

Non-GAAP Financial Measure – Adjusted Net Investment Income

On a supplemental basis, we disclose Adjusted NII (including on a per share basis), which is a financial measure calculated and presented on a basis of methodology other than in accordance with generally accepted accounting principles of the United States of America (“non-GAAP”). Adjusted NII represents net investment income, (1) excluding write-offs of deferred debt issuance costs associated with our permanent reductions of the WM Credit Facility, (2) adding back the amount of net investment income incentive fee expenses associated with the write-offs that we would have incurred had the write-offs not occurred, and (3) excluding the net capital gains incentive fee (fee adjustments) in periods in which they occur. Our management agreement with OFS Advisor provides that a capital gains incentive fee is determined and paid annually with respect to realized capital gains (but not unrealized capital gains) to the extent such realized capital gains exceed realized and unrealized capital losses for such year. 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 gains associated with the capital gains incentive fee. In addition, management believes that providing Adjusted NII may facilitate a more complete analysis and greater transparency into OFS Capital’s ongoing operations, particularly in comparing underlying results from period to period, and afford investors a view of results that may be more easily compared to those of other companies.

The following table provides a reconciliation from net investment income (the most comparable GAAP measure) to Adjusted NII for the periods presented:

(\$ in thousands, except per share data)

	Three Months Ended				
	9/30/17 (unaudited)	6/30/17 (unaudited)	3/31/17 (unaudited)	12/31/16 (unaudited)	9/30/16 (unaudited)
Net investment income	\$ 4,402	\$ 4,316	\$ 3,340	\$ 3,736	\$ 3,297
Write-off of deferred debt issuance costs Incentive fee	-	-	-	-	-
Write-off of deferred debt issuance costs, net	-	-	-	-	-
Capital gains incentive fee	-	(283)	283	-	-
Adjusted net investment income	<u>\$ 4,402</u>	<u>\$ 4,033</u>	<u>\$ 3,623</u>	<u>\$ 3,736</u>	<u>\$ 3,297</u>
Adjusted net investment income per common share: Basic and diluted	<u>\$ 0.33</u>	<u>\$ 0.31</u>	<u>\$ 0.37</u>	<u>\$ 0.39</u>	<u>\$ 0.34</u>