of \$0.5 million in interest income.

Interest income increased \$0.5 million during the three months ended June 30, 2022 compared to the prior quarter primarily due to an increase in our portfolio's weighted-average performing income yield to 9.1% for the quarter ended June 30, 2022 from 9.0% in the prior quarter, primarily due to increases in LIBOR and SOFR rates.

Syndication fees, prepayment fees and the acceleration of Net Loan Fees are considered non-recurring and generally result from periodic transactions rather than from holding portfolio investments. Syndication fees, which are recognized when OFS Advisor sources, structures, and arranges the lending group, and for which we are additionally compensated, decreased to \$-0- for the quarter ended June 30, 2022 from \$0.3 million in the prior quarter.

For the six months ended June 30, 2022, total investment income of \$21.4 million decreased by \$0.5 million compared to the corresponding period in the prior year, primarily due to a decrease of interest and fee income, offset by an increase in dividend income.

Expenses

Operating expenses for the three months ended June 30, 2022 and March 31, 2022 and six months ended June 30, 2022 and 2021, are presented below (in thousands):

| | Three Months Ended | | Six Months Ended June 30, | |
|----------------------|--------------------|----------------|---------------------------|-----------|
| | June 30, 2022 | March 31, 2022 | 2022 | 2021 |
| Interest expense | \$ 3,943 | \$ 3,624 | \$ 7,567 | \$ 9,066 |
| Management fee | 2,056 | 2,020 | 4,076 | 3,710 |
| Income Incentive Fee | — | — | — | 809 |
| Capital Gains Fee | (2,988) | 1,072 | (1,916) | — |
| Professional fees | 352 | 407 | 759 | 876 |
| Administration fee | 423 | 451 | 874 | 1,007 |
| Other expenses | 398 | 367 | 765 | 654 |
| Total expenses | \$ 4,184 | \$ 7,941 | \$ 12,125 | \$ 16,122 |

Comparison of the three months ended June 30, 2022 and March 31, 2022

Interest expense for the quarter ended June 30, 2022 increased \$0.3 million compared to the prior quarter primarily due to the increase in the weighted average balance on our BNP Facility from \$106.9 million to \$133.9 million.

Management fee expense for the quarter ended June 30, 2022 remained stable compared to the prior quarter.

The incentive fees earned by OFS Advisor for the quarter ended June 30, 2022 decreased \$4.1 million compared to the prior quarter, primarily due to a decrease of \$3.0 million in the accrued Capital Gains Fee. As of March 31, 2022 and December 31, 2021, we had accrued a Capital Gains Fee of \$3.0 million and \$1.9 million, respectively. During the three months ended June 30, 2022, a full reversal of the previously accrued \$3.0 million Capital Gains Fee was recognized as a result of the reduction in net unrealized appreciation on the investment portfolio. As of June 30, 2022, there is no accrued Capital Gains Fee included in the amounts payable to investment adviser and affiliates as listed on the consolidated statements of assets and liabilities.

For the quarter ended June 30, 2022, professional fees, administration fees and other expenses remained stable compared to the prior quarter.

Comparison of the six months ended June 30, 2022 and 2021

Interest expense for the six months ended June 30, 2022 decreased \$1.5 million compared to the corresponding period in the prior year, primarily due to the decrease in the weighted average effective interest rate on our total outstanding debt from 5.31% to 4.23% during the six months ended June 30, 2021.

Management fee expense for the six months ended June 30, 2022 increased \$0.4 million compared to the corresponding period in the prior year, primarily due to an increase in the average portfolio fair value to \$507.1 million compared to \$464.1 million for the six months ended June 30, 2021.

The incentive fees earned by OFS Advisor for the six months ended June 30, 2022 decreased \$2.7 million compared to the corresponding period in the prior year, primarily due to pre-incentive fee net investment income not exceeding the performance hurdle for incentives during the quarter ended March 31, 2022 and June 30, 2022, as well as the full reversal of a previously accrued Capital Gains Fee of \$1.9 million.

For the six months ended June 30, 2022, professional fees, administration fees and other expenses remained stable compared to the corresponding period in the prior year.

Net realized and unrealized gain (loss) on investments

Net gain (loss), inclusive of realized and unrealized gains (losses), by investment type for the three months ended June 30, 2022 and March 31, 2022 and six months ended June 30, 2022 and 2021, were as follows (in thousands):

| | Three Months Ended | | Six Months Ended June 30, | |
|---|---------------------------|-----------------------|----------------------------------|------------------|
| | June 30, 2022 | March 31, 2022 | 2022 | 2021 |
| Senior secured debt | \$ (9,945) | \$ (1,198) | \$ (11,141) | \$ 4,796 |
| Subordinated debt | (2,034) | (424) | (2,458) | 2,071 |
| Preferred equity | (244) | 2,391 | 2,186 | 640 |
| Common equity, warrants and other | 6,380 | 8,269 | 14,610 | 15,744 |
| Structured Finance Notes | (9,266) | (3,449) | (12,715) | 147 |
| Income tax expense on net realized investment gains | — | (48) | (48) | — |
| Deferred tax benefit (expense) | 35 | (41) | (6) | (269) |
| Total net gain (loss) on investments | <u>\$ (15,074)</u> | <u>\$ 5,500</u> | <u>\$ (9,572)</u> | <u>\$ 23,129</u> |

Net gain (loss) on investments for the three months ended June 30, 2022 and March 31, 2022

Three months ended June 30, 2022

Our portfolio experienced net losses of \$15.1 million in the second quarter of 2022, primarily as a result of unrealized depreciation of \$9.3 million and \$6.7 million on our Structured Finance Notes and broadly syndicated loan investments, respectively, attributable to widening of liquid credit market spreads. These losses were partially offset by net gains, primarily consisting of unrealized appreciation on our common equity investments that were primarily attributable to an increase in fair value of \$7.8 million on our equity investment in Pfanstiehl Holdings, Inc.

Three months ended March 31, 2022

Our portfolio experienced net gains of \$5.5 million in the first quarter of 2022, principally due to a \$10.0 million, or 3.1%, increase in the fair values of our directly originated debt and equity investments. During the first quarter of 2022, we experienced unrealized losses of \$1.0 million and \$3.4 million on our broadly syndicated loans and Structured Finance Notes primarily, respectively, primarily due to widening of liquid credit market spreads.

Net gains on our common equity investments were primarily attributable to the \$9.6 million improvement in Pfanstiehl Holdings, Inc.

Net gain (loss) on investments for the six months ended June 30, 2022 and June 30, 2021

Six months ended June 30, 2022

During the six months ended June 30, 2022, our portfolio experienced net losses of \$13.1 million and \$12.7 million on our debt investments and Structured Finance Notes, respectively, primarily due to widening of liquid credit market spreads. These net losses were partially offset by a net gain of \$17.4 million on our common equity investment in Pfanstiehl Holdings, Inc.

Six months ended June 30, 2021

Our portfolio experienced net gains of \$23.1 million during the six months ended June 30, 2021, principally due to a \$22.6 million net gain on our directly originated debt and equity investments. During the six months ended June 30, 2021, our common equity investment in Pfanstiehl Holdings, Inc. and our subordinated debt investment in Eblens Holdings, Inc. had unrealized appreciation of \$13.0 million and \$4.0 million, respectively.

Loss on Extinguishment of Debt

Six months ended June 30, 2022

During the six months ended June 30, 2022, we redeemed \$19.0 million of SBA debentures and, as a result, we recognized losses on extinguishment of debt of \$0.1 million related to the charge-off of unamortized deferred borrowing costs on the redeemed debentures.

Six months ended June 30, 2021

During the six months ended June 30, 2021, we redeemed \$9.8 million of SBA debentures and \$98.5 million of unsecured notes, and, as a result, we recognized losses on extinguishment of debt of \$2.3 million related to the charge-off of deferred borrowing costs on these instruments.

Non-GAAP Financial Measure – Adjusted Net Investment Income

On a supplemental basis, we disclose adjusted net investment income (“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 from the date of the election to be a BDC through the reporting date is positive. Such fees are subject to further conditions specified in the Investment Advisory Agreement, principally related to the realization of such net gains, before OFS Advisor 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 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 June 30, 2022 and March 31, 2022 and six months ended June 30, 2022 and June 30, 2021, respectively (dollar amounts in thousands, except per share data):

| | Three Months Ended | | | | Six Months Ended June 30, | | | |
|-----------------------|--------------------|-----------|----------------|-----------|---------------------------|-----------|----------|-----------|
| | June 30, 2022 | | March 31, 2022 | | 2022 | | 2021 | |
| | (000's) | Per Share | (000's) | Per Share | (000's) | Per Share | (000's) | Per Share |
| Net investment income | \$ 6,248 | \$ 0.47 | \$ 3,005 | \$ 0.22 | \$ 9,253 | \$ 0.69 | \$ 5,785 | \$ 0.43 |
| Capital Gains Fee | (2,988) | (0.23) | 1,072 | 0.08 | (1,916) | (0.15) | — | — |
| Adjusted NII | \$ 3,260 | \$ 0.24 | \$ 4,077 | \$ 0.30 | \$ 7,337 | \$ 0.54 | \$ 5,785 | \$ 0.43 |

For the quarter ended June 30, 2022, there was a reversal of previously accrued Capital Gains Fees of \$3.0 million due to a \$14.9 million reduction in net unrealized appreciation on the investment portfolio.

For the quarter ended March 31, 2022, the Capital Gains Fee of \$1.1 million was primarily due to net unrealized appreciation of \$55.0 million on the investment portfolio, partially offset by cumulative net realized losses of \$40.1 million.

Although these non-GAAP financial measures are intended to enhance investors’ understanding of our business and performance, these non-GAAP financial measures should not be considered an alternative to GAAP.

Liquidity and Capital Resources

At June 30, 2022, we held cash of \$14.8 million, which includes \$7.5 million held by SBIC I LP, our wholly owned SBIC, and \$2.9 million held by OFSCC-FS. Our use of cash held by SBIC I LP may be restricted by SBA regulation, including limitations on the amount of cash SBIC I LP can distribute to the Parent. Any such distributions to the Parent from SBIC I LP are generally restricted under SBA regulations to a statutory measure of undistributed accumulated earnings (“READ”) or regulatory capital of SBIC I LP. During the six months ended June 30, 2022, the Parent received READ and return of capital distributions from SBIC I LP of \$10.0 million and \$9.5 million, respectively. Distributions from OFSCC-FS to the Parent are restricted by the terms and conditions of the BNP Facility. During the six months ended June 30, 2022, the Parent received \$4.6 million in cash distributions from OFSCC-FS. As of June 30, 2022, cash available to be distributed from SBIC I LP and OFSCC-FS were \$3.5 million and \$-0-, respectively.

At June 30, 2022, we had an unused commitment of \$35.0 million under our PWB Credit Facility, as well as an unused commitment of \$15.9 million under our BNP Facility, both subject to a borrowing base requirements and other covenants. Based on fair values and equity capital at June 30, 2022, we could access all unused commitments under our credit facilities and remain in compliance with our asset coverage requirements. On April 22, 2022, we amended the PWB Credit Facility to, among other things, increase the maximum amount available from \$25.0 million to \$35.0 million. On June 24, 2022, we amended the BNP Facility to, among other things: (i) extend the reinvestment period under the BNP Facility for three years from June 20, 2022 to June 20, 2025; and (ii) extend the maturity date under the BNP Facility from June 20, 2024 to June 20, 2027.

The Parent may make unsecured loans to SBIC I LP, the aggregate which cannot exceed \$35 million at any given time, and no interest may be charged on the unpaid principal balance. There were no intercompany loans between the Parent and SBIC I LP as of June 30, 2022.

Sources and Uses of Cash

We generate operating cash flows from net investment income and the net liquidation of portfolio investments, and use cash in our operations in the net purchase of portfolio investments and payment of expenses. Significant variations may exist between net investment income and cash from net investment income, primarily due to the recognition of non-cash investment income, including certain Net Loan Fee amortization, PIK interest and PIK dividends, which generally will not be fully realized in cash until we exit the investment, as well as accreted interest income on Structured Finance Notes, which may not coincide with cash distributions from these investments. As discussed in “Item 1.—Financial Statements—Note 3,” we pay OFS Advisor a quarterly incentive fee with respect to our pre-incentive fee net investment income, which may include investment income that we have not received in cash. In addition, we must distribute substantially all of our taxable income, which approximates, but will not always equal, the cash we generate from net investment income to maintain our RIC tax treatment. We also obtain cash to fund investments or general corporate activities from the issuance of securities and our revolving line of credit. These principal sources and uses of cash and liquidity are presented below (in thousands):

| | Six Months Ended June 30, | |
|---|---------------------------|------------|
| | 2022 | 2021 |
| Cash from net investment income ⁽¹⁾ | \$ 4,752 | \$ 5,925 |
| Net (purchases and originations)/repayments and sales of portfolio investments ⁽¹⁾ | (39,465) | (8,099) |
| Net cash used in operating activities | (34,713) | (2,174) |
| Distributions paid to stockholders ⁽²⁾ | (7,569) | (5,573) |
| Net borrowings (payments) under lines of credit | 34,100 | (8,000) |
| Repayment of SBA debentures | (19,000) | (9,765) |
| Proceeds from unsecured notes offering, net of discounts | — | 121,791 |
| Redemption of unsecured notes | — | (98,525) |
| Other financing activities | (1,022) | (303) |
| Net cash provided by (used in) financing activities | 6,509 | (375) |
| Decrease in cash | \$ (28,204) | \$ (2,549) |

- (1) Net purchases and originations/repayments and sales of portfolio investments includes purchase and origination of portfolio investments, proceeds from principal payments on portfolio investments, proceeds from sale or redemption of portfolio investments, changes in receivable for investments sold, payable from investments purchased as reported in our statements of cash flows, as well as the excess of proceeds from distributions received from Structured Finance Notes over accretion of interest income on Structured Finance Notes. Cash from net investment income includes all other cash flows from operating activities reported in our statements of cash flows. Certain amounts in the prior year have been reclassified to conform with the current year presentation.
- (2) The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our ICTI for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of our distributions for a full year.

Cash from net investment income

Cash from net investment income decreased \$1.2 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

Net (purchases and originations)/repayments and sales of portfolio investments

During the six months ended June 30, 2022, net purchases and originations of portfolio investments of \$39.5 million were primarily due to \$127.5 million of cash we used to purchase portfolio investments, offset by \$88.0 million of cash we received from amortized cost repayments, sales on our portfolio investments and the net proceeds from distributions received from Structured Finance Notes and accretion of interest income on Structured Finance Notes. During the six months ended June 30, 2021, net purchases and originations of portfolio investments of \$8.1 million were primarily due to \$120.9 million of cash we used to purchase portfolio investments, offset by \$112.8 million of cash we received from amortized cost repayments, sales on our portfolio investments and the net proceeds from distributions received from Structured Finance Notes and accretion of interest income on Structured Finance Notes. See “—Portfolio Composition and Investment Activity—Investment Activity.”

Borrowings

SBA Debentures

SBIC I LP’s SBIC license allowed it to obtain leverage by issuing SBA-guaranteed debentures, subject to issuance of a capital commitment by the SBA and customary procedures. These debentures are non-recourse to us, and bear interest payable

semi-annually, and each debenture has a maturity date that is ten years following issuance. The interest rate was fixed at the first pooling date after issuance, which was March and September of each year, at a market-driven spread over U.S. Treasury Notes with ten-year maturities. As of June 30, 2022 and December 31, 2021, SBIC I LP had outstanding debentures of \$50.9 million and \$69.9 million, respectively.

On a stand-alone basis, SBIC I LP held \$175.9 million and \$195.5 million in total assets at June 30, 2022 and December 31, 2021, respectively, which accounted for approximately 31% and 34% of the Company's total consolidated assets, respectively.

As part of our plans to focus on first lien senior secured loans to larger borrowers, which we believe will improve our overall risk profile, SBIC I LP intends, over time, to pay its outstanding SBA debentures prior to their scheduled maturity dates. Under a plan approved by the SBA, we will only make follow-on investments in current portfolio companies held by SBIC I LP. We believe that investing in more senior loans to larger borrowers is consistent with our view of the private loan market and will reduce our overall leverage on a consolidated basis. During the six months ended June 30, 2022, SBIC I LP redeemed \$19.0 million of SBA debentures that were contractually due March 1, 2025 and September 1, 2025. During the six months ended June 30, 2022, we recognized a loss on extinguishment of debt of \$0.1 million related to the charge-off of unamortized deferred borrowing costs on the redeemed debentures.

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

We have received exemptive relief from the SEC effective November 26, 2013, which permits us to exclude SBA guaranteed debentures from the definition of senior securities in the statutory 150% asset coverage ratio under the 1940 Act.

PWB Credit Facility

We are party to a BLA with Pacific Western Bank, as lender, to provide us with a senior secured revolving credit facility, or the PWB Credit Facility, which is available for general corporate purposes including investment funding. The maximum availability of the PWB Credit Facility is equal to 50% of the aggregate outstanding principal amount of eligible loans included in the borrowing base, which excludes subordinated loan investments (as defined in the BLA) and as otherwise specified in the BLA. The PWB Credit Facility is guaranteed by OFSCC-MB, Inc. and secured by all of our current and future assets, excluding assets held by SBIC I LP, OFSCC-FS and the Company's partnership interests in SBIC I LP and OFS SBIC I, GP.

On April 22, 2022, we amended the BLA to: (i) increase the maximum amount available under the PWB Credit Facility from \$25.0 million to \$35.0 million; and (ii) extend the maturity date of the PWB Credit Facility from February 28, 2023 to February 28, 2024.

As of June 30, 2022, we had \$-0- outstanding and an unused commitment of \$35.0 million under the PWB Credit Facility, subject to a borrowing base and other covenants.

The BLA contains customary terms and conditions, including, without limitation, affirmative and negative covenants, such as information reporting requirements, a minimum tangible net asset value, a minimum quarterly net investment income after incentive fees, a debt/worth ratio and a net loss restriction. The BLA also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change in investment advisor, and the occurrence of a material adverse change in our financial condition. As of June 30, 2022, we were in compliance with the applicable covenants under the PWB Credit Facility.

Unsecured Notes

The Unsecured Notes are direct unsecured obligations and rank equal in right of payment with all of our current and future unsecured indebtedness. Because the Unsecured Notes are not secured by any of our assets, they are effectively subordinated to all existing and future secured unsubordinated indebtedness (or any indebtedness that is initially unsecured as to which we 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. As of June 30, 2022, we had \$180.0 million in Unsecured Notes.

In order to, among other things, reduce future cash interest payments, as well as future amounts due at maturity or upon redemption, we may, from time to time, purchase the Unsecured Notes for cash in open market purchases and/or privately negotiated transactions. We will evaluate any such transactions in light of then-existing market conditions, taking into account our current liquidity, prospects for future access to capital, contractual restrictions and other factors. The amounts involved in any such transactions, individually or in the aggregate, may be material.

BNP Facility

On June 20, 2019, OFSCC-FS entered into the BNP Facility, as amended, which provides for borrowings in an aggregate principal amount up to \$150.0 million, of which \$134.1 million was drawn as of June 30, 2022. Borrowings under the BNP Facility bear interest based on SOFR for the relevant interest period, plus an applicable spread (subject to an effective floor of 2.65%). The effective interest rate on the BNP Facility was 4.67% at June 30, 2022. The BNP Facility will mature on the earlier of June 20, 2027 or upon certain other events defined in the credit agreement which may result in accelerated maturity. Borrowings under the BNP Facility are secured by substantially all of the assets held by OFSCC-FS. The unused commitment under the BNP Facility was \$15.9 million as of June 30, 2022. As of June 30, 2022, we were in compliance with the applicable covenants under the BNP Facility.

On a stand-alone basis, OFSCC-FS held approximately \$208.0 million and \$185.1 million in total assets at June 30, 2022 and December 31, 2021, respectively, which accounted for approximately 37% and 33% of our total consolidated assets, respectively.

On June 24, 2022, we amended the BNP Facility to, among other things: (i) extend the reinvestment period under the BNP Facility for three years from June 20, 2022 to June 20, 2025; (ii) extend the maturity date under the BNP Facility from June 20, 2024 to June 20, 2027; (iii) convert the benchmark interest rate from LIBOR to SOFR; (iv) increase the top two Moody's Industry concentrations from 15% to 17.5% and 20%; (v) increase the applicable margin by 0.40% on all classes of loans; and (vi) increase the applicable margin floor from 1.925% to 2.65%.

Other Liquidity Matters

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

As a BDC, we must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our assets, as defined by the 1940 Act, are qualifying assets (with certain limited exceptions). Qualifying assets include investments in "eligible portfolio companies." Under the relevant SEC rules, the term "eligible portfolio company" includes all private companies, companies whose securities are not listed on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than \$250 million, in each case organized in the United States. Conversely, we may invest up to 30% of our portfolio in opportunistic investments not otherwise eligible under BDC regulations. Specifically, as part of this 30% basket, we may consider investments in investment funds that are operating pursuant to certain exceptions to the 1940 Act and in advisers to similar investment funds, as well as in debt or equity of middle-market portfolio companies located outside of the United States and debt and equity of public companies that do not meet the definition of eligible portfolio companies because their market capitalization of publicly traded equity securities exceeds the levels provided for in the 1940 Act. We have, and may continue to, make opportunistic investments in Structured Finance Notes and other non-qualifying assets, consistent with our investment strategy. As of June 30, 2022, approximately 80% of our investments were qualifying assets.

BDCs generally are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities to total senior securities. We received an exemptive order from the SEC to permit us to exclude the debt of SBIC I LP guaranteed by the SBA from the definition of Senior Securities in the statutory asset coverage ratio under the 1940 Act, which limits the amount that we may borrow. To fund growth in our investment portfolio in the future, we anticipate the need to raise additional capital from various sources, including the equity markets and the securitization or other debt-related markets, which may or may not be available on favorable terms, if at all.

On May 3, 2018, our Board, including a required majority (as such term is defined in Section 57(o) of the 1940 Act) thereof, approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. As a result, our minimum required asset coverage ratio decreased from 200% to 150%, effective May 3, 2019.

On May 22, 2018, the Board authorized the Stock Repurchase Program under which we could acquire up to \$10.0 million of our outstanding common stock through the two-year period ending May 22, 2020. On May 4, 2020 and May 3, 2022, the Board extended the Stock Repurchase Program for additional two-year periods. Under the extended Stock Repurchase Program, we are authorized to repurchase shares in open-market transactions, including through block purchases, depending on prevailing market conditions and other factors. We expect the Stock Repurchase Program to be in place through May 22, 2024, or until the approved dollar amount has been used to repurchase shares. The Stock Repurchase Program does not obligate us to acquire any specific number of shares, and all repurchases will be made in accordance with SEC Rule 10b-18, which sets

certain restrictions on the method, timing, price and volume of stock repurchases. The Stock Repurchase Program may be extended, modified or discontinued at any time for any reason. We have provided our stockholders with notice of our intention to repurchase shares of our common stock in accordance with 1940 Act requirements. We retire all shares of common stock that we purchased in connection with the Stock Repurchase Program. No shares of common stock were repurchased during the six months ended June 30, 2022. As of June 30, 2022, the approximate dollar value of shares remaining that may be purchased under the program was \$9.99 million.

As of June 30, 2022, the aggregate amount outstanding of the senior securities issued by us was \$365.0 million, for which our asset coverage was 162%. The Small Business Administration debentures are not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC effective November 26, 2013. The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness.

As a BDC, we are generally not permitted to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if the Board determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale. On July 13, 2022, our stockholders approved a proposal to authorize us, with approval of our Board, to sell or otherwise issue shares of our common stock (during a twelve-month period) at a price below our then-current net asset value per share in one or more offerings, subject to certain limitations (including that the cumulative number of shares sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale). We have not sold any shares below net asset value pursuant to the proposal approved by our stockholders.

Contractual Obligations and Off-Balance Sheet Arrangements

At June 30, 2022, we had \$14.8 million of cash and cash equivalents, as well as \$35.0 million and \$15.9 million of unfunded commitments under our PWB Credit Facility and BNP Facility, respectively, to meet our short-term contractual obligations. At June 30, 2022, we had \$37.3 million in outstanding commitments to fund portfolio investments under various undrawn revolving and other credit facilities. Long-term contractual obligations, such as our BNP Facility that matures in 2027 and has \$134.1 million outstanding at June 30, 2022, can be repaid by selling OFSCC-FS portfolio investments that have a fair value of \$203.0 million at June 30, 2022. We cannot, however, be certain that this source of funds will be available and upon terms acceptable to us in sufficient amounts in the future.

At June 30, 2022, we have \$50.9 million of outstanding SBA debentures that mature in 2025, which we may repay prior to their maturity dates by using proceeds from investment repayments. The SBIC I LP investment portfolio had a fair value of \$167.8 million at June 30, 2022.

As of June 30, 2022, we continue to believe our long-dated financing, with 100% of our total outstanding debt, contractually maturing in 2025 and beyond, affords us operational flexibility.

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

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. There is no guarantee that these amounts will be funded to the borrowing party now or in the future. We continue to believe that we have sufficient levels of liquidity to support our existing portfolio companies and will meet these unfunded commitments by using our cash on hand or utilizing our available borrowings under the PWB Credit Facility and BNP Facility. In addition, we generally hold broadly syndicated loans in larger portfolio companies that can be sold over a relatively short period to generate cash.

Distributions

We are taxed as a RIC under the Code. In order to maintain our tax treatment as a RIC, we are required to distribute annually to our stockholders at least 90% of our ICTI, as defined by the Code. Additionally, to avoid a 4% excise tax on undistributed earnings we are required to distribute each calendar year the sum of: (i) 98% of our ordinary income for such calendar year; (ii) 98.2% of our net capital gains for the one-year period ending October 31 of that calendar year; and (iii) any income recognized, but not distributed, in preceding years and on which we paid no federal income tax. Maintenance of our RIC status requires adherence to certain source of income and asset diversification requirements. Generally, a RIC is entitled to deduct dividends it pays to its stockholders from its income to determine “taxable income.” Taxable income includes our taxable interest, dividend and fee income, and taxable net capital gains. Taxable income generally differs from net income for

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

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

Recent Developments

On August 2, 2022, our Board declared a distribution of \$0.29 per share for the third quarter of 2022, payable on September 30, 2022 to stockholders of record as of September 23, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates and the valuations of our investment portfolio. The economic effects of the ongoing conflict between Russia and Ukraine and the COVID-19 pandemic have introduced significant volatility in the financial markets and global supply chain disruptions, and the effects of this volatility and these disruptions have impacted and could continue to impact our market risks. For additional information concerning risks and their potential impact on our business and our operating results, see "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed on March 4, 2022.

Investment Valuation Risk

Because there is not a readily available market value for most of the investments in our portfolio, we value a significant portion of our portfolio investments at fair value as determined in good faith by our Board based, in part, on independent third-party valuation firms that have been engaged at the direction of our Board to assist in the valuation of each portfolio investment without a readily available market quotation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, some investments may be subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than its current fair value. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Estimates" as well as Notes 2 and 5 to our consolidated financial statements for the six months ended June 30, 2022 for more information relating to our investment valuation.

Interest Rate Risk

Changes in interest rates, including any further interest rate increases approved by the U.S. Federal Reserve, and rising inflation rates may affect both our cost of funding and the valuation of our investment portfolio. As of June 30, 2022, 93% of

our debt investments, at fair value, bore interest at floating interest rates. Historically, the interest rates on our debt investments bearing floating interest rates have been based on a floating LIBOR, but will transition away from LIBOR to SOFR, and typically contain interest rate re-set provisions that adjust applicable interest rates to current rates on a periodic basis. At June 30, 2022, we held variable-rate loans with an aggregate principal amount of \$345.3 million that bore interest at a variable rate indexed to LIBOR or SOFR, and reset monthly, quarterly, or semi-annually. As of June 30, 2022, 3-month LIBOR was 2.29%, and we had variable-rate loans with an aggregate principal amount of \$42.8 million subject to reference rate floor provisions of 1.00%.

Our outstanding SBA debentures and Unsecured Notes bear interest at fixed rates. As of June 30, 2022, our PWB Credit Facility and BNP Facility have floating interest rate provisions based on the Prime Rate and SOFR, respectively, with effective interest rates of 5.29% and 4.67%, respectively.

Interest rate sensitivity refers to the change in our earnings that may result from changes in the level of interest rates. As of June 30, 2022, 3-month LIBOR was 2.29% and certain loan contracts have not reset to the current market rate. Assuming that the interim and unaudited consolidated balance sheet as of June 30, 2022 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following tables show the annualized impact of hypothetical changes in interest rate indices (in thousands).

| Basis point increase | Interest income | Interest expense | Net change |
|-----------------------------|------------------------|-------------------------|-------------------|
| 25 | \$ 2,516 | \$ (252) | \$ 2,264 |
| 50 | 3,454 | (587) | 2,867 |
| 75 | 4,391 | (923) | 3,468 |
| 100 | 5,329 | (1,258) | 4,071 |
| 125 | 6,267 | (1,593) | 4,674 |

| Basis point decrease | Interest income | Interest expense | Net change |
|-----------------------------|------------------------|-------------------------|-------------------|
| 25 | \$ (378) | \$ 418 | \$ 40 |
| 50 | (979) | 754 | (225) |
| 75 | (1,868) | 1,089 | (779) |
| 100 | (2,410) | 1,424 | (986) |
| 125 | (2,920) | 1,759 | (1161) |

Inflation and Supply Chain Risk

Economic activity has continued to accelerate across sectors and regions. Nevertheless, due to global supply chain issues, geopolitical events, a rise in energy prices and strong consumer demand as economies continue to reopen, inflation is showing signs of acceleration in the U.S. and globally. Inflation is likely to continue in the near to medium-term, particularly in the U.S., with the possibility that monetary policy may tighten in response. Persistent inflationary pressures could affect our portfolio companies' profit margins.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022. The term "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the foregoing evaluation of our disclosure controls and procedures as of June 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We, OFS Advisor and OFS Services, are not currently subject to any material pending legal proceedings threatened against us as of June 30, 2022. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

Investing in our common stock may be speculative and involves a high degree of risk. In addition to the other information contained in this Quarterly Report on Form 10-Q, including our financial statements, and the related notes, schedules and exhibits, you should carefully consider the risk factors described in “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed on March 4, 2022, and in “Part II, Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (the “First Quarter 10-Q”), filed on May 6, 2022, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K and the First Quarter 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 4, 2022 and the First Quarter 10-Q. The risks previously disclosed in our Annual Report on Form 10-K and the First Quarter 10-Q should be read together with the other information disclosed elsewhere in this Quarterly Report on Form 10-Q and the First Quarter 10-Q and our other reports filed with the SEC.

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

During the three month period ended June 30, 2022, we issued 4,348 shares of common stock to stockholders in connection with our DRIP. These issuances were not subject to the registration requirements of the Securities Act. The aggregate value of the shares of our common stock issued under our distribution reinvestment plan was approximately \$43,127.

Issuer Purchases of Equity Securities

On May 22, 2018, the Board authorized the Company to initiate the Stock Repurchase Program under which the Company could acquire up to \$10.0 million of its outstanding common stock through the two-year period ending May 22, 2020.

On May 4, 2020 and May 3, 2022, the Board extended the Stock Repurchase Program for additional two-year periods. Under the extended Stock Repurchase Program, the Company is authorized to repurchase shares in open-market transactions, including through block purchases, depending on prevailing market conditions and other factors. The Company expects the Stock Repurchase Program to be in place through May 22, 2024, or until the approved dollar amount has been used to repurchase shares. The Stock Repurchase Program does not obligate the Company to acquire any specific number of shares, and all repurchases will be made in accordance with SEC Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases. The Stock Repurchase Program may be extended, modified or discontinued at any time for any reason. The Company retires all shares of common stock that it purchases in connection with the Stock Repurchase Program.

During the three months ended June 30, 2022, no shares of common stock were repurchased on the open market under the Stock Repurchase Program. The following table provides information regarding the Stock Repurchase Program (amount in thousands except shares and per share amounts):

| Period | Total Number of Shares Purchased | Cost of Shares Purchased | Average Price Paid Per Share | Maximum Number (or Appropriate Dollar Value) of Shares that May Yet Be Purchased Under the Stock Repurchase Program |
|---|----------------------------------|--------------------------|------------------------------|---|
| May 22, 2018 through December 31, 2018 | 300 | \$ 3 | \$ 10.29 | \$ 9,997 |
| January 1, 2019 through December 31, 2019 | — | — | — | 9,997 |
| January 1, 2020 through December 31, 2020 | — | — | — | 9,997 |
| January 1, 2021 through December 31, 2021 | 700 | 5 | 6.70 | 9,992 |
| January 1, 2022 through March 31, 2022 | — | — | — | 9,992 |
| April 1, 2022 through June 30, 2022 | — | — | — | 9,992 |

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

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

| Exhibit Number | Description | Incorporated by Reference | | Filed with this 10-Q |
|----------------|---|---------------------------|----------------------|----------------------|
| | | Form and SEC File No. | Filing Date with SEC | |
| 3.1 | Certificate of Incorporation of OFS Capital Corporation | Form N-2/A (333-166363) | March 18, 2011 | |
| 3.2 | Certificate of Correction to Certificate of Incorporation of OFS Capital Corporation | Form 10-K | March 26, 2013 | |
| 3.3 | Bylaws of OFS Capital Corporation | Form N-2/A (333-166363) | March 18, 2011 | |
| 10.1 | Amendment Five to the Business Loan Agreement between OFS Capital Corporation and Pacific Western Bank dated April 22, 2022 | Form 8-K | April 25, 2022 | |
| 10.2 | Change in Terms to the Business Loan Agreement between OFS Capital Corporation and Pacific Western Bank dated April 22, 2022 | Form 8-K | April 25, 2022 | |
| 10.3 | First Amendment to the Revolving Credit and Security Agreement by and among OFSCC-FS, LLC, as borrower, the lenders from time to time parties thereto, BNP Paribas, as administrative agent, OFSCC-FS Holdings, LLC, as equityholder, OFS Capital Corporation, LLC, as servicer, and Citibank, N.A., as collateral agent, dated June 24, 2022 | Form 8-K | June 27, 2022 | |
| 31.1 | Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act | | | * |
| 31.2 | Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act | | | * |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | † |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | † |

* Filed herewith

† Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 5, 2022

OFS CAPITAL CORPORATION

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

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

Certification of Chief Executive Officer

I, Bilal Rashid, Chief Executive Officer of OFS Capital Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of OFS Capital Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated this 5th day of August, 2022.

By: _____
/s/ Bilal Rashid
Bilal Rashid
Chief Executive Officer

Certification of Chief Financial Officer

I, Jeffrey A. Cerny, Chief Financial Officer of OFS Capital Corporation certify that:

1. I have reviewed this quarterly report on Form 10-Q of OFS Capital Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated this 5th day of August, 2022.

By: _____
/s/ Jeffrey A. Cerny
Jeffrey A. Cerny
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2022 (the “Report”) of OFS Capital Corporation (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Bilal Rashid, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, that:

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

/s/ Bilal Rashid
Name: Bilal Rashid
Date: August 5, 2022

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2022 (the "Report") of OFS Capital Corporation (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Jeffrey A. Cerny, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, that:

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

/s/ Jeffrey A. Cerny

Name: Jeffrey A. Cerny
Date: August 5, 2022