

OFS Capital, LLC
Form N-2/A
October 19, 2012
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As filed with the Securities and Exchange Commission on October 19, 2012

Securities Act File No. 333-166363

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

FORM N-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 8
Post-Effective Amendment No.

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x
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OFS CAPITAL, LLC

(Exact Name of Registrant as Specified in Charter)

2850 West Golf Road, 5th Floor

Rolling Meadows, Illinois 60008

(Address of Principal Executive Offices)

(847) 734-2060

(Registrant's Telephone Number, including Area Code)

Glenn R. Pittson

2850 West Golf Road, 5th Floor

Rolling Meadows, Illinois 60008

(Name and Address of Agent for Service)

WITH COPIES TO:

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Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. "

It is proposed that this filing will become effective (check appropriate box):

" when declared effective pursuant to section 8(c)

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

Subject to Completion October 19, 2012

Shares

Common Stock

We are an externally managed, closed-end, non-diversified management investment company. Prior to the completion of this offering, we will convert into OFS Capital Corporation and file an election to be treated as a business development company under the Investment Company Act of 1940, as amended. Our investment objective is to provide our stockholders with both current income and capital appreciation through primarily debt investments and, to a lesser extent, equity investments. As of June 30, 2012, our investment portfolio (including investments held by our wholly-owned subsidiary, OFS Capital WM, LLC, and Tamarix Capital Partners, L.P.) consisted of outstanding loans of approximately \$210.6 million in aggregate principal amount and equity investments of \$2.6 million. Following this offering, we intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. We expect that our investments will include asset classes in which our external manager has expertise, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities.

OFS Capital Management, LLC will serve as our external manager. OFS Capital Services, LLC will serve as our administrator. These entities are subsidiaries of Orchard First Source Asset Management, LLC, our parent company prior to the completion of this offering and an established lender to middle-market companies since 1995.

This is our initial public offering of our shares of common stock. All of the shares of common stock offered by this prospectus are being sold by us. We are an emerging growth company, as defined in Section 2(a) of the Securities Act, as amended.

Our shares of common stock have no history of public trading. We currently expect that the initial public offering price per share of our common stock will be between \$ and \$ after giving effect to the BDC Conversion described in this prospectus. We have applied to have our common stock approved for quotation on The Nasdaq Global Market under the symbol OFS.

Investing in our common stock involves a high degree of risk. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset values. If our shares trade at a discount to our net asset value, it will likely increase the risk of loss for purchasers in this offering. Assuming an initial public offering price of \$ per share and assuming no exercise of the underwriters option to purchase additional shares of our common stock, purchasers in this offering likely will not experience immediate dilution. See Dilution for more information. In addition, the companies in which we invest are subject to special risks. Before buying any shares, you should read the discussion of the material risks of investing in our common stock, including the risk of leverage, in Risk Factors beginning on page 23 of this prospectus.

This prospectus contains important information you should know before investing in our common stock. Please read it before you invest and keep it for future reference. Upon completion of this offering, we will file periodic and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information will be available free of charge by contacting us at 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008, Attention: Investor Relations, or by calling us at (847) 734-2060 or by visiting us on our website at <http://www.ofscapitalcorp.com>. The Securities and Exchange Commission also maintains a website at <http://www.sec.gov> that contains such information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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	Per Share	Total
Public offering price	\$	\$
Sales load (underwriting discounts and commissions)(1)	\$	\$
Proceeds to us, before expenses(2)	\$	\$

- (1) The underwriters have agreed to waive the underwriting discounts and commissions on the sale of _____ shares of our common stock to certain investors with whom we or our affiliates have an existing relationship.
- (2) We estimate that we will incur offering expenses of approximately \$ _____, or approximately \$ _____ per share, in connection with this offering. We estimate that the net proceeds to us after expenses and sales load will be approximately \$ _____, or approximately \$ _____ per share.
- We have granted the underwriters an option to purchase up to an additional _____ shares of our common stock from us at the public offering price, less the sales load payable by us, within 30 days from the date of this prospectus. If the underwriters exercise this option in full, the total sales load will be \$ _____, and total proceeds, before expenses, will be \$ _____.

The underwriters expect to deliver the shares of our common stock on or about _____, 2012.

Morgan Stanley

UBS Investment Bank
The date of this prospectus is _____, 2012

Barclays

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus regardless of the time of delivery of this prospectus or of any offer or sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date. We will update these documents to reflect material changes only as required by law.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read this entire prospectus carefully, including, in particular, the more detailed information set forth under Risk Factors and the consolidated financial statements and the related notes included elsewhere in this prospectus.

As used in this prospectus, except as otherwise indicated, the terms OFS Capital, we, us, our and the Registrant refer to OFS Capital, LLC, a Delaware limited liability company, and its consolidated subsidiaries for the periods prior to consummation of the BDC Conversion (as defined below), and refer to OFS Capital Corporation, a Delaware corporation, and its consolidated subsidiaries for the periods after the consummation of the BDC Conversion. Relationships between us and certain of our affiliates are summarized, and definitions of certain additional terms used in this prospectus are provided, in the section of this prospectus entitled Glossary of Certain Terms.

Prior to the date of this prospectus, we will convert from a limited liability company into a corporation. In this conversion, OFS Capital Corporation will succeed to the business of OFS Capital, LLC and its consolidated subsidiaries, and the sole member of OFS Capital, LLC will become the sole stockholder of OFS Capital Corporation. Thereafter, we will file an election to be regulated as a business development company under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, for tax purposes we intend to elect to be treated as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code). In this prospectus, we refer to these transactions (including the filing of an election to be regulated as a business development company) as the BDC Conversion. Unless otherwise indicated, the disclosure in this prospectus gives effect to the BDC Conversion.

Unless indicated otherwise or the context requires, all information in this prospectus assumes (a) no exercise of the underwriters option to purchase additional shares of our common stock, and (b) an initial public offering price of \$ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus).

OFS Capital

We are an externally managed, closed-end, non-diversified management investment company formed in March 2001. Our investment objective is to provide our stockholders with both current income and capital appreciation through primarily debt investments and, to a lesser extent, equity investments. We intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. We use the term middle-market to refer to companies which may exhibit one or more of the following characteristics: number of employees between 150 and 2,000; revenues between \$50 million and \$300 million; annual earnings before interest, taxes, depreciation and amortization (EBITDA) between \$5 million and \$50 million; generally, private companies owned by private equity firms or owners/operators; and enterprise value between \$25 million and \$500 million. For additional information about how we define the middle-market, see The Company Investment Criteria/Guidelines.

Historically, substantially all of our investment portfolio consisted of senior secured loans to middle-market companies in the United States. As of June 30, 2012, our investment portfolio, including investments held by our wholly-owned subsidiary, OFS Capital WM, LLC (OFS Capital WM), and Tamarix Capital Partners, L.P., in which we own a majority of the limited partnership interests (Tamarix LP), consisted of outstanding loans of approximately \$210.6 million in aggregate principal amount and we had debt of \$155.0 million aggregate principal amount outstanding. As of June 30, 2012, our investment portfolio consisted primarily of senior secured loans to middle-market companies and, to a lesser extent, junior capital, including mezzanine debt and preferred and common equity. As of June 30, 2012, our portfolio loan investments, including those held by OFS Capital WM and Tamarix LP, had a contractual 3.5-year weighted average life to maturity. In addition, as of June 30,

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2012, we had commitments of approximately \$212.1 million and outstanding loans of approximately \$210.6 million in aggregate principal amount. The difference between the amount of commitments and the outstanding loans is attributable to the unfunded portion of revolving loans in our portfolio at that time.

On September 28, 2010, principally to facilitate the repayment of an existing credit facility that would have prevented this offering by virtue of a change-in-control provision, we sold a substantial portion of our loan portfolio to a newly formed wholly-owned Delaware limited liability company, OFS Capital WM. Concurrently with this transaction, we distributed to our parent, Orchard First Source Asset Management, LLC (OFSAM), a Delaware limited liability company, a substantial portion of our remaining loan portfolio and certain of our equity investments. We continue to benefit from the loan assets sold to and still held by OFS Capital WM by virtue of our ownership of all of the limited liability company interests in OFS Capital WM.

Following this offering, we expect our investment strategy will continue to be augmented by Tamarix LP, a limited partnership that received a small business investment company (SBIC) license from the Small Business Administration (the SBA) in May 2012. It is our intention to seek to acquire all of the limited partnership interests in Tamarix LP and all of the ownership interests in Tamarix Capital G.P. LLC, the limited liability company that functions as its general partner (Tamarix GP), that are currently owned or subscribed for by other persons. These acquisitions would require further approval from the SBA. We cannot assure you that the SBA would grant that further approval or that the holders of those ownership interests would agree to transfer them to us. In the event that the SBA were not to grant the necessary further approval, or the holders of those ownership interests did not agree to transfer them to us, we would still benefit from our significant economic interest in Tamarix LP currently we have subscribed for \$24.9 million out of a total of \$36.4 million committed and partially funded commitments in Tamarix LP (giving us 68.4% of the limited partnership interests) and have a non-controlling interest in Tamarix GP as well as our strong relationship with the investment professionals on the investment committee of Tamarix GP.

We intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. We expect that our investments will include asset classes in which the investment professionals of OFS Capital Management, LLC (OFS Advisor), a Delaware limited liability company and our external manager, have expertise, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. More information on each of these asset classes can be found at The Company Structure of Investments. Initially, we expect that our senior loan investments will principally be made through on-balance sheet special purpose vehicles, while unitranche, second lien and mezzanine-loans will be made by us directly or by Tamarix LP. We expect our investments in the equity securities of these companies, such as preferred stock, common stock, warrants and other equity interests, will principally be made in conjunction with our debt investments, although we currently anticipate that no more than 5% of our portfolio will consist of equity investments in middle-market companies that do not pay a regular dividend. Generally, we do not expect to make investments in companies or securities that OFS Advisor determines to be distressed investments (such as discounted debt instruments that have either experienced a default or have a significant potential for default), other than follow-on investments in portfolio companies of ours.

A substantial portion of our business will focus on the direct origination and sourcing of investments through portfolio companies and their financial sponsors or other owners or intermediaries. We expect our investments to range generally from \$5.0 million to \$25.0 million each, although we expect that this investment size will vary proportionately with the size of our capital base.

OFS Capital Corporate Structure

We are currently organized as a limited liability company wholly-owned by our parent, OFSAM. OFSAM, in turn, is owned primarily by members of our board of directors and the investment committee of OFS Advisor. Immediately prior to the completion of this offering, we intend to convert from a Delaware limited liability

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company into a Delaware corporation, OFS Capital Corporation, and file an election to be regulated as a business development company under the 1940 Act. In addition, for tax purposes we intend to elect to be treated as a RIC under the Code.

The entity that will issue and sell shares of common stock to you is OFS Capital Corporation. As a result of this offering, OFSAM's percentage ownership of our common stock will be reduced to approximately % (or approximately % if the underwriters exercise their option to purchase additional shares of our common stock).

We will have no employees and will engage OFS Advisor as our investment adviser and OFS Capital Services, LLC (OFS Services), a Delaware limited liability company, to provide us with certain administrative services. OFS Advisor will contract with Orchard First Source Capital, Inc. (OFSC), a Delaware corporation, to provide it with access to the senior investment personnel of OFS and its affiliates. Each of OFS Advisor, OFS Services and OFSC is a wholly-owned subsidiary of OFSAM.

As of September 28, 2010, immediately prior to the closing of the OFS Capital WM Transaction and the 2010 Distribution, substantially all of our investments were held by OFS Funding, LLC (OFS Funding), a Delaware limited liability company and our wholly-owned subsidiary. On September 28, 2010, we sold a substantial portion of our loan portfolio to our wholly-owned subsidiary, OFS Capital WM, in connection with the OFS Capital WM Transaction. OFS Capital WM, is managed by a loan manager that is an affiliate of Madison Capital Funding LLC, a subsidiary of New York Life Investments (Madison Capital), and not otherwise affiliated with us.

In addition, we intend to continue to pursue a portion of our investment strategy through Tamarix LP.

The following chart depicts our structure after giving effect to this offering and the other transactions contemplated hereby:

For additional information, see The BDC Conversion and Management's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments and Other Factors Affecting Comparability.

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About OFS and Our Advisor

OFS (which refers to the collective activities and operations of OFSAM and its subsidiaries and certain affiliates) is an established investment platform focused on meeting the capital needs of middle-market companies. Since commencing operations in 1995, OFS (together with its predecessor) has closed in excess of 1,400 transactions with aggregate commitments in excess of \$8.4 billion. OFS's professionals have developed strong sourcing relationships and have expertise in investing across all levels of the capital structure of our targeted portfolio companies. OFS's senior managers have gained extensive workout experience during multiple business cycles throughout the course of their careers. In addition, the senior management team has worked together since 2003 to manage over 50 workouts involving debt securities in payment default or material covenant default. As of June 30, 2012, OFS had approximately \$793.3 million of assets under management (excluding cash held for operating purposes). OFS also draws upon the significant experience of Richard Ressler, the Chairman of OFS Advisor's investment committee. Mr. Ressler is the founder and President of Orchard Capital Corporation (Orchard Capital), co-founder and Principal of CIM Group, Inc., a real estate investor and manager, and Chairman of j2 Global, Inc., in addition to serving on the boards of directors of various private companies. Mr. Ressler has been actively involved in managing and investing in private middle-market companies for over 20 years. He has developed an expansive network of relationships in the sponsor group and corporate arena, which we intend to leverage for loan origination and sourcing purposes.

As of October 9, 2012, OFS had 24 full-time employees and five part-time employees. OFS is headquartered in Rolling Meadows, Illinois, a suburb of Chicago, with additional offices in New York, New York and Los Angeles, California.

Our investment activities will be managed by OFS Advisor, our investment advisor. OFS Advisor is responsible for sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring our investments and monitoring our investments and portfolio companies on an ongoing basis. OFS Advisor is a subsidiary of OFSAM, our parent company prior to the completion of this offering, and is a registered investment advisor under the Investment Advisers Act of 1940, as amended (the Advisers Act). None of OFS Advisor or any of its affiliates has prior experience managing or administering a business development company.

Our relationship with OFS Advisor is governed by and dependent on an investment advisory and management agreement (the Investment Advisory Agreement) and may be subject to conflicts of interest. We have entered into the Investment Advisory Agreement, pursuant to which OFS Advisor will provide us with advisory services in exchange for a base management fee and incentive fee. See Management and Other Agreements Investment Advisory Agreement for a discussion of the base management fee and incentive fee payable by us to OFS Advisor. The base management fee is based on our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity) and, therefore, OFS Advisor will benefit when we incur debt or use leverage. Our board of directors is charged with protecting our interests by monitoring how OFS Advisor addresses these and other conflicts of interest associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors will periodically review OFS Advisor's services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors will consider whether our fees and expenses (including those related to leverage) remain appropriate.

OFS Advisor has entered into a staffing agreement with OFSC (the Staffing Agreement). OFSC employs all of OFS's investment professionals. Under the Staffing Agreement, OFSC will make experienced investment professionals available to OFS Advisor and provide access to the senior investment personnel of OFS and its affiliates. The Staffing Agreement provides OFS Advisor with access to deal flow generated by OFS and its

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affiliates in the ordinary course of their businesses and commits the members of OFS Advisor's investment committee to serve in that capacity. As our investment advisor, OFS Advisor is obligated to allocate investment opportunities among us and any other clients fairly and equitably over time in accordance with its allocation policy.

OFS Advisor intends to capitalize on the significant deal origination and sourcing, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of OFS's professionals. We currently expect that the senior management team of OFS, including Glenn Pittson, Bilal Rashid, Jeff Cerny and Kathi Inorio, will provide services to OFS Advisor. These managers have developed a broad network of contacts within the investment community, averaging over 20 years of experience investing in debt and equity securities of middle-market companies. In addition, these managers have gained extensive experience investing in assets that will constitute our primary focus and have expertise in investing across all levels of the capital structure of middle-market companies.

In addition to their roles with OFS Advisor, Glenn Pittson and Bilal Rashid will serve as our interested directors. Mr. Pittson has over 25 years of experience in corporate finance, senior and mezzanine lending, structured finance, loan workouts and loan portfolio management, having spent the majority of his career in various capacities at CIBC World Markets Inc. (CIBC), including as head of U.S. Credit Markets, where he was central to the development and execution of a fundamental restructuring of CIBC's loan origination activities. During the mid-1980's, Mr. Pittson was instrumental in establishing CIBC's leveraged lending business. Mr. Rashid has approximately 17 years of experience in investment banking, debt capital markets and investing as it relates to corporate credit, structured credit and securitizations, including serving as a managing director in the global markets and investment banking division at Merrill Lynch & Co., Inc. (Merrill Lynch). Over his career, Mr. Rashid has advised, arranged financing for and lent to several middle-market credit providers, including business development companies and their affiliates.

Among other members of OFS's senior management team, Jeff Cerny is experienced in credit evaluation, credit monitoring, troubled credit and loan administration, and negotiation and structuring of structured funding vehicles, having previously held positions at Sanwa Business Credit Corporation, American National Bank and Trust Company of Chicago and Charter Bank Group, a multi-bank holding company. Kathi Inorio's focus is on origination and underwriting, drawing on her experience as a vice president in the corporate finance group at Heller Financial, Inc., where she was responsible for portfolio management of middle-market senior cash flow loans.

Certain Steps to Facilitate our Strategy

OFS Capital WM Transaction and OFSAM Cash Contribution

We have established OFS Capital WM to acquire, manage and finance senior secured loan investments to middle-market companies in the United States. To finance its business, on September 28, 2010 (the OFS Capital WM Closing), OFS Capital WM entered into a new \$180 million secured revolving credit facility (the WM Credit Facility) with Wells Fargo Bank, N.A. (Wells Fargo) and Madison Capital (an indirect wholly-owned subsidiary of New York Life Investments). In connection with the OFS Capital WM Closing, an affiliate of Madison Capital was appointed as loan manager to manage the assets of OFS Capital WM. The WM Credit Facility is secured by the eligible loan assets or participations therein acquired by OFS Capital WM from us at the OFS Capital WM Closing and eligible loan assets thereafter acquired by OFS Capital WM during its reinvestment period. Subject to limited exceptions, our sale of eligible loan assets or participations therein to OFS Capital WM is without recourse to us, and we will have no liability for the debts or other obligations of OFS Capital WM. In connection with the closing of the WM Credit Facility, the lenders received customary opinions of counsel generally to the effect that the sale of assets by us to OFS Capital WM on September 28, 2010 would be considered a true sale of those assets, and not a secured loan, and that in the event of our bankruptcy it would not be proper to ignore the separate existence of OFS Capital WM and substantively consolidate the assets and liabilities of OFS Capital WM with our own. In February 2011, OFS Capital WM entered into certain amendments to its lending arrangements that permitted us to treat the OFS Capital WM Closing as a sale for

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accounting purposes from that date forward (the WM 2011 Credit Facility Amendments), and in March 2012, OFS Capital WM entered into certain amendments to its lending arrangements, as a result of which we have consolidated the financial statements of OFS Capital WM into our own as of March 30, 2012 (the WM 2012 Credit Facility Amendments).

At the OFS Capital WM Closing, we sold approximately \$96.9 million of loans or participations therein, transferred to us by OFS Funding, to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and cash in the amount of \$36.2 million (the OFS Capital WM Cash Consideration). We transferred the OFS Capital WM Cash Consideration to OFS Funding, and OFS Funding used the OFS Capital WM Cash Consideration to repay a substantial portion of the outstanding loan balance under OFS Funding 's credit facility with Bank of America (the Old Credit Facility). We refer to these transactions collectively as the OFS Capital WM Transaction. Simultaneously with the OFS Capital WM Closing, OFSAM made an additional capital contribution to us in the amount of \$19.5 million (the OFSAM Cash Contribution), which we transferred to OFS Funding, and which OFS Funding used, together with cash on hand, to pay off the remaining balance under the Old Credit Facility in full.

We entered into the OFS Capital WM Transaction in part because OFS Capital WM would be able to increase the rate of return on the senior secured assets sold to it as a result of the more favorable financing terms under the WM Credit Facility, as compared to the Old Credit Facility. We will continue to benefit from the loan assets sold to and still held by OFS Capital WM by virtue of our ownership of 100% of the equity interests in OFS Capital WM. Based on the cost of capital and the yield on the underlying assets, we have experienced positive cash flow on a quarterly basis from our investment in OFS Capital WM, and we expect to continue to do so for the life of the WM Credit Facility. In addition, our relationship with Madison Capital has significantly expanded the investment opportunities available to us. Since the OFS Capital WM Closing, OFS Capital WM has made investments in 59 companies in 43 different industry categories. The vast majority of OFS Capital WM 's investments were originated in the past two years.

For additional information on the WM Credit Facility and the OFS Capital WM Transaction, see The Company Our Investment in OFS Capital WM.

2010 Distribution

In addition, concurrently with the OFS Capital WM Transaction, OFS Funding distributed to us and we in turn distributed to OFSAM approximately \$67.2 million of loans or participations therein and approximately \$1.5 million of equity investments. We determined to make these distributions to eliminate certain potential conflicts of interest that might arise due to the fact that we and an affiliated fund both had investments in these portfolio companies. For additional information, see the discussion of the 2010 Distribution under Management 's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments and Other Factors Affecting Comparability.

Tamarix LP

To further facilitate our investments in the debt and equity securities of middle-market companies in the United States, we expect our investment strategy will continue to be augmented by Tamarix LP, which received an SBIC license from the SBA in May 2012. It is our intention to seek to acquire all of the limited partnership interests in Tamarix LP and all the limited liability company interests in Tamarix GP that are currently owned or subscribed for by other persons. These acquisitions would require further approval from the SBA. We cannot assure you that the SBA would grant that further approval or that the holders of those ownership interests would agree to transfer them to us. In the event that the SBA were not to grant the necessary further approval, or the holders of those ownership interests did not agree to transfer them to us, we would still benefit from our

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economic interests in Tamarix LP and Tamarix GP as well as our strong relationship with the investment professionals on the investment committee of Tamarix GP.

The investment and exit decisions and day-to-day investment activities of Tamarix LP are managed by the three investment professionals of Tamarix GP, each of whom, together with Glenn Pittson, our Chief Executive Officer, serves on the investment committee of Tamarix GP, which individuals have been previously approved by the SBA to manage Tamarix LP. Any investment decision on the part of Tamarix LP requires the unanimous approval of Tamarix GP's investment committee. If we are able to acquire the interests in Tamarix LP and Tamarix GP that we do not already own, we anticipate that the three investment professionals will become employees of OFSC, all of the cost of which will be borne by OFS Advisor through the Staffing Agreement.

Tamarix LP will have the same investment objective as ours and will invest primarily in debt and, to a lesser extent, equity securities; however, we expect that Tamarix LP will focus on the generation of investment opportunities that are primarily non-sponsor oriented, complementing our current sponsor-oriented origination activities. Further, we expect Tamarix LP to typically target companies with annual EBITDA between \$3 million and \$15 million (compared to \$5 million and \$50 million for us) and typically invest between \$5 million and \$20 million per transaction (compared to \$5 million and \$25 million for us).

Assuming Tamarix LP has at least \$75 million in regulatory capital, Tamarix LP intends to invest over time up to \$225 million, which includes borrowings by Tamarix LP of up to a maximum of \$150 million in the form of SBA-guaranteed debentures to make debt and equity investments in eligible small businesses in the United States. Tamarix LP received a \$30.1 million leverage commitment from the SBA in June 2012, which will terminate in September 2016. SBA leverage funding is subject to Tamarix LP's payment of certain fees to the SBA and the ability of Tamarix LP to draw on the commitment is subject to its compliance with SBA regulations and policies. In July 2012, Tamarix LP drew \$14 million on its existing leverage commitment and received \$13.7 million net of expenses. We expect to apply for exemptive relief from the SEC to permit us to exclude the debt of Tamarix LP guaranteed by the SBA from our 200% asset coverage test under the 1940 Act. If we receive an exemption for this SBA debt, we would have increased capacity to fund investments with debt capital.

Notwithstanding that Tamarix LP has received an SBIC license and a leverage commitment from the SBA, we cannot assure you that Tamarix LP and Tamarix GP will receive the necessary approvals from the SBA in connection with the acquisition of the ownership interests of Tamarix LP and Tamarix GP that we do not already own, that we will be able to acquire such interests, that Tamarix LP will satisfy the conditions to receipt of SBA-guaranteed debenture funding or otherwise be able to make additional draws on its existing leverage commitment or receive additional leverage commitments from the SBA, or that we will be granted exemptive relief to exclude Tamarix LP's debt from our asset coverage test. For additional information on Tamarix LP, see [The Company Tamarix LP](#).

Market Opportunity

We intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. We find the middle-market attractive for the following reasons:

Large Target Market. According to the U.S. Census Bureau in its 2007 economic census, the most recent economic census conducted by the U.S. Census Bureau, there were approximately 196,000 companies in the United States with annual revenues between \$10 million and \$2.5 billion, compared with 1,200 companies with revenues greater than \$2.5 billion. We believe that these middle-market companies represent a significant growth segment of the U.S. economy and often require substantial capital investments to grow. Middle-market companies have historically constituted the vast bulk of OFS's portfolio companies since its inception, and constituted the vast bulk of our portfolio as of June 30, 2012. We believe that this market segment will continue to produce significant investment opportunities for us.

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Specialized Lending Requirements with High Barriers to Entry. We believe that several factors render many U.S. financial institutions ill-suited to lend to U.S. middle-market companies. For example, based on the experience of our management team, lending to private middle-market companies in the United States (a) is generally more labor-intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of information for such companies, (b) requires due diligence and underwriting practices consistent with the demands and economic limitations of the middle-market and (c) may also require more extensive ongoing monitoring by the lender. As a result, middle-market companies historically have been served by a limited segment of the lending community. As a result of the unique challenges facing lenders to middle-market companies, there are high barriers to entry that a new lender must overcome.

Reduction in Competition Due to Dislocation in the Capital Markets. We believe that the dislocation in the markets that began with the credit crisis in 2007 continues to impact the amount of credit available to middle-market companies. Many participants in the mezzanine, second-lien and subordinated debt market over the past five years, such as hedge funds and managers of collateralized loan obligations (CLOs), have contracted or eliminated their origination and sourcing activities as investors' credit concerns reduced available funding. Moreover, recent regulatory changes, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), and the introduction of new international capital and liquidity requirements under the Basel III Accords (Basel III), and the continued ownership of legacy non-performing assets have significantly curtailed commercial banks' lending capacity. In response, we believe that many commercial lenders have de-emphasized their service and product offerings to middle-market companies in favor of lending, managing capital markets transactions and providing other non-credit services to their larger customers. We expect bank lending to middle-market companies to continue to be constrained for several years as Basel III rules phase in and rules and regulations are promulgated and interpreted under the Dodd-Frank Act.

Significant Refinancing Requirements. We believe that the debt associated with a large number of middle-market leveraged mergers and acquisitions completed from 2005 to 2008, which totaled approximately \$97.7 billion in the aggregate, has started to become due and will continue to do so in the near term. In many cases, this debt will need to be refinanced as the existing debt facilities mature. When combined with the decreased availability of debt financing for middle-market companies generally, we believe these factors will increase lending opportunities for us.

Robust Demand for Debt Capital. We believe that private equity firms have significantly committed but uncalled capital, a large portion of which is still available for investment in the United States. We expect the large amount of unfunded buyout commitments will drive demand for leveraged buyouts over the next several years, which should, in turn, create leveraged lending opportunities for us.

Attractive Pricing. Reduced access to, and availability of, debt capital for our targeted middle-market borrowers typically increases the interest rates, or pricing, of loans. Based on what OFS has observed, recent mezzanine deals typically have included meaningful upfront fees, prepayment protections and, in many cases, warrants, all of which should enhance the profitability of new loans to lenders.

Conservative Deal Structures. As a result of the recent credit crisis, many lenders are requiring less senior and total leverage, more equity and more comprehensive loan covenants than was customary in the years leading up to the credit crisis. Lower debt multiples on purchase prices suggest that the cash flow of borrowing companies should enable them to service their debt more easily, creating a greater buffer against a downturn.

Competitive Strengths and Core Competencies

Deep Management Team Experienced in All Phases of Investment Cycle and Across All Levels of the Capital Structure. We are managed by OFS Advisor, which will have access through the Staffing Agreement with OFSC to the resources and expertise of OFS's investment professionals. As of June 30, 2012, OFS's credit

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and investment professionals (including all investment committee members) employed by OFSC had an average of over 20 years of investment experience with strong institutional backgrounds, including General Electric Capital Corporation, Bank of America Business Credit, Merrill Lynch, Heller Financial, Inc., NationsBank Corp., Sanwa Business Credit Corporation, Canadian Imperial Bank of Commerce and Drexel Burnham Lambert, Inc. Moreover, OFS's investment professionals specialize in the acquisition, origination and sourcing, underwriting and asset management of our specific targeted class of portfolio companies and have experience in investing at all levels of the capital structure. OFS's senior managers have gained extensive workout experience during multiple business cycles. In addition, if we are able to acquire the interests in Tamarix LP and Tamarix GP that we do not already own (which is subject to, among other things, the receipt of the necessary SBA approvals in connection with such acquisition), we anticipate that this staff of investment professionals will be augmented and diversified by the addition of the three individuals who are primarily responsible for the day-to-day management of the investment activities of Tamarix LP. OFS's credit and investment professionals are supported by additional administrative and back-office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management. The expertise of OFS's senior managers extends beyond just loan origination and sourcing to significant experience with distressed debt and workouts. OFS also draws upon the significant experience of Richard Ressler, the Chairman of the executive committee of OFSAM and the Chairman of OFS Advisor's investment committee. Mr. Ressler is the founder and President of Orchard Capital, co-founder and Principal of CIM Group, Inc., a real estate investor and manager, and Chairman of j2 Global, Inc., in addition to serving on the boards of directors of various private companies. Mr. Ressler has been actively involved in managing and investing in private middle-market companies for over 20 years. He has developed an expansive network of relationships in the sponsor group and corporate arena, which we intend to leverage for loan origination and sourcing purposes.

Alignment of Interests Among Us, the Management Team of OFS Advisor and New Investors. Unlike many business development companies, the interests of the senior management team of OFS Advisor and OFSAM are directly and significantly aligned with those of us and our new investors in this offering. After giving effect to this offering, the senior management team of OFS Advisor and OFSAM will own indirectly through their interests in OFSAM, approximately % of our outstanding shares of common stock (or % if the underwriters' option to purchase additional shares of our common stock is exercised). For many members of the senior management team, their investment in us represents a substantial percentage of such member's net worth. Accordingly, these individuals have an incentive to make decisions in the long-term interests of all our stockholders.

Significant Investment Capacity. Income from our investments, together with the net proceeds of this offering and any new debt we may incur, will provide us with a substantial amount of capital available for deployment into new investment opportunities in our targeted asset class. Additionally, if we are able to acquire the interests in Tamarix LP and Tamarix GP that we do not already own (which is subject to, among other things, the receipt of the necessary SBA approvals in connection with such acquisition), we will be able to borrow additional funds through Tamarix LP and take advantage of additional investment opportunities to meet our investment objectives.

Scalable Infrastructure Supporting the Entire Investment Cycle. We believe that our loan acquisition, origination and sourcing, underwriting, administration and management platform is highly scalable (that is, it can be expanded on a cost efficient basis within a timeframe that meets the demands of business growth). We believe that with limited incremental investment in personnel and back-office functions, our existing loan platform could accommodate three times our current loan volume. Because OFS Advisor will be compensated in part on a fixed percentage of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity), it will have an incentive to leverage that platform and put our capital to work.

Our platform extends beyond origination and sourcing and includes a regimented credit monitoring system. We believe that our careful approach, which involves ongoing review and analysis by an experienced team of

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professionals, should enable us to identify problems early and to assist borrowers before they face difficult liquidity constraints. The expertise of OFS's senior managers extends beyond just loan origination and sourcing to significant experience with distressed debt and workouts, which the senior managers have managed separately or as a team through multiple business cycles. We believe that this experience enables us to prepare for possible negative contingencies in order to address them promptly should they arise.

Extensive Loan Sourcing Capabilities. OFS Advisor gives us access to the deal flow of OFS. We believe OFS's 17-year history as a middle-market lending platform and its market position make it a leading lender to many sponsors and other deal sources, especially in the currently under-served lending environment, and we have extensive relationships with potential borrowers and other lenders. Since its inception, OFS (together with its predecessor) has closed in excess of 1,400 transactions with aggregate commitments in excess of \$8.4 billion. We believe that because of its relationships and its reputation in the marketplace as a source of debt capital to the middle-market, OFS receives relationship-based early looks at many investment opportunities, allowing it to be selective in the transactions it pursues. Finally, we believe that our strong relationship with the investment professionals on the investment committee of Tamarix GP, as well as our relationship with the lenders to OFS Capital WM, will significantly expand the investment opportunities available to us.

Structuring with a High Level of Service and Operational Orientation. We intend to provide client-specific and creative financing structures to our portfolio companies. Based on our experience in lending to middle-market companies, we believe that the middle-market companies we target, as well as sponsor groups we may pursue, require a higher level of service, creativity and knowledge than has historically been provided by other service providers more accustomed to participating in commodity-like loan transactions. We believe the broad expertise of the investment professionals of OFS Advisor will enable us to identify, assess and structure investments successfully across all levels of a company's capital structure and to manage potential risk and return at all stages of the economic cycle. We will not be subject to many of the regulatory limitations that govern traditional lending institutions such as banks. As a result, we expect to be flexible in selecting and structuring investments, adjusting investment criteria, transaction structures and, in some cases, the types of securities in which we invest. This approach should enable OFS Advisor to identify attractive investment opportunities throughout the economic cycle so that we can make investments consistent with our stated objective even during turbulent periods in the capital markets.

Rigorous Credit Analysis and Approval Procedures. OFS Advisor intends to utilize the established, disciplined investment process of OFS for reviewing lending opportunities, structuring transactions and monitoring investments. Using OFS's disciplined approach to lending, OFS Advisor will seek to minimize credit losses through effective underwriting, comprehensive due diligence investigations, structuring and, where appropriate, the implementation of restrictive debt covenants. We expect that OFS Advisor will select borrowers whose businesses will retain significant enterprise value, even in a depressed market. We intend to use our capital resources to help our portfolio companies maintain sufficient liquidity to avoid the need for a distressed sale. While emphasizing thorough credit analysis, we intend to maintain strong relationships with sponsors and other deal sources by offering rapid initial feedback, from the OFS Advisor investment committee member leading the applicable deal team, to each investment opportunity shown to us.

Operating and Regulatory Structure

Our investment activities will be managed by OFS Advisor under the direction of our board of directors. A majority of our board of directors are independent of us, OFS Advisor and our and their respective affiliates.

As a business development company, we will be required to comply with certain regulatory requirements. For example, while we are permitted to finance investments using leverage, which may include the issuance of shares of preferred stock, or notes and other borrowings, our ability to use leverage is limited in significant respects. See Regulation. Any decision on our part to use leverage will depend upon our assessment of the

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attractiveness of available investment opportunities in relation to the costs and perceived risks of such leverage. The use of leverage to finance investments creates certain risks and potential conflicts of interest. See **Risk Factors** **Risks Relating to our Business and Structure** **Regulations** governing our operation as a business development company affect our ability to and the way in which we raise additional capital. As a business development company, we will need to raise additional capital, which will expose us to risks, including the typical risks associated with leverage. and **Risk Factors** **Risks Relating to our Business and Structure** We intend to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Also, as a business development company, we will generally be prohibited from acquiring assets other than qualifying assets unless, after giving effect to any acquisition, at least 70% of our total assets are qualifying assets. Qualifying assets generally include securities of eligible portfolio companies, cash, cash equivalents, U.S. government securities and high-quality debt instruments maturing in one year or less from the time of investment. Under the rules of the 1940 Act, eligible portfolio companies include (a) private domestic operating companies, (b) public domestic operating companies whose securities are not listed on a national securities exchange (*e.g.*, the New York Stock Exchange, NYSE Amex Equities and The Nasdaq Global Market) or registered under the Securities Exchange Act of 1934, as amended (the Exchange Act) and (c) public domestic operating companies having a market capitalization of less than \$250 million. Public domestic operating companies whose securities are quoted on the over-the-counter bulletin board and through Pink OTC Markets, Inc. are not listed on a national securities exchange and therefore are eligible portfolio companies.

We intend to elect to be treated for U.S. federal income tax purposes as a RIC under the Code. In order to be treated as a RIC, we must satisfy certain source of income, asset diversification and distribution requirements. See **Material U.S. Federal Income Tax Considerations**.

In addition, Tamarix LP is subject to regulation and oversight by the SBA. See **Regulation** **Small Business Investment Company Regulations** and **Risk Factors** **Tamarix LP is subject to SBA regulations**. The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. SBA regulations currently limit the amount that an SBIC may borrow to up to a maximum of \$150 million when it has at least \$75 million in regulatory capital, receives a leverage commitment from the SBA and has been through an examination by the SBA subsequent to licensing. For two or more SBICs under common control, the maximum amount of outstanding SBA-provided leverage cannot exceed \$225 million. Further, the SBA restricts the ability of SBICs to release their investors from their capital commitments and requires that SBICs invest idle funds in accordance with SBA regulations. SBIC regulations also include restrictions on a change of control or other transfers of limited partnership interests in an SBIC. In addition, Tamarix LP may also be limited in its ability to make distributions to us if it does not have sufficient accumulated net profit, in accordance with SBA regulations. Tamarix LP's receipt of an SBIC license and a \$30.1 million SBA leverage commitment does not assure that Tamarix LP will receive SBA-guaranteed debenture funding, and such funding is dependent upon Tamarix LP's continuing to be in compliance with SBA regulations and policies. It also does not assure that Tamarix LP will receive the additional SBA leverage commitment that would be necessary for Tamarix LP to receive SBA-guaranteed debenture funding in the maximum amount permitted under SBA regulations.

We have no prior history of operating as a business development company, have never operated an SBIC, and none of OFS Advisor or any of its affiliates has prior experience managing or administering a business development company or an SBIC.

Conflicts of Interests

Subject to certain 1940 Act restrictions on co-investments with affiliates, OFS Advisor will offer us the right to participate in all investment opportunities that it determines are appropriate for us in view of our

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investment objective, policies and strategies and other relevant factors. Such offers will be subject to the exception that, in accordance with OFS Advisor's allocation policy, we might not participate in each individual opportunity but will, on an overall basis, be entitled to participate fairly and equitably with other entities managed by OFS Advisor and its affiliates.

Although we are currently the only entity managed by OFS Advisor, affiliates of OFS Advisor manage other assets and a CLO fund and OFS Advisor and/or its affiliates may manage other entities in the future, and these other funds and entities may have similar or overlapping investment strategies. To the extent that we compete with entities managed by OFS Advisor or any of its affiliates for a particular investment opportunity, OFS Advisor will allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (a) its internal allocation policy, (b) the requirements of the Advisers Act, and (c) certain restrictions under the 1940 Act and rules thereunder regarding co-investments with affiliates. OFS Advisor's allocation policy is intended to ensure that we may generally share fairly and equitably with other investment funds or other investment vehicles managed by OFS Advisor or its affiliates in investment opportunities that OFS Advisor determines are appropriate for us in view of our investment objective, policies and strategies and other relevant factors, particularly those involving a security with limited supply or involving differing classes of securities of the same issuer which may be suitable for us and such other investment funds or other investment vehicles. Under this allocation policy, if two or more investment vehicles with similar or overlapping investment strategies are in their investment periods, an available opportunity will be allocated based on the provisions governing allocations of such investment opportunities in the relevant organizational, offering or similar documents, if any, for such investment vehicles. In the absence of any such provisions, OFS Advisor will consider the following factors and the weight that should be given with respect to each of these factors:

investment guidelines and/or restrictions, if any, set forth in the applicable organizational, offering or similar documents for the investment vehicles;

risk and return profile of the investment vehicles;

suitability/priority of a particular investment for the investment vehicles;

if applicable, the targeted position size of the investment for the investment vehicles;

level of available cash for investment with respect to the investment vehicles;

total amount of funds committed to the investment vehicles; and

the age of the investment vehicles and the remaining term of their respective investment periods, if any.

In situations where co-investment with other entities managed by OFS Advisor or its affiliates is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer, OFS Advisor will need to decide whether we or such other entity or entities will proceed with the investment. The decision by OFS Advisor to allocate an opportunity to another entity could cause us to forego an investment opportunity that we otherwise would have made. We and OFS Advisor may submit an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments under the circumstances where our board of directors determines that it would be advantageous for us to co-invest with other funds managed by OFS Advisor or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. We cannot assure you that any application for exemptive relief will be granted by the SEC, or that, if granted, it would be on the same terms requested by us. See Related-Party Transactions and Certain Relationships.

Corporate Information

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Our principal executive offices are located at 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008, and our telephone number is (847) 734-2060. Our corporate website is located at <http://www.ofscapitalcorp.com>. Information on our website is not incorporated into or a part of this prospectus.

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Implications of Being an Emerging Growth Company

We qualify as an emerging growth company, as that term is used in the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. These provisions include:

An exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act);

No non-binding advisory votes on executive compensation or golden parachute arrangements; and

Reduced financial statement and executive compensation requirements.

Notwithstanding the foregoing, we have determined that we will comply with Section 404(b) of the Sarbanes-Oxley Act regarding auditor attestation when applicable to us. We have not yet determined whether we will take advantage of any other exemptions that are not already applicable to business development companies. If we do take advantage of any of the other exemptions, we do not know if some investors will find our common stock less attractive as a result. The result may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the Securities Act), for complying with new or revised accounting standards. However, we are choosing to opt out of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We could remain an emerging growth company for up to five years, or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (b) the date that we become a large accelerated filer as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

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date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See Use of Proceeds.

Proposed Symbol on The Nasdaq Global Market OFS

Distributions Subsequent to the completion of this offering, and to the extent we have income and cash available, we intend to distribute quarterly dividends to our stockholders, beginning with the first calendar quarter after the completion of this offering. On , 2012, our board of directors declared a dividend of \$ per share payable on , 2012 to stockholders of record on , 2012. The amount of any such distribution will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. Shares offered in this prospectus will be entitled to receive this dividend payment. We anticipate that this dividend will be paid from income generated primarily by interest and dividend income earned on our investment portfolio. The specific tax characteristics of our dividend will be reported to stockholders after the end of the calendar year. Future quarterly dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution.

Taxation We intend to elect to be treated, and intend to qualify thereafter, as a RIC under the Code, beginning with our taxable year ending December 31, 2012. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders. To obtain and maintain RIC tax treatment, we must distribute at least 90% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. See Distributions and Material U.S. Federal Income Tax Considerations.

Leverage As a business development company, we are permitted under the 1940 Act to borrow funds to finance a portion of our investments. As a result, we may be exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings, also known as leverage, increase the potential for gain and loss on amounts invested and therefore increase the risks associated with investing in our securities. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. If we are granted the proposed exemptive relief, debt of Tamarix LP will be excluded from our 200% asset coverage test under the 1940 Act. In addition, the costs associated with our borrowings, including any increase in the management fee payable to OFS Advisor, will be borne by our stockholders.

On September 28, 2010, OFS Funding repaid the remaining balance under the Old Credit Facility in the aggregate principal amount of \$56.1 million, plus accrued and unpaid interest, in full and terminated the Old Credit Facility in connection with the OFS Capital WM

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Transaction and OFSAM Cash Contribution. Under the WM Credit Facility, OFS Capital WM, our wholly-owned subsidiary, had debt in the amount of \$155.0 million outstanding as of June 30, 2012.

Dividend Reinvestment Plan

We have adopted a dividend reinvestment plan for our stockholders, which is an opt out dividend reinvestment plan. Under this plan, if we declare a cash dividend or other distribution, our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution. If a stockholder opts out, that stockholder will receive cash dividends or other distributions. Stockholders who receive dividends and other distributions in the form of shares of common stock generally are subject to the same U.S. federal tax consequences as stockholders who elect to receive their distributions in cash; however, since their cash dividends will be reinvested, such stockholders will not receive cash with which to pay any applicable taxes on reinvested dividends. See Dividend Reinvestment Plan.

Investment Advisory Fees

We pay OFS Advisor a fee for its services under the Investment Advisory Agreement consisting of two components a base management fee and an incentive fee. Under the Investment Advisory Agreement, from the completion of this offering through October 31, 2013, the base management fee paid to OFS Advisor will be calculated at an annual rate of 0.875% of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity). After October 31, 2013, the base management fee will be calculated at an annual rate of 1.75% of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity). The incentive fee consists of two parts.

The first part is calculated and payable quarterly in arrears and equals 20.0% of our pre-incentive fee net investment income for the immediately preceding quarter, subject to a preferred return, or hurdle, and a catch up feature.

The second part is determined and payable in arrears as of the end of each calendar year in an amount equal to 20.0% of our realized capital gains, if any, on a cumulative basis from inception through the end of the year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The incentive fee is determined on a consolidated basis and, as such, will apply to the operations of Tamarix LP and OFS Capital WM if and for so long as their financial statements are consolidated with ours. See Management and Other Agreements Investment Advisory Agreement.

Administration Agreement

We will reimburse OFS Services under an administration agreement (the Administration Agreement) for our allocable portion (subject to the review and approval of our board of directors) of overhead and other expenses, including furnishing us with office facilities and

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equipment and providing clerical, bookkeeping, record-keeping, necessary software licences and subscriptions and other administrative services at such facilities. To the extent that OFS Services outsources any of its functions, we will pay the fees associated with such functions on a direct basis without incremental profit to OFS Services. See Management and Other Agreements Administration Agreement.

License Arrangements

We have entered into a license agreement with OFSAM, under which OFSAM has agreed to grant us a non-exclusive, royalty-free license to use the name OFS. For a description of the license agreement, see Management and Other Agreements License Agreement.

Risk Factors

An investment in our common stock is subject to risks. See Risk Factors beginning on page 23 of this prospectus to read about factors you should consider before deciding to invest in shares of our common stock.

Trading

Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. We are not generally able to issue and sell our common stock at a price below our net asset value per share unless we have stockholder approval. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. See Risk Factors.

Custodian and Transfer Agent

U.S. Bank National Association will serve as our custodian, and American Stock Transfer & Trust Company, LLC will serve as our transfer and dividend paying agent and registrar. See Custodian, Transfer and Dividend Paying Agent and Registrar.

Available Information

We have filed with the SEC a registration statement on Form N-2, of which this prospectus is a part, under the Securities Act. This registration statement contains additional information about us and the shares of our common stock being offered by this prospectus. After the completion of this offering, we will be required to file periodic reports, current reports, proxy statements and other information with the SEC. This information will be available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549 and on the SEC's website at <http://www.sec.gov>. Information on the operation of the SEC's public reference room may be obtained by calling the SEC at (800) SEC-0330.

We maintain a website at <http://www.ofscapitalcorp.com> and intend to make all of our periodic and current reports, proxy statements and other information available, free of charge, on or through our website. Information on our website is not incorporated into or part of this prospectus. You may also obtain such information free of charge by contacting us in writing at 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008, Attention: Investor Relations.

Table of Contents**FEES AND EXPENSES**

The following table is intended to assist you in understanding the costs and expenses that you will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by us, the Company or OFS Capital, or that we will pay fees or expenses, you will indirectly bear such fees or expenses as an investor in OFS Capital.

Stockholder transaction expenses:

Sales load (as a percentage of offering price)	%	(1)
Offering expenses (as a percentage of offering price)	%	(2)
Dividend reinvestment plan expenses	None	(3)
Total stockholder transaction expenses (as a percentage of offering price)	%	

Annual expenses (as a percentage of net assets attributable to common stock):

Base management fee payable under Investment Advisory Agreement	2.66%	(4)
Incentive fees payable under Investment Advisory Agreement	0.00%	(5)
Interest payments on borrowed funds	4.48%	(6)
Other expenses	1.71%	(7)(8)
Acquired fund fees and expenses	1.80%	(9)
Total annual expenses	10.65%	(8)
Reduction in first year base management fee payable under Investment Advisory Agreement	-1.33%	(4)
Total annual expenses after reduction in first year base management fee	9.32%	

- (1) The sales load (underwriting discount and commission) with respect to the shares of our common stock sold in this offering, which is a one-time fee paid to the underwriters, is the only sales load paid in connection with this offering. The % sales load reflected in the table assumes that no shares of our common stock are sold to certain investors with whom we or our affiliates have an existing relationship, with respect to which the underwriters have agreed to waive the underwriting discounts and commissions, as discussed in more detail under Underwriting. Assuming an initial public offering price of \$ per share and assuming no exercise of the underwriters option to purchase additional shares of our common stock, purchasers in this offering likely will not bear, directly or indirectly, this fee.
- (2) Amount reflects estimated offering expenses of approximately \$. Assuming an initial public offering price of \$ per share and assuming no exercise of the underwriters option to purchase additional shares of our common stock, purchasers in this offering likely will not bear, directly or indirectly, these expenses.
- (3) The expenses of the dividend reinvestment plan are included in other expenses. For additional information, see Dividend Reinvestment Plan.
- (4) The initial base management fee will be 0.875% of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity). After October 31, 2013, the base management fee will increase to 1.75% of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity). For the purposes of this table, we have assumed that the management fee will remain at 0.875% through October 31, 2013, and 1.75% thereafter as set forth in the Investment Advisory Agreement. This is reflected in the table above by showing the higher 1.75% base management fee, which is applicable after October 31, 2013, in the line item titled Base management fee payable under Investment Advisory Agreement, and then, in the line item titled Reduction in first year base management

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fee payable under Investment Advisory Agreement, deducting the difference between the higher fee applicable after October 31, 2013 and the initial

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0.875% fee. We may from time to time decide it is appropriate to change the terms of the agreement. Under the 1940 Act, any material change to our Investment Advisory Agreement must be submitted to stockholders for approval. See Management and Other Agreements Investment Advisory Agreement.

The 2.66% fee reflected in the table is calculated by determining the ratio that the base management fee bears to our net assets attributable to common stock (rather than our total assets). The estimate of our base management fee referenced in the table is based on our total assets (other than cash and cash equivalents but including assets purchased with borrowed money and assets of any consolidated entity) and net assets pro forma as of June 30, 2012 after giving effect to this offering and the expected repayment of indebtedness, as discussed in more detail under Use of Proceeds.

- (5) We may have capital gains and interest income that could result in the payment of an incentive fee to OFS Advisor in the first year after completion of this offering. However, the incentive fee payable to OFS Advisor is based on our performance and will not be paid unless we achieve certain goals. As we cannot predict whether we will meet the necessary performance targets, we have assumed an incentive fee of 0% in this chart. The incentive fee consists of two parts:

The first, payable quarterly in arrears, equals 20.0% of our pre-incentive fee net investment income initially calculated based on values at the closing of this offering (including income that is accrued but not yet received in cash), subject to a 2.0% quarterly (8.0% annualized) hurdle rate and a catch-up provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, OFS Advisor receives no incentive fee until our pre-incentive fee net investment income equals the hurdle rate of 2.0% but then receives, as a catch-up, 100% of our 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 our pre-incentive fee net investment income as if a hurdle rate did not apply.

The hurdle rate is fixed at 2.0% quarterly (8% annualized), which means that, if interest rates rise, it will be easier for our pre-incentive fee net investment income to surpass the hurdle rate, which could lead to the payment of fees to OFS Advisor in an amount greater than expected. There is no accumulation of amounts on the hurdle rate from quarter to quarter and accordingly there is no clawback of amounts previously paid if subsequent quarters are below the quarterly hurdle rate and there is no delay of payment if prior quarters are below the quarterly hurdle rate.

The second part, payable annually in arrears, equals 20.0% of our realized capital gains on a cumulative basis as of the closing of this offering through the end of the year, if any (or upon the termination of the Investment Advisory Agreement, as of the termination date), computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. The incentive fee is determined on a consolidated basis and, as such, will apply to the operations of Tamarix LP and OFS Capital WM if and for so long as their financial statements are consolidated with ours.

See Management and Other Agreements Investment Advisory Agreement.

- (6) Interest payments on borrowed funds represents an estimate of our annualized interest expenses based on actual interest and credit facility expenses incurred for the three months ended June 30, 2012. Under the WM Credit Facility, our wholly-owned subsidiary, OFS Capital WM, had debt in the amount of \$155.0 million outstanding as of June 30, 2012.

As discussed in more detail under Use of Proceeds, we expect to use the proceeds of this offering, together with cash on hand, to repay certain indebtedness under the WM Credit Facility. In addition, any outstanding class A loans will accrue interest at a reduced rate equal to LIBOR plus 2.75% pursuant to amendments to OFS Capital WM's lending arrangements in September 2012. As a result, we expect that our actual interest payments on borrowed funds will be less than the estimate reflected in the table.

We may borrow additional funds from time to time to make investments to the extent we determine that the economic situation is conducive to doing so. We also anticipate that Tamarix LP will incur additional leverage upon SBA approval and compliance with other customary procedures. Our stockholders will bear directly or indirectly the costs of borrowings under any debt instruments we may enter into.

- (7) Includes our overhead expenses, including payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by OFS Services. See Management and Other

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Agreements Administration Agreement. Other expenses are based on estimated amounts for the current fiscal year.

(8) Estimated.

(9) Our stockholders indirectly bear the expenses of underlying funds or other investment vehicles that would be investment companies under section 3(a) of the 1940 Act but for the exceptions to that definition provided for in sections 3(c)(1) and 3(c)(7) of the 1940 Act (Acquired Funds) in which we invest. For the purposes of this table, we treat OFS Capital WM and Tamarix LP as Acquired Funds and the fees and expenses represent our estimate of the annualized management fees and administrative expenses payable directly by these entities based on actual management fees and administrative expenses for the three months ended June 30, 2012. You will incur these fees and expenses indirectly through OFS Capital s ownership interests in each of Tamarix LP and OFS Capital WM. For purposes of this table, the calculation of Acquired Fund fees and expenses does not include the portions of the investment advisory fee incurred by us under the Investment Advisory Agreement or the administrative fee incurred by us under the Administrative Agreement and attributable to the operations of OFS Capital WM or Tamarix LP (which are part of the base management fee and other expenses listed above), or the interest expense on funds borrowed directly by those entities (which is part of the interest payments on borrowed funds listed above).

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above. The expense amounts assume a base management fee of 0.875% for the first year, and 1.75% for the years thereafter. Transaction expenses are included in the following example (provided that, assuming an initial public offering price of \$ per share and assuming no exercise of the underwriters option to purchase additional shares of our common stock, purchasers in this offering likely will not bear, directly or indirectly, these expenses).

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 231.1	\$ 418.2	\$ 581.3	\$ 898.9

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the individual time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, if our board of directors authorizes and we declare a cash dividend, participants in our dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the dividend. See Dividend Reinvestment Plan for additional information regarding our dividend reinvestment plan.

This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.

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GLOSSARY OF CERTAIN TERMS

As used in this prospectus, except as otherwise indicated, the terms:

2010 Distribution refers to our distribution to OFSAM concurrently with the OFS Capital WM Transaction of a substantial portion of our remaining loan portfolio and certain of our equity investments due to the fact that we and an affiliated fund both had investments in these portfolio companies;

BDC Conversion refers to our conversion from a Delaware limited liability company into a Delaware corporation, OFS Capital Corporation, together with our elections to be treated as a business development company under the 1940 Act and a RIC under the Code;

OFS refers, collectively, to the activities and operations of OFSAM and its subsidiaries and certain affiliates;

OFS Advisor refers to OFS Capital Management, LLC, a Delaware limited liability company and wholly-owned subsidiary of OFSAM, and our investment adviser;

OFS Capital, we, us, our and the Registrant refer to OFS Capital, LLC, a Delaware limited liability company and direct wholly-owned subsidiary of OFSAM, and its consolidated subsidiaries for the periods prior to consummation of the BDC Conversion, and refer to OFS Capital Corporation, a Delaware corporation, and its consolidated subsidiaries for the periods after the consummation of the BDC Conversion;

OFS Capital WM refers to OFS Capital WM, LLC, a Delaware limited liability company and our wholly-owned subsidiary;

OFS Capital WM Cash Consideration refers to the cash received by us from OFS Capital WM in the OFS Capital WM Transaction, which we transferred to OFS Funding, and which OFS Funding used to repay a substantial portion of the outstanding balance under the Old Credit Facility;

OFS Capital WM Transaction refers to the sale of a substantial portion of our loan portfolio to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration in connection with OFS Capital WM's entry into the WM Credit Facility;

OFS Funding refers to OFS Funding, LLC, a Delaware limited liability company and our wholly-owned subsidiary, and the entity which historically held our investment portfolio;

OFS senior professionals refers to the senior professional employees of OFSC contracted to OFS Advisor under the Staffing Agreement, who are deemed employees of OFS Advisor for all purposes under the 1940 Act and the Advisers Act;

OFS Services refers to OFS Capital Services, LLC, a Delaware limited liability company and wholly-owned subsidiary of OFSAM, and our administrator;

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OFSAM refers to Orchard First Source Asset Management, LLC, a Delaware limited liability company and our parent company prior to the completion of this offering;

OFSAM Cash Contribution refers to the cash contribution made by OFSAM to us simultaneously with the OFS Capital WM Transaction, which we transferred to OFS Funding, and which OFS Funding used, together with cash on hand, to payoff the remaining balance under the Old Credit Facility in full;

OFSC refers to Orchard First Source Capital, Inc., a Delaware corporation and wholly-owned subsidiary of OFSAM, which employs all of OFSAM's investment professionals, and is an affiliate of OFS Advisor;

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Tamarix LP refers to Tamarix Capital Partners, L.P., a Delaware limited partnership through which we expect to continue to pursue a portion of our investment strategy;

WM 2011 Credit Facility Amendments refers to certain amendments to OFS Capital WM's lending arrangements entered into in February 2011 that permitted us to treat the OFS Capital WM Closing as a sale for accounting purposes from that date forward;

WM 2012 Credit Facility Amendments refers to certain amendments entered into in March 2012 that will give us greater authority over certain decisions with respect to OFS Capital WM's portfolio, including amendments, modifications and restructurings of such investments, and noticing and waiving defaults and accelerating portfolio loans, and that require us to consolidate the OFS Capital WM financial statements into ours as of March 30, 2012;

WM Consolidation Adjustments refers to the financial statement adjustments to consolidate OFS Capital WM's financial statements into our own as a result of the WM 2012 Credit Facility Amendments; and

WM Credit Facility refers to the \$180 million senior secured revolving credit facility, which OFS Capital WM entered into with Wells Fargo and Madison Capital to finance its business.

In this prospectus, we use the term leveraged to refer to companies of any size with non-investment grade debt outstanding or, if not explicitly rated, debt which we believe would be rated as non-investment grade based on their leverage levels and other terms. In addition, we use the term middle-market to refer to companies which may exhibit one or more of the following characteristics: number of employees between 150 and 2,000; revenues between \$50 million and \$300 million; annual EBITDA between \$5 million and \$50 million; generally, private companies owned by private equity firms or owners/operators; and enterprise value between \$25 million and \$500 million. See The Company Investment Criteria/Guidelines.

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RISK FACTORS

Investing in our common stock involves a number of significant risks. Before you invest in our common stock, you should be aware of various risks associated with the investment, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to make an investment in our common stock. The risks set out below are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Structure

We have never operated as a business development company, qualified to be treated as a RIC or operated an SBIC, and none of OFS Advisor or its affiliates has ever managed a business development company, a RIC or an SBIC, and we may not be able to operate our business successfully or generate sufficient revenue to make or sustain distributions to our stockholders.

We have never operated as a business development company or qualified to be treated as a RIC, and none of OFS Advisor or its affiliates has ever managed a business development company. As a result of our limited experience as a business development company, we are subject to the business risks and uncertainties associated with new entities of these types, including the risk that we will not achieve our investment objective, or that we will not qualify or maintain our qualification to be treated as a RIC, and that the value of your investment could decline substantially.

The 1940 Act and the Code impose numerous constraints on the operations of business development companies and RICs. Business development companies are required, for example, to invest at least 70% of their total assets primarily in securities of U.S. private or thinly traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment. Furthermore, any failure to comply with the requirements imposed on business development companies by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. In addition, upon approval of a majority of our stockholders, we may elect to withdraw our status as a business development company. If we decide to withdraw our election, or if we otherwise fail to qualify, or maintain our qualification, as a business development company, we may be subject to the substantially greater regulation under the 1940 Act as a closed-end investment company. Compliance with such regulations would significantly decrease our operating flexibility, and could significantly increase our costs of doing business. Moreover, qualification for treatment as a RIC requires satisfaction of source-of-income, asset diversification and distribution requirements. None of us, OFS Advisor or any of our or their respective affiliates has any experience operating under these constraints, which may hinder our ability to take advantage of attractive investment opportunities and to achieve our investment objective.

We intend to continue to pursue a portion of our investment strategy through Tamarix LP; however, we have never operated or managed an SBIC. Although Tamarix LP has received an SBIC license, none of us, OFS Advisor or any of our or its respective affiliates has any experience in operating an SBIC or complying with SBA regulations and requirements. As a result, our lack of experience may hinder our ability to obtain the necessary approvals from the SBA in connection with the acquisition of the ownership interests of Tamarix LP and Tamarix GP that we do not already own or, even if such approvals are received, to take advantage of investment opportunities through Tamarix LP and to achieve our investment objective.

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We are dependent upon the OFS senior professionals for our future success and upon their access to the investment professionals and partners of OFS and its affiliates, including Tamarix GP's management personnel.

We do not have any internal management capacity or employees. We will depend on the diligence, skill and network of business contacts of the OFS senior professionals to achieve our investment objective. Our future success will depend, to a significant extent, on the continued service and coordination of the OFS senior management team, particularly Glenn Pittson, Senior Managing Director of OFSC, Bilal Rashid, Senior Managing Director of OFSC, Jeffrey Cerny, Senior Managing Director of OFSC, and Kathi Inorio, Senior Managing Director of OFSC. Each of these individuals is an employee at will of OFSC and is not subject to an employment contract. In addition, we will rely on the services of Richard Ressler, Chairman of the executive committee of OFSAM and Chairman of OFS Advisor's investment committee pursuant to a consulting agreement with Orchard Capital. The departure of Mr. Ressler or any of the senior managers of OFSC, or of a significant number of its other investment professionals, could have a material adverse effect on our ability to achieve our investment objective.

In addition, the day-to-day investment activities of Tamarix LP are managed by the three investment professionals of Tamarix GP, each of whom, together with Glenn Pittson, our Chief Executive Officer, serves on the investment committee of Tamarix LP. If we are able to acquire the interests in Tamarix LP and Tamarix GP that we do not already own, we anticipate that the three investment professionals will become employees of OFSC. The departure of any of Tamarix GP's management personnel could have a material adverse effect on our ability to obtain the necessary approvals from the SBA in connection with the acquisition of the ownership interests in Tamarix LP and Tamarix GP that we do not already own and our strategy to make investments through Tamarix LP.

We expect that OFS Advisor will evaluate, negotiate, structure, close and monitor our investments in accordance with the terms of the Investment Advisory Agreement and, to the extent applicable, in accordance with SBIC requirements. We can offer no assurance, however, that OFS senior professionals will continue to provide investment advice to us. If these individuals do not maintain their existing relationships with OFS and its affiliates and do not develop new relationships with other sources of investment opportunities, we may not be able to grow our investment portfolio or achieve our investment objective. In addition, individuals with whom the OFS senior professionals have relationships are not obligated to provide us with investment opportunities. Therefore, we can offer no assurance that such relationships will generate investment opportunities for us.

OFS Advisor is a subsidiary of OFSAM that has no employees and will depend upon access to the investment professionals and other resources of OFS and its affiliates to fulfill its obligations to us under the Investment Advisory Agreement. OFS Advisor will also depend upon OFS to obtain access to deal flow generated by the professionals of OFS and its affiliates. Under a Staffing Agreement between OFSC, a subsidiary of OFSAM that employs all of OFS's personnel, and OFS Advisor, OFSC has agreed to provide OFS Advisor with the resources necessary to fulfill these obligations. The Staffing Agreement provides that OFSC will make available to OFS Advisor experienced investment professionals and access to the senior investment personnel of OFSC for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. We are not a party to this Staffing Agreement and cannot assure you that OFSC will fulfill its obligations under the agreement. If OFSC fails to perform, we cannot assure you that OFS Advisor will enforce the Staffing Agreement or that such agreement will not be terminated by either party or that we will continue to have access to the investment professionals of OFSC and its affiliates or their information and deal flow.

The investment committee that will oversee our investment activities is provided by OFS Advisor under the Investment Advisory Agreement. OFS Advisor's investment committee consists of Richard Ressler (Chairman), Glenn Pittson, Bilal Rashid, Jeffrey Cerny and Kathi Inorio. The loss of any member of OFS Advisor's investment committee or of other OFS senior professionals would limit our ability to achieve our investment objective and operate as we anticipate. This could have a material adverse effect on our financial condition and results of operation.

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Our business model depends to a significant extent upon strong referral relationships with financial institutions, sponsors and investment professionals. Any inability of OFS Advisor to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We depend upon OFS Advisor to maintain OFS's relationships with financial institutions, sponsors and investment professionals, and we intend to rely to a significant extent upon these relationships to provide us with potential investment opportunities. If OFS Advisor fails to maintain such relationships, or to develop new relationships with other sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the principals of OFS Advisor have relationships are not obligated to provide us with investment opportunities, and, therefore, we can offer no assurance that these relationships will generate investment opportunities for us in the future.

A substantial portion of our senior secured loan portfolio was purchased by OFS Capital WM, our wholly-owned subsidiary, using borrowed funds and will be managed by an unaffiliated loan manager.

OFS Capital WM financed the purchase from us of a substantial portion of our loan portfolio using funds borrowed under the WM Credit Facility. While investors in OFS Capital will continue to benefit from the loan assets sold to OFS Capital WM by virtue of our ownership of 100% of the equity interests in OFS Capital WM, they will also be exposed to the risks associated with those assets. For example, lenders have a first lien on the loan assets sold to OFS Capital WM and will have a superior claim to our claim as equityholder in any liquidation of OFS Capital WM. In addition, lenders have a first lien on our equity interests in OFS Capital WM and will have a superior claim to a claim by our investors on those equity interests in any liquidation of OFS Capital. Additionally, OFS Capital WM will be managed by an affiliate of Madison Capital (an indirect wholly-owned subsidiary of New York Life Investments), as loan manager, pursuant to the WM Credit Facility documentation, which prescribes the order in which payments are to be applied and contains other contractual restrictions. Accordingly, at least in the near term, our success will depend, to a certain degree, on the administration of OFS Capital WM's portfolio by an unaffiliated loan manager. If the loan manager is unable to generate sufficient returns to permit payments to us under the WM Credit Facility documentation or defaults in its obligation thereunder, we could be materially and adversely affected. In addition, we could have a conflict of interest with Madison Capital and its affiliates by virtue of the fact that Madison Capital holds class B loans under the WM Credit Facility, whereas our interest is as an equityholder.

We may not replicate the historical results achieved by OFSAM or other entities managed or sponsored by OFSAM and its other affiliates.

Our primary focus in making investments may differ from those of OFS Funding to date and from OFSAM's other proprietary investments or the investments of other investment funds, accounts or other investment vehicles that are or have been managed by OFSAM or its other affiliates. Although our historical concentration has been investments in senior secured loans, we intend to pursue an investment strategy that will also focus on investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other equity securities. In addition, as a result of the OFS Capital WM Transaction, we no longer have sole management control over the assets we sold to OFS Capital WM, or any assets subsequently acquired by OFS Capital WM, and these assets may not achieve or replicate historical results. In connection with the 2010 Distribution, we distributed to OFSAM a substantial portion of our remaining loan portfolio and certain of our equity investments. As a result of these transactions, we will no longer receive income from these investments. We may consider co-investing in portfolio investments with OFSAM or its other affiliates or other investment funds, accounts or investment vehicles managed by OFSAM or its other affiliates. Any such investments will be subject to regulatory limitations and approvals by directors who are not interested persons, as defined in the 1940 Act. We can offer no assurance, however, that we will pursue or obtain such approvals or develop opportunities that comply with such limitations. We also cannot assure you that we will replicate the historical results achieved by OFSAM or its other affiliates, and we caution you that our investment returns could be

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substantially lower than the returns achieved by them in prior periods. Additionally, all or a portion of the prior results may have been achieved in particular market conditions which may never be repeated. Moreover, current or future market volatility and regulatory uncertainty may have an adverse impact on our future performance.

Our financial condition and results of operation will depend on our ability to manage our business effectively.

Our ability to achieve our investment objective and grow will depend on our ability to manage our business. This will depend, in turn, on OFS Advisor's ability to identify, invest in and monitor companies that meet our investment criteria. The achievement of our investment objectives on a cost-effective basis will depend upon OFS Advisor's execution of our investment process, its ability to provide competent, attentive and efficient services to us and, to a lesser extent, our access to financing on acceptable terms. OFS Advisor will have substantial responsibilities under the Investment Advisory Agreement. The OFS senior professionals and other personnel of OFS Advisor's affiliates, including OFSC, may be called upon to provide managerial assistance to our portfolio companies. These activities may distract them or slow our rate of investment. Any failure to manage our business and our future growth effectively could have a material adverse effect on our business, financial condition and results of operations. In addition, as a result of the OFS Capital WM Transaction, we no longer have sole management control over a substantial portion of our historical portfolio.

We have potential conflicts of interest related to obligations that OFS Advisor or its affiliates may have to other clients.

Although we are currently the only entity managed by OFS Advisor, affiliates of OFS Advisor manage other assets and a CLO fund and OFS Advisor and/or its affiliates may manage other entities in the future, and these other funds and entities may have similar or overlapping investment strategies. The members of OFS Advisor's investment committee serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds or other investment vehicles managed by OFS Advisor or its affiliates. Similarly, OFS Advisor and/or its affiliates may have, or may have other clients with, similar, different or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders. OFS Advisor will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. Under this allocation policy, if two or more investment vehicles with similar or overlapping investment strategies are in their investment periods, an available opportunity will be allocated based on the provisions governing allocations of such investment opportunities in the relevant organizational, offering or similar documents, if any, for such investment vehicles. In the absence of any such provisions, OFS Advisor will consider the following factors and the weight that should be given with respect to each of these factors:

investment guidelines and/or restrictions, if any, set forth in the applicable organizational, offering or similar documents for the investment vehicles;

risk and return profile of the investment vehicles;

suitability/priority of a particular investment for the investment vehicles;

if applicable, the targeted position size of the investment for the investment vehicles;

level of available cash for investment with respect to the investment vehicles;

total amount of funds committed to the investment vehicles; and

the age of the investment vehicles and the remaining term of their respective investment periods, if any.

There can be no assurance that we will be able to participate in all investment opportunities that are suitable to us.

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OFS Advisor's investment committee, OFS Advisor or its affiliates may, from time to time, possess material non-public information, limiting our investment discretion.

OFS senior professionals and members of OFS Advisor's investment committee may serve as directors of, or in a similar capacity with, companies in which we invest, the securities of which are purchased or sold on our behalf. In the event that material nonpublic information is obtained with respect to such companies, or we become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations, we could be prohibited for a period of time from purchasing or selling the securities of such companies, and this prohibition may have an adverse effect on us.

Our incentive fee structure may create incentives for OFS Advisor that are not fully aligned with the interests of our stockholders.

In the course of our investing activities, we will pay management and incentive fees to OFS Advisor. The base management fee is based on our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity). As a result, investors in our common stock will invest on a gross basis and receive distributions on a net basis after expenses, resulting in a lower rate of return than one might achieve through direct investments. Because these fees are based on our total assets, other than cash and cash equivalents but including assets purchased with borrowed amounts and including any assets owned by any consolidated entity, OFS Advisor will benefit when we incur debt or use leverage. Our board of directors is charged with protecting our interests by monitoring how OFS Advisor addresses these and other conflicts of interests associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors will periodically review OFS Advisor's services and fees as well as its portfolio management decisions and portfolio performance. In connection with these reviews, our independent directors will consider whether our fees and expenses (including those related to leverage) remain appropriate. As a result of this arrangement, OFS Advisor or its affiliates may from time to time have interests that differ from those of our stockholders, giving rise to a conflict.

The part of the incentive fee payable to OFS Advisor that relates to our pre-incentive fee net investment income will be computed and paid on income that may include interest income that has been accrued but not yet received in cash. This fee structure may be considered to involve a conflict of interest for OFS Advisor to the extent that it may encourage OFS Advisor to favor debt financings that provide for deferred interest, rather than current cash payments of interest. OFS Advisor may have an incentive to invest in deferred interest securities in circumstances where it would not have done so but for the opportunity to continue to earn the incentive fee even when the issuers of the deferred interest securities would not be able to make actual cash payments to us on such securities. This risk could be increased because OFS Advisor is not obligated to reimburse us for any incentive fees received even if we subsequently incur losses or never receive in cash the deferred income that was previously accrued.

The valuation process for certain of our portfolio holdings creates a conflict of interest.

Many of our portfolio investments are expected to be made in the form of securities that are not publicly traded. As a result, our board of directors will determine the fair value of these securities in good faith as described below in . Many of our portfolio investments will be recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments. In connection with that determination, investment professionals from OFS Advisor may provide our board of directors with portfolio company valuations based upon the most recent portfolio company financial statements available and projected financial results of each portfolio company. In addition, the members of our board of directors who are not independent directors have a substantial indirect pecuniary interest in OFS Advisor. The participation of OFS Advisor's investment professionals in our valuation process, and the indirect pecuniary interest in OFS Advisor by those members of our board of directors, could result in a conflict of interest since

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OFS Advisor's management fee is based, in part, on our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity).

We may have additional conflicts related to other arrangements with OFS Advisor or its affiliates.

We have entered into a license agreement with OFSAM under which OFSAM has agreed to grant us a non-exclusive, royalty-free license to use the name OFS. See Management and Other Agreements License Agreement. In addition, we will rent office space from another subsidiary of OFSAM and pay to that subsidiary our allocable portion of overhead and other expenses incurred in performing its obligations under the Administration Agreement, such as rent and our allocable portion of the cost of our officers, including our chief executive officer, chief financial officer, chief compliance officer and chief accounting officer. This will create conflicts of interest that our board of directors must monitor.

The Investment Advisory Agreement with OFS Advisor and the Administration Agreement with OFS Services were not negotiated on an arm's length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

The Investment Advisory Agreement and the Administration Agreement were negotiated between related parties. Consequently, their terms, including fees payable to OFS Advisor, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights and remedies under these agreements because of our desire to maintain our ongoing relationship with OFS Advisor, OFS Services and their respective affiliates. Any such decision, however, would breach our fiduciary obligations to our stockholders.

Our ability to enter into transactions with our affiliates will be restricted, which may limit the scope of investments available to us.

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Those transactions include purchases and sales, and so-called joint transactions, in which we and one or more of our affiliates are engaging together in certain types of profit-making activities. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from engaging in purchases or sales of assets or joint transactions with such affiliates, absent the prior approval of our independent directors. Additionally, without the approval of the SEC, we are prohibited from engaging in purchases or sales of assets or joint transactions with the following affiliated persons: (a) our officers, directors, and employees; (b) OFS Advisor and its affiliates; and (c) any person who owns more than 25% of our voting securities or certain of that person's affiliates.

We may, however, invest alongside OFSAM and its other affiliates or their respective other clients in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations. For example, we may invest alongside such accounts consistent with guidance promulgated by the SEC staff permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that OFS Advisor, acting on our behalf and on behalf of other clients, negotiates no term other than price. We may also invest alongside OFSAM and its other affiliates or their respective other clients as otherwise permissible under regulatory guidance, applicable regulations and OFS Advisor's allocation policy. Under this allocation policy, if two or more investment vehicles with similar or overlapping investment strategies are in their investment periods, an available opportunity will be allocated based on the provisions governing allocations of such investment opportunities in the relevant organizational, offering or similar documents, if any, for such investment vehicles. In the absence of any such provisions, OFS Advisor will consider the following factors and the weight that should be given with respect to each of these factors:

investment guidelines and/or restrictions, if any, set forth in the applicable organizational, offering or similar documents for the investment vehicles;

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risk and return profile of the investment vehicles;

suitability/priority of a particular investment for the investment vehicles;

if applicable, the targeted position size of the investment for the investment vehicles;

level of available cash for investment with respect to the investment vehicles;

total amount of funds committed to the investment vehicles; and

the age of the investment vehicles and the remaining term of their respective investment periods, if any.

In situations where co-investment with such other accounts is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer or where the different investments could be expected to result in a conflict between our interests and those of other accounts, OFS Advisor will need to decide which account will proceed with the investment. The decision by OFS Advisor to allocate an opportunity to another entity could cause us to forego an investment opportunity that we otherwise would have made. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which OFSAM and its other affiliates or a fund managed by OFSAM or its other affiliates has previously invested. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates. These restrictions may limit the scope of investment opportunities that would otherwise be available to us.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of members of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the business development company regulations governing transactions with affiliates to prohibit certain joint transactions between entities that share a common investment adviser. Historically, we have invested in a number of the same middle-market companies as a fund managed by OFSAM or one of its affiliates. Most of these co-investments have been in securities of the same seniority. Concurrently with the OFS Capital WM Transaction, we distributed to OFSAM a substantial portion of our loan portfolio and certain of our equity investments. In connection with our election to be regulated as a business development company, we will not be permitted to co-invest with other funds managed by OFSAM or one of its affiliates in certain types of negotiated investment transactions unless we receive exemptive relief from the SEC permitting us to do so. Although we may apply to the SEC for exemptive relief to permit such co-investment and liquidity transactions, subject to certain conditions, we cannot be certain that any application for such relief will be granted or what conditions will be placed on such relief.

We may not obtain the necessary approvals from the SBA in connection with our proposed acquisition of the ownership interests in Tamarix LP and Tamarix GP that we do not already own, and we may not be able to acquire such interests.

Tamarix LP has received an SBIC license to operate as a stand-alone entity. Additional approvals of the SBA will be required in connection with our proposed acquisition of the ownership interests in Tamarix LP and Tamarix GP that we do not already own due to the fact that, following such acquisition, Tamarix LP will be what is known as a drop-down SBIC. We cannot guarantee that the SBA will provide those necessary approvals. Additionally, the owners of the remaining ownership interests in Tamarix LP and Tamarix GP are under no contractual obligation to sell us their interests. If the SBA does not issue the approvals necessary for us to acquire the remaining ownership interests in Tamarix LP and Tamarix GP, or the other holders of the ownership interests are unwilling to sell us their interests, our ability to benefit from Tamarix LP's investment opportunities will be correspondingly limited. In the event we are unable to acquire the remaining ownership interests in Tamarix LP and Tamarix GP, we anticipate that we will invest substantially less in Tamarix LP than we would have otherwise, and no more than our current commitment aggregating \$25 million in respect of both entities. While our investment objective and strategy will remain the same, the inability to acquire the remaining ownership interests in Tamarix LP and therefore utilize the full leverage capacity of Tamarix LP will potentially

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reduce the return on our investments or force us to seek alternative sources of debt financing. An inability to obtain acceptable alternative financing could limit our ability to grow our business and execute our business strategy and could decrease our earnings, if any, which may have an adverse effect on the value of our securities.

We may not receive exemptive relief from the SEC to permit us to exclude the debt of Tamarix LP from our asset coverage test, which may decrease our capacity to fund investments with debt capital.

We expect to apply for exemptive relief from the SEC to permit us to exclude the debt of Tamarix LP guaranteed by the SBA from our 200% asset coverage test under the 1940 Act. We cannot assure you that we will receive exemptive relief from the SEC and if we do not receive an exemption for this SBA debt, we would have reduced capacity to fund investments with debt capital. As a result, we may not be able to realize fully the benefits of Tamarix LP and may not achieve our investment objective.

SBA regulations limit the outstanding dollar amount of SBA guaranteed debenture funding that may be received by an SBIC or group of SBICs under common control.

SBA regulations currently limit the amount that an SBIC may borrow to up to a maximum of \$150 million when it has at least \$75 million in regulatory capital, receives a leverage commitment from the SBA and has been through an examination by the SBA subsequent to licensing. For two or more SBICs under common control, the maximum amount of outstanding SBA-provided leverage cannot exceed \$225 million. Assuming we are able to acquire the ownership interests in Tamarix LP and Tamarix GP that we do not already own, we cannot presently predict whether or not we will borrow the maximum permitted amount; if we reach the maximum dollar amount of SBA guaranteed debentures permitted, and thereafter require additional capital, our cost of capital may increase, and there is no assurance that we will be able to obtain additional financing on acceptable terms.

Moreover, Tamarix LP's status as an SBIC and its receipt of a \$30.1 million SBA leverage commitment does not automatically assure that it will receive SBA guaranteed debenture funding. Receipt of SBA leverage funding is dependent upon whether Tamarix LP is and continues to be in compliance with SBA regulations and policies and whether funding is available. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by Tamarix LP.

Tamarix LP is subject to SBA regulations.

We expect our investment strategy will continue to be augmented by Tamarix LP, which is regulated by the SBA. It is our intention to seek to acquire all of the limited partnership interests in Tamarix LP and all the limited liability company interests in Tamarix GP that are currently owned or subscribed for by other persons. These acquisitions would require further approval from the SBA. We cannot assure you that the SBA would grant that further approval or that the holders of those ownership interests would agree to transfer them to us.

The SBIC license allows Tamarix LP to receive SBA-guaranteed debenture funding, subject to the issuance of a leverage commitment by the SBA and other customary procedures. Tamarix LP has received a \$30.1 million SBA leverage commitment and may receive additional leverage commitments from the SBA. However, receipt of SBA-guaranteed debenture funding is subject to its compliance with SBA regulations and policies. We cannot assure you that Tamarix LP will satisfy the conditions to receipt of such funding or that it will otherwise be able to make additional draws on its existing commitment or receive additional commitments from the SBA.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. If Tamarix LP fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit its use of debentures, declare outstanding debentures immediately due and payable, and/or limit its ability to make new

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investments. The SBA, as a creditor, will have a superior claim to Tamarix LP's assets over Tamarix LP's limited partners and our stockholders in the event Tamarix LP is liquidated or the SBA exercises its remedies under the SBA debentures issued by Tamarix LP in the event of a default. In addition, the SBA can revoke or suspend a license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958 or any rule or regulation promulgated thereunder. These actions by the SBA would, in turn, negatively affect us because of our ownership interest in Tamarix LP.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending, real estate or investing in companies outside of the United States, and providing funds to businesses engaged in a few prohibited industries and to certain passive (i.e., non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC's regulatory capital in any one company and its affiliates. Compliance with SBIC requirements may cause Tamarix LP to forego attractive investment opportunities that are not permitted under SBA regulations.

Tamarix LP is subject to ongoing regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. The SBA restricts the ability of SBICs to release their investors from their capital commitments and requires that SBICs invest idle funds in accordance with SBA regulations. The SBA also prohibits, without prior SBA approval, a change of control of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC as well as other transfers of limited partnership interests. In addition, Tamarix LP may also be limited in its ability to make distributions to us if it does not have sufficient accumulated net profit, in accordance with SBA regulations. These requirements may make it more difficult for us to achieve our investment objective.

We intend to finance our investments with borrowed money, which will magnify the potential for gain or loss on amounts invested and may increase the risk of investing in us.

The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments we may enter into with lenders. In addition, under the terms of any credit facility or other debt instrument we enter into, we are likely to be required by its terms to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before applying such net proceeds to any other uses. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make dividend payments on our common stock or preferred stock. Our ability to service our debt will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, because the management fee payable to OFS Advisor is payable based on our total assets (other than cash, cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity), OFS Advisor will have a financial incentive to incur leverage which may not be consistent with our stockholders' interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the management fee payable to OFS Advisor.

As a business development company, we generally will be required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we will not be able to incur additional debt and could be required to sell a portion of our investments to repay some debt when it is disadvantageous to do so. This could have a material adverse effect on our operations, and we may not be able to

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make distributions. The amount of leverage that we employ will depend on OFS Advisors and our board of directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses, on a pro forma basis after giving effect to the pro forma adjustments discussed in more detail below under Unaudited Pro Forma Condensed Combined Financial Statements. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

	Assumed Return on Our Portfolio (Net of Expenses)				
	-10%	-5%	0%	5%	10%
Corresponding return to common stockholder(1)	-51%	-31%	-12%	8%	27%

(1) Assumes \$216.8 million in total pro forma assets, \$155.0 million in pro forma debt outstanding, \$55.7 million in pro forma net assets and an average cost of funds of 4.3%. Assumptions are based on our financial condition and our average cost of funds at June 30, 2012. Based on our outstanding pro forma indebtedness of \$155.0 million as of June 30, 2012 and the average cost of funds of 4.3% as of that date, our investment portfolio must experience an annual return of at least 3.0% to cover interest payments on the outstanding debt.

To the extent we use debt to finance our investments, changes in interest rates will affect our cost of capital and net investment income.

To the extent we borrow money to make investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income in the event we use debt to finance our investments. In periods of rising interest rates, our cost of funds would increase, which could reduce our net investment income. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act.

You should also be aware that a rise in the general level of interest rates typically leads to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates may result in an increase of the amount of incentive fees payable to OFS Advisor.

We may enter into reverse repurchase agreements, which are another form of leverage.

We may enter into reverse repurchase agreements as part of our management of our temporary investment portfolio. Under a reverse repurchase agreement, we will effectively pledge our assets as collateral to secure a short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, we will be required to repay the loan and correspondingly receive back our collateral. While used as collateral, the assets continue to pay principal and interest which are for the benefit of us.

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired in the reverse repurchase agreement may decline below the price of the securities that we have sold but remain obligated to purchase. In addition, there is a risk that the market value of the securities retained by us may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of

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such agreements at settlement are less than the fair value of the underlying securities being pledged. In addition, due to the interest costs associated with reverse repurchase agreements transactions, our net asset value would decline, and, in some cases, we may be worse off than if we had not used such instruments.

We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.

A number of entities compete with us to make the types of investments that we plan to make. We will compete with public and private funds, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some of our competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company or the source of income, asset diversification and distribution requirements we must satisfy to maintain our RIC status. The competitive pressures we face may have a material adverse effect on our business, financial condition and results of operations. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we may not be able to identify and make investments that are consistent with our investment objective.

With respect to the investments we make, we will not seek to compete based primarily on the interest rates we will offer, and we believe that some of our competitors may make loans with interest rates that will be lower than the rates we offer. In the secondary market for acquiring existing loans, we expect to compete generally on the basis of pricing terms. With respect to all investments, we may lose some investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net interest income, lower yields and increased risk of credit loss. We may also compete for investment opportunities with OFSAM and its other affiliates or accounts managed by OFSAM or one of its other affiliates. Although OFS Advisor will allocate opportunities in accordance with its policies and procedures, allocations to such other accounts will reduce the amount and frequency of opportunities available to us and may not be in the best interests of us and our stockholders. Moreover, the performance of investments will not be known at the time of allocation.

We will be subject to corporate-level federal income tax if we are unable to qualify or maintain our qualification as a RIC.

Although we intend to elect to be treated as a RIC under Subchapter M of the Code for the year ending December 31, 2012 and succeeding tax years, no assurance can be given that we will be able to qualify for and maintain RIC status. If we qualify as a RIC under the Code, we will not be required to pay corporate level federal income taxes on our income and capital gains distributed (or deemed distributed) to our stockholders. To qualify as a RIC under the Code and to be relieved of federal taxes on income and gains distributed to our stockholders, we must meet certain source-of-income, asset diversification and distribution requirements. The distribution requirement for a RIC is satisfied if we distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. In addition, we will be subject to a 4% nondeductible federal excise tax to the extent that we do not satisfy certain additional minimum distribution requirements on a calendar-year basis. We will be subject, to the extent we use debt financing, to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify and maintain our qualification for the tax benefits available to RICs and, thus, may be subject to corporate-level federal income tax. To qualify and maintain our qualification as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose

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of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private or thinly traded public companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason and become subject to corporate-level federal income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distributions to stockholders and the amount of our distributions and the amount of funds available for new investments. Such a failure would have a material adverse effect on us and our stockholders. See Material U.S. Federal Income Tax Considerations Taxation as a RIC.

Our subsidiaries and portfolio companies may be unable to make distributions to us that will enable us to meet RIC requirements, which could result in the imposition of an entity-level tax.

In order for us to qualify as a RIC and to minimize corporate-level taxes, we will be required to distribute on an annual basis substantially all of our taxable income, which would include income from our subsidiaries and portfolio companies. As a substantial portion of our investments are, or are anticipated to be, made through OFS Capital WM or Tamarix LP, we will be substantially dependent on those entities for cash distributions to enable us to meet the RIC distribution requirements. Tamarix LP may be limited by the Small Business Investment Act of 1958 and SBA regulations governing SBICs from making certain distributions to us that may be necessary to enable us to qualify as a RIC. We may have to request a waiver of the SBA's restrictions for Tamarix LP to make certain distributions to maintain our status as a RIC and we cannot assure you that the SBA will grant such waiver. Additionally, OFS Capital WM is managed by an unaffiliated loan manager pursuant to the WM Credit Facility documentation, which prescribes the order in which payments are to be applied and contains other contractual restrictions. Accordingly, we cannot assure you that OFS Capital WM will make distributions to us. If our subsidiaries and portfolio companies are unable to make distributions to us, this may result in loss of RIC status and a consequent imposition of a corporate-level federal income tax on us.

We may have difficulty paying our required distributions if we recognize income before, or without, receiving cash representing such income.

For U.S. federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as the accretion of original issue discount (OID). This may arise if we purchase assets at a discount, receive warrants in connection with the making of a loan or in other circumstances, or through contracted payment-in-kind (PIK) interest (meaning interest paid in the form of additional principal amount of the loan instead of in cash), which represents contractual interest added to the loan balance and due at the end of the loan term. Such OID, which could be significant relative to our overall investment activities, or increases in loan balances as a result of contracted PIK arrangements, will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash. Additionally, assets have been transferred to us with built-in-gain (i.e., assets in respect of which our basis is less than fair market value upon receipt of such assets (built-in-gain assets)).

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to qualify for the tax benefits available to RICs. In such a case, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations and sourcings to meet these distribution requirements. If we sell built-in-gain assets, we may be required to recognize taxable income in respect of the built-in-gain on such assets. In such a case, we would have to distribute all of our taxable gain (including the built-in-gain) in respect of such sale to avoid the imposition of entity-level tax on such gain. If we are not able to obtain such cash from other sources, we may fail to qualify for the tax benefits available to RICs and thus be subject to corporate-level income tax. See Material U.S. Federal Income Tax Considerations Taxation as a RIC.

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We may in the future choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.

We may distribute taxable dividends that are payable in part in our stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

In addition, as discussed above, our loans may contain a PIK interest provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To avoid the imposition of corporate-level tax on us, this non-cash source of income needs to be paid out to stockholders in cash distributions or, in the event that we rely on the IRS revenue procedure, in shares of our common stock, even though we have not yet collected and may never collect the cash relating to the PIK interest. As a result, if we distribute taxable dividends in the form of our common stock, we may have to distribute a stock dividend to account for PIK interest even though we have not yet collected the cash.

Regulations governing our operation as a business development company affect our ability to and the way in which we raise additional capital. As a business development company, we will need to raise additional capital, which will expose us to risks, including the typical risks associated with leverage.

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted as a business development company to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities, after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Also, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders. If we issue senior securities, we will be exposed to typical risks associated with leverage, including an increased risk of loss.

As of June 30, 2012, we had debt outstanding in the amount of \$155.0 million. We intend to use \$ million of the proceeds of this offering to repay outstanding indebtedness under the WM Credit Facility and anticipate being in compliance with the 200% asset coverage test under the 1940 Act upon the consummation of this offering. However, our ability to incur additional debt and remain in compliance with the asset coverage test will be limited. Following this offering, we may seek a credit facility to finance investments and potentially for working capital requirements. Assuming Tamarix LP has at least \$75 million in regulatory capital, Tamarix LP intends to invest over time up to \$225 million, which includes borrowings by Tamarix LP of up to a maximum of \$150 million by issuing SBA-guaranteed debentures to make debt and equity investments in eligible small businesses in the United States. There can be no assurance that we will be able to obtain such financing on favorable terms or at all, or that Tamarix LP will be able to borrow additional funds. We expect to apply for exemptive relief from the SEC to permit us to exclude the debt of Tamarix LP guaranteed by the SBA from our 200% asset coverage test under the 1940 Act. If we receive an exemption for this SBA debt, we would have increased capacity to fund investments with debt capital. However, we cannot assure you that we will receive such exemptive relief from the SEC.

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No person or entity from which we borrow money will have a veto power or a vote in approving or changing any of our fundamental policies. If we issue preferred stock, the preferred stock would rank senior to common stock in our capital structure, preferred stockholders would have separate voting rights on certain matters and might have other rights, preferences or privileges more favorable than those of our common stockholders, and the issuance of preferred stock could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in your best interest. Holders of our common stock will directly or indirectly bear all of the costs associated with offering and servicing any preferred stock that we issue. In addition, any interests of preferred stockholders may not necessarily align with the interests of holders of our common stock and the rights of holders of shares of preferred stock to receive dividends would be senior to those of holders of shares of our common stock. We do not, however, anticipate issuing preferred stock during the 12 months following this offering.

We are not generally able 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 our board of directors determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale. In any such case, the price at which our securities are to be issued and sold may not be less than a price that, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount). If we raise additional funds by issuing common stock or senior securities convertible into, or exchangeable for, our common stock, then the percentage ownership of our stockholders at that time will decrease, and you might experience dilution.

Our ability to invest in public companies may be limited in certain circumstances.

To maintain our status as a business development company, we are not permitted to 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 total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a common equity market capitalization that is less than \$250 million at the time of such investment.

Various events could negatively impact the value of our investment in OFS Capital WM (and, as a result, your investment in us), including an event of default under the WM Credit Facility documentation and the substantive consolidation of OFS Capital WM with us.

The WM Credit Facility documentation contains several events of default, including breaches of representations and warranties by us, OFS Capital WM or Madison Capital (an indirect wholly-owned subsidiary of New York Life Investments) and breaches of covenants that prohibit certain actions by us, OFS Capital WM, Madison Capital or the affiliate of Madison Capital that acts as loan manager for OFS Capital WM. If an event of default were to occur, the trustee, at the request of the controlling lender, will accelerate the outstanding indebtedness under the WM Credit Facility and may enforce its rights in the collateral securing the facility. As we have pledged our equity interest in OFS Capital WM as security for the obligations under the WM Credit Facility, we may lose all or a portion of our investment in OFS Capital WM if an event of default occurs. Breaches of the WM Credit Facility documentation that fall short of an event of default could also negatively impact the value of our equity interest in OFS Capital WM and the value of your investment in OFS Capital.

The structure of the OFS Capital WM Transaction is intended to avoid, in the event of our bankruptcy, the consolidation of OFS Capital WM into our operations or estate in bankruptcy. If the true sale of the assets that we sold to OFS Capital WM on September 28, 2010 were not respected in the event of our bankruptcy, a trustee or debtor-in-possession might be able to recharacterize the transaction as a secured financing where the assets of OFS Capital WM would be included in our estate and the indebtedness then outstanding under the WM Credit

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Facility would be treated as our indebtedness. The debt of OFS Capital WM at such time may be substantial and could result in our stockholders receiving substantially less than they otherwise would have or nothing in the event of our bankruptcy.

An extended continuation of the disruption in the capital markets and the credit markets could negatively affect our business.

As a business development company, we must maintain our ability to raise additional capital for investment purposes. Without sufficient access to the capital markets or credit markets, we may be forced to curtail our business operations or we may not be able to pursue new business opportunities. Since the middle of 2007, the capital markets and the credit markets have been experiencing extreme volatility and disruption and, accordingly, there has been and will continue to be uncertainty in the financial markets in general. Ongoing disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and could adversely impact our results of operations and financial condition.

Once we have fully invested the net proceeds of this offering, we will access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. A reduction in the availability of new capital could limit our ability to pursue new business opportunities and grow our business. In addition, we will be required to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders to qualify for the tax benefits available to RICs. As a result, these earnings will not be available to fund new investments. An inability to access the capital markets successfully could limit our ability to grow our business and execute our business strategy fully and could decrease our earnings, if any, which may have an adverse effect on the value of our securities.

We are currently operating in a period of capital markets disruption.

The U.S. capital markets have been experiencing volatility and disruption since the beginning of the credit crisis in 2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. A prolonged period of market illiquidity may have an adverse effect on our business, financial condition and results of operations. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations and sourcings, limit our ability to grow and negatively impact our operating results.

Adverse developments in the credit markets may impair our ability to secure debt financing.

During the economic downturn in the United States that began in mid-2007, many commercial banks and other financial institutions stopped lending or significantly curtailed their lending activity. In addition, in an effort to stem losses and reduce their exposure to segments of the economy deemed to be high risk, some financial institutions limited routine refinancing and loan modification transactions and even reviewed the terms of existing facilities to identify bases for accelerating the maturity of existing lending facilities. As a result, it may be difficult for us to obtain desired financing to finance the growth of our investments on acceptable economic terms, or at all.

If we are unable to consummate credit facilities on commercially reasonable terms, our liquidity may be reduced significantly. If we are unable to repay amounts outstanding under any facility we may enter into and are declared in default or are unable to renew or refinance any such facility, it would limit our ability to initiate significant originations or to operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as inaccessibility of the credit markets, a severe decline in

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the value of the U.S. dollar, a further economic downturn or an operational problem that affects third parties or us, and could materially damage our business. Moreover, we are unable to predict when economic and market conditions may become more favorable. Even if such conditions improve broadly and significantly over the long term, adverse conditions in particular sectors of the financial markets could adversely impact our business.

Additionally, SBA regulations currently limit the amount that an SBIC may borrow to up to a maximum of \$150 million when it has at least \$75 million in regulatory capital, receives a leverage commitment from the SBA and has been through an examination by the SBA subsequent to licensing. We cannot assure you that Tamarix LP will be able to borrow funds on favorable terms.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a business development company, we may not acquire any assets other than qualifying assets unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See Regulation.

We believe that most of the investments that we may acquire in the future will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. Until we acquire the remaining limited partnership interests in Tamarix LP that we do not already own, Tamarix LP will not be a qualifying asset. If a sufficient portion of our assets are not qualifying assets, we could violate the 1940 Act provisions applicable to business development companies. As a result of such violation, specific rules under the 1940 Act could prevent us, for example, from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. If we need to dispose of such investments quickly, it could be difficult to dispose of such investments on favorable terms. We may not be able to find a buyer for such investments and, even if we do find a buyer, we may have to sell the investments at a substantial loss. Any such outcomes would have a material adverse effect on our business, financial condition and results of operations.

If we do not maintain our status as a business development company, we would be subject to regulation as a registered closed-end investment company under the 1940 Act. As a registered closed-end fund, we would be subject to substantially more regulatory restrictions under the 1940 Act which would significantly decrease our operating flexibility.

Many of our portfolio investments will be recorded at fair value as determined in good faith by our board of directors and, as a result, there may be uncertainty as to the value of our portfolio investments.

We expect that many of our portfolio investments, including those of our subsidiaries, will take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable, and we will value these securities at fair value as determined in good faith by our board of directors, including to reflect significant events affecting the value of our securities. Most of our investments (other than cash and cash equivalents) will be classified as Level 3 under Statement of Financial Accounting Standards 157, *Fair Value Measurement* (ASC Topic 820) (FAS 157 (ASC Topic 820)). This means that our portfolio valuations will be based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. We expect that inputs into the determination of fair value of our portfolio investments will require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We expect to retain the services of one or more independent service providers to review the valuation of these securities. The types of factors that the board of directors may take into

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account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

We will adjust quarterly the valuation of our portfolio to reflect our board of directors' determination of the fair value of each investment in our portfolio. Any changes in fair value are recorded in our statement of income as net change in unrealized appreciation or depreciation.

We may experience fluctuations in our quarterly operating results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, distributions from our subsidiaries and portfolio companies, the degree to which we encounter competition in our markets and general economic conditions. In light of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

New or modified laws, regulations or accounting standards governing our operations may adversely affect our business.

We and our portfolio companies will be subject to regulation by laws at the U.S. federal, state and local levels. These laws and regulations, including applicable accounting standards, as well as their interpretation, may change from time to time, and new laws, regulations, accounting standards and interpretations may also come into effect. Any such new or changed laws or regulations could have a material adverse effect on our business.

Additionally, changes to the laws and regulations governing our operations related to permitted investments may cause us to alter our investment strategy, including making investments in entities such as OFS Capital WM, in order to avail ourselves of new or different opportunities. Such changes could result in material differences to the strategies and plans set forth in this prospectus and our accounting practices described in this prospectus, and may shift our investment focus from the areas of expertise of OFS Advisor to other types of investments in which OFS Advisor may have little or no expertise or experience. Any such changes, if they occur, could have a material adverse effect on our results of operations and the value of your investment.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our board of directors has the authority, except as otherwise provided in the 1940 Act, to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company. Under Delaware law, we also cannot be dissolved without prior stockholder approval except by judicial action. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and the price value of our common stock. Nevertheless, any such changes could adversely affect our business and impair our ability to make distributions.

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Provisions of the General Corporation Law of the State of Delaware and our certificate of incorporation and bylaws could deter takeover attempts and have an adverse effect on the price of our common stock.

The General Corporation Law of the State of Delaware (the "DGCL") contains provisions that may discourage, delay or make more difficult a change in control of us or the removal of our directors. Our certificate of incorporation and bylaws contain provisions that limit liability and provide for indemnification of our directors and officers. These provisions and others also may have the effect of deterring hostile takeovers or delaying changes in control or management. We are subject to Section 203 of the DGCL, the application of which is subject to any applicable requirements of the 1940 Act. This section generally prohibits us from engaging in mergers and other business combinations with stockholders that beneficially own 15% or more of our voting stock, or with their affiliates, unless our directors or stockholders approve the business combination in the prescribed manner. Section 203 of the DGCL may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our certificate of incorporation authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series and to cause the issuance of additional shares of our stock. These provisions, as well as other provisions of our certificate of incorporation and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

OFS Advisor can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

OFS Advisor has the right, under the Investment Advisory Agreement, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If OFS Advisor resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by OFS Advisor and its affiliates, including the expertise of Tamarix LP's management personnel. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations. The inability to access, hire or retain Tamarix LP's management personnel could materially impede Tamarix LP's ability to access the SBA's guaranteed-debenture program until we have resolved this issue to the SBA's satisfaction, or impede our ability to acquire the ownership interests in Tamarix LP or Tamarix GP that we do not already own.

OFS Services can resign from its role as our Administrator under the Administration Agreement, and we may not be able to find a suitable replacement, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

OFS Services has the right to resign under the Administration Agreement, whether we have found a replacement or not. If OFS Services resigns, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and administrative activities is likely to suffer if we are unable to identify and reach an agreement with a service

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provider or individuals with the expertise possessed by OFS Services. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

We will incur significant costs as a result of being a publicly traded company.

As a publicly traded company, we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act and other rules implemented by the SEC.

Efforts to comply with Section 404 of the Sarbanes-Oxley Act will involve significant expenditures, and non-compliance with Section 404 of the Sarbanes-Oxley Act may adversely affect us and the market price of our common stock.

Under current SEC rules, beginning with our fiscal year ending December 31, 2013, we will be required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and related rules and regulations of the SEC. We will be required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting.

As a result, we expect to incur additional expenses in the near term that may negatively impact our financial performance and our ability to make distributions. This process also will result in a diversion of management's time and attention. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations, and we may not be able to ensure that the process is effective or that our internal control over financial reporting is or will be effective in a timely manner. In the event that we are unable to maintain or achieve compliance with Section 404 of the Sarbanes-Oxley Act and related rules, we and the market price of our common stock may be adversely affected.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is highly dependent on the communications and information systems of OFS Advisor and its affiliates. Any failure or interruption of such systems could cause delays or other problems in our activities. This, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Risks Related to Our Investments

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies are susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing our investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger

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cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, lenders in certain cases can be subject to lender liability claims for actions taken by them when they become too involved in the borrower's business or exercise control over a borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken if we render significant managerial assistance to the borrower. Furthermore, if one of our portfolio companies were to file for bankruptcy protection, even though we may have structured our investment as senior secured debt, depending on the facts and circumstances, including the extent to which we provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to claims of other creditors.

Current market conditions have materially and adversely affected debt and equity capital markets in the United States and around the world.

Beginning in 2007 and continuing into 2012, the global capital markets have experienced a period of disruption resulting in increasing spreads between the yields realized on riskier debt securities and those realized on risk-free securities and a lack of liquidity in parts of the debt capital markets, significant write-offs in the financial services sector relating to subprime mortgages and the re-pricing of credit risk in the broadly syndicated market. These events, along with the deterioration of the housing market, illiquid market conditions, declining business and consumer confidence and the failure of major financial institutions in the United States, led to a general decline in economic conditions. This economic decline has materially and adversely affected the broader financial and credit markets and has reduced the availability of debt and equity capital for the market as a whole and to financial firms in particular. To the extent that we wish to use debt to fund our investments, the debt capital that will be available to us, if at all, may be at a higher cost, and on terms and conditions that may be less favorable, than what we expect, which could negatively affect our financial performance and results. A prolonged period of market illiquidity may cause us to reduce the volume of loans we originate and/or fund below historical levels and adversely affect the value of our portfolio investments, which could have a material and adverse effect on our business, financial condition, and results of operations. The continuation or further deterioration of current market conditions could materially and adversely affect our business.

Our investments in leveraged portfolio companies may be risky, and you could lose all or part of your investment.

Investment in leveraged companies involves a number of significant risks. Leveraged companies in which we invest may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold. Such developments may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees that we may have obtained in connection with our investment. In addition, our mezzanine loans are generally subordinated to senior loans and are generally unsecured. As such, other creditors may rank senior to us in the event of an insolvency. Smaller leveraged companies also may have less predictable operating results and may require substantial additional capital to support their operations, finance their expansion or maintain their competitive position.

Investing in our securities may involve an above-average degree of risk.

Historically, substantially all of our investment portfolio consisted of senior secured loans to middle-market companies in the United States. Following this offering, we intend to expand into additional asset classes, including investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities, which may result in a higher amount of risk than alternative investments, volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our securities may not be suitable for someone with lower risk tolerance.

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Our investments in private and middle-market portfolio companies are risky, and you could lose all or part of your investment.

Investment in private and middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and we expect to rely on the ability of OFS Advisor's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Middle-market companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of our realizing any guarantees we may have obtained in connection with our investment. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. In addition, our executive officers, directors and OFS Advisor may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

The lack of liquidity in our investments may adversely affect our business.

All of our assets may be invested in illiquid securities, and a substantial portion of our investments in leveraged companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than more broadly traded public securities. The illiquidity of these investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we, OFS Advisor, OFSAM or any of its other affiliates have material nonpublic information regarding such portfolio company.

Price declines and illiquidity in the corporate debt markets may adversely affect the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a business development company, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by our board of directors. As part of the valuation process, we may take into account the following types of factors, if relevant, in determining the fair value of our investments:

a comparison of the portfolio company's securities to publicly traded securities;

the enterprise value of a portfolio company;

the nature and realizable value of any collateral;

the portfolio company's ability to make payments and its earnings and discounted cash flow;

the markets in which the portfolio company does business; and

changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. We record decreases in the market

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values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition and results of operations.

We have not yet identified the portfolio company investments we will acquire using the proceeds of this offering.

We have not yet identified additional potential investments for our portfolio that we will acquire with the proceeds of this offering. Privately negotiated investments in illiquid securities or private middle-market companies require substantial due diligence and structuring, and we cannot assure you that we will achieve our anticipated investment pace. As a result, you will be unable to evaluate any future portfolio company investments prior to purchasing our shares of common stock. Additionally, OFS Advisor will select our investments subsequent to the closing of this offering, and our stockholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in our common stock.

During this period, we will invest these amounts in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. We expect these temporary investments to earn yields substantially lower than the income that we expect to receive in respect of investments in junior debt securities. As a result, any distributions we make during this period may be substantially smaller than the distributions that we expect to pay when our portfolio is fully invested.

We will be a non-diversified investment company within the meaning of the 1940 Act, and therefore we will not be limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We will be classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we will not be limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our asset diversification requirements as a RIC under the Code, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Our portfolio may be concentrated in a limited number of portfolio companies and industries, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt instruments or if there is a downturn in a particular industry.

Although we believe our portfolio is well-diversified across companies and industries, our portfolio is and may in the future be concentrated in a limited number of portfolio companies and industries. Beyond the asset diversification requirements associated with our qualification as a RIC under the Code, we do not have fixed guidelines for diversification. As a result, the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Additionally, while we are not targeting any specific industries, our investments may be concentrated in relatively few industries. As a result, a downturn in any particular industry in which we are invested could also significantly impact the aggregate returns we realize.

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We may hold the debt securities of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings.

Although we generally do not expect to make investments in companies or securities that OFS Advisor determines to be distressed investments, we may hold debt securities of leveraged companies that may, due to the significant volatility of such companies, enter into bankruptcy proceedings or experience similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to a liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, our influence with respect to the class of securities or other obligations we own may be lost by increases in the number and amount of claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as follow-on investments, in seeking to:

increase or maintain in whole or in part our position as a creditor or equity ownership percentage in a portfolio company;

exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or

preserve or enhance the value of our investment.

We have discretion to make follow-on investments, subject to the availability of capital resources. Failure on our part to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our level of risk, because we prefer other opportunities or because we are inhibited by compliance with business development company requirements or the desire to maintain our RIC status. Our ability to make follow-on investments may also be limited by OFS Advisor's allocation policy.

Because we generally do not hold controlling equity interests in our portfolio companies, we may not be able to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

Although we may do so in the future, we generally do not hold controlling equity positions in our portfolio companies. As a result of not holding controlling equity interests in our portfolio companies, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and that the management and/or stockholders of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments. In addition, as a result of the WM 2012 Credit Facility Amendments, we have substantial additional input into certain key management decisions with respect to OFS Capital WM's portfolio companies, including decisions with respect to amendments to or modifications of the

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investments in these entities, or noticing or waiving of defaults or accelerating portfolio loans. While the loan manager for OFS Capital WM is not required to follow our recommendations, if we make a recommendation with which the loan manager disagrees, the loan manager must at our direction commence a process to sell the applicable investment, subject to our right to control the negotiations for such sale and to suspend any such sales process.

Defaults by our portfolio companies will harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets. This could trigger cross-defaults under other agreements and jeopardize such portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We intend to invest a substantial portion of our capital in senior secured, unitranche, second-lien and mezzanine loans issued by our portfolio companies. The portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share any distributions on an equal and ratable basis with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Additionally, certain loans that we make to portfolio companies may be secured on a second-priority basis by the same collateral securing senior secured debt of such companies. The first-priority liens on the collateral will secure the portfolio company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the portfolio company under the agreements governing the loans. The holders of obligations secured by first-priority liens on the collateral will generally control the liquidation of, and be entitled to receive proceeds from, any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of all of the collateral would be sufficient to satisfy the loan obligations secured by the second-priority liens after payment in full of all obligations secured by the first-priority liens on the collateral. If such proceeds were not sufficient to repay amounts outstanding under the loan obligations secured by the second-priority liens, then we, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the portfolio company's remaining assets, if any.

The rights we may have with respect to the collateral securing the loans we make to our portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that we enter into with the holders of such senior debt. Under a typical intercreditor agreement, at any time that obligations that have the benefit of the first-priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first-priority liens:

the ability to cause the commencement of enforcement proceedings against the collateral;

the ability to control the conduct of such proceedings;

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the approval of amendments to collateral documents;

releases of liens on the collateral; and

waivers of past defaults under collateral documents.

We may not have the ability to control or direct such actions, even if our rights are adversely affected.

We may also make unsecured loans to portfolio companies, meaning that such loans will not benefit from any interest in collateral of such companies. Liens on such portfolio companies' collateral, if any, will secure the portfolio company's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the portfolio company under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before us. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy our unsecured loan obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then our unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company's remaining assets, if any.

If we make subordinated investments, the obligors or the portfolio companies may not generate sufficient cash flow to service their debt obligations to us.

We may make subordinated investments that rank below other obligations of the obligor in right of payment. Subordinated investments are subject to greater risk of default than senior obligations as a result of adverse changes in the financial condition of the obligor or in general economic conditions. If we make a subordinated investment in a portfolio company, the portfolio company may be highly leveraged, and its relatively high debt-to-equity ratio may create increased risks that its operations might not generate sufficient cash flow to service all of its debt obligations.

The disposition of our investments may result in contingent liabilities.

We currently expect that a significant portion of our investments will involve private securities. In connection with the disposition of an investment in private securities, we may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. We may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate or with respect to potential liabilities. These arrangements may result in contingent liabilities that ultimately result in funding obligations that we must satisfy through our return of distributions previously made to us.

Our base management fee may induce OFS Advisor to cause us to incur leverage.

Our base management fee is payable based upon our total assets, other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity. This fee structure may encourage OFS Advisor to cause us to borrow money to finance additional investments. Under certain circumstances, the use of borrowed money may increase the likelihood of default, which would disfavor holders of our common stock, including investors in the common stock offered by this prospectus. Given the subjective nature of the investment decisions made by OFS Advisor on our behalf, our board of directors may not be able to monitor this potential conflict of interest effectively.

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Our incentive fee may induce OFS Advisor to make certain investments, including speculative investments.

The incentive fee payable by us to OFS Advisor may create an incentive for OFS Advisor to make investments on our behalf that are riskier or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to OFS Advisor is determined may encourage OFS Advisor to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor our stockholders, including investors in this offering.

OFS Advisor receives an incentive fee based, in part, upon net capital gains realized on our investments. Unlike that portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, OFS Advisor may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, and, to the extent we so invest, will bear our ratable share of any such investment company's expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to OFS Advisor with respect to the assets invested in the securities and instruments of other investment companies. With respect to each of these investments, each of our stockholders will bear his or her share of the management and incentive fee of OFS Advisor as well as indirectly bearing the management and performance fees and other expenses of any investment companies in which we invest. For example, by virtue of our investment in OFS Capital WM, our stockholders indirectly incur management fees payable to the loan manager of the OFS Capital WM portfolio.

Our board of directors is charged with protecting our interests by monitoring how OFS Advisor addresses these and other conflicts of interests associated with its management services and compensation. While our board of directors is not expected to review or approve each borrowing or incurrence of leverage, our independent directors will periodically review OFS Advisor's services and fees. In connection with these reviews, our independent directors will consider whether our fees and expenses (including those related to leverage) remain appropriate.

OFS Advisor's liability will be limited under the Investment Advisory Agreement, and we have agreed to indemnify OFS Advisor against certain liabilities, which may lead OFS Advisor to act in a riskier manner on our behalf than it would when acting for its own account.

Under the Investment Advisory Agreement, OFS Advisor will not assume any responsibility to us other than to render the services called for under that agreement, and it will not be responsible for any action of our board of directors in following or declining to follow OFS Advisor's advice or recommendations. Under the terms of the Investment Advisory Agreement, OFS Advisor and its and its affiliates' respective officers, directors, members, managers, stockholders and employees will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of such person's duties under the Investment Advisory Agreement. In addition, we have agreed to indemnify OFS Advisor and its and its affiliates' respective officers, directors, members, managers, stockholders and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person's duties under the Investment Advisory Agreement. These protections may lead OFS Advisor to act in a riskier manner when acting on our behalf than it would when acting for its own account.

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The 1940 Act generally requires that 70% of our investments be in issuers each of whom is organized under the laws of, and has its principal place of business in, any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands or any other possession of the United States. Our investment strategy does not presently contemplate investments in securities of non-U.S. companies. We expect that these investments would focus on the same junior debt securities investments that we intend to make in U.S. middle-market companies and accordingly would be complementary to our overall strategy and enhance the diversity of our holdings. Investing in securities of emerging market issuers involves many risks, including economic, social, political, financial, tax and security conditions in the emerging market, potential inflationary economic environments, regulation by foreign governments, different accounting standards and political uncertainties. Economic, social, political, financial, tax and security conditions also could negatively affect the value of emerging market companies. These factors could include changes in the emerging market government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to the emerging market companies or investments in their securities and the possibility of fluctuations in the rate of exchange between currencies.

Engaging in either hedging transactions or investing in foreign securities would entail additional risks to our stockholders. We could, for example, use instruments such as interest rate swaps, caps, collars and floors and, if we were to invest in foreign securities, we could use instruments such as forward contracts or currency options and borrow under a credit facility in currencies selected to minimize our foreign currency exposure. In each such case, we generally would seek to hedge against fluctuations of the relative values of our portfolio positions from changes in market interest rates or currency exchange rates. Hedging against a decline in the values of our portfolio positions would not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of the positions declined. However, such hedging could establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions could also limit the opportunity for gain if the values of the underlying portfolio positions increased. Moreover, it might not be possible to hedge against an exchange rate or interest rate fluctuation that was so generally anticipated that we would not be able to enter into a hedging transaction at an acceptable price.

While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates could result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged could vary. Moreover, for a variety of reasons, we might not seek to establish a perfect correlation between the hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation could prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it might not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities would likely fluctuate as a result of factors not related to currency fluctuations.

We may not realize gains from our equity investments.

When we invest in senior secured, unitranche, second-lien and mezzanine loans, we may acquire warrants or other equity securities of portfolio companies as well. We may also invest in equity securities directly. To the extent we hold equity investments, except as described below, we will attempt to dispose of them and realize gains upon our disposition of them. However, the equity interests we receive may not appreciate in value and may decline in value. As a result, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. In the case of OFS Capital WM, our wholly-owned subsidiary, we will not receive direct benefits from the sale of assets in its portfolio. Rather, our return on our investment in such assets will depend on the ability of OFS Capital WM's loan portfolio to generate cash flow in excess of payments required to be made to other parties under the terms of the WM Credit Facility documentation and distribution of the excess to us.

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Risks Relating to This Offering

We cannot assure you that we will be able to deploy the proceeds of this offering within the timeframe we have contemplated.

We anticipate that substantially all of the net proceeds of this offering to be invested in portfolio companies in accordance with our investment objective will be invested within six months after the completion of this offering. We cannot assure you, however, that we will be able to locate a sufficient number of suitable investment opportunities to allow us to deploy those proceeds successfully in that timeframe. To the extent we are unable to invest those proceeds within our contemplated timeframe after the completion of this offering, our investment income and, in turn, our results of operations, will likely be materially adversely affected.

There is a risk that you may not receive distributions or that our distributions may not grow over time and a portion of our distributions may be a return of capital.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. Our ability to pay distributions might be adversely affected by the impact of one or more of the risk factors described in this prospectus. Due to the asset coverage test applicable to us under the 1940 Act as a business development company, we may be limited in our ability to make distributions.

Investing in our common stock may involve an above-average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive and, therefore, an investment in our common stock may not be suitable for someone with lower risk tolerance.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock that will prevail in the market after this offering may be higher or lower than the price you pay and may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which is not necessarily related to the operating performance of these companies;

changes in regulatory policies or tax guidelines, particularly with respect to RICs, SBICs or business development companies;

failure to qualify for treatment as a RIC or loss of RIC or business development company status;

failure of Tamarix LP to maintain its status as an SBIC;

changes or perceived changes in earnings or variations in operating results;

changes or perceived changes in the value of our portfolio of investments;

changes in accounting guidelines governing valuation of our investments;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

departure of OFS Advisor s, OFSC s or any of their affiliates key personnel;

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operating performance of companies comparable to us;

general economic trends and other external factors; and

loss of a major funding source.

We may allocate the net proceeds from this offering in ways with which you may disagree.

We will have significant flexibility in investing the net proceeds of this offering and may use the net proceeds from this offering in ways with which you may disagree or for purposes other than those contemplated at the time of the offering. We will also pay operating expenses, and may pay other expenses such as due diligence expenses of potential new investments, from net proceeds. Our ability to achieve our investment objective may be limited to the extent that net proceeds of our initial public offering, pending full investment, are used to pay operating expenses.

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that a market for our common stock will develop or that the market price of shares of our common stock will not decline following the offering.

We cannot assure you that a trading market will develop for our common stock after this offering or, if one develops, that such trading market can be sustained. We have applied to have our common stock listed on The Nasdaq Global Market, but we cannot assure you that our application will be approved. In addition, we cannot predict the prices at which our common stock will trade. The initial public offering price for our common stock will be determined through our negotiations with the underwriters and may not bear any relationship to the market price at which it may trade after our initial public offering. Shares of companies offered in an initial public offering often trade at a discount to the initial offering price due to underwriting discounts and commissions and related offering expenses. Also, shares of closed-end investment companies, including business development companies, frequently trade at a discount from their net asset value and our stock may also be discounted in the market. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share of common stock may decline. We cannot predict whether our common stock will trade at, above or below net asset value. The risk of loss associated with this characteristic of closed-end management investment companies may be greater for investors expecting to sell shares of common stock purchased in the offering soon after the offering. In addition, if our common stock trades below its net asset value, we will generally not be able to sell additional shares of our common stock to the public at its market price without first obtaining the approval of a majority of our stockholders (including a majority of our unaffiliated stockholders) and our independent directors for such issuance.

Investors in this offering may experience immediate dilution upon the closing of the offering.

If you purchase shares of our common stock in this offering, you may experience immediate dilution if the price that you pay is greater than the pro forma net asset value per share of the common stock you acquire. Investors in this offering could pay a price per share of common stock that exceeds the tangible book value per share after the closing of the offering. Assuming an initial public offering price of \$ _____ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus) and assuming no exercise of the underwriters' option to purchase additional shares of our common stock, you likely will not experience immediate dilution.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus 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, 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 inexperience operating a business development company or an SBIC, or qualifying as a RIC;

our dependence on key personnel;

our ability to maintain or develop referral relationships;

the administration of OFS Capital WM's portfolio by an unaffiliated loan manager;

our ability to replicate historical results;

the ability of OFS Advisor to identify, invest in and monitor companies that meet our investment criteria;

actual and potential conflicts of interest with OFS Advisor and other affiliates of OFSAM;

constraint on investment due to access to material nonpublic information;

restrictions on our ability to enter into transactions with our affiliates;

our ability to obtain the necessary approvals of the SBA in connection with our proposed acquisition of the ownership interests in Tamarix LP or Tamarix GP that we do not already own;

our receipt of exemptive relief from the SEC to permit us to exclude the debt of Tamarix LP from our asset coverage test;

limitations on the amount of SBA-guaranteed debentures that may be issued by an SBIC;

Tamarix LP's ability to comply with SBA regulations and requirements;

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the use of borrowed money to finance a portion of our investments;

competition for investment opportunities;

our ability to qualify and maintain our qualification as a RIC and as a business development company;

the ability of Tamarix LP, OFS Capital WM and our portfolio companies to make distributions enabling us to meet RIC requirements;

our ability to raise capital as a business development company;

the timing, form and amount of any distributions from our portfolio companies;

the impact of a protracted decline in the liquidity of credit markets on our business;

the general economy and its impact on the industries in which we invest;

uncertain valuations of our portfolio investments; and

the effect of new or modified laws or regulations governing our operations.

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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, the forward-looking statements based on those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include, among other things, those described or identified in Risk Factors and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. The forward-looking statements and projections contained in this prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of _____ shares of our common stock in this offering will be approximately \$ _____ million (or approximately \$ _____ million if the underwriters exercise their option to purchase additional shares of our common stock), assuming an initial public offering price of \$ _____ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus), after deducting the underwriting discounts and commissions and estimated offering expenses of approximately \$ _____ payable by us. The net proceeds amounts assume that no shares of our common stock are sold to certain investors with whom we or our affiliates have an existing relationship, with respect to which the underwriters have agreed to waive the underwriting discounts and commissions. See Underwriting.

We intend to use the net proceeds of this offering, together with cash on hand, to repay \$ _____ million of outstanding indebtedness under the WM Credit Facility and to use the remaining net proceeds, if any, to invest in portfolio companies in accordance with our investment objective and the strategies described in this prospectus, including through OFS Capital WM and Tamarix LP, and for general corporate purposes. The WM Credit Facility indebtedness to be repaid includes \$ _____ of class A loans and \$ _____ of class B loans. Outstanding class A loans accrue interest at a rate per annum equal to LIBOR plus 2.75% (or 4.75% if an event of default has occurred). Outstanding class B loans accrue interest at a rate per annum equal to LIBOR plus 6.50% (or 8.50% if an event of default has occurred). The class A loans and the class B loans mature on December 31, 2016, which maturity date will be extended by one year if the reinvestment period is extended by one year. We may also pay other operating expenses, such as due diligence expenses of potential new investments, from the net proceeds of this offering. We intend to use substantially all of the net proceeds of this offering for the above purposes within six months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. We cannot assure you we will achieve our targeted investment pace.

Pending such investments, we will invest the remaining net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See Regulation Temporary Investments for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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DISTRIBUTIONS

Subsequent to the completion of this offering, and to the extent we have income and cash available, we intend to distribute quarterly dividends to our stockholders, beginning with the first calendar quarter after the completion of this offering. Our quarterly dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution.

On _____, 2012, our board of directors declared a dividend of \$ _____ per share payable on _____, 2012 to stockholders of record on _____, 2012. The amount of any such distribution will be proportionately reduced to reflect the number of days remaining in the quarter after the completion of this offering. Shares offered in this prospectus will be entitled to receive this dividend payment. We anticipate that this dividend will be paid from income generated primarily by interest and dividend income earned on our investment portfolio. The specific tax characteristics of the dividend will be reported to stockholders after the end of the calendar year.

We intend to elect to be treated, and intend to qualify annually thereafter, as a RIC under the Code, beginning with our taxable year ending December 31, 2012. To obtain and maintain RIC tax treatment, we must distribute at least 90% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of: (a) 98% of our net ordinary income for such calendar year; (b) 98.2% of our capital gain net income (i.e., the excess of the gains from sales or exchanges of capital assets over the losses from such sales or exchanges) for the one-year period ending on October 31 of that calendar year reduced by our net ordinary loss for the calendar year (but not below our net capital gain for the one-year period ending on October 31 of that calendar year) or, if we have a taxable year that ends with the month of November or December and so elect, 98.2% of our capital gain net income for the calendar year reduced by our net ordinary loss for the calendar year (but not below our net capital gain for the calendar year); and (c) any net ordinary income and net capital gains for preceding years that were not distributed during such years and on which we previously paid no U.S. federal income tax.

We also intend to distribute net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually out of the assets legally available for such distributions. However, we may decide in the future to retain such capital gains for investment and elect to treat such gains as deemed distributions to you. If this happens, you will be treated for U.S. federal income tax purposes as if you had received an actual distribution of the capital gains that we retain and reinvested the net after tax proceeds in us. In this situation, you would be eligible to claim a tax credit (or, in certain circumstances, a tax refund) equal to your allocable share of the tax we paid on the capital gains deemed distributed to you. See Material U.S. Federal Income Tax Considerations. We cannot assure you that we will achieve results that will permit us to pay any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so would cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if such distributions are limited by the terms of any of our borrowings. Additionally, we may be limited in our ability to make distributions if we do not receive distributions from our subsidiaries and portfolio companies (including Tamarix LP and OFS Capital WM). OFS Capital WM is managed by an unaffiliated loan manager pursuant to the WM Credit Facility documentation, which prescribes the order in which payments are to be applied and contains other contractual restrictions. We cannot assure you that OFS Capital WM will make distributions to us. Tamarix LP may also be limited in its ability to make distributions to us if it does not have sufficient accumulated net profit, in accordance with SBA regulations. If we do not receive distributions from our subsidiaries, our ability to make distributions may be limited.

Unless you elect to receive your dividends in cash, we intend to make such distributions in additional shares of our common stock under our dividend reinvestment plan. Although distributions paid in the form of additional shares of our common stock will generally be subject to U.S. federal taxes in the same manner as cash distributions, investors participating in our dividend reinvestment plan will not receive any corresponding cash distributions with which to pay any such applicable taxes. If you hold shares of our common stock in the name of

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a broker or financial intermediary, you should contact such broker or financial intermediary regarding your election to receive distributions in cash in lieu of shares of our common stock. Any dividends reinvested through the issuance of shares through our dividend reinvestment plan will increase our assets on which the base management fee and the incentive fee are determined and paid to OFS Advisor. See Dividend Reinvestment Plan.

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THE BDC CONVERSION

Immediately prior to the date of this prospectus and our election to be treated as a business development company, we will complete a conversion pursuant to which, by operation of law, OFS Capital Corporation will succeed to the business of OFS Capital, LLC and its consolidated subsidiaries, and OFSAM, the sole member of OFS Capital, LLC will become the sole stockholder of OFS Capital Corporation. The entity issuing and selling shares of common stock to investors in this offering is OFS Capital Corporation. Upon completion of this offering, OFSAM will own an interest of approximately % in us.

Our election prior to the completion of this offering to be treated as a business development company under the 1940 Act will require us to change some of the accounting principles used to prepare our consolidated financial statements. After the business development company election, our consolidated financial statements will be prepared in accordance with Article 6 of Regulation S-X, which, among other things, will require us to report our portfolio investments at fair value with changes in value reported through our consolidated financial statements. Additionally, the business development company election will result in changes in the way we manage our business and our capital structure, including the amount of our borrowings. Accordingly, our historical consolidated balance sheet and statement of income may not be indicative of our financial condition and results of operations after we make the election. Please refer to Unaudited Pro Forma Condensed Combined Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus for detailed analysis and discussion of how this business development company election will impact our December 31, 2011 and June 30, 2012 historical consolidated financial statements.

In addition, for tax purposes, we intend to elect to be treated as a RIC under the Code.

Table of Contents**CAPITALIZATION**

The following table sets forth:

the actual consolidated capitalization of OFS Capital, LLC at June 30, 2012;

the pro forma consolidated capitalization of OFS Capital Corporation at June 30, 2012, giving effect to the pro forma adjustments discussed in more detail below under Unaudited Pro Forma Condensed Combined Financial Statements ; and

the pro forma consolidated capitalization of OFS Capital Corporation at June 30, 2012, as adjusted to reflect the sale of shares of our common stock in this offering at an assumed initial public offering price of \$ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus) after deducting the underwriting discounts and commissions and estimated offering expenses of approximately \$ million payable by us and application of the net proceeds as discussed in more detail under Use of Proceeds.⁽¹⁾

You should read this table together with Unaudited Pro Forma Condensed Combined Financial Statements and Use of Proceeds and the consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

	As of June 30, 2012 (unaudited)		
	OFS Capital, LLC Actual	OFS Capital Corporation Pro Forma	OFS Capital Corporation As Adjusted
	(dollars in thousands)		
Assets:			
Cash and cash equivalents	\$ 13,592	\$ 15,100	\$
Restricted cash and cash equivalents	623	623	
Investments, at fair value	204,599	187,800	
Equity investment in Tamarix LP		4,703	
Interest receivable and other assets	626	580	
Deferred offering costs	4,831	4,831	
Deferred financing costs	2,795	3,169	
Total assets	\$ 227,066	\$ 216,806	\$
Liabilities:			
Revolving line of credit - Wells Fargo	129,708	129,708	
Revolving line of credit - Madison Capital	25,328	25,328	
Interest payable	1,473	1,473	
Management fee payable	591	314	
Due to affiliated entities, net	7,334		
Accrued expenses and other liabilities	4,215	4,257	
Total liabilities	168,649	161,080	
Member s Equity:			
Member s interest	57,075		N/A
Non-controlling interests	1,342		

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Total member s equity	58,417		
Stockholders Equity:			
Common stock, par value \$0.01 per share; shares authorized;			
shares issued and outstanding, pro forma	\$	\$	\$
Capital in excess of par		55,726	
Total liabilities and member s/stockholders equity	\$ 227,066	\$ 216,806	
Pro forma net asset value		\$ 55,726	\$

- (1) The net proceeds amount assumes that no shares of our common stock are sold to certain investors with whom we or our affiliates have an existing relationship, with respect to which the underwriters have agreed to waive the underwriting discounts and commissions. See Underwriting.

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DILUTION

The dilution to investors in this offering is represented by the difference between the offering price per share and the pro forma net asset value per share after this offering. Net asset value per share is determined by dividing our net asset value, which is our total tangible assets less total liabilities, by the number of outstanding shares of common stock.

Prior to consummation of the BDC Conversion, we had one limited liability company interest outstanding. Our net asset value as of June 30, 2012 was approximately \$58.4 million. Our pro forma net asset value at June 30, 2012 was \$55.7 million, or approximately \$ per share of common stock, after giving effect to the BDC Conversion. After giving effect to the sale of shares to be sold in this offering at an assumed initial public offering price of \$ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus), the deduction of discounts and estimated expenses of this offering payable by us, and the application of the net proceeds as discussed in more detail under Use of Proceeds, our pro forma net asset value would have been approximately \$ million, or \$ per share. Therefore, assuming an initial public offering price of \$ per share and assuming no exercise of the underwriters option to purchase additional shares of our common stock, purchasers in this offering likely will not experience immediate dilution.

The following table illustrates the dilution to the shares on a per share basis:

Assumed initial public offering price per share	\$
Pro forma net asset value per share before this offering but after BDC Conversion	
Decrease in net asset value per share attributable to new stockholders in this offering	\$
Adjusted pro forma net asset value per share after the completion of the BDC Conversion and this offering	\$
Dilution (accretion) per share to new stockholders (without exercise of the underwriters option to purchase additional shares of our common stock)	\$
If the underwriters exercise their option to purchase additional shares of our common stock in this offering, the adjusted pro forma net asset value per share after this offering would be \$ per share, the decrease in the pro forma net asset value per share to existing stockholders would be \$ per share and the dilution to new stockholders purchasing shares in this offering would be \$ per share.	

The following table summarizes, as of June 30, 2012, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share (a) paid by OFSAM after giving effect to the BDC Conversion and (b) to be paid by new investors purchasing shares of common stock in this offering at the initial public offering price of \$ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus), before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
Existing stockholder		%	\$	%	\$
New stockholders					
Total		%	\$	%	\$

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You should read the following selected consolidated historical financial data below in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes and other financial information included in this prospectus. The selected financial data in this section is not intended to replace the consolidated financial statements and is qualified in its entirety by the consolidated financial statements and related notes included in this prospectus.

We derived the selected consolidated financial data for the years ended December 31, 2011 and 2010 from our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus. We derived the selected consolidated financial data for the years ended December 31, 2009 and 2008 from our audited consolidated financial statements and related notes, which are not included in this prospectus. We derived the selected consolidated financial data for the year ended December 31, 2007 from our unaudited consolidated financial statements and related notes, which are not included in this prospectus. We derived the selected consolidated financial data for the six months ended June 30, 2011 and 2012 from our unaudited consolidated financial statements and related notes, which are included elsewhere in this prospectus. In the opinion of management, the unaudited consolidated financial statements presented include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the information set forth therein.

Our anticipated election to be treated as a business development company under the 1940 Act and to be treated as a RIC under the Code will require us to change some of the accounting principles used to prepare our consolidated financial statements. These matters also will result in changes in the presentation of our financial statements. Additionally, these elections will result in changes in the way we manage our business and our capital structure, including the amount of our borrowings. Accordingly, our historical consolidated balance sheet and statement of income may not be indicative of our financial condition and results of operations after we make these elections. See the section of this prospectus entitled "Unaudited Pro Forma Condensed Combined Financial Statements."

	Six Months Ended June 30,		Years Ended December 31,				2007
	2012	2011	2011	2010	2009(8)	2008	(unaudited)
	(unaudited)	(unaudited)					
	(dollars in thousands)						
Interest and fees on loans	\$ 5,103	\$ 989	\$ 1,772	\$ 10,253	\$ 16,812	\$ 25,811	\$ 44,606
Other interest income					711	2,659	8,875
Dividend income	59						
Interest expense	1,445	831	831	3,654	7,131	19,594	40,987
Net interest income	3,717	158	941	6,599	10,392	8,876	12,494
Provision for loan losses (recovery)		(705)	(199)	(2,390)	6,886	23,754(11)	5,570
Net interest income after loan loss provision (recovery)	3,717	863	1,140	8,989	3,506	(14,878)	6,924
Other income (expense)							
Management fee income - related party(1)					4,575	4,499	4,445
Realized gain (loss) on sale of assets	(1,165)	(889)	(889)	(1,641)	6,030	(2,111)	2,570
Cancellation of debt income						189,525(12)	
Write-down of structured securities and impairment of other equity investments					(819)		
Amortization and write-off of deferred closing financing costs	(143)			(1,500)(7)	(3,058)(9)	(7,627)(13)	(688)
Income (loss) from equity interest in OFS Capital WM and Tamarix GP	2,642	1,480	(638)	2,353			
Fee and other income		89	89	389	1,794	2,561	3,869
Management fee expense - related parties(2)	(1,440)	(744)	(1,365)	(1,850)			
Net change in unrealized depreciation on investments	(939)						
Unrealized gain (loss) on warrants		(156)	(156)	19	0	0	0
Gain (loss) on payable under securities loan agreement		71	71	(1,058)			
Total other income (expense), net	(1,045)	(149)	(2,888)	(3,288)	8,522	186,847	10,196
Operating expenses	781	237	439	462	8,806	8,602	12,506
Income (loss) before income tax expense (benefit)	1,891	477	(2,187)	5,239	3,222	163,367	4,614

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Income tax expense (benefit)					(36)	53	363
Net income (loss) before cumulative effect of accounting change	1,891	477	(2,187)	5,239	3,258	163,314	4,251
Cumulative effect of accounting change	570						
Net loss attributable to non-controlling interests	(29)						
Net income (loss) attributable to OFS Capital	\$ 2,490	\$ 477	\$ (2,187)	\$ 5,239	\$ 3,258	\$ 163,314	\$ 4,251

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	As of June 30,				As of December 31,		
	2012	2011	2011	2010	2009(8)	2008	2007
	(unaudited)	(unaudited)					(unaudited)
	(dollars in thousands)						
Selected Period-End Balances:							
Loans receivable	\$	\$ 8,532	\$ 14,023	\$ 4,621	\$ 236,147(10)	\$ 290,680(10)	\$ 415,679
Loans receivable pledged to creditors(3)				82,680			
Debt and equity investments, at fair value	204,599						
Cash and cash equivalents	13,592	2,880	814	942	7,373	35,611	234,005
Investments in equity and structured securities(4)		57,649	45,575	64,949	53	41,520	40,293
Total assets	227,066	73,637	64,914	154,070	228,549	352,480	698,519
Payable under securities loan agreement(3)				81,351			
Borrowings	155,036				113,208	224,523	708,721
Members' equity (deficit)	58,417	69,999	54,719	69,522	111,350	125,037	(21,476)
Selected Average Balances (unaudited):							
Loans receivable and loans receivable pledged to creditors(3)	7,012	47,917	50,662	161,724	263,414	353,180	413,097
Debt and equity investments, at fair value	102,300						
Total assets	145,990	113,854	109,492	191,310	290,515	525,500	654,639
Borrowings	77,518			56,604	168,866	466,622	663,617
Members' equity (deficit)	56,568	69,761	62,121	90,436	118,194	51,781	(19,525)
Operating Ratios and Other Data (unaudited):							
Average annualized yield on investment portfolio(5)	8.61%	11.47%	8.36%	5.93%	6.38%	7.31%	10.80%
Number of portfolio companies (at period end)(6)	49	45	51	38	60	79	108

- (1) This represents the fees we generated from managing a CLO prior to December 31, 2009. As a result of certain reorganization activities we undertook in 2009, we assigned our management rights of the CLO to OFSAM. Effective January 1, 2010, we no longer generate any management fee from this CLO.
- (2) Commencing September 28, 2010, this represents the management fee incurred by OFS Capital to OFS Advisor (also a wholly-owned subsidiary of OFSAM) for management services provided by OFS Advisor. Prior to September 28, 2010, this represents servicing fees incurred by OFS Funding to OFSAM for the period January 1, 2010 through September 28, 2010, which were paid off on September 28, 2010.
- (3) Based on the terms of the WM Credit Facility as of December 31, 2010, we were required under generally accepted accounting principles to account for the transfer of assets at September 28, 2010 in connection with the OFS Capital WM Closing as a secured borrowing and not as a sale of those assets. As a result, as of December 31, 2010, we recorded \$82,680 in loans receivable pledged to creditors net of allowance of \$1,417 in respect of the loans sold to OFS Capital WM at September 28, 2010 and we recorded a payable to OFS Capital WM in the amount of \$81,351. This secured borrowing accounting treatment also accounts for the reduction in loans receivable from 2009 to 2010. In February 2011, OFS Capital WM effected the WM 2011 Credit Facility Amendments, which resulted in sale accounting with respect to those assets transferred at September 28, 2010 on a go forward basis. Accordingly, our December 31, 2011 and future consolidated balance sheets will not include entries with respect to loans receivable pledged to creditors and payable under securities loan agreement.
- (4) Includes, as of December 31, 2011 and 2010, equity interests in OFS Capital WM of \$43,120 and \$60,107 respectively. Our interest in Vidalia described below was sold in June 2009. Our investments in structured securities were transferred to our affiliate as a result of certain reorganization activities we undertook in 2009. At December 31, 2009, we only had a minimal amount of equity investments recorded on our consolidated balance sheet. In January and July 2010, we received equity interests from our borrowers during loan restructurings, which were valued at \$6,221 at the time of the restructuring. On September 28, 2010, in connection with the 2010 Distribution, we distributed equity interests to OFSAM in the amount of \$1,533. On September 30, 2011, we distributed equity interests to OFSAM in the amount of \$4,688. In September and November 2011, Tamarix LP acquired equity interests in borrowers in connection with its loan originations in the amount of \$2,455.
- (5) The average annualized yield on investment portfolio is computed as the (a) total interest and fees on loans receivable and debt investments divided by (b) the average loans receivable and debt investments at cost. The averaged annualized yields on our investment portfolio as of December 31, 2011 and 2010 and as of June 30, 2011 give pro forma effect to the WM Consolidation Adjustments as described elsewhere in this prospectus. The average annualized yield on our

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investment portfolio as of June 30, 2012 also gives pro forma effect to the consolidation of the statement of operations of OFS Capital WM for the three months ended March 31, 2012.

- (6) The number of portfolio companies for the years ended December 31, 2011 and 2010 and for the six months ended June 30, 2011 gives pro forma effect to the WM Consolidation Adjustments as described elsewhere in this prospectus.
- (7) In 2010, as a result of the repayment in full of all amounts outstanding under the Old Credit Facility, we wrote off the \$857 of remaining unamortized deferred financing closing costs under that facility.
- (8) Income statement data for the year ended December 31, 2009 still included operations of our affiliates. As a result of certain reorganization activities we undertook in 2009, we transferred our 100% membership interests in those affiliates to our parent, OFSAM.
- (9) Included a write-off of unamortized deferred financing closing costs of \$2,008 as a result of our voluntary reduction of the Old Credit Facility in 2009.
- (10) The declines in loans receivable at December 31, 2009 and 2008 were primarily due to our limited reinvestment activity and loan payoffs and sales in 2008.

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- (11) Prior to 2008, our allowance for loan losses consisted of only one component, the specific reserve component. Effective for fiscal year 2008, we included a general reserve as a second component of our allowance for loan losses. This amount reflected an additional provision we recorded related to our estimated general reserve on our performing loans as of December 31, 2008 as well as additional specific reserves. Please refer to our significant accounting policies included in our December 31, 2010 consolidated financial statements for our accounting policies related to loan loss allowance.
- (12) This represented income we recognized in 2008 as a result of our subordinated noteholders' forgiveness of a portion of our subordinated debt during our debt refinancing.
- (13) \$6,056 was related to the write-off of unamortized deferred financing closing costs upon our payoff of the old debt during our refinancing.
- (14) Reflects the consolidation of OFS Capital WM's balance sheet effective March 30, 2012.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

We have taken, or will take in connection with the completion of this offering, a number of actions that affect the comparability of our historical financial statements with how we expect to report our financial condition and results of operations going forward. For example, our anticipated election to be treated as a business development company under the 1940 Act and to be treated as a RIC under the Code will require us to change some of the accounting principles used to prepare our consolidated financial statements and will result in changes in the presentation of our financial statements going forward. We refer to these changes collectively as the BDC/RIC Elections Adjustments.

In addition, on September 28, 2010, in connection with the OFS Capital WM Transaction, we sold a substantial portion of our loan portfolio to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration. Based on the terms of the WM Credit Facility, as of December 31, 2010, we were required under generally accepted accounting principles to account for the transfer of assets at September 28, 2010 in connection with the OFS Capital WM Closing as a secured borrowing and not as a sale of those assets. In February 2011, OFS Capital WM effected the WM 2011 Credit Facility Amendments, which resulted in sale accounting with respect to those assets transferred at September 28, 2010 on a go forward basis. We refer to the adjustments related to sale accounting treatment as the Sale Accounting Adjustments. In addition, in March 2012, OFS Capital WM entered into the WM 2012 Credit Facility Amendments pursuant to which we acquired additional rights with respect to the management of the OFS Capital WM portfolio. As a result of this and other factors, we have consolidated the financial statements of OFS Capital WM into our own as of March 30, 2012. We refer to the adjustments related to the consolidation of OFS Capital WM as the WM Consolidation Adjustments. In September 2012, OFS Capital WM entered into certain amendments to its lending arrangements, pursuant to which, among other things, it extended the reinvestment period under the WM Credit Facility and the maturity date of each of the class A loans and the class B loans. In connection with these amendments, OFS Capital WM incurred certain deferred financing costs. We refer to the adjustments made to reflect the incurrence of these deferred financing costs as the WM Credit Facility Amendment Adjustments.

On July 27, 2012, Tamarix LP repaid its loans, together with accrued interest, due to us. In addition, effective July 27, 2012, the three investment professionals of Tamarix GP resigned from our affiliated entity. As a result of this and other factors, we have deconsolidated Tamarix LP's financial statements from our own as of July 27, 2012, and now account for our investment in Tamarix LP under the equity method of accounting. We refer to the adjustments relating to the deconsolidation of Tamarix LP, as well as certain other transactions described in the notes to the unaudited pro forma condensed combined balance sheet, as the Tamarix Adjustments.

In July 2012, we also paid a dividend to OFSAM and repaid certain amounts due to affiliated entities. We refer to the adjustments relating to these payments as the Intercompany Adjustments.

Specifically, the unaudited pro forma condensed combined balance sheet at June 30, 2012 gives effect to the following:

the BDC Conversion, pursuant to which we will convert into a corporation and elect to be treated as a business development company, and changes in our accounting principles as a result of that election, which require all of our investments to be carried at market value, or for investments with no ascertainable market value, fair value as determined in good faith by our board of directors;

our qualification and election to be treated as a RIC, including the income tax consequences of that election, following the completion of this offering;

the WM Credit Facility Amendment Adjustments;

the Tamarix Adjustments; and

the payment of a dividend to OFSAM and the repayment of certain intercompany balances.

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The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2012, gives effect to the BDC/RIC Elections Adjustments as well as the following:

the consolidation of OFS Capital WM's statement of operations into our financial statements (but only for the three months ended March 31, 2012 since we consolidated OFS Capital WM as of March 30, 2012).

In addition, the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2011, gives effect to the BDC/RIC Elections Adjustments as well as the following:

the consolidation of OFS Capital WM's statement of operations for the year ended December 31, 2011 into our financial statements; and

sale accounting treatment with respect to the assets transferred to OFS Capital WM in connection with the closing of the OFS Capital WM Transaction as a result of the WM 2011 Credit Facility Amendments.

The unaudited pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. Presentation of the unaudited pro forma financial information is prepared in conformity with Article 11 of Regulation S-X under the Exchange Act. The historical balance sheet of OFS Capital as of June 30, 2012 has been adjusted to give effect to the BDC/RIC Elections Adjustments, the Tamarix Adjustments, the Intercompany Adjustments and the WM Credit Facility Amendment Adjustments as if the related events took place on June 30, 2012. The historical statement of operations for the six months ended June 30, 2012 has been adjusted to give effect to the BDC/RIC Elections Adjustments and the WM Consolidation Adjustments as if the related events took place on January 1, 2012. In addition, the historical statement of operations for the year ended December 31, 2011 has been adjusted to give effect to the BDC/RIC Elections Adjustments, the WM Consolidation Adjustments and the Sale Accounting Adjustments as if the related events took place on January 1, 2011. The Tamarix Adjustments had no material effect on our historical statement of operations for the six months ended June 30, 2012 or our historical statement of operations for the year ended December 31, 2011.

The unaudited pro forma condensed combined financial information is for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial position that we would have reported had the pro forma adjustments been completed on the dates indicated and should not be taken as representative of our future consolidated results of operations or financial position. The unaudited pro forma condensed combined financial information should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and related notes thereto included elsewhere in this prospectus.

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As of June 30, 2012

(in thousands)

	Historical	Tamarix Adjustments	Intercompany Adjustments	WM Credit Facility Amendment Adjustments	BDC/RIC Elections Adjustments	Pro Forma
Assets						
Cash and cash equivalents	\$ 13,592	\$ (2,969)(1)	\$ (1,558)(3)	\$		\$ 15,100
			(7,334)(4)			
		16,445 (2)				
		(3,243)(2)				
		167 (2)				
Restricted cash and cash equivalents	623					623
Investments, at fair value	204,599	(16,799)(1)				187,800
Loans receivable due from Tamarix LP		16,435 (1)				
		(16,435)(2)				
Equity investment in Tamarix LP		4,703 (1)				4,703
Interest receivable and other assets	626	131 (1)				580
		(10)(2)				
		(167)(2)				
Deferred offering costs	4,831					4,831
Deferred financing costs, net	2,795	(301)(1)		675(5)		3,169
Total assets	\$ 227,066	\$ (2,043)	\$ (8,892)	\$ 675	\$	\$ 216,806
Liabilities						
Revolving line of credit - Wells Fargo	\$ 129,708	\$	\$	\$		\$ 129,708
Revolving line of credit - Madison Capital	25,328					25,328
Interest payable	1,473					1,473
Management fee payable - Loan Manager	314					314
Management fee payable - related party	277	(277)(1)				
Due to affiliated entities, net	7,334		(7,334)(4)			
Subscription payable due to Tamarix LP		3,243 (1)				
		(3,243)(2)				
Accrued expenses and other liabilities	4,215	(633)(1)		675(5)		4,257
Total liabilities	168,649	(910)	(7,334)	675		161,080
Member s capital/stockholders equity						
Member s equity						
Member s interest	57,075	209 (1)	(1,558)(3)			55,726
Non-controlling interests	1,342	(1,342)(1)				
Common stock						
Paid-in capital						
Member s capital/stockholders equity	58,417	(1,133)	(1,558)			55,726
Total liabilities and member s capital/stockholders equity	\$ 227,066	\$ (2,043)	\$ (8,892)	\$ 675	\$	\$ 216,806

See notes to unaudited pro forma condensed combined financial information

Table of Contents**Unaudited Pro Forma Condensed Combined Statement of Operations****For the Six Months Ended June 30, 2012****(in thousands)**

	Historical	WM Consolidation Adjustment	BDC/RIC Elections Adjustment	Pro Forma
Income				
Interest and fees on loans	\$ 5,103	\$ 4,269 (6)		\$ 9,372
Dividend income	59			59
Total interest income	5,162	4,269		9,431
Expenses				
Interest on borrowed funds	1,445	1,730 (6)		3,175
Amortization of deferred financing closing costs	143	143 (6)		286
Management fee expense - OFS Capital Management	710	266 (7)		976
Management fee expense - related party	477			477
Management fee expense - OFS Capital WM Loan Manager	253	267 (6)		520
Directors Fees			145(8)	145
Insurance expense			250(8)	250
Professional fees	403	(2)(6)	450(8)	851
Other administrative expenses	378	34 (6)	288(8)	700
Total expenses	3,809	2,438	1,133	7,380
Income (loss) before net realized and unrealized gain (loss) on investments	1,353	1,831	(1,133)	2,051
Realized and unrealized gain (loss) on investments				
Net realized loss on investment - related party	(1,165)			(1,165)
Unrealized income (loss) from equity investment in OFS Capital WM and Tamarix GP	2,642	(2,645)(6)		(3)
Change in net unrealized gain (loss) on investments	(939)	548 (6)		(391)
Net realized and unrealized gain (loss) on investments	538	(2,097)		(1,559)
Net income (loss) before cumulative effect of accounting change	1,891	(266)	(1,133)	492
Cumulative effect of accounting change	570			570
Net income (loss)	2,461	(266)	(1,133)	1,062
Less: Net loss attributable to the non-controlling interests	(29)			(29)
Net income (loss) attributable to OFS Capital	\$ 2,490	\$ (266)	\$ (1,133)	\$ 1,091

See notes to unaudited pro forma condensed combined financial information

Table of Contents**Unaudited Pro Forma Condensed Combined Statement of Operations****For the Year Ended December 31, 2011****(in thousands)**

	Audited Historical	Sale Accounting Adjustments	WM Consolidation Adjustments	BDC/RIC Elections Adjustments	Pro Forma
Income					
Interest and fees on loans	\$ 1,772	\$ (831)(9a)	\$ 13,576 (10)	\$	\$ 14,517
Expenses					
Interest on borrowed funds	831	(831)(9b)	4,484 (10)		4,484
Amortization of deferred financing closing costs			572 (10)		572
Loan loss provision (recovery)	(199)	266 (9c)		(506)(12)	(439)
Management fee expense - related party	1,365			153 (13)	1,518
Management fee expense - OFS Capital WM Loan Manager			912 (10)		912
Directors Fees				290 (14)	290
Insurance expense				500 (14)	500
Professional fees	151		322 (10)	900 (14)	1,373
Other administrative expenses	288		132 (10)	575 (14)	995
Total expenses	2,436	(565)	6,422	1,912	10,205
Income (loss) before net realized and unrealized gain (loss) on investments	(664)	(266)	7,154	(1,912)	4,312
Realized and unrealized gain (loss) on investments					
Realized gain on payable under securities loan agreement	71	(71)(9d)			
Realized loss on sale of loans to OFS Capital WM	(889)	700 (9f)	189 (11)		
Realized loss on investments			(991)(10)		(991)
Realized loss on investments - related party			(248)(10)		(248)
Unrealized loss from equity investment in OFS Capital WM	(638)	71 (9e)	567 (10)		
Change in net unrealized gain (loss) on loans			(6,482)(10)	761 (12)	(5,721)
Change in net unrealized gain (loss) on equity investments	(156)			164 (12)	8
Other realized gain on loans	89				89
Net realized and unrealized gain (loss) on investments	(1,523)	700	(6,965)	925	(6,863)
Net income (loss)	\$ (2,187)	\$ 434	\$ 189	\$ (987)	\$ (2,551)

See notes to unaudited pro forma condensed combined financial information

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Notes to Unaudited Pro Forma Condensed Combined Balance Sheets and Statements of Operation

Pro Forma Assumptions:

- (1) Represents pro forma adjustments to deconsolidate Tamarix LP's balance sheet from OFS Capital's at June 30, 2012.
- (2) Represents pro forma adjustments in connection with the following July 2012 transactions, as if they took place on June 30, 2012 (a) Tamarix LP's repayment of its loans and accrued interest due to OFS Capital through June 30, 2012 in the total amount of \$16,445; (b) OFS Capital's payment of its subscription payable due to Tamarix LP in the amount of \$3,243, and (c) OFS Capital's receipt of \$167 due from Tamarix LP.
- (3) Represents reduction of our cash and cash equivalents as a result of OFS Capital's payment of a dividend to its parent, OFSAM, in the amount of \$1,558 on July 31, 2012.
- (4) Represents reduction of our cash and cash equivalents as a result of OFS Capital's repayment of intercompany balances in the aggregate amount of \$7,334 on July 31, 2012.
- (5) Represents the incurrence by OFS Capital WM of deferred financing costs in the amount of \$675 in connection with certain amendments to its lending arrangements entered into on September 28, 2012. This amount was accrued for at September 30, 2012 and will be amortized over the term of the WM Credit Facility, as amended.
- (6) Represents pro forma adjustments to consolidate OFS Capital WM's statement of operations for the three months ended March 31, 2012 into OFS Capital's.
- (7) Represents pro forma adjustments to our estimated base management fee assuming the BDC Conversion took place on January 1, 2012. Base management fee for the six months ended June 30, 2012 was calculated at 0.875% per annum of the average value of our total consolidated assets (excluding cash and cash equivalents) at the end of the two most recently completed calendar quarters, in the amount of \$976. We assumed no incentive fee will be charged for the six months ended June 30, 2012 as our pro forma pre-incentive fee net investment income for the six months ended June 30, 2012 did not exceed our hurdle rate of 8.0% per annum. In addition, there would not be any capital gain incentive fee for the six months ended June 30, 2012 as we did not have any capital gains for this period.
- (8) Represents pro forma adjustments to our estimated operating expenses assuming our BDC/RIC elections took place on January 1, 2012.
- (9) Effective February 2011, OFS Capital entered into certain amendments to the OFS WM Credit Facility to permit it to treat the OFS Capital WM Closing as a sale for accounting purposes on a going forward basis. As a result of the WM 2011 Credit Facility Amendments, OFS Capital derecognized the loans receivable pledged to creditors and payable under securities loan agreement from its consolidated balance sheet on February 23, 2011. Under the assumption that the OFS Capital WM Transaction was a sale for accounting purposes effective January 1, 2011, on a pro forma basis, the following represents adjustments to transactions originally recorded under the secured borrowing accounting treatment for the period January 1, 2011 through February 23, 2011:
 - (a) elimination of interest income on loans pledged to creditors in the amount of \$831;
 - (b) elimination of interest expense on payable under securities loan agreement in the amount of \$831;
 - (c) elimination of loan loss recovery of \$266 on loans receivable pledged to creditors;
 - (d) reversal of realized gain on payable under securities loan agreement in the amount of \$71;
 - (e) reduction of unrealized gain from equity investment in OFS Capital WM by \$71; and
 - (f) decrease of realized loss on sale of loans to OFS Capital WM in the amount of \$700.

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(10) Represents pro forma adjustments to consolidate OFS Capital WM's statement of operations for the year ended December 31, 2011 into OFS Capital's.

(11) Represents elimination of realized loss recognized by OFS Capital on loans sold to OFS Capital WM, as a result of OFS Capital's consolidation of OFS Capital WM's statement of operations for the year ended December 31, 2011.

(12) Represents adjustment of loans and equity investments to fair value as required for a business development company as a result of the BDC/RIC Elections Adjustments.

(13) Represents pro forma adjustments to our estimated base management fee assuming the BDC Conversion took place on January 1, 2011. Base management fee for the year ended December 31, 2011 was calculated at 0.875% per annum of the average value of our total consolidated assets (excluding cash and cash equivalents) at the end of the two most recently completed calendar quarters. We assumed no incentive fee will be charged for the year ended December 31, 2011 as our estimated pre-incentive fee net investment income would be lower than the hurdle rate of 8.0% per annum for 2011. In addition, there would not be any capital gain incentive fee for the year ended December 31, 2011 as we did not have any capital gains for this period.

(14) Represents pro forma adjustments to OFS Capital's estimated operating expenses assuming the BDC Conversion took place on January 1, 2011.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Selected Financial and Other Information, our consolidated financial statements and related notes appearing elsewhere in this prospectus and the section of this prospectus entitled Unaudited Pro Forma Condensed Combined Financial Statements. The information in this section contains forward-looking statements that involve risks and uncertainties. Prior to the completion of this offering, OFS Capital, LLC will convert into OFS Capital Corporation and will file an election to be treated as a business development company under the 1940 Act. Please see Risk Factors and Special Note Regarding Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements.

Overview

We are an externally managed, closed-end, non-diversified management investment company formed in March 2001. Prior to the completion of this offering, we will convert into OFS Capital Corporation and file an election to be regulated as a business development company under the 1940 Act. In addition, for tax purposes we intend to elect to be treated as a RIC under the Code.

Our investment objective is to provide our stockholders with both current income and capital appreciation through primarily debt investments and, to a lesser extent, equity investments. As of June 30, 2012, our investment portfolio (including investments held by OFS Capital WM and Tamarix LP) consisted of outstanding loans of approximately \$210.6 million in aggregate principal amount, of which 97.7% were senior secured loans, as well as equity securities of \$2.6 million. Following this offering, we intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. Although we will continue to focus on investments in senior secured loans, we also intend to expand into additional asset classes in which OFS Advisor's investment professionals have expertise, including investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. Initially, we expect that our senior secured loan investments will principally be made through on-balance sheet special purpose vehicles, while our unitranche, second lien and mezzanine-loans will be made by us directly or by Tamarix LP. We expect our investments in the equity securities of these companies, such as warrants, preferred stock, common stock and other equity interests, will principally be made in conjunction with our debt investments, although we currently anticipate that no more than 5% of our portfolio will consist of equity investments in middle-market companies that do not pay a regular dividend. Generally, we do not expect to make investments in companies or securities that OFS Advisor determines to be distressed investments (such as discounted debt instruments that have either experienced a default or have a significant potential for default), other than follow-on investments in portfolio companies of ours.

A substantial portion of our business will focus on the direct origination and sourcing of investments through portfolio companies or their financial sponsors or other owners or intermediaries. We expect our middle-market investments to range generally from \$5.0 million to \$25.0 million each, although we expect that this investment size will vary proportionately with the size of our capital base.

Our investment activities will be managed by OFS Advisor and supervised by our board of directors, a majority of whom are independent of us, OFS Advisor and its affiliates. Under our Investment Advisory Agreement, we have agreed to pay OFS Advisor an annual base management fee based on our average adjusted total assets (other than cash and cash equivalents 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. We have also entered into an Administration Agreement with OFS Services. Under our Administration Agreement, we have agreed to reimburse OFS Services for our allocable portion (subject to the review and approval of our independent directors) of overhead and other expenses incurred by OFS Services in performing its obligations under the Administration Agreement.

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As of June 30, 2012, our net asset value, on a pro forma basis, was \$55.7 million, or approximately \$ _____ per share, and our portfolio included investments in 49 portfolio companies.

Key Financial Measures

The following is a discussion of the key financial measures that management will employ in reviewing the performance of our operations. As discussed in more detail below under Recent Developments and Other Factors Affecting Comparability BDC/RIC Elections Adjustments, our anticipated election to be treated as a business development company under the 1940 Act and to be treated as a RIC under the Code will require us to change some of the accounting principles used to prepare our consolidated financial statements and the presentation of our financial statements. In addition, as discussed in more detail below under Recent Developments and Other Factors Affecting Comparability WM 2012 Credit Facility Amendments, as a result of the WM 2012 Credit Facility Amendments we have consolidated OFS Capital WM's financial statements into our financial statements as of March 30, 2012. Further, as discussed in more detail below under Recent Developments and Other Factors Affecting Comparability Tamarix Transactions, effective July 27, 2012, we no longer consolidate Tamarix LP's financial statements into our financial statements. The following discussion of key financial measures is with respect to how management will assess our performance after the effectiveness of these elections.

Revenues. We plan to generate revenue in the form of interest income on debt investments and capital gains and distributions, if any, on investment securities in portfolio companies. We anticipate that our debt investments will typically have a term of three to eight years and bear interest at fixed and floating rates. As of June 30, 2012, including investments held by OFS Capital WM and Tamarix LP, floating rate loans comprised over 93.1% of our current portfolio; however, in accordance with our investment strategy, we expect that over time the proportion of fixed rate loans will increase. We anticipate that, in some instances, we will receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we anticipate receiving repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. On occasion, our portfolio activity may also reflect the proceeds of sales of securities. In some cases, our investments will provide for deferred interest payments or PIK interest (meaning interest paid in the form of additional principal amount of the loan instead of in cash). In addition, we may generate revenue in the form of commitment, origination and sourcing, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination and sourcing fees, OID and market discount or premium will be capitalized, and we will accrete or amortize such amounts as interest income. We will record prepayment premiums on loans as interest income. When we receive principal payments on a loan in an amount that exceeds its carrying value, we will also record the excess principal payment as income. Dividend income, if any, will be recognized on an accrual basis to the extent that we expect to collect such amounts.

Expenses. Our primary operating expenses will include the payment of fees to OFS Advisor under the Investment Advisory Agreement, interest expense due under the WM Credit Facility, our allocable portion of overhead expenses under the Administration Agreement and other operating costs described below. Additionally, we will pay interest expense on any outstanding debt under any new credit facility or other debt instrument we may enter into. We will bear all other out-of-pocket costs and expenses of our operations and transactions, whether incurred by us directly or on our behalf by a third party, including:

the cost of calculating our net asset value, including the cost of any third-party valuation services;

the cost of effecting sales and repurchases of shares of our common stock and other securities;

fees payable to third parties relating to making investments, including out-of-pocket fees and expenses associated with performing due diligence and reviews of prospective investments;

transfer agent and custodial fees;

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out-of-pocket fees and expenses associated with marketing efforts;

federal and state registration fees and any stock exchange listing fees;

U.S. federal, state and local taxes;

independent directors' fees and expenses;

brokerage commissions;

fidelity bond, directors' and officers' liability insurance and other insurance premiums;

direct costs, such as printing, mailing, long-distance telephone and staff;

fees and expenses associated with independent audits and outside legal costs;

costs associated with our reporting and compliance obligations under the 1940 Act and other applicable U.S. federal and state securities laws; and

other expenses incurred by either OFS Services or us in connection with administering our business, including payments under the Administration Agreement that will be based upon our allocable portion (subject to the review and approval of our board of directors) of overhead.

Outlook on Market Conditions

The global capital markets have experienced a period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that have materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While indicators suggest improvement in the capital markets, these conditions could deteriorate in the future. During such market disruptions, we may have difficulty raising debt or equity capital especially as a result of regulatory constraints.

At the same time, the capital markets for the companies in which we invest are continuing to show signs of increased investment activity in 2012 as compared to prior years. Therefore, to the extent we have capital available, we believe this is an opportune time to invest in the lending market for such companies. Today's economy creates potentially new attractive lending opportunities and we believe that the market for such companies in 2012 is improving as evidenced by the improved initial public offering market in 2011 as compared to previous years.

Recent Developments and Other Factors Affecting Comparability

BDC/RIC Elections Adjustments. Prior to this offering, we were not required to apply fair value accounting in accordance with the principles of FAS 157 (ASC Topic 820). Accordingly, loans or other equity investments were carried at cost on our balance sheet. In conjunction with our election to be treated as a business development company, under FAS 157 (ASC Topic 820) we will report our investments at fair value with changes in value reported through our income statement under the caption "unrealized appreciation (depreciation) on investments." See "Determination of Net Asset Value." Currently, we maintain an allowance for loan losses for inherent losses in our loan portfolio. Upon conversion, we will eliminate the allowance for loan losses and, consistent with our prospective accounting policies, will record unrealized appreciation and depreciation that will increase or decrease the carrying value of individual assets.

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As of June 30, 2012, our net asset value, on a pro forma basis, was \$55.7 million. The valuation analysis prepared by management on the debt and equity investments that we owned directly as of June 30, 2012 was submitted to our board of directors, which is ultimately responsible for the determination, in good faith, of the fair value of each investment. Valuation assistance from an independent valuation specialist, Duff & Phelps, LLC, for our direct loan and equity investments as of December 31, 2011 consisted of certain limited procedures we identified and requested them to perform. The procedures performed by Duff & Phelps on our equity interest

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in OFS Capital WM, among other things, included (a) a review of OFS Capital WM's projected cash flow model for accuracy and to ensure it followed commonly accepted industry practices and (b) a review of collateral and analysis of an average and weighted average loan-to-value for the OFS Capital WM portfolio to determine if there was adequate enterprise value. Based upon the performance of these procedures on each of our final loan and equity investment valuations, Duff & Phelps, LLC concluded that the fair value of those assets as of December 31, 2011 appeared reasonable. The valuation firm provided valuation assistance for 100% of our portfolio investments held directly and our equity interest in OFS Capital WM for which sufficient market quotations were not readily available as of December 31, 2011. Our board of directors intends to retain one or more independent valuation firms to review the valuation of each portfolio investment of ours that does not have a readily available market quotation at least once during each 12-month period. However, our board of directors is ultimately and solely responsible for determining the fair value of our assets using a documented valuation policy and consistently applied valuation process. For more information, see the sections of this prospectus entitled "Unaudited Pro Forma Condensed Combined Financial Statements" and "Determination of Net Asset Value."

BDC Conversion. Immediately prior to the completion of this offering, OFS Capital, LLC intends to convert into a Delaware corporation, OFS Capital Corporation, and the outstanding limited liability company interest in OFS Capital, LLC is expected to be converted into shares of common stock in OFS Capital Corporation. See "The BDC Conversion." As part of the BDC Conversion, OFSAM will be issued an aggregate of _____ shares of common stock in OFS Capital Corporation in exchange for its limited liability company interest in OFS Capital, LLC at an average estimated equivalent price of \$ _____ per share. Upon completion of this offering, OFSAM will own, collectively, an interest of approximately _____ % in us, assuming no exercise of the underwriters' option to purchase additional shares of our common stock.

Tamarix Transactions. The financial condition and results of operations of Tamarix LP are included in our consolidated financial statements as of June 30, 2012. Prior to May 10, 2012, we were deemed to be the primary beneficiary of Tamarix LP and, therefore, in accordance with ASC Topic 810, the financial statements of Tamarix LP were consolidated with ours. On May 10, 2012, as a result of Tamarix LP's receipt of the SBIC license, we became a 68.4% limited partner in Tamarix LP and were deemed under the applicable accounting literature to continue to hold the controlling financial interest in Tamarix LP, as more fully described in our financial statements. Accordingly, we continued to consolidate the financial statements of Tamarix LP with ours at June 30, 2012. On July 27, 2012, Tamarix LP repaid its loans together with accrued interest due to us in the aggregate amount of \$16.6 million and the three investment professionals of Tamarix GP resigned from our affiliated entity. As a result, effective July 27, 2012, we have deconsolidated Tamarix LP's financial statements from our own, and account for our investment in Tamarix LP thereafter under the equity method of accounting. As of June 30, 2012, our investment portfolio (including investments held by OFS Capital WM, but excluding investments held by Tamarix LP) consisted of outstanding loans of approximately \$195.9 million in aggregate principal amount, of which 100% were senior secured loans. If we are successful in acquiring all of the limited partnership interests in Tamarix LP and all of the ownership interests in Tamarix GP that are currently owned or subscribed for by other persons, we would once again consolidate Tamarix LP's financial statements into our financial statements.

WM 2012 Credit Facility Amendments. Prior to the WM 2012 Credit Facility Amendments completed in March 2012, under generally accepted accounting principles, we did not consolidate OFS Capital WM's financial statements into our financial statements. This accounting treatment is reflected in the December 31, 2011 and 2010 audited consolidated financial statements and related notes, which are included elsewhere in this prospectus. Following the OFS Capital WM Transaction, we determined in accordance with ASC Topic 810 that, despite owning 100% of the equity interests of OFS Capital WM, the loan manager Madison Capital (an indirect wholly-owned subsidiary of New York Life Investments) was the primary beneficiary of OFS Capital WM because it (a) had the sole authority to service, administer and exercise rights and remedies in respect of the assets in OFS Capital WM's portfolio, (b) had the sole authority to determine whether to cause assets to be sold or acquired by OFS Capital WM (subject in limited circumstances to our consent rights as the administrative

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manager), and (c) received a fee for its services in addition to holding class B loans of OFS Capital WM, as described elsewhere in this prospectus. In light of these considerations, we recorded our equity interest in OFS Capital WM in our financial statements but did not consolidate its financial statements with our own.

As a result of the WM 2012 Credit Facility Amendments, OFS Capital succeeded Madison Capital to the controlling financial interest in OFS Capital WM. In light of this and other factors, we have consolidated the financial statements of OFS Capital WM into our financial statements as of March 30, 2012. The WM 2012 Credit Facility Amendments were entered into in light of OFS Capital WM having made investments which utilize the substantial majority of its borrowing capacity under the WM Credit Facility. Accordingly, it was determined that the management of an existing portfolio of investment assets, as opposed to buying and originating activities, would constitute the activities that most significantly impact OFS Capital WM's economic performance.

OFS Capital WM Transaction and OFSAM Cash Contribution. In September of 2010, we established OFS Capital WM, an entity that acquires, manages and finances senior secured loan investments to middle-market companies in the United States. To finance its business, at the OFS Capital WM Closing, OFS Capital WM entered into the WM Credit Facility with Wells Fargo and Madison Capital (an indirect wholly-owned subsidiary of New York Life Investments), which is secured by the eligible loan assets or participations therein acquired by OFS Capital WM from us at the OFS Capital WM Closing and eligible loan assets thereafter acquired by OFS Capital WM during its reinvestment period. Subject to limited exceptions, our sale of eligible loan assets or participations therein to OFS Capital WM is without recourse to us, and we will have no liability for the debts or other obligations of OFS Capital WM. In connection with the closing of the WM Credit Facility, the lenders received customary opinions of counsel generally to the effect that the sale of assets by us to OFS Capital WM on September 28, 2010 would be considered a true sale of those assets, and not a secured loan, and that in the event of our bankruptcy it would not be proper to ignore the separate existence of OFS Capital WM and substantively consolidate the assets and liabilities of OFS Capital WM with our own.

At the OFS Capital WM Closing, we sold approximately \$96.9 million of loans or participations therein, transferred to us by OFS Funding, to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration. We transferred the OFS Capital WM Cash Consideration to OFS Funding, and OFS Funding used the OFS Capital WM Cash Consideration to repay a substantial portion of the outstanding loan balance under the Old Credit Facility. We also transferred the OFSAM Cash Contribution, made by our parent to us simultaneously with the OFS Capital WM Closing, to OFS Funding, and OFS Funding used the OFSAM Cash Contribution, together with cash on hand, to pay off the remaining balance under the Old Credit Facility in full.

We entered into the OFS Capital WM Transaction in part because OFS Capital WM would be able to increase the rate of return on the senior secured assets sold to OFS Capital WM as a result of the more favorable financing terms under the WM Credit Facility, as compared to the Old Credit Facility. We will continue to benefit from the loan assets sold to and still held by OFS Capital WM by virtue of our ownership of 100% of the equity interests in OFS Capital WM. Based on the cost of capital and the yield on the underlying assets, we have experienced positive cash flow on a quarterly basis from our investment in OFS Capital WM and we expect to continue to do so for the life of the WM Credit Facility. In addition, our relationship with Madison Capital has significantly expanded the investment opportunities available to us since the OFS Capital WM Closing. Since such time, OFS Capital WM has made investments in 59 companies in 43 different industry categories. The vast majority of OFS Capital WM's investments were originated in the past two years.

As a result of certain provisions of the loan documentation for the OFS Capital WM Transaction, we were required to account for that transaction in our financial statements as a secured borrowing as of December 31, 2010, which resulted in our retaining the loans we transferred to OFS Capital WM on our balance sheet as of December 31, 2010 and recording a corresponding payable due to OFS Capital WM. On February 23, 2011, we amended the loan documentation to remove those provisions, pursuant to which amendments we accounted for the OFS Capital WM Transaction as a sale of assets by us to OFS Capital WM. Upon effectiveness of the February 23, 2011 amendments to the loan documentation, under the Sale Accounting Adjustments, the loans

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retained on our December 31, 2010 balance sheet were removed, the payable due to OFS Capital WM was eliminated, and we booked a loss from the sale of assets in the amount of approximately \$0.9 million. For more information on these transactions, see our Consolidated Financial Statements Note 3 and Unaudited Pro Forma Condensed Combined Financial Statements.

2010 Distribution. Concurrently with the OFS Capital WM Transaction, OFS Funding distributed to us and we in turn distributed to OFSAM certain investments in each of the following portfolio companies: Airxcel, Inc., Arclin US Holdings Inc., Barton-Cotton, Incorporated, BBB Industries LLC, BlueWater Thermal Processing, LLC, Einstruction Corporation, FCL Graphics, Inc., Hopkins Manufacturing Inc., Jason Incorporated, Jonathan Holding Company, Jones Stephens Corp., LMH I, Inc. (Latham), LVI Services, Inc., National Bedding Company, LLC, Pamarco Technologies, Inc., Plainfield Tool and Engineering, Inc. (f/k/a Polymer Technologies, Inc. and Plainfield Tool and Engineering, Inc.), Revere Industries, LLC, SMG and Tecta America Corporation. Our investments in these portfolio companies aggregated approximately \$67.2 million. In addition, OFS Funding distributed to us and we in turn distributed to OFSAM approximately \$1.5 million of equity investments. We refer to these actions collectively as the 2010 Distribution. We determined to make these distributions to eliminate certain potential conflicts of interest that might arise due to the fact that we and an affiliated fund both had investments in these portfolio companies.

Composition of Existing Portfolio and Recent Portfolio Activities. Historically, substantially all of our investment portfolio consisted of senior secured loans to middle-market companies in the United States. As noted elsewhere in this prospectus, following this offering, we intend to expand into additional asset classes, including investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. Accordingly, over time, we expect that senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business. Since late 2008, we have focused primarily on management and collection efforts with respect to our existing portfolio. However, in 2011, we originated certain new loans and related equity investments which are currently being held by Tamarix LP. We anticipate that our activities in the near term will continue to return to a more balanced mix of investment origination and sourcing, management and collection, with the majority of new loans being added to our portfolio by our originations.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following items as critical accounting policies after giving effect to the changes in accounting principles we will undertake as part of our election to be treated as a business development company.

Valuation of Portfolio Investments. Our policies relating to the valuation of our portfolio investments are as follows:

Investments for which sufficient market quotations are readily available will be valued at such market quotations. We may also obtain indicative prices with respect to certain of our investments from pricing services or brokers or dealers in order to value such investments. We expect that there will not be a readily available market value for many of our investments; those debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value as determined in good faith by the board of directors. We expect to value such investments at fair value as determined in good faith by our board of directors using a documented valuation policy and a consistently applied valuation process. We expect that our valuation of each of our assets (including investments held by OFS Capital WM and Tamarix LP) for which sufficient market quotations are not readily available will be reviewed by one or more independent third-party valuation firms at least once every 12 months.

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Our board of directors is ultimately and solely responsible for determining the fair value of the portfolio investments that are not publicly traded, whose market prices are not readily available on a quarterly basis or any other situation where portfolio investments require a fair value determination.

With respect to investments for which sufficient market quotations are not readily available or for which no or an insufficient number of indicative prices from pricing services or brokers or dealers have been received, our board of directors will undertake, on a quarterly basis, unless otherwise noted, a multi-step valuation process, as described below:

For each such investment, a basic credit rating review process will be completed. The risk rating on every credit facility will be reviewed and either reaffirmed or revised by the investment committee. This process will establish base information for the quarterly valuation process.

Each portfolio company or investment will be valued by an investment professional.

Preliminary valuation conclusions will then be documented and discussed with individual members of the investment committee.

The preliminary valuations will then be submitted to the investment committee for ratification.

Third-party valuation firm(s) will be engaged to provide valuation services as requested, by reviewing the investment committee's preliminary valuations. The investment committee's preliminary fair value conclusions on each of our assets, as well as each investment asset of OFS Capital WM, for which sufficient market quotations are not readily available will be reviewed and assessed by a third-party valuation firm at least once in every 12-month period, and more often as determined by our board of directors or required by our valuation policy. Such valuation assessment may be in the form of positive assurance, range of values or other valuation method based on the discretion of our board of directors.

Our board of directors will discuss valuations and determine the fair value of each investment in the portfolio in good faith based on the input of OFS Advisor and, where appropriate, the respective independent valuation firms.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors.

Determination of fair value involves subjective judgments and estimates. Accordingly, the notes to our financial statements will express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

Revenue Recognition. Our revenue recognition policies will be as follows:

Investments and Related Investment Income: We will account for investment transactions on a settlement-date basis. Our management will value the portfolio of investments at fair value. Interest is currently (and will continue to be) recognized on an accrual basis. For investments with contractual PIK interest, which represents contractual interest accrued and added to the principal balance that generally becomes due at maturity, we will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. Realized gains or losses on investments will be measured by the difference between the net proceeds from the disposition and the cost basis of investment, without regard to unrealized gains or losses previously recognized. We will report changes in the fair value of investments that are measured at fair value as a component of the net change in unrealized appreciation (depreciation) on investments in our statement of income.

Non-accrual. We currently (and will continue to) place loans on non-accrual status when principal and interest payments are past due 90 days or more or when there is reasonable doubt that we will collect principal or interest. Accrued interest is currently (and will continue to be) generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to

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principal depending upon management's judgment. Non-accrual loans are currently (and will continue to be) restored to accrual status when past due principal and interest is paid and, in our management's judgment, is likely to remain current.

Portfolio Composition, Investment Activity and Yield

The total fair value of our investments was approximately \$204.6 million at June 30, 2012, \$225.0 million at December 31, 2011 and \$123.2 million at December 31, 2010. The amount at December 31, 2011 gives pro forma effect to the BDC/RIC Elections Adjustments and the WM Consolidation Adjustments, while the amount at December 31, 2010 gives pro forma effect to the BDC/RIC Elections Adjustments, the WM Consolidation Adjustments and Sale Accounting Adjustments, as described above under Recent Developments and Other Factors Affecting Comparability. For the six months ended June 30, 2012, we closed loans with 6 companies with an aggregate face value of \$23.1 million. For the year ended December 31, 2011, OFS Capital and our wholly-owned subsidiary OFS Capital WM closed loans with 41 companies with an aggregate face value of \$201.2 million. For the year ended December 31, 2010, in addition to our equity investment in OFS Capital WM, which was valued at \$59.7 million at December 31, 2010, after giving effect to the subsequent WM 2011 Credit Facility Amendments, we originated approximately \$0.6 million of new debt investments.

On May 11, 2012, due to a reduction following March 31, 2012 in the borrowing base value ascribed to a \$4.7 million (principal amount) loan owned by OFS Capital WM, an affiliate of OFSAM purchased that loan from OFS Capital WM at its fair value as of March 31, 2012 of \$4.2 million. We recognized a realized loss of approximately \$1.2 million from this transaction. For the six months ended June 30, 2012 and the year ended December 31, 2011, after giving pro forma effect to the WM Consolidation Adjustments, we had approximately \$39.8 and \$63.2 million, respectively, in net debt repayments (net of revolver advances) in existing portfolio companies and sold \$4.1 and \$21.2 million of our loans, respectively. For the year ended December 31, 2010, after giving proforma effect to the WM Consolidation Adjustments, we had approximately \$38.1 million in net debt repayments in existing portfolio companies and sold \$31.0 million of our loans.

The following table shows the cost and fair value of our portfolio of investments by asset class as of June 30, 2012 and December 31, 2011 and 2010 as well as pro forma at December 31, 2011 after giving effect to the WM Consolidation Adjustments and December 31, 2010 after giving effect to the Sale Accounting Adjustments and the WM Consolidation Adjustments.

	As of June 30, 2012		As of December 31, 2011		As of December 31, 2011		As of December 31, 2010		As of December 31, 2010	
	Historical		Historical		Pro Forma		Historical		Pro Forma	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
	(in thousands)									
Senior Secured										
Performing	\$ 202,553	\$ 196,939	\$ 9,267	\$ 9,809	\$ 223,029	\$ 217,637	\$ 82,680	\$ 80,711	\$ 114,919	\$ 113,496
Non-Accrual										
Unitranche										
Performing										
Non-Accrual										
Second-Lien										
Performing							1,925	1,967	1,925	1,967
Non-Accrual										
Mezzanine										
Performing										
Non-Accrual										
Unsecured										
Performing	4,828	5,023	4,756	4,756	4,756	4,756				
Non-Accrual							2,696	2,177	2,696	2,177
Equity Investments	2,722	2,637	45,575	43,836	2,455	2,619	64,949	65,220	4,842	5,545
Total	\$ 210,103	\$ 204,599	\$ 59,598	\$ 58,401	\$ 230,240	\$ 225,012	\$ 152,250	\$ 150,075	\$ 124,382	\$ 123,185

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As of June 30, 2012, the weighted average yield to fair value was approximately 8.41%. Throughout this document, the weighted average yield on income producing investments at fair value is computed as (a) total annual stated interest on accruing loans plus the annualized amortization of deferred loan origination fees and accretion of OID divided by (b) total income producing investments at fair value (with any unamortized premium or discount accounted for at the time of loan repayment). The weighted average yield on income producing investments at fair value is computed as of the balance sheet date and excludes assets on non-accrual status as of such date.

Results of Operations

We do not believe that our historical operating performance is necessarily indicative of the results of operations that we expect to report in future periods. Prior to the completion of this offering, we completed several significant corporate transactions, including the OFS Capital WM Transaction, the 2010 Distribution, the WM 2011 Credit Facility Amendments and the WM 2012 Credit Facility Amendments, as described above under *Recent Developments and Other Factors Affecting Comparability*. In addition to those matters, in future periods we will pay a management fee to OFS Advisor under the Investment Advisory Agreement by reference to a specific formula; in contrast, our historical financial information reflects costs incurred directly by us in the operation of our businesses. As noted under *Recent Developments and Other Factors Affecting Comparability*, we also intend to pursue a strategy that is focused primarily on investments in middle-market companies in the United States, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities, which differs from our historical investment concentration. Moreover, as a business development company and a RIC, we will also be subject to certain constraints on our operations, including limitations imposed by the 1940 Act and the Code, to which we were not previously subject. In addition, Tamarix 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.

Comparison of the six months ended June 30, 2012 (unaudited) and June 30, 2011 (unaudited)*Net Income*

	Six Months Ended June 30,		
	2012	2011	% Change
	(in thousands)		
Net interest income	\$ 3,717	\$ 158	2,252.5%
Net interest income after loan loss recovery	3,717	863	330.7
Net income	2,490	477	422.0

Net income increased by approximately \$2.0 million or 422.0% for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase in net income resulted from an increase in net interest income after loan loss recovery of \$2.9 million, an increase in non-interest income of \$1.0 million, the recording of cumulative effect of accounting change of \$0.6 million, and net loss allocated to non-controlling interests of \$29 thousand, offset by an increase in non-interest expense of \$2.4 million.

Net Interest Income

	Six Months Ended June 30,		
	2012	2011	% Change
	(in thousands)		
Interest and fee income on loans	\$ 5,103	\$ 989	416.1%
Dividend income	59		N/A
Interest expense on borrowed funds	1,445	831	73.9
Net interest income	\$ 3,717	\$ 158	2,252.5

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primarily due to the interest income generated by OFS Capital WM during the six months ended June 30, 2012 as a result of our consolidation of OFS Capital WM's statement of operations effective April 1, 2012 as well as interest income from the loans Tamarix LP originated in 2011.

Loan Loss Provision (Recovery)

We did not record any loan loss provision in the six months ended June 30, 2012 as the loans we had were performing, and no adjustment in general reserve was deemed necessary during the six months ended June 30, 2012. We recorded a loan loss recovery of \$439 thousand for the six months ended June 30, 2011 as a result of the repayment of an impaired loan.

Non-Interest Income

	Six Months Ended June 30,		
	2012	2011	% Change
Non-interest income			
Gain on payable under securities loan agreement	\$	\$ 71	(100.0)%
Income from equity interests in OFS Capital WM and Tamarix GP	2,642	1,480	78.5
Other income		89	(100.0)
Total non-interest income	\$ 2,642	\$ 1,640	61.1

Non-interest income increased by approximately \$1.0 million, or 61.1%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase in non-interest income was primarily due to an increase of income from equity interest in OFS Capital WM in the amount of \$1.2 million, offset by the recognition of a gain on payable under securities loan agreement of \$71 thousand and other income in the amount of \$89 thousand for the six months ended June 30, 2011.

Non-Interest Expense

	Six Months Ended June 30,		
	2012	2011	% Change
Non-interest expenses			
Amortization of deferred financing closing costs	\$ 143	\$	N/A
Loss on sale of loans to OFS Capital WM		889	(100.0)%
Net realized loss on investments related party	1,165		N/A
Net change in unrealized depreciation on investments	939		N/A
Unrealized loss on warrants		156	(100.0)
Management fee expense Loan Manager	253		N/A
Management fee expense related parties	1,187	744	59.5
Professional fees	403	84	379.8
Other administrative expenses	378	153	147.1
Total non-interest expense	\$ 4,468	\$ 2,026	120.5

Non-interest expense increased by approximately \$2.4 million, or 120.5%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The increase in non-interest expense was primarily due to the (a) realization of a loss of approximately \$1.2 million resulting from a sale of debt investment from OFS Capital WM to an affiliated entity of ours, (b) net change in unrealized depreciation on our investments in the amount of \$939 thousand, (c) an increase in total management fee expense of \$696 thousand,

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and (d) an increase in professional fees and other administrative expenses in the total amount of \$544 thousand during the six months ended June 30, 2012, offset by the recognition of a loss on sale of loans to OFS Capital WM in the amount of \$889 thousand during the six months ended June 30, 2011.

Comparison of the years ended December 31, 2011 and December 31, 2010*Net Income (loss)*

	Year Ended December 31,		% Change
	2011	2010	
	(in thousands)		
Net interest income	\$ 941	\$ 6,599	(85.7)%
Net interest income after loan loss recovery	1,140	8,989	(87.3)
Net income (loss)	(2,187)	5,239	(141.7)

Net income decreased by approximately \$7.4 million, or 141.7%, for the year ended December 31, 2011 as compared to the year ended December 31, 2010. The decrease in net income resulted primarily from a decrease in net interest income after loan loss recovery of approximately \$7.8 million and a decrease in total non-interest income of approximately \$2.6 million. These decreases were partially offset by a decrease in non-interest expense of approximately \$3.0 million.

Net Interest Income

	Year Ended December 31,		% Change
	2011	2010	
	(in thousands)		
Interest and fee income on loans	\$ 1,772	\$ 10,253	(82.7)%
Interest expense on borrowed funds	831	3,654	(77.3)
Net interest income	\$ 941	\$ 6,599	(85.7)

Net interest income decreased by approximately \$5.7 million, or 85.7%, for the year ended December 31, 2011 as compared to the year ended December 31, 2010. The decrease in net interest income was primarily due to a decrease of \$8.5 million in interest and fee income, which was primarily attributable to the substantial decrease of our loan receivable balance at December 31, 2011 as compared with that at December 31, 2010, as a result of the OFS Capital WM Transaction and 2010 Distribution (and without giving effect to the WM 2012 Credit Facility Amendments). In addition, for the year ended December 31, 2011, interest and fee income included \$0.8 million in interest income recorded in respect of loans receivable pledged to creditors for the period January 1, 2011 through February 23, 2011. The loans receivable pledged to creditors represented a secured borrowing of assets applied to the OFS Capital WM Transaction that were sold by us to OFS Capital WM at September 28, 2010. As a result of the WM 2011 Credit Facility Amendments effective February 23, 2011, commencing February 23, 2011, those assets were no longer included on our balance sheet and, accordingly, we no longer recorded any interest income in respect of those assets after that date. For the year ended December 31, 2011, we also recorded interest expense of \$0.8 million in respect of the payable under the securities loan agreement. The payable under the securities loan agreement also represented a secured borrowing applied to the OFS Capital WM Transaction. Similar to the treatment of the interest income on loans receivable pledged to creditors, effective February 23, 2011, we derecognized the payable on our balance sheet and, accordingly, no longer recorded any interest expense in respect of the payable commencing February 23, 2011.

Loan Loss Provision (Recovery)

We recorded a loan loss recovery of \$0.2 million in the year ended December 31, 2011. For the year ended December 31, 2010, we recorded a loan loss recovery of \$2.4 million which was attributable to improvements in the general economy, and in our portfolio in particular, during 2010. In addition, one asset in particular accounted for a significant portion of the recovery in 2010.

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	Year Ended December 31,		% Change
	2011	2010	
	(in thousands)		
Gain on restructuring of loans	\$	\$ 152	(100)%
Gain on payable under securities loan agreement	71		N/A
Income from equity interest in OFS Capital WM		2,353	(100)
Fee income		185	(100)
Other income	89	52	71.2
Unrealized gain (loss) on warrants		19	(100)
Total non-interest income	\$ 160	\$ 2,761	(94.2)

Non-interest income decreased by approximately \$2.6 million, or 94.2%, for the year ended December 31, 2011 as compared to the year ended December 31, 2010. The decrease in non-interest income was primarily due to the decrease of income from equity interest in OFS Capital WM. We recorded \$2.4 million of income from equity interest in OFS Capital WM for the year ended December 31, 2010. For the year ended December 31, 2011, we incurred loss from equity interest in OFS Capital WM in the amount of \$0.6 million, which was included under Non-Interest Expense below.

Non-Interest Expense

	Year Ended December 31,		% Change
	2011	2010	
	(in thousands)		
Amortization and write-off of deferred financing closing costs	\$	\$ 1,500	(100)%
Loss on sale of other loans, net		1,641	(100)
Loss on sale of loans to OFS Capital WM	889		N/A
Loss from equity interest in OFS Capital WM	638		N/A
Unrealized loss on payable under securities loan agreement		1,058	(100)
Unrealized loss on warrants	156		N/A
Management fee related party	1,365	1,850	26.2
Professional fees	151	194	(22.2)
Other administrative expenses	288	268	7.5
Total non-interest expense	\$ 3,487	\$ 6,511	(46.4)

Non-interest expense decreased by approximately \$3.0 million, or 46.4%, for the year ended December 31, 2011 as compared to the year ended December 31, 2010. This decrease was primarily caused by the recording of amortization and the write-off of deferred financing closing costs in the amount of \$1.5 million and the unrealized loss on payable under securities loan agreement in the amount of \$1.1 million for the year ended December 31, 2010. We no longer incurred such expenses for the year ended December 31, 2011 due to the payoff of the Old Credit Facility on September 28, 2010 and the Sale Accounting Adjustments as a result of the WM 2011 Credit Facility Amendments.

*Comparison of the years ended December 31, 2010 and December 31, 2009**Net Income*

	Year Ended December 31,		% Change
	2010	2009	
	(in thousands)		

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Net interest income	\$ 6,599	\$ 10,392	(36.5)%
Net interest income after loan loss provision (recovery)	\$ 8,989	\$ 3,506	