OFS Capital Corp
Form 10-Q
November 04, 2016

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

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 814-00813

OFS CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	46-1339639
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10 S. Wacker Drive, Suite 2500
Chicago, Illinois 60606
(Address of principal executive office)

(847) 734-2060
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	ý

Non-accelerated filer ¨ (do not check if a smaller reporting company) Smaller reporting company¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The number of shares of the issuer’s Common Stock, $0.01 par value, outstanding as of November 2, 2016 was 9,697,210.

OFS CAPITAL CORPORATION

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

OFS Capital Corporation and Subsidiaries

Consolidated Balance Sheets
(Dollar amounts in thousands, except per share data)

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Investments, at fair value		
Non-control/non-affiliate investments (amortized cost of $166,634 and $175,529, respectively)	$ 164,606	$ 177,290
Affiliate investments (amortized cost of $66,686 and $63,113, respectively)	68,826	66,393
Control investments (amortized cost of $24,994 and $13,613, respectively)	25,737	13,613
Total investments at fair value (amortized cost of $258,154 and $252,255, respectively)	259,169	257,296
Cash and cash equivalents	27,989	32,714
Interest receivable	1,056	789
Prepaid expenses and other assets	4,008	3,877
Total assets	$ 292,222	$ 294,676
Liabilities		
SBA debentures (net of deferred debt issuance costs of $3,133 and $3,420, respectively)	$ 146,747	$ 146,460
Interest payable	391	1,548
Management and incentive fees payable	1,937	2,238
Administration fee payable	366	488
Accrued professional fees	423	433
Other liabilities	148	497
Total liabilities	150,012	151,664
Commitments and Contingencies (Note 8)		
Net Assets		
Preferred stock, par value of $0.01 per share, 2,000,000 shares authorized, -0- shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively	$ —	$ —
Common stock, par value of $0.01 per share, 100,000,000 shares authorized, 9,697,210 and 9,691,170 shares issued and outstanding as of September 30, 2016, and December 31, 2015, respectively	97	97
Paid-in capital in excess of par	134,522	134,446
Accumulated undistributed net investment income	5,230	4,612
Accumulated undistributed net realized gain (loss)	1,346	(1,184)
Net unrealized appreciation on investments	1,015	5,041
Total net assets	142,210	143,012
Total liabilities and net assets	$ 292,222	$ 294,676
Number of shares outstanding	9,697,210	9,691,170
Net asset value per share	$ 14.67	$ 14.76

See Notes to Consolidated Financial Statements.

OFS Capital Corporation and Subsidiaries

Consolidated Statements of Operations (unaudited)
(Dollar amounts in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Investment income				
Interest income				
Non-control/non-affiliate investments	$4,355	$ 5,387	$13,522	$17,319
Affiliate investments	1,643	1,308	5,000	4,062
Control investment	582	—	1,413	—
Total interest income	6,580	6,695	19,935	21,381
Dividend income				
Non-control/non-affiliate investments	102	185	264	333
Affiliate investments	343	406	1,166	1,016
Control investments	83	—	194	—
Total dividend income	528	591	1,624	1,349
Fee income				
Non-control/non-affiliate investments	169	310	1,164	448
Affiliate investments	48	92	87	213
Control investments	34	—	75	—
Total fee income	251	402	1,326	661
Total investment income	7,359	7,688	22,885	23,391
Expenses				
Interest expense	1,320	1,185	3,936	5,646
Management fees	1,120	1,120	3,324	4,101
Incentive fee	817	908	2,407	1,514
Professional fees	260	262	877	857
Administration fee	255	281	1,009	1,148
General and administrative expenses	290	302	923	994
Total expenses	4,062	4,058	12,476	14,260
Net investment income	3,297	3,630	10,409	9,131
Net realized and unrealized gain (loss) on investments				
Net realized gain (loss) on non-control/non-affiliate investments (2015 revised - Note 2)	58	235	2,624	200
Net realized gain on affiliate investments	—	—	—	1,471
Net change in unrealized appreciation/depreciation on non-control/non-affiliate investments (2015 revised - Note 2)	(538)	(2,096)	(3,668)	(241)
Net change in unrealized appreciation/depreciation on affiliate investments	(363)	(348)	79	1,494
Net change in unrealized appreciation/depreciation on control investment	(66)	—	(439)	—
Net gain (loss) on investments	(909)	(2,209)	(1,404)	2,924

Net increase in net assets resulting from operations	$2,388	$ 1,421	$9,005	$ 12,055
Net investment income per common share - basic and diluted	$0.34	$ 0.38	$1.07	$0.94
Net increase in net assets resulting from operations per common share - basic and diluted	$0.25	$ 0.15	$0.93	$ 1.25
Distributions declared per common share	$0.34	$ 0.34	$1.02	$ 1.02
Basic and diluted weighted average shares outstanding	9,694,352	9,675,930	9,692,634	9,663,418

See Notes to Consolidated Financial Statements.

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OFS Capital Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets (unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2016	2015
Increase in net assets resulting from operations:		
Net investment income	$10,409	$9,131
Net realized gain on investments (2015 revised - Note 2)	2,624	1,671
Net change in unrealized appreciation/depreciation on investments (2015 revised - Note 2)	(4,028)	1,253
Net increase in net assets resulting from operations	9,005	12,055
Distributions to shareholders from:		
Accumulated net investment income (2015 revised - Note 2)	(9,886)	(9,856)
Accumulated net realized gain (2015 revised - Note 2)	—	—
Total distributions to shareholders	(9,886)	(9,856)
Common stock transactions:		
Reinvestment of shareholder distributions	79	449
Net increase in net assets resulting from capital transactions	79	449
Net increase (decrease) in net assets	(802)	2,648
Net assets:		
Beginning of period	$143,012	$137,471
End of period	$142,210	$140,119
Accumulated undistributed net investment income (2015 revised - Note 2)	$5,230	$1,379
Common stock activity:		
Shares issued from reinvestment of shareholder distributions	6,040	39,295
Shares issued and outstanding at beginning of period	9,691,170	9,650,834
Shares issued and outstanding at end of period	9,697,210	9,690,129

See Notes to Consolidated Financial Statements.

OFS Capital Corporation and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)
(Dollar amounts in thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows From Operating Activities		
Net increase in net assets resulting from operations	$9,005	$12,055
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net realized gain on investments(1)	(2,624)	(1,671)
Net change in unrealized appreciation/depreciation on investments(1)	4,028	(1,253)
Amortization of discounts and premiums, net	(790)	(913)
Amortization of deferred loan amendment and other fee revenue	(372)	(448)
Proceeds from collection of deferred loan fee revenue	107	58
Payment-in-kind interest and dividend income	(1,903)	(1,983)
Amortization and write-off of deferred debt issuance costs	330	2,004
Amortization of intangible asset	146	146
Purchase and origination of portfolio investments	(40,179)	(78,578)
Proceeds from principal payments on portfolio investments	37,137	61,904
Proceeds from sale or redemption of portfolio investments	2,115	97,687
Proceeds from distribution received from portfolio company	—	51
Changes in operating assets and liabilities:		
Interest payable	(1,157)	(967)
Management and incentive fees payable	(301)	800
Administration fee payable	(122)	8
Other assets and liabilities	(338)	147
Net cash provided by operating activities	5,082	89,047
Cash Flows From Financing Activities		
Distributions paid to shareholders	(9,807)	(9,407)
Borrowings under revolving line of credit	—	1,217
Repayments under revolving line of credit	—	(73,829)
Draw down on SBA debentures	—	22,585
Payment of debt issuance costs	—	(548)
Payment of common stock offering costs	—	(4)
Net cash used in financing activities	(9,807)	(59,986)
Net increase (decrease) in cash and cash equivalents	(4,725)	29,061
Cash and cash equivalents — beginning of period	32,714	12,447
Cash and cash equivalents — end of period	$27,989	$41,508
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	$4,731	$4,609
Reinvestment of shareholder distributions	$79	$449

(1)

2015 includes the effects of a revision to the 2015 consolidated statement of operations. The revision had no impact on net cash provided by operating activities for the nine months ended September 30, 2015. See Note 2 for more details.

See Notes to Consolidated Financial Statements.

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments
September 30, 2016
(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Non-control/Non-affiliate Investments								
Accurate Group Holdings, Inc. (3)	Offices of Real Estate Appraisers							
Subordinated Loan		13.00%	N/A	8/23/2018	$ 10,000	$ 10,037	$ 10,000	7.0 %
Armor Holdings II LLC	Other Professional, Scientific, and Technical Services							
Senior Secured Term Loan		10.25%	(L +9.00%)	12/26/2020	3,500	3,467	3,473	2.4
AssuredPartners, Inc	Insurance Agencies and Brokerages							
Senior Secured Term Loan		10.00%	(L +9.00%)	10/20/2023	5,000	4,849	4,969	3.5
BCC Software, LLC (3)	Custom Computer Programming Services							
Senior Secured Term Loan		9.00%	(L +8.00%)	6/20/2019	5,542	5,497	5,514	3.9
Senior Secured Revolver (8) (2)		N/A	(L +8.00%)	6/20/2019	—	(9)	(6)	—
					5,542	5,488	5,508	3.9
Community Intervention Services, Inc. (3)	Outpatient Mental Health and Substance Abuse Centers							
Subordinated Loan (5)(8)(9)		10.0% cash / 3.0% PIK	N/A	1/16/2021	6,722	6,664	5,433	3.8
Confie Seguros Holdings II Co.	Insurance Agencies and Brokerages							

Senior Secured Term Loan		11.50%	(P +8.00%)	5/8/2019	4,000	3,973	3,997	2.8
C7 Data Centers, Inc. (3)	Other Computer Related Services							
Senior Secured Term Loan (7)		12.42%	(L +8.50%)	6/22/2020	13,850	13,781	13,674	9.6
Elgin Fasteners Group	Bolt, Nut, Screw, Rivet, and Washer Manufacturing							
Senior Secured Term Loan		8.50%	(L +7.25%)	8/27/2018	4,158	4,142	4,003	2.8
Inhance Technologies Holdings LLC	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Term Loan A		5.50%	(L +4.50%)	2/7/2018	2,061	2,053	2,043	1.4

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
September 30, 2016
(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Intelli-Mark Technologies, Inc.(3)	Other Travel Arrangement and Reservation Services							
Senior Secured Term Loan (9)		13.00%	N/A	11/23/2020	$ 8,750	$ 8,678	$ 8,857	6.2 %
Common Equity (2,553,089 shares) (8)						1,500	1,755	1.2
					8,750	10,178	10,612	7.4
Intrafusion Holding Corp. (3)	Other Outpatient Care Centers							
Senior Secured Term Loan B (6)		11.48%	(L +6.75%)	9/25/2020	14,250	14,204	14,393	10.1
Jobson Healthcare Information, LLC (3)	Other Professional, Scientific, and Technical Services							
Senior Secured Term Loan (9)		10.13% cash / 2.795% PIK	(L +10.925%)	7/21/2019	14,505	14,288	13,362	9.4
Warrants (1,056,428 member units (8)						454	119	0.1
					14,505	14,742	13,481	9.5
Maverick Healthcare Equity, LLC (3)	Home Health Equipment Rental							
Preferred Equity (1,250,000 units) (8)						900	1,572	1.1
Class A Common Equity (1,250,000 units) (8)						—	235	0.2
						900	1,807	1.3
MN Acquisition, LLC (3)	Software Publishers							
Senior Secured Term Loan		10.50%	(L + 9.50%)	8/24/2021	4,995	4,896	4,896	3.4
My Alarm Center, LLC (3)	Security Systems Services (except							

	Locksmiths)							
Senior Secured Term Loan		12.00%	(L +11.00%)	7/9/2019	6,250	6,013	6,159	4.3
Class A Preferred Equity (100 units) (8)						203	217	0.2
Class A-1 Preferred Equity (25 units) (8)						44	44	—
					6,250	6,260	6,420	4.5
MYI Acquiror Limited (4)	Insurance Agencies and Brokerages							
Senior Secured Term Loan A		5.75%	(L +4.50%)	5/28/2019	4,686	4,680	4,609	3.2
NHR Holdings, LLC	Other Telecommunications							
Senior Secured Term Loan A		5.50%	(L +4.25%)	11/30/2018	1,425	1,416	1,405	1.0
Senior Secured Term Loan B		5.50%	(L +4.25%)	11/30/2018	1,445	1,436	1,425	1.0
					2,870	2,852	2,830	2.0
NVA Holdings, Inc.	Veterinary Services							
Senior Secured Term Loan		8.00%	(L +7.00%)	8/14/2022	650	650	650	0.5

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
September 30, 2016
(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
O2 Holdings, LLC (3)	Fitness and Recreational Sports Centers							
Senior Secured Term Loan		11.53%	(L +11.00%)	9/2/2021	$ 9,500	$ 9,413	$9,418	6.6 %
Planet Fitness Midwest LLC (3)	Fitness and Recreational Sports Centers							
Senior Secured Term Loan		13.00%	N/A	12/16/2021	5,000	4,953	4,972	3.5
Quantum Spatial, Inc. (f/k/a Aero-Metric, Inc.)	Other Information Services							
Senior Secured Term Loan		6.75% cash / 1.0% PIK	(L +6.50%)	8/27/2017	2,503	2,490	2,391	1.7
Ranpak Corp.	Packaging Machinery Manufacturing							
Senior Secured Term Loan		8.25%	(L +7.25%)	10/3/2022	2,000	1,996	1,817	1.3
Sentry Centers Holdings, LLC	Other Professional, Scientific, and Technical Services							
Senior Secured Loan		12.34%	(L +11.50%)	7/24/2019	4,212	4,141	4,189	2.9
smarTours, LLC (3)	Tour Operators							
Senior Secured Loan		9.25%	N/A	10/11/2018	2,439	2,418	2,439	1.8
Preferred Equity A (500,000 units) (8)						439	874	0.6
					2,439	2,857	3,313	2.4
Southern Technical Institute, LLC (3)	Colleges, Universities, and Professional Schools							
Subordinated Loan		9.0% cash /	(L +12.00%)	12/2/2020	3,398	3,326	3,181	2.3

		4.0% PIK						
1,764,720 Class SP-1 Units in Southern Technical Holdings, LLC, 15.75% PIK (8)						1,863	1,694	1.2
Class A Warrants (2,174,905 units) (8)						46	33	—
					3,398	5,235	4,908	3.5
Stancor, L.P. (3)	Pump and Pumping Equipment Manufacturing							
Senior Secured Term Loan		9.75%	(L +9.00%)	8/19/2019	9,818	9,744	9,583	6.7
1,250,000 Class A Units in SCT Holdings, LLC, 8% PIK (8)						1,473	1,092	0.8
					9,818	11,217	10,675	7.5
TravelCLICK, Inc.	Computer Systems Design and Related Services							
Senior Secured Term Loan		8.75%	(L +7.75%)	11/8/2021	4,000	3,873	3,734	2.6

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
September 30, 2016
(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
United Biologics Holdings, LLC (3)	Medical Laboratories							
Subordinated Loan		12.0% cash / 2.0% PIK	N/A	3/5/2017	$ 4,166	$ 4,124	$ 3,940	2.8 %
Subordinated Loan		8.0% PIK	N/A	3/1/2018	6	6	6	—
Class A-1 Units (2,686 units) and Kicker Units (2,015 units) (8)						9	15	—
Class A-1 Warrants (2,272 units) and Kicker Warrants (1,704 units) (8)						8	13	—
Class A-2 Kicker Units (147,086 units) (8)						—	—	—
Class A Warrants (10,160 units) (8)						67	3	—
Class B Warrants (15,238 units) (8)						7	4	—
					4,172	4,221	3,981	2.8
VanDeMark Chemical Inc.	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Term Loan		6.50%	(L +5.25%)	11/30/2017	2,440	2,422	2,410	1.7
Total Non-control/Non-affiliate Investments					161,271	166,634	164,606	115.6
Affiliate Investments								
All Metals Holding, LLC (3)	Metal Service Centers and Other Metal Merchant Wholesalers							
Senior Secured Term Loan		11.00%	N/A	3/31/2021	12,067	11,634	12,034	8.5
Subordinated Loan		14.0% PIK	N/A	11/15/2016	1,234	1,216	1,836	1.3
Performance Fee (8)						79	90	0.1

Common Equity (166,049 member units) (8)						370	492	0.3
					13,301	13,299	14,452	10.2
Contract Datascan Holdings, Inc. (3)	Office Machinery and Equipment Rental and Leasing							
Subordinated Loan		12.00%	N/A	2/5/2021	8,000	7,979	7,892	5.6
Preferred Equity A (3,061 shares, 10% PIK) (8)						3,677	3,901	2.7
Common Equity (11,273 shares) (8)						104	607	0.4
					8,000	11,760	12,400	8.7

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
September 30, 2016
(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Master Cutlery, LLC (3)	Sporting and Recreational Goods and Supplies Merchant Wholesalers							
Subordinated Loan		13.00%	N/A	4/17/2020	$ 4,742	$ 4,720	$4,621	3.3 %
3,723 Preferred Equity A units in MC Parent, LLC, 5% cash, 3% PIK (8)						3,807	1,747	1.2
15,564 Common Equity units in MC Parent, LLC (8)						—	—	—
					4,742	8,527	6,368	4.5
NeoSystems Corp. (3)	Other Accounting Services							
Subordinated Loan		10.50% cash / 2.25% PIK	N/A	8/13/2019	4,061	4,039	3,956	2.8
Convertible Preferred Stock (521,962 shares, 10% PIK) (8)						1,227	1,225	0.9
					4,061	5,266	5,181	3.7
Pfanstiehl Holdings, Inc. (3)	Pharmaceutical Preparation Manufacturing							
Subordinated Loan (9)		10.50%	N/A	9/29/2021	3,788	3,834	3,845	2.7
Class A Common Equity (400 shares)						217	4,350	3.1
					3,788	4,051	8,195	5.8
Strategic Pharma Solutions, Inc. (3)	Other Professional, Scientific, and Technical Services							
Senior Secured Term Loan		11.25%	(L +10.00%)	12/18/2020	8,411	8,340	8,304	5.8
1,191 Class A Units in Strategic Pharma Solutions						1,886	2,147	1.5

Holdings, LLC, 6% PIK (8)					8,411	10,226	10,451	7.3
TRS Services, LLC (3)	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance							
Senior Secured Term Loan		9.75% cash / 1.5% PIK	(L +10.25%)	12/10/2019	9,798	9,580	9,563	6.8
329,266 Class AA Units in IGT Holdings, LLC, 15% PIK (8)						333	347	0.2
3,000,000 Class A Units in IGT Holdings, LLC, 11% PIK (8)						3,072	1,869	1.3
3,000,000 Common Units in IGT Holdings, LLC (8)						572	—	—
					9,798	13,557	11,779	8.3
Total Affiliate Investments					52,101	66,686	68,826	48.5

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
September 30, 2016
(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets	
Control Investments									
Malabar International (3)	Other Aircraft Parts and Auxiliary Equipment Manufacturing								
Subordinated Loan		11.25% cash / 2.0% PIK	N/A	11/13/2021	$7,578	$7,604	$7,570	5.3	%
Preferred Stock (1,644 shares, 6% cash)						4,283	4,923	3.5	
					7,578	11,887	12,493	8.8	
Mirage Trailers LLC (3)	Travel Trailer and Camper Manufacturing								
Senior Secured Term Loan		12.50%	(L +11.50%)	11/25/2020	9,962	9,878	9,917	7.0	
554 common equity shares in MTE Holding Corp.						3,069	3,327	2.3	
					9,962	12,947	13,244	9.3	
Total Control Investment					17,540	24,834	25,737	18.1	
Total Investments					$230,912	$258,154	$259,169	182.2	%

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
September 30, 2016
(Dollar amounts in thousands)

(1) The majority of investments bear interest at a variable rate indexed to the London Interbank Offered Rate ("LIBOR") (L) or Prime (P), and reset monthly, quarterly, or semi-annually. Substantially all of the Company's LIBOR referenced investments are subject to an interest rate floor. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at September 30, 2016. Unless otherwise noted, all investments with a stated PIK rate require interest payments with the issuance of additional securities as payment of the entire PIK provision.

(2) The negative fair value is the result of the unfunded commitment being below par.

(3) Investments held by OFS SBIC I, LP. All other investments pledged as collateral under the PWB Credit Facility.

(4) Non-qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended ("1940 Act"). Qualifying assets must represent at least 70% of the Company's assets, as defined under Section 55 of the 1940 Act, at the time of acquisition of any additional non-qualifying assets. As of September 30, 2016, 98.4% of the Company's assets were qualifying assets.

(5) Non-accrual loan

(6) The Company has entered into a contractual arrangement with co lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co lenders pursuant to a payment waterfall. The reported interest rate of 11.48% at September 30, 2016, includes additional interest of 2.23% per annum as specified under the contractual arrangement among the Company and the co lenders.

(7) The Company has entered into a contractual arrangement with co lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co lenders pursuant to a payment waterfall. The reported interest rate of 12.42% at September 30, 2016, includes additional interest of 2.92% per annum as specified under the contractual arrangement among the Company and the co lenders.

(8) Non-income producing.

(9) The interest rate on these investments contains a PIK provision, whereby the issuer has the option to make interest payments in cash or with the issuance of additional securities as payment of the entire PIK provision. The interest rate in the schedule represents the current interest rate in effect for these investments. The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed as of September 30, 2016:

Portfolio Company	Investment Type	Range of PIK Option	Range of Cash Option	Maximum PIK Rate Allowed
Community Intervention Services, Inc.	Subordinated Loan	0% or 3.00%	13.00% or 10.00%	3.00 %
Intelli-Mark Technologies, Inc.	Senior Secured Term Loan	0% or 2.00%	13.00% or 11.50%	2.00 %
Jobson Healthcare Information, LLC	Senior Secured Term Loan	0% or 2.795%	10.13% or 12.925%	2.795 %
United Biologics Holdings, LLC	Subordinated Loan	0% or 2.00%	14.00% or 12.00%	2.00 %

See Notes to Consolidated Financial Statements.

OFS Capital Corporation and Subsidiaries

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Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Non-control/Non-affiliate Investments								
Accurate Group Holdings, Inc. (3)	Offices of Real Estate Appraisers							
Subordinated Loan		12.50%	N/A	8/23/2018	$ 10,000	$ 10,050	$9,940	7.0 %
A.C.T. Lighting, Inc. (3)	Electrical Apparatus and Equipment, Wiring Supplies, and Related							
Subordinated Loan		12.00% cash / 2.0% PIK	N/A	7/24/2019	3,574	3,558	3,559	2.5
All Metals Holding, LLC (3)	Metal Service Centers and Other Metal Merchant Wholesalers							
Senior Secured Term Loan		10.50%	N/A	12/30/2019	9,900	9,765	9,697	6.8
Common Equity (69,464 member units) (9)						69	259	0.2
					9,900	9,834	9,956	7.0
AssuredPartners, Inc. (3)	Insurance Agencies and Brokerages							
Senior Secured Term Loan		10.00%	(L +9.00%)	10/22/2023	3,000	2,883	2,894	2.0
B+B SmartWorx Inc. (f/k/a B&B Electronics Manufacturing Company)	Communications Equipment Manufacturing							
Senior Secured Term Loan A		6.50%	(L +5.00%)	3/31/2016	2,257	2,257	2,257	1.6
BCC Software, LLC (3)	Custom Computer Programming Services							
Senior Secured Term Loan		9.00%	(L +8.00%)	6/20/2019	6,573	6,504	6,355	4.4
Senior Secured Revolver (9)		N/A		6/20/2019	—	(11)	(36)	—

			(L +8.00%)					
					6,573	6,493	6,319	4.4
Community Intervention Services, Inc. (f/k/a South Bay Mental Health Center, Inc.) (3)	Outpatient Mental Health and Substance Abuse Centers							
Subordinated Loan (10)		10.0% cash / 3.0% PIK	N/A	1/16/2021	6,672	6,610	6,456	4.5
Confie Seguros Holdings II Co.	Insurance Agencies and Brokerages							
Senior Secured Term Loan		10.25%	(L +9.00%)	5/8/2019	4,000	3,965	3,893	2.7
C7 Data Centers, Inc. (3)	Other Computer Related Services							
Senior Secured Term Loan (7)		13.25%	(L +8.50%)	6/22/2020	11,850	11,828	11,508	8.0

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
December 31, 2015
(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Elgin Fasteners Group	Bolt, Nut, Screw, Rivet, and Washer Manufacturing							
Senior Secured Term Loan		6.00%	(L +4.75%)	8/27/2016	$ 4,551	$ 4,534	$ 4,506	3.2
HealthFusion, Inc. (3)(8)	Software Publishers							
Senior Secured Loan		13.00%	N/A	10/7/2018	4,750	4,711	4,893	3.4
Common Stock Warrants (2,007,360 shares) (9)						—	2,560	1.8
					4,750	4,711	7,453	5.2
Inhance Technologies Holdings LLC	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Term Loan A		5.50%	(L +4.50%)	2/7/2018	2,248	2,242	2,180,000	1.5
Intelli-Mark Technologies, Inc.(3)	Other Travel Arrangement and Reservation Services							
Senior Secured Term Loan (9)		13.00%	N/A	11/23/2020	8,750	8,664	8,664	6.1
Common Equity (2,553,089 shares) (9)						1,500	1,500	1.0
					8,750	10,164	10,164	7.1
Intrafusion Holding Corp. (3)	Other Outpatient Care Centers							
Senior Secured Term Loan B (6)		12.84%	(P +5.75%)	9/25/2020	14,250	14,196	14,059	9.8
Jobson Healthcare Information, LLC (3)	Other Professional, Scientific, and Technical Services							
Senior Secured Term Loan (10)		10.13% cash / 2.795% PIK	(L +10.925%)	7/21/2019	14,741	14,456	14,128	9.9
						454	320	0.2

Warrants (1,056,428 member units) (9)								
					14,741	14,910	14,448	10.1
Maverick Healthcare Equity, LLC (3)	Home Health Equipment Rental							
Preferred Equity (1,250,000 units) (9)						900	1,694	1.2
Class A Common Equity (1,250,000 units) (9)						—	257	0.2
					—	900	1,951	1.4
My Alarm Center, LLC (3)	Security Systems Services (except Locksmiths)							
Senior Secured Term Loan		12.00%	(L +11.00%)	7/9/2019	5,000	5,000	5,000	3.5

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
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Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
MYI Acquiror Limited (4)	Insurance Agencies and Brokerages							
Senior Secured Term Loan A		5.75%	(L +4.50%)	5/28/2019	$ 4,826	$ 4,815	$ 4,710	3.3
NHR Holdings, LLC	Other Telecommunications							
Senior Secured Term Loan A		5.50%	(L +4.25%)	11/30/2018	1,900	1,886	1,843	1.3
Senior Secured Term Loan B		5.50%	(L +4.25%)	11/30/2018	1,926	1,912	1,868	1.3
					3,826	3,798	3,711	2.6
Phoenix Brands LLC (5)	Soap and Other Detergent Manufacturing							
Senior Secured Term Loan A (9)		9.25%	(L +7.75%)	1/29/2016	939	937	798	0.6
Physiotherapy Associates Holding, Inc.	Other Outpatient Care Centers							
Senior Secured Term Loan		9.50%	(L +8.50%)	6/4/2022	1,000	991	972	0.7
Quantum Spatial, Inc. (f/k/a Aero-Metric, Inc.)	Other Information Services							
Senior Secured Term Loan		6.75% cash / 2.0% PIK	(L +7.50%)	8/27/2017	2,578	2,564	2,433	1.7
Ranpak Corp.	Packaging Machinery Manufacturing							
Senior Secured Term Loan		8.25%	(L +7.25%)	10/3/2022	2,000	1,995	1,940	1.4
Riveron Consulting, LLC (3)	Administrative Management and General Management Consulting							
Subordinated Loan		13.25%	N/A	3/25/2020	10,000	9,915	9,952	7.0

Sentry Centers Holdings, LLC (3)	Other Professional, Scientific, and Technical Services							
Senior Secured Loan		14.00%	N/A	5/29/2020	6,105	6,012	6,411	4.5
smarTours, LLC (3)	Tour Operators							
Senior Secured Loan		9.25%	N/A	10/11/2018	2,439	2,410	2,429	1.7
Preferred Equity A (500,000 units) (9)						439	769	0.5
					2,439	2,849	3,198	2.2

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
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(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Southern Technical Institute, LLC (3)	Colleges, Universities, and Professional Schools							
Subordinated Loan		10.75% cash / 2.0% PIK	(L +11.75%)	12/2/2020	$ 5,026	$ 5,005	$ 4,786	3.3
Stancor, L.P. (3)	Pump and Pumping Equipment Manufacturing							
Senior Secured Term Loan		8.75%	(L +8.00%)	8/19/2019	11,536	11,463	11,227	7.9
1,250,000 Class A Units in SCT Holdings, LLC, 8% PIK (9)						1,390	1,525	1.1
					11,536	12,853	12,752	9.0
TravelCLICK, Inc.	Computer Systems Design and Related Services							
Senior Secured Term Loan		8.75%	(L +7.75%)	11/6/2021	3,000	2,971	2,892	2.0
United Biologics Holdings, LLC (3)	Medical Laboratories							
Subordinated Loan (10)		12.0% cash / 2.0% PIK	N/A	3/5/2017	4,104	4,074	3,677	2.6
Class A-1 Units (2,686 units) and Kicker Units (2,015 units) (9)						9	—	—
Class A-1 Warrants (2,272 units) and Kicker Warrants (1,704 units) (9)						8	—	—
Class A Warrants (10,160 units) (9)						67	—	—
Class B Warrants (15,238 units) (9)						7	—	—
					4,104	4,165	3,677	2.6
VanDeMark Chemical Inc.								

	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Term Loan		6.50%	(L +5.25%)	11/30/2017	2,543	2,524	2,515	1.8
Total Non-control/Non-affiliate Investments					172,038	175,529	177,290	124.2

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(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
Affiliate Investments								
Contract Datascan Holdings, Inc. (3)	Office Machinery and Equipment Rental and Leasing							
Subordinated Loan		12.00%	N/A	2/5/2021	$ 5,350	$ 5,325	$ 5,236	3.7
Preferred Equity A (2,463 shares, 10% PIK) (9)						2,712	2,772	1.9
Common Equity (9,069 shares) (9)						—	444	0.3
					5,350	8,037	8,452	5.9
Malabar International (3)	Other Aircraft Parts and Auxiliary Equipment Manufacturing							
Subordinated Loan		12.5% cash / 2.5% PIK	N/A	5/21/2017	7,450	7,487	7,496	5.2
Preferred Stock (1,644 shares, 6% cash)						4,283	5,316	3.7
					7,450	11,770	12,812	8.9
Master Cutlery, LLC (3)	Sporting and Recreational Goods and Supplies Merchant Wholesalers							
Subordinated Loan		13.00%	N/A	4/17/2020	4,777	4,752	4,705	3.3
3,723 Preferred Equity A units in MC Parent, LLC, 5% cash, 3% PIK (9)						3,647	3,015	2.1
15,564 Common Equity units in MC Parent, LLC (9)						—	167	0.1
					4,777	8,399	7,887	5.5
NeoSystems Corp. (3)	Other Accounting Services							
Subordinated Loan		10.5% cash / 1.25% PIK	N/A	8/13/2019	4,632	4,600	4,619	3.2
Convertible Preferred Stock (521,962 shares, 10% PIK) (9)						1,138	2,481	1.7

					4,632	5,738	7,100	4.9
Pfanstiehl Holdings, Inc. (3)	Pharmaceutical Preparation Manufacturing							
Subordinated Loan (10)		13.50%	N/A	9/29/2018	3,788	3,851	3,814	2.7
Class A Common Equity (400 shares)						217	1,884	1.3
					3,788	4,068	5,698	4.0
Strategic Pharma Solutions, Inc. (3)	Other Professional, Scientific, and Technical Services							
Senior Secured Term Loan		11.00%	(L +10.00%)	12/18/2020	8,937	8,848	8,848	6.2
1,191 Class A Units in Strategic Pharma Solutions Holdings, LLC, 6% PIK (9)						1,804	1,804	1.3
					8,937	10,652	10,652	7.5

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OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
December 31, 2015
(Dollar amounts in thousands)

Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
TRS Services, LLC (3)	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance							
Senior Secured Term Loan		10.25%	(L +9.25%)	12/10/2019	$10,410	$10,339	$10,277	7.2
Delayed Draw Senior Secured Term Loan		10.25%	(L +9.25%)	12/10/2019	741	739	732	0.5
3,000,000 Class A Units in IGT Holdings, LLC, 11% PIK (9)						2,799	2,757	1.9
3,000,000 Common Units in IGT Holdings, LLC (9)						572	26	—
					11,151	14,449	13,792	9.6
Total Affiliate Investments					46,085	63,113	66,393	46.3
Control Investment								
Mirage Trailers LLC (3)	Travel Trailer and Camper Manufacturing							
Senior Secured Term Loan		12.50%	(L +11.50%)	11/25/2020	10,648	10,544	10,544	7.4
554 common equity shares in MTE Holding Corp.) (9)						3,069	3,069	2.0
					10,648	13,613	13,613	9.4
Total Control Investment					10,648	13,613	13,613	9.4
Total Investments					$228,771	$252,255	$257,296	179.9%

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
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(1) The majority of investments bear interest at a variable rate indexed to the London Interbank Offered Rate ("LIBOR") (L) or Prime (P), and reset monthly or quarterly. All of the Company's LIBOR referenced investments are subject to an interest rate floor. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at December 31, 2015. Unless otherwise noted, all investments with a stated PIK rate require interest payments with the issuance of additional securities as payment of the entire PIK provision.

(2) The negative fair value is the result of the unfunded commitment being valued below par.

(3) Investments held by OFS SBIC I, LP. All other investments pledged as collateral under the PWB Credit Facility.

(4) Non-qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended ("1940 Act"). Qualifying assets must represent at least 70% of the Company's assets, as defined under Section 55 of the 1940 Act, at the time of acquisition of any additional non-qualifying assets. As of December 31, 2015, 96.3 % of the Company's assets were qualifying assets.

(5) Non-accrual loan.

(6) The Company has entered into a contractual arrangement with co lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co lenders pursuant to a payment waterfall. The reported interest rate of 12.84% at December 31, 2015, includes additional interest of 3.59% per annum as specified under the contractual arrangement among the Company and the co-lenders.

(7) The Company has entered into a contractual arrangement with co lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co lenders pursuant to a payment waterfall. The reported interest rate of 13.25% at December 31, 2015, includes additional interest of 3.75% per annum as specified under the contractual arrangement among the Company and the co-lenders.

(8) In January 2016, HealthFusion, Inc. was purchased, at which time the Common Stock Warrants were redeemed and the Senior Secured Loan was repaid at par. In connection with the loan repayment, the Company received a prepayment penalty of $143. The Common Stock Warrants were redeemed for total consideration of $2,385, which included a cash payment of $2,115 and an additional amount held in escrow valued at $270 to be released 50% in one year and the remaining amount in approximately two years. In addition, the Company could receive an earn-out payment of up to approximately $230 to $460 in 2017.

(9) Non-income producing.

(10) The interest rate includes a PIK provision, whereby the issuer has the option to make interest payments in cash or with the issuance of additional securities as payment of the entire PIK provision. The interest rate in the schedule represents the current interest rate in effect for these investments. The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed as of December 31, 2015.

Portfolio Company	Investment Type	Range of PIK Option	Range of Cash Option	Maximum PIK Rate Allowed	
Community Intervention Services, Inc.	Subordinated Loan	0% or 3.00%	13.00 % or 10.00%	3.00	%
Intelli-Mark Technologies, Inc.	Senior Secured Term Loan	0% or 2.00%	13.00 % or 11.50%	2.00	%
Jobson Healthcare Information, LLC	Senior Secured Term Loan	0% or 2.795%	10.13% or 12.925%	2.795	%
Pfanstiehl Holdings, Inc	Subordinated Loan	0% or 1.50%	13.50% or 12.00%	1.50	%
United Biologics Holdings, LLC	Subordinated Loan	0% or 2.00%	14.00% or 12.00%	2.00	%

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OFS Capital Corporation and Subsidiaries
Notes to Consolidated Financial Statements (unaudited)
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Note 1. Organization

OFS Capital Corporation (the “Company”), a Delaware corporation, is as an externally managed, closed-end, non-diversified management investment company. The Company has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, for income tax purposes, the Company has elected to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”).

The Company’s strategic investment focus is primarily on debt investments and, to a lesser extent, equity investments primarily in middle-market companies in the United States. OFS Capital Management, LLC (“OFS Advisor”) manages the day-to-day operations of, and provides investment advisory services to, the Company.

In addition, OFS Advisor also serves as the investment adviser for Hancock Park Corporate Income, Inc. (“Hancock Park”), a corporation formed under the laws of the State of Maryland in December 2015, and that has elected to be treated as a BDC in July 2016. Hancock Park’s investment objective is similar to that of the Company, which is to provide shareholders with current income and capital appreciation primarily through debt investments and, to a lesser extent, equity investments.

The Company may make investments directly or through OFS SBIC I, LP (“SBIC I LP”), its investment company subsidiary licensed under the Small Business Administration’s (“SBA”) Small Business Investment Company program (the “SBIC Program”). The SBIC Program is designed to stimulate the flow of capital into eligible businesses. SBIC I LP is subject to SBA regulatory requirements, including limitations on the businesses and industries in which it can invest, requirements to invest at least 25% of its regulatory capital in eligible smaller businesses, as defined under the Small Business Investment Act of 1958 (“SBIC Act”), limitations on the financing terms of investments, and capitalization thresholds that may limit distributions to the Company; and is subject to periodic audits and examinations of its financial statements.

Note 2. Correction of Error

In the fourth quarter of 2015, the Company discovered and corrected errors impacting the classification of certain components of consolidated net assets as of December 31, 2014 and 2013, and distributions reported on the consolidated statement of changes in net assets for the year ended December 31, 2014. These reclassifications had no effect on total net assets or net asset value per share. The purpose of the reclassifications was to properly report the tax character of, and basis differences between tax and accounting principles generally accepted in the United States of America (“GAAP”) in (i) accumulated shareholder distributions, (ii) accumulated undistributed net investment income, (iii) accumulated net realized gains/losses, and (iv) net unrealized appreciation (depreciation) on investments. Accordingly, the Company has revised its December 31, 2014, consolidated balance sheet and statement of changes in net assets for the years ended December 31, 2014 and 2013, and for each interim period within the year ended

December 31, 2015. The effect of the reclassifications on the consolidated statement of net assets as of September 30, 2015, the consolidated statement of changes in net assets for the nine months ended September 30, 2015, and the consolidated statement of operations for the three and nine months ended September 30, 2015 were as follows:

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Summary of revisions to the Statement of Net Assets

	As Previously Reported September 30, 2015	Revisions	Revised September 30, 2015
Net Assets			
Preferred stock	$ —	$ —	$ —
Common stock	97	—	97
Paid-in capital in excess of par	143,830	(6,950)	136,880
Accumulated undistributed (distributions in excess of) net investment income	(8,276)	9,655	1,379
Accumulated undistributed net realized gain (loss)	3,466	(1,790)	1,676
Net unrealized appreciation (appreciation) on investments	1,002	(915)	87
Total net assets	$ 140,119	$ —	$ 140,119

Summary of revisions to the Statement of Changes in Net Assets (affected components)

	As Previously Reported Nine Months Ended September 30, 2015	Revisions	Revised Nine Months Ended September 30, 2015
Distributions to shareholders from:			
Accumulated net investment income	$ (9,563)	$ (293)	$ (9,856)
Accumulated net realized gains	(293)	293	—
Total distributions to shareholders	$ (9,856)	$ —	$ (9,856)
Net assets:			
Beginning of period	$ 137,471	$ —	$ 137,471
End of period	$ 140,119	$ —	$ 140,119
Accumulated undistributed (distributions in excess of) net investment income	$ (8,276)	$ 9,655	$ 1,379

Summary of revisions to Statement of Operations (affected components)

	Previously Reported Three Months Ended September 30, 2015	Revisions	Revised Three Months Ended September 30, 2015
Net realized and unrealized gain (loss) on investments			
Net realized gain (loss) on non-control/non-affiliate investments	$ 254	$ (19)	$ 235
Net change in unrealized appreciation/depreciation on non-control/non-affiliate investments	(2,115)	19	(2,096)
Net change in unrealized appreciation/depreciation on affiliate investments	(348)	—	(348)
Net gain on investments	$ (2,209)	$ —	$ (2,209)

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	Previously Reported Nine Months Ended September 30, 2015	Revisions	Revised Nine Months Ended September 30, 2015
Net realized and unrealized gain (loss) on investments			
Net realized gain (loss) on non-control/non-affiliate investments	$ 3,132	$ (2,932)	$ 200
Net realized gain on affiliate investments	1,471	—	1,471
Net change in unrealized appreciation/depreciation on non-control/non-affiliate investments	(3,173)	2,932	(241)
Net change in unrealized appreciation/depreciation on affiliate investments	1,494	—	1,494
Net gain on investments	$ 2,924	$ —	$ 2,924

Note 3. Summary of Significant Accounting Policies

Basis of presentation: The Company prepares its consolidated financial statements in accordance with GAAP, including Accounting Standards Codification Topic 946, Financial Services–Investment Companies, and the requirements for reporting on Form 10-Q, the 1940 Act, and Articles 6 or 10 of Regulation S-X. In the opinion of management, the consolidated financial statements include all adjustments, consisting only of normal and recurring accruals and adjustments, necessary for fair presentation in accordance with GAAP. Certain amounts in the prior period financial statements have been reclassified to conform to the current year presentation.

Principles of consolidation: The Company consolidates majority-owned investment company subsidiaries. The Company does not own any controlled operating company whose business consists of providing services to the Company, which would also require consolidation. All intercompany balances and transactions are eliminated upon consolidation.

Fair value of financial instruments: The Company applies fair value to substantially all of its financial instruments. Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures (“ASC Topic 820”) defines fair value, establishes a framework to measure fair value, and requires disclosures regarding fair value measurements. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined through the use of models and other valuation techniques, valuation inputs, and assumptions market participants would use to value the investment. Highest priority is given to prices for identical assets quoted in active markets (Level 1) and the lowest priority is given to unobservable valuation inputs (Level 3). The availability of observable inputs can vary significantly and is affected by many factors, including the type of product, whether the product is new to the market, whether the product is traded on an active exchange or in the secondary market, and the current market conditions. To the extent that the valuation is based on less observable or unobservable inputs, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for financial instruments classified as Level 3 (i.e., those instruments valued using non-observable inputs), which comprise the entirety of the Company's investments.

Changes to the valuation policy are reviewed by management and the Company's board of directors (the "Board"). As the Company's investments change, markets change, new products develop, and valuation inputs become more or less observable, the Company will continue to refine its valuation methodologies.

See Note 7 for more detailed disclosures of the Company's fair value measurements of its financial instruments.

Investment classification: The Company classifies its investments in accordance with the 1940 Act. The 1940 Act defines "Control Investments" as investments in those companies in which the Company owns more than 25% of the voting securities or has rights to maintain greater than 50% of board representation, "Affiliate Investments" as investments in those companies in which the Company owns between 5% and 25% of the voting securities, and "Non-Control/Non-Affiliate Investments" as those that neither qualify as Control Investments nor Affiliate Investments.

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Additionally, the Company adopted the North American Industry Classification System in the first quarter of 2016 for the purpose of industry classification of the Company's investments on the accompanying schedule of investments. The December 31, 2015 schedule of investments has been conformed to the September 30, 2016 presentation.

Investment risks: The Company’s investments are subject to a variety of risks. These risks may include, but are not limited to the following:

Market risk - Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument due to market changes.

Credit risk - Credit risk represents the risk that the Company would incur if the counterparties failed to perform pursuant to the terms of their agreements with the Company.

Liquidity risk - Liquidity risk represents the possibility that the Company may not maintain sufficient cash balances or access to cash to meet loan and other commitments as they become due. See Note 8 for further details.

Interest rate risk - Interest rate risk represents the likelihood that a change in interest rates could have an adverse impact on the fair value of an interest-bearing financial instrument.

Prepayment risk - Certain of the Company’s debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected rate, thereby effectively shortening the maturity of the debt investments and making the instrument less likely to be an income producing instrument.

Off-Balance sheet risk - Some of the Company’s financial instruments contain off-balance sheet risk. Generally, these financial instruments represent future commitments to purchase other financial instruments at specific terms at specific future dates. See Note 8 for further details.

Use of estimates: The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Reportable segments: The Company has a single reportable segment and single operating segment structure.

Cash and cash equivalents: Cash and cash equivalents consist of cash and highly liquid investments not held for resale with original maturities of three months or less. The Company’s cash and cash equivalents are maintained with a member bank of the Federal Deposit Insurance Corporation (“FDIC”) and at times, such balances may be in excess of the FDIC insurance limits. Included in cash and cash equivalents was $27,570 and $32,612 held in a US Bank Money Market Deposit Account as of September 30, 2016, and December 31, 2015, respectively.

Revenue recognition:

Interest Income: Interest income is recorded on an accrual basis. Recognized interest income, if payable monthly or quarterly, is reported as interest receivable until collected. Recognized interest income due at maturity or at another stipulated date (“PIK interest”) is recorded as an adjustment to the amortized cost basis of the investment. The Company accrues interest income until events occur that place a loan into a non-accrual status (see below). Loan origination fees, original issue discount (“OID”), market discount or premium, and loan amendment fees (collectively, “Net Loan Fees”) are capitalized, and the Company accretes or amortizes such amounts as an adjustment to interest income over the life of the respective debt investment using a method that approximates the effective interest method. Unamortized Net Loan Fees are recorded as an adjustment to the amortized cost of the investment. When the Company receives a loan principal payment, the unamortized Net Loan Fees related to the paid principal is accelerated and recognized in interest income. All other interest income is recognized as contractually earned. Further, the Company may acquire or receive warrants or similar equity securities (“Warrants”) in connection with the Company’s acquisition of, or subsequent amendment to, debt investments. The Company determines the cost basis of Warrants based on their fair value, and the fair value of debt investments and other instruments or consideration received. Any resulting difference between the face amount of the debt and its recorded cost resulting from the assignment of value to the Warrants is treated as OID, and accreted into interest income as described above.

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Unamortized Net Loan Fees on debt investments were $2,468 and $1,885 as of September 30, 2016, and December 31, 2015, respectively. The following table summarizes interest income recognized during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income:				
Cash interest income	$5,872	$6,025	$17,781	$19,082
Net Loan Fee amortization	352	333	1,162	1,340
PIK interest income	311	328	868	931
Other interest income	45	9	124	28
Total interest income	$6,580	$6,695	$19,935	$21,381

Dividend Income and Distributions from Portfolio Companies: Dividend income on common stock, generally payable in cash, is recorded at the time dividends are declared. Dividend income on preferred equity securities is accrued as earned. Dividends on preferred equity securities may be payable in cash or in additional preferred securities, and are generally not payable unless declared or upon liquidation. Declared dividends payable in cash are reported as dividend receivables until collected. Dividends payable in the form of additional preferred securities or contractually earned but not declared ("PIK dividends") are recorded as an adjustment to the cost basis of the investment. The Company discontinues accrual of dividends on preferred equity securities when it determines that the dividend may not be collectible. The Company assesses the collectability of the preferred dividends based on many factors including the fair value of the preferred equity security, the valuation of the portfolio company's enterprise value, and proceeds expected to be received over the life of the investment. The Company may also receive cash distributions from portfolio companies that are taxed as flow-through entities. Each distribution is evaluated to determine whether it should be recorded as income or as a return of capital. Distributions classified as a return of capital are recorded as reductions in the cost basis of the investments. The following table summarizes dividend income recognized during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Preferred equity dividends:				
Cash dividends	$82	$80	$410	$212

PIK dividends	396	426	1,032	1,052
Total preferred equity dividends	478	506	1,442	1,264
Common stock dividends	50	85	182	85
Total dividend income	$528	$591	$1,624	$1,349

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Fee Income: The Company generates revenue in the form of management, valuation, and other contractual fees, which is recognized as the related services are rendered. In the general course of its business, the Company receives certain fees from portfolio companies which are non-recurring in nature. Such fees include prepayment fees on certain loans repaid prior to their scheduled due date, which are recognized as earned when received, and fees for capital structuring services from certain portfolio companies, which are recognized as earned upon closing of the investment. The following table summarizes fee income recognized during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Fee income:				
Management, valuation, and other	$69	$33	$167	$111
Prepayment, structuring, and other fees	182	369	1,159	550
Total fee income	$251	$402	$1,326	$661

Net Realized and Unrealized Gain or Loss on Investments: Investment transactions are reported on a trade-date basis. Unsettled trades as of the balance sheet date are included in payable for investments purchased on the consolidated balance sheets. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the amortized cost basis of the investment. Investments are valued at fair value as determined in good faith by Company management under the supervision and review of the Board. After recording all appropriate interest, dividend, and other income, some of which is recorded as an adjustment to the cost basis of the investment as described above, the Company reports changes in the fair value of investments as net changes in unrealized appreciation/depreciation on investments in the consolidated statements of operations.

Non-accrual loans: Loans on which the accrual of interest income has been discontinued are designated as non-accrual loans and accounted for on a non-accrual cash method. Loans are generally placed on non-accrual status when a loan either: (i) is delinquent for 90 days or more on principal or interest according to the contractual terms of the loan (unless well secured and in the process of collection), or (ii) in the opinion of management, there is reasonable doubt about its collectability. When loans are placed on non-accrual status, all interest previously accrued but not collected, other than PIK interest that has been contractually added to the principal balance prior to the designation date, is reversed against current period interest income. Interest payments subsequently received on non-accrual loans may be recognized as income or applied to principal depending upon management’s judgment. Interest accruals are resumed on non-accrual loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest. At September 30, 2016, one investment with an amortized cost and fair value of $6,664 and $5,433, respectively, was carried as a non-accrual cash method loan. At December 31, 2015, one investment with an amortized cost and fair value of $937 and $798, respectively, was carried as a non-accrual cash method loan.

Income taxes: The Company has elected to be treated, and intends to qualify annually, as a RIC under Subchapter M of the Code. To qualify as a RIC, the Company must, among other things, meet certain source of income and asset diversification requirements, and timely distribute at least 90% of its investment company taxable income ("ICTI") to its shareholders. The Company has made, and intends to continue to make, the requisite distributions to its shareholders, which generally relieves the Company from U.S. federal income taxes.

Depending on the level of ICTI earned in a tax year, the Company may choose to retain ICTI in an amount less than that which would trigger federal income tax liability under Subchapter M of the Code. However, the Company would be liable for a 4% excise tax on such income. Excise tax liability is recognized when the Company determines its estimated current year annual ICTI exceeds estimated current year distributions.

The Company may utilize wholly-owned holding companies taxed under Subchapter C of the Code when making equity investments in portfolio companies taxed as pass-through entities to meet its source-of-income requirements as a BDC. These “tax blocker” entities are consolidated in the Company’s GAAP financial statements and may result in federal income tax expense with respect to income derived from those investments. Such income, net of applicable federal income tax, is not included in the Company’s tax-basis net investment income until distributed by the holding-company subsidiary, which may result in temporary differences and character differences between the Company’s GAAP and tax-basis net investment income and realized gains and losses. Federal income tax expense from such holding-company subsidiaries is included in general and administrative expenses in the consolidated statements of operations.

The Company evaluates tax positions taken in the course of preparing its tax returns to determine whether they are “more-likely-than-not” to be sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold could result in greater and undistributed ICTI, income and excise tax expense, and, if involving multiple years, a re-assessment of the Company’s RIC status. GAAP requires recognition of accrued interest and penalties related to uncertain tax benefits as income tax expense. There were no uncertain income tax positions at September 30, 2016, and December 31, 2015. The current and prior three tax years remain subject to examination by U.S. federal and most state tax authorities.

Distributions: Distributions to common shareholders are recorded on the declaration date. The timing of distributions as well as the amount to be paid out as a distribution is determined by the Board each quarter. Distributions from net investment income and net realized gains are determined in accordance with the Code. Net realized capital gains, if any, are distributed at least annually, although the Company may decide to retain such capital gains for investment. Distributions paid in excess of taxable net investment income and net realized gains are considered returns of capital to shareholders.

The Company has adopted a distribution reinvestment plan (“DRIP”) that provides for reinvestment of any distributions the Company declares in cash on behalf of its shareholders, unless a shareholder elects to receive cash. As a result, if the Board authorizes and the Company declares a cash distribution, then shareholders who have not “opted out” of the DRIP will have their cash distribution automatically reinvested in additional shares of the Company’s common stock, rather than receiving the cash distribution.

The Company may use newly issued shares under the guidelines of the DRIP, or the Company may purchase shares in the open market in connection with its obligations under the plan.

Deferred debt issuance costs: Deferred debt issuance costs represent fees and other direct incremental costs incurred in connection with the Company’s borrowings. Deferred debt issuance costs are presented as a direct reduction of the related debt liability on the consolidated balance sheets except for deferred debt issuance costs associated with the Company’s line of credit arrangements, which are included in prepaid expenses and other assets on the consolidated balance sheets. These amounts are amortized to interest expense over the life of the borrowings.

Goodwill: On December 4, 2013, in connection with acquisition of the limited partnership interests in SBIC I LP and membership interest in SBIC I GP (the “SBIC Acquisitions”), the Company recorded goodwill of $1,077, which is included in prepaid expenses and other assets on the consolidated balance sheets. Goodwill is not subject to amortization. Goodwill is evaluated for impairment annually or more frequently if events occur or circumstances change that indicate goodwill may be impaired. There have been no goodwill impairments since the date of the SBIC Acquisitions.

Intangible asset: On December 4, 2013, in connection with the SBIC Acquisitions, the Company recorded an intangible asset of $2,500 attributable to the SBIC license. The Company amortizes this intangible asset on a straight-line basis over its estimated useful life of 13 years. The Company expects to incur annual amortization expense of $195 in each of the years ending December 31, 2025 and $145 in 2026.

The Company tests its intangible asset for impairment if events or circumstances suggest that the asset carrying value may not be fully recoverable. The intangible asset, net of accumulated amortization of $551 and $405 at September 30, 2016, and December 31, 2015, respectively, is included in prepaid expenses and other assets.

Interest expense: Interest expense is recognized on an accrual basis.

Concentration of credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits at financial institutions. At various times during the year, the Company may exceed the federally insured limits. To mitigate this risk, the Company places cash deposits only with high credit quality institutions. Management believes the risk of loss is minimal.

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New Accounting Standards

The following table discusses recently issued Accounting Standards Updates ("ASU") by the Financial Accounting Standards Board ("FASB") adopted by the Company during 2016:

Standard	Description	Period of Adoption	Effect of Adoption on the the financial statements
Standards that were adopted			
ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis	Modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities	First Quarter 2016 retrospectively	No material impact to the Company's consolidated financial statements
ASU 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs	Changes the presentation of debt issuance costs in the financial statements where an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. ASU 2015-03 did not specifically address presentation or subsequent measurement of debt issuance costs related to line of credit arrangements	First Quarter 2016 retrospectively	Resulted in a $3,420 retrospective reduction of both net deferred financing closing costs and SBA debentures payable in the consolidated balance sheet as of December 31, 2015 and a reduction of amortization and write-off of deferred financing closing costs and corresponding increase in interest expense in the consolidated statement of operations for the three and nine months ended September 30, 2015 of $96 and $2,004, respectively. Net deferred debt issuance costs of $3,133 are presented as a direct deduction from the SBA debentures payable in the consolidated balance sheet as of September 30, 2016. Amortization of deferred debt issuance costs associated with the Company's SBA debentures was $96 and $200 for the three and nine months months ended September 30, 2016, and is included as interest expense in the consolidated statement of operations. Amortization and write-off of deferred financial costs related to the OFS Capital WM revolving line of credit of $1,804 for the nine months ended September 30,

2016, is also included in interest expense. There was no impact to consolidated earnings as a result of this adoption

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Standard	Description	Period of Adoption	Effect of Adoption on the the financial statements
Standards that were adopted			
ASU 2015-15, Interest – Imputation of Interest: Presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements - amendments to SEC paragraphs	Response to SEC views on ASU 2015-03. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line of credit arrangements, the SEC stated it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line of credit arrangement	First Quarter 2016 retrospectively	Net deferred financing closing costs of $110 and $185 associated with the Company's PWB Credit Facility are presented as an asset and included in prepaid expenses and other assets in the consolidated balance sheet as of September 30, 2016 and December 31, 2015, respectively. There was no impact to consolidated earnings as a result of this adoption

The following table discusses recently issued ASUs by the FASB yet to be adopted by the Company:

Standard	Description	Effect of Adoption on the the financial statements
Standards that are not yet adopted		
ASU 2014-09, Revenue from Contracts with Customers	Supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of the standard is to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The standard defines a five step process to achieve this core principle. The standard must be adopting using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote	Annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. The Company is currently evaluating the impact of its pending adoption of ASU 2014-09 on the Company’s consolidated financial statements and has not yet determined the method by which it will adopt the standard in 2018

	disclosures)	
ASU 2016-01, Financial Instruments – Overall	Modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value, and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value under ASC 820 - Fair Value Measurement, and as such these investments may be measured at cost	Annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company is required to record its investments at fair value with changes in fair value recognized in net income in accordance with ASC Topic 946, Financial Services—Investment Companies. Therefore, the adoption of ASU 2016-01 is not expected to have a material effect on the Company's consolidated financial statements

Note 4. OFS Capital WM

OFS Capital WM, LLC ("OFS Capital WM"), a wholly-owned investment company subsidiary, was formed in August 2010 with the limited purpose of acquiring, managing and financing senior secured loan investments to middle-market companies in the United States. On September 28, 2010, the Company became the owner of OFS Capital WM through a transaction in which it transferred eligible loans—or 100% of its participating interest in certain other loans—to OFS Capital WM in exchange for cash and a 100% equity ownership interest in OFS Capital WM. These loans were managed and serviced by MCF Capital Management, LLC ("MCF") under a loan and security agreement among OFS Capital WM, MCF, Wells Fargo Securities, LLC, and Well Fargo Delaware Trust Company, N.A. (the "Loan and Security Agreement"). MCF charged a management fee of 0.25% per annum of the assigned value of the underlying portfolio investments plus an accrued fee that was deferred until termination of the Loan and Security Agreement on May 28, 2015. The Company incurred management fee expense related to this agreement of $-0- for both the three and nine months ended September 30, 2016, and $173 and $590 for the three and nine months ended September 30, 2015, respectively.

OFS Capital WM Asset Sale and Related Transactions

On May 28, 2015, the Company and OFS Capital WM entered into a Loan Portfolio Purchase Agreement with Madison Capital Funding LLC ("Madison"), an affiliate of MCF, pursuant to which OFS Capital WM sold a portfolio of 20 senior secured debt investments with an aggregate outstanding principal balance of $67,807 as of May 28, 2015 to Madison for $67,309 in cash (the "WM Asset Sale"). On May 28, 2015, the total fair value of the debt investments sold, applying the Company's March 31, 2015 fair value percentages to the principal balances of the respective investments on the sale date, was approximately $66,703. The determination of the fair value of the Company's investments is subject to the good faith determination by the Company's Board, which is conducted no less frequently than quarterly, pursuant to the Company's valuation policies and GAAP.

On May 28, 2015, pursuant to the Loan and Security Agreement, the Company applied $52,414 from the sale proceeds of the WM Asset Sale to pay in full and retire OFS Capital WM's secured credit facility with Wells Fargo Bank, N.A. ("WM Credit Facility"). As a result of the termination of the WM Credit Facility, the Company wrote-off the remaining related unamortized deferred financing closing costs of $1,216 on the revolving line of credit, which was included in interest expense for the three and nine months ended September 30, 2015.

On May 28, 2015, in connection with the WM Asset Sale, the Company entered into a Loan Administration Services Agreement with Madison pursuant to which Madison will provide loan servicing and other administrative services to OFS Capital WM with respect to certain of its remaining loan assets. In return for its loan administration services, Madison receives a quarterly loan administration fee of 0.25% per annum based on the average daily principal balances of the loan assets for such quarter. The Company incurred loan administration fee expense of $13 and $39 for the three and nine months ended September 30, 2016, respectively, and $15 and $20 for the three and nine months ended September 30, 2015, respectively.

Note 5. Related Party Transactions

Investment Advisory and Management Agreement: OFS Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company pursuant to an investment advisory and management agreement dated November 7, 2012 ("Advisory Agreement"). Under the terms of the Advisory Agreement, which are in accordance with the 1940 Act and subject to the overall supervision of the Company's Board, OFS Advisor is responsible for sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring investments, and monitoring investments and portfolio companies on an ongoing basis. OFS Advisor is a subsidiary of Orchard First Source Asset Management, LLC ("OFSAM") and a registered investment advisor under the Investment Advisers Act of 1940, as amended.

OFS Advisor's services under the Advisory Agreement are not exclusive to the Company and OFS Advisor is free to furnish similar services to other entities so long as its services to the Company are not impaired. OFS Advisor receives fees for providing services, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% and based on the average value of the Company's total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity) at the end of the two most recently completed calendar quarters, adjusted for any share issuances or repurchases during the quarter. OFS Advisor has elected to exclude the value of the intangible asset and goodwill resulting from the SBIC Acquisitions from the base management fee calculation.

The base management fee is payable quarterly in arrears and was $1,120 and $3,324, for the three and nine months ended September 30, 2016, respectively, and $1,120 and $3,813, for the three and nine months ended September 30, 2015, respectively.

The incentive fee has two parts. The first part (part one) is calculated and payable quarterly in arrears based on the Company's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination and sourcing, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement (as defined below) and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest or dividend feature (such as OID, debt instruments with PIK interest, equity investments with accruing or PIK dividend and zero coupon securities), accrued income that the Company has not yet received in cash.

Pre-incentive fee net investment income is expressed as a rate of return on the value of the Company's net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter. The incentive fee with respect to pre-incentive fee net income is 20.0% of the amount, if any, by which the pre-incentive fee net investment income for the immediately preceding calendar quarter exceeds a 2.0% (which is 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 the net investment income equals the hurdle rate of 2.0%, but then receives, as a "catch-up," 100.0% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.5% in any calendar quarter, OFS Advisor will receive 20.0% of the pre-incentive fee net investment income.

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Because of the structure of the incentive fee, it is possible that the Company may pay an incentive fee in a quarter in which the Company incurs a loss. For example, if the Company receives pre-incentive fee net investment income in excess of the quarterly minimum hurdle rate, the Company will pay the applicable incentive fee even if the Company has incurred a loss in that quarter due to realized and unrealized capital losses. The Company's net investment income used to calculate this part of the incentive fee is also included in the amount of the Company's gross assets used to calculate the base management fee. These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during such quarter.

The second part (part two) of the incentive fee (the “Capital Gain Fee”) is determined and payable in arrears as of the end of each calendar year (or upon termination of the Advisory Agreement, as of the termination date), commencing on December 31, 2012, and equals 20.0% of the Company’s aggregate realized capital gains, if any, on a cumulative basis from the date of the election to be a BDC through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation through the end of such year, less all previous amounts paid in respect of the Capital Gain Fee; provided that the incentive fee determined as of December 31, 2012 was calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses and unrealized capital depreciation for the period beginning on the date of the Company’s election to be a BDC and ending December 31, 2012.

The Company accrues the Capital Gain Fee if, on a cumulative basis, the sum of net realized capital gains and (losses) plus net unrealized appreciation and (depreciation) is positive. If, on a cumulative basis, the sum of net realized capital gains (losses) plus net unrealized appreciation (depreciation) decreases during a period, the Company will reverse any excess Capital Gain Fee previously accrued such that the amount of Capital Gains Fee accrued is no more than 20% of the sum of net realized capital gains (losses) plus net unrealized appreciation (depreciation). OFS Advisor has excluded from the Capital Gain Fee calculation any realized gain with respect to (1) the step acquisitions resulting from the SBIC Acquisitions, and (2) the WM Asset Sale.

The Company incurred incentive fee expense of $817 and $2,407 for the three and nine months ended September 30, 2016, respectively. Incentive fees for the three and nine months ended September 30, 2016, included part one incentive fees (based on net investment income) of $817 and $2,546, respectively. Part two incentive fees (based upon net realized and unrealized gains and losses, or capital gains) were $0 and $(139) for the three and nine months ended September 30, 2016, respectively which represented the reversal of the part two incentive fee accrued at December 31, 2015. The Company incurred incentive fee expense of $908 and $1,514 for the three and nine months ended September 30, 2015, respectively, which consisted entirely of part one incentive fees.

License Agreement: The Company entered into a license agreement with OFSAM under which OFSAM has agreed to grant the Company a non-exclusive, royalty-free license to use the name “OFS.”

Administration Agreement: OFS Capital Services, LLC (“OFS Services”), a wholly-owned subsidiary of OFSAM, furnishes the Company with office facilities and equipment, necessary software licenses and subscriptions, and clerical, bookkeeping and record keeping services at such facilities pursuant to an administration agreement dated November 7, 2012 (“Administration Agreement”). Under the Administration Agreement, OFS Services performs, or oversees the performance of, the Company’s required administrative services, which include being responsible for the financial records that the Company is required to maintain and preparing reports to its shareholders and all other reports and materials required to be filed with the SEC or any other regulatory authority. In addition, OFS Services assists the Company in determining and publishing its net asset value, oversees the preparation and filing of its tax returns and the printing and dissemination of reports to its shareholders, and generally oversees the payment of the Company’s expenses and the performance of administrative and professional services rendered to the Company by others. Under the Administration Agreement, OFS Services also provides managerial assistance on the Company’s behalf to those portfolio companies that have accepted the Company’s offer to provide such assistance. Payment under the Administration Agreement is equal to an amount based upon the Company’s allocable portion of OFS Services’s overhead in performing its obligations under the Administration Agreement, including, but not limited to, rent, information technology services and the Company’s allocable portion of the cost of its officers, including its chief executive officer, chief financial officer, chief compliance officer, chief accounting officer, and their respective staffs.

Administration fee expense was $255 and $1,009 for the three and nine months ended September 30, 2016, respectively, and $281 and $1,148 for the three and nine months ended September 30, 2015, respectively.

Note 6. Investments

As of September 30, 2016, the Company had loans to 37 portfolio companies, totaling $230,912 in aggregate principal amount, of which 77% were senior secured loans and 23% were subordinated loans, as well as equity investments in 16 of these portfolio companies. The Company also held an equity investment in one portfolio company in which it did not hold a debt interest.

During the nine months ended September 30, 2016, the Company converted $1,765 in principal of a subordinated debt investment into preferred equity units and warrants valued at $1,765 and converted $329 in principal of a senior secured debt investment into preferred equity units valued at $335. In addition, the Company amended a senior secured debt investment for which it received preferred equity units in the same portfolio company valued at $203 and received additional preferred equity units valued at $44 in connection with a $1,250 follow on investment in the same portfolio company. At September 30, 2016, investments consisted of the following:

	Principal Amount	Amortized Cost	Fair Value
Senior secured debt investments	$177,217	$174,896	$174,194
Subordinated debt investments	53,695	53,549	52,280
Equity investments	N/A	29,709	32,695
Total	$230,912	$258,154	$259,169

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At September 30, 2016, the Company's investments were all domiciled in the United States and the industry compositions of the Company's portfolio were as follows:

	Amortized Cost		Fair Value	
Administrative and Support and Waste Management and Remediation Services				
Other Travel Arrangement and Reservation Services	$10,178	3.9 %	$10,612	4.1 %
Security Systems Services (except Locksmiths)	6,260	2.4	6,420	2.5
Tour Operators	2,857	1.1	3,313	1.3
Arts, Entertainment, and Recreation				
Fitness and Recreational Sports Centers	14,366	5.6	14,390	5.6
Education Services				
Colleges, Universities, and Professional Schools	5,235	2.0	4,908	1.9
Finance and Insurance				
Insurance Agencies and Brokerages	13,502	5.2	13,575	5.2
Health Care and Social Assistance				
Medical Laboratories	4,221	1.6	3,981	1.5
Other Outpatient Care Centers	14,204	5.5	14,393	5.6
Outpatient Mental Health and Substance Abuse Centers	6,664	2.6	5,433	2.1
Information				
Other Information Services	2,490	1.0	2,391	0.9
Other Telecommunications	2,852	1.1	2,830	1.1
Manufacturing				
Bolt, Nut, Screw, Rivet, and Washer Manufacturing	4,142	1.6	4,003	1.5
Other Aircraft Parts and Auxiliary Equipment Manufacturing	11,887	4.6	12,493	4.8
Other Basic Inorganic Chemical Manufacturing	4,475	1.7	4,453	1.7
Packaging Machinery Manufacturing	1,996	0.8	1,817	0.7
Pharmaceutical Preparation Manufacturing	4,051	1.6	8,195	3.2
Pump and Pumping Equipment Manufacturing	11,217	4.3	10,675	4.1
Travel Trailer and Camper Manufacturing	12,947	5.0	13,244	5.1
Other Services (except Public Administration)				
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	13,557	5.3	11,779	4.5
Professional, Scientific, and Technical Services				
Computer Systems Design and Related Services	3,873	1.5	3,734	1.4
Custom Computer Programming Services	5,488	2.1	5,508	2.1
Other Accounting Services	5,266	2.0	5,181	2.0
Other Computer Related Services	13,781	5.3	13,674	5.3
Other Professional, Scientific, and Technical Services	32,576	12.7	31,594	12.1
Veterinary Services	650	0.3	650	0.3
Real Estate and Rental and Leasing				

Home Health Equipment Rental	900	0.3	1,807	0.7
Office Machinery and Equipment Rental and Leasing	11,760	4.6	12,400	4.8
Offices of Real Estate Appraisers	10,037	3.9	10,000	3.9
Wholesale Trade				
Metal Service Centers and Other Metal Merchant Wholesalers	13,299	5.2	14,452	5.6
Sporting and Recreational Goods and Supplies Merchant Wholesalers	8,527	3.3	6,368	2.5
	$258,154	100 %	$259,169	100 %

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As of December 31, 2015, the Company had loans to 38 portfolio companies, totaling $228,771 in aggregate principal amount, of which 71% were senior secured loans and 29% were subordinated loans, at fair value, as well as equity investments in 15 of these portfolio companies. The Company also held an equity investment in one portfolio company in which it did not hold a debt interest. At December 31, 2015, investments consisted of the following:

	Principal Amount	Amortized Cost	Fair Value
Senior secured debt investments	$163,398	$161,944	$160,437
Subordinated debt investments	65,373	65,227	64,240
Equity investments	N/A	25,084	32,619
Total	$228,771	$252,255	$257,296

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At December 31, 2015, the Company's investments were all domiciled in the United States and the industry compositions of the Company's portfolio were as follows:

	Amortized Cost		Fair Value	
Administrative and Support and Waste Management and Remediation Services				
Other Travel Arrangement and Reservation Services	$10,164	4.0 %	$10,164	4.0 %
Security Systems Services (except Locksmiths)	5,000	2.0	5,000	1.9
Tour Operators	2,849	1.1	3,198	1.2
Education Services				
Colleges, Universities, and Professional Schools	5,005	2.0	4,786	1.9
Finance and Insurance				
Insurance Agencies and Brokerages	11,663	4.6	11,497	4.5
Health Care and Social Assistance				
Medical Laboratories	4,165	1.7	3,677	1.4
Other Outpatient Care Centers	15,187	6.0	15,031	5.8
Outpatient Mental Health and Substance Abuse Centers	6,610	2.6	6,456	2.5
Information				
Other Information Services	2,564	1.0	2,433	0.9
Other Telecommunications	3,798	1.5	3,711	1.4
Software Publishers	4,711	1.9	7,453	2.9
Manufacturing				
Bolt, Nut, Screw, Rivet, and Washer Manufacturing	4,534	1.8	4,506	1.8
Communications Equipment Manufacturing	2,257	0.9	2,257	0.9
Other Aircraft Parts and Auxiliary Equipment Manufacturing	11,770	4.7	12,812	4.9
Other Basic Inorganic Chemical Manufacturing	4,766	1.9	4,695	1.8
Packaging Machinery Manufacturing	1,995	0.8	1,940	0.8
Pharmaceutical Preparation Manufacturing	4,068	1.6	5,698	2.2
Pump and Pumping Equipment Manufacturing	12,853	5.1	12,752	5.0
Soap and Other Detergent Manufacturing	937	0.4	798	0.3
Travel Trailer and Camper Manufacturing	13,613	5.4	13,613	5.3
Other Services (except Public Administration)				
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	14,449	5.7	13,792	5.3
Professional, Scientific, and Technical Services				
Administrative Management and General Management Consulting	9,915	3.9	9,952	3.9
Computer Systems Design and Related Services	2,971	1.2	2,892	1.1
Custom Computer Programming Services	6,493	2.6	6,319	2.5
Other Accounting Services	5,738	2.3	7,100	2.8
Other Computer Related Services	11,828	4.7	11,508	4.5
Other Professional, Scientific, and Technical Services	31,574	12.4	31,511	12.1

Real Estate and Rental and Leasing				
Home Health Equipment Rental	900	0.4	1,951	0.8
Office Machinery and Equipment Rental and Leasing	8,037	3.2	8,452	3.3
Offices of Real Estate Appraisers	10,050	4.0	9,940	3.9
Wholesale Trade				
Electrical Apparatus and Equipment, Wiring Supplies, and Related	3,558	1.4	3,559	1.4
Metal Service Centers and Other Metal Merchant Wholesalers	9,834	3.9	9,956	3.9
Sporting and Recreational Goods and Supplies Merchant Wholesalers	8,399	3.3	7,887	3.1
	$252,255	100.0%	$257,296	100.0%

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Note 7. Fair Value of Financial Instruments

The Company's investments are valued at fair value as determined in good faith by Company management under the supervision, and review and approval of the Board. These fair value are determined in accordance with a documented valuation policy and a consistently applied valuation process that includes a review of each investment by an independent valuation firm at least once every 12 months.

Each quarter the Company assesses whether sufficient market quotations are available or whether a sufficient number of indicative prices from pricing services or brokers or dealers have been received. Investments for which sufficient market quotations are available are valued at such market quotations. With respect to investments for which market quotations are not readily available, the Company undertakes, on a quarterly basis, a multi-step valuation process as described below:

- For each debt investment, a basic credit rating review process is completed. The risk rating on every credit facility is reviewed and either reaffirmed or revised by OFS Advisor's investment committee.
- Each portfolio company or investment is valued by an investment professional.
- The preliminary valuations are documented and are then submitted to OFS Advisor's investment committee for ratification.
- Independent third-party valuation firm(s) provide valuation services as requested, by reviewing the investment committee's preliminary valuations. OFS Advisor's investment committee's preliminary fair value conclusions on each of the Company's assets for which sufficient market quotations are not readily available is reviewed and assessed by an independent third-party valuation firm at least once in every 12-month period, and more often as determined by the audit committee of the Company's Board or required by the Company's 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 the Company's Board.
- The audit committee of the Board reviews the preliminary valuations of OFS Advisor's investment committee and independent valuation firms and, if appropriate, recommends the approval of the valuations by the Board.
- The Company's Board discusses valuations and determines the fair value of each investment in the portfolio in good faith based on the input of OFS Advisor, the audit committee and, where appropriate, the respective independent valuation firm.

The Company was unable to obtain sufficient market quotations or indicative prices at September 30, 2016, and December 31, 2015, and followed the multi-step valuation process.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are determined with models or other valuation techniques, valuation inputs, and assumptions market participants would use to value an asset or liability. Valuation inputs are organized in a hierarchy that gives the highest priority to prices for identical assets or liabilities quoted in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs in the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include: (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, (iii) inputs other than quoted prices that are observable for the asset or liability, and (iv) inputs that are derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs for the asset or liability, and situations where there is little, if any, market activity for the asset or liability at the measurement date.

The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant management judgment or estimation. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Company assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the measurement date. All of the Company’s investments, which are measured at fair value, were categorized as Level 3 based upon the lowest level of significant input to the valuations. There were no transfers among Level 1, 2 and 3 for the three and nine months ended September 30, 2016 and 2015. The following sections describe the valuation techniques used by the Company to measure different financial instruments at fair value and include the levels within the fair value hierarchy in which the financial instruments are categorized.

The primary method used to estimate the fair value of investments is the discounted cash flow method (although a liquidation analysis, option theoretical, or other methodology may be used when more appropriate). The discounted cash flow approach to determine fair value (or a range of fair values) involves applying an appropriate discount rate(s) to the estimated future cash flows using various relevant factors depending on investment type, including the latest arm’s length or market transactions involving the subject security, a benchmark credit spread or other indication of market yields, assumed growth rate (in cash flows), company performance, and capitalization rates/multiples (for determining terminal values of underlying portfolio companies). The valuation based on the inputs determined to be the most reasonable and probable is used as the fair value of the investment, which may include a weighting factor applied to multiple valuation methods. The determination of fair value using these methodologies may take into consideration a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financing transactions subsequent to the acquisition of the investment and anticipated financing transactions after the valuation date. Application of these valuation methodologies involves a significant degree of judgment by management. Fair values of new investments or investments where an arm’s length transaction occurred in the same security are generally assumed to be equal to their cost (“Transaction Price”) for up to three months after their initial purchase.

Due to the inherent uncertainty of determining the fair value of Level 3 investments, the fair value of the investments may differ significantly from the values that would have been used had a ready market or observable inputs existed for such investments and may differ materially from the values that may ultimately be received or settled. Further, such investments are generally subject to legal and other restrictions, or otherwise are less liquid than publicly traded instruments. If the Company were required to liquidate a portfolio investment in a forced or liquidation sale, the Company might realize significantly less than the value at which such investment had previously been recorded.

The following tables provide quantitative information about the Company’s significant Level 3 fair value inputs to the Company’s fair value measurements as of September 30, 2016, and December 31, 2015. In addition to the techniques and inputs noted in the tables below, according to the Company’s valuation policy, the Company may also use other valuation techniques and methodologies when determining the Company’s fair value measurements. The table below is not intended to be exhaustive, but rather provides information on the significant Level 3 inputs as they relate to the Company’s fair value measurements.

Fair Value at September	Valuation technique	Unobservable inputs	Range (Weighted average)

	30, 2016 (1)			
Debt investments:				
Senior secured	$ 159,879 .	Discounted cash flow	Discount rates	6.44% - 17.93% (12.07%)
Subordinated	52,280	Discounted cash flow	Discount rates	10.50% - 27.47% (15.31%)
Equity investments	32,695	Discounted cash flow	Discount rates	15.00% - 30.00% (22.04%)
			EBITDA multiples	4.17x - 8.10x (6.23x)
			Term to Exit	0.25 years - 5.09 years (3.97 years)

(1) Excludes $14,315 of senior secured debt investments valued at a Transaction Price.

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	Fair Value at December 31, 2015 (1)	Valuation technique	Unobservable inputs	Range (Weighted average)
Debt investments:				
Senior secured	$ 109,315	Discounted cash flow	Discount rates	7.11% - 25.00% (12.05%)
Subordinated	64,240	Discounted cash flow	Discount rates	12.56% - 22.34% (15.12%)
Equity investments	23,686	Discounted cash flow	Discount rates	15.00% - 30.00% (20.19%)
			EBITDA multiples	3.98x - 8.08x (6.31x)
			Term to Exit	0.92 years - 5.09 years (3.09 years)

(1) Excludes $51,122, $0, and $8,933 of senior secured debt investments, subordinated debt investments, and equity investments, respectively, valued at a Transaction Price.

Changes in market credit spreads or the credit quality of the underlying portfolio company (both of which could impact the discount rate), as well as changes in EBITDA multiples, among other things, could have a significant impact on fair values, with the fair value of a particular debt investment susceptible to change in inverse relation to the changes in the discount rate. Changes in EBITDA multiples, as well as changes in the discount rate, could have a significant impact on fair values, with the fair value of an equity investment susceptible to change in tandem with the changes in EBITDA multiples, and in inverse relation to changes in the discount rate.

The following tables present changes in investments measured at fair value using Level 3 inputs for the nine months ended September 30, 2016 and September 30, 2015.

	Nine Months Ended September 30, 2016			
	Senior Secured Debt Investments	Subordinated Debt Investments	Equity Investments	Total
Level 3 assets, January 1, 2016	$160,437	$ 64,240	$ 32,619	$257,296
Net realized gain (loss) on investments	—	7	2,560	2,567
Net change in unrealized appreciation/depreciation on investments	803	(279)	(4,552)	(4,028)
Purchase and origination of portfolio investments	35,638	3,786	750	40,174
Equity received in connection with purchase of portfolio investments and amendments	(346)	(79)	628	203

Conversion from debt investment to equity investment (Note 6)	(321)	(1,765)	2,086	—
Capitalized PIK interest, dividends, and fees	506	693	1,031	2,230
Proceeds from principal payments on portfolio investments	(22,729)	(14,408)	—	(37,137)
Sale and redemption of portfolio investments	—	—	(2,560)	(2,560)
Amortization of Net Loan Fees	610	180	—	790
Other	(404)	(95)	133	(366)
Level 3 assets, September 30, 2016	$174,194	$ 52,280	$ 32,695	$259,169

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	Nine Months Ended September 30, 2015			
	Senior Secured Debt Investments	Subordinated Debt Investments	Equity Investments	Total
Level 3 assets, January 1, 2015	$241,749	$ 52,453	$ 18,032	$312,234
Net realized loss on investments (Revised - Note 2)	15	—	1,656	1,671
Net change in unrealized appreciation/depcreciation on investments (Revised - Note 2)	(1,031)	(333)	2,617	1,253
Purchase and originations of portfolio investments	54,087	21,757	5,704	81,548
Capitalized PIK interest, dividends and fees	366	602	1,052	2,020
Proceeds from principal payments on portfolio investments	(58,625)	(3,279)	—	(61,904)
Sale and redemption of portfolio investments	(86,096)	—	(4,368)	(90,464)
Cash distribution received from equity investments	—	—	(51)	(51)
Amortization of Net Loan Fees	901	12	—	913
Conversion from equity investment to debt investment	—	44	(44)	—
Level 3 assets, September 30, 2015	$151,366	$ 71,256	$ 24,598	$247,220

The net change in unrealized appreciation/depreciation for the nine months ended September 30, 2016 and 2015 reported in the Company’s consolidated statements of operations attributable to the Company’s Level 3 assets held at those respective period ends was $(904) and $1,306, respectively.

The information presented should not be interpreted as an estimate of the fair value of the entire Company since fair value measurements are only required for a portion of the Company’s assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company’s disclosures and those of other companies may not be meaningful. As of September 30, 2016, and December 31, 2015, the carrying value of the Company’s financial instruments, including its debt obligations under its SBA debentures payable, as well as the revolving line of credit (which was terminated on May 28, 2015; see Note 4), approximated their estimated fair value.

Note 8. Commitments and Contingencies

Unfunded commitments as of September 30, 2016, and December 31, 2015 were as follows:

Name of Portfolio Company	Investment Type	September 30, 2016	December 31, 2015

A.C.T. Lighting, Inc.	Subordinated Loan	$ —	$ 742
BCC Software, LLC	Senior Secured Revolver	1,094	1,094
NeoSystems Corp.	Subordinated Loan	—	1,636
NeoSystems Corp.	Convertible Preferred Stock	—	364
Sentry Centers Holdings, LLC	Senior Secured Loan	1,000	—
TRS Services, LLC	Senior Secured Term Loan	500	—
Total		$ 2,594	$ 3,836

From time to time, the Company is involved in legal proceedings in the normal course of its business. Although the outcome of such litigation cannot be predicted with any certainty, management is of the opinion, based on the advice of legal counsel, that final disposition of any litigation should not have a material adverse effect on the financial position of the Company as of September 30, 2016.

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

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In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not occurred. The Company believes the risk of any material obligation under these indemnifications to be low.

Note 9. Borrowings

SBA Debentures: The SBIC Program allows SBIC I LP to obtain leverage by issuing SBA-guaranteed debentures, subject to issuance of a capital commitment by the SBA and customary procedures. These debentures are non-recourse to the Company, have interest payable semi-annually and a ten-year maturity. The interest rate is fixed at the time of SBA pooling, which is March and September of each year, at a market-driven spread over U.S. Treasury Notes with ten-year maturities.

Under present regulations of the SBIC Act, the maximum amount of SBA-guaranteed debt that may be issued by a single SBIC licensee is $150,000. An SBIC fund may borrow up to two times the amount of its regulatory capital, subject to customary regulatory requirements. For two or more SBICs under common control, the maximum amount of outstanding SBA-provided leverage cannot exceed $350,000. In connection with the SBIC Acquisitions, the Company increased its total commitments to SBIC I LP to $75,000, which became a drop down SBIC fund of the Company on December 4, 2013. During 2014, the Company fully funded its $75,000 commitment to SBIC I LP. As of September 30, 2016, and December 31, 2015, SBIC I LP had fully drawn the $149,880 of leverage commitments from the SBA.

On a stand-alone basis, SBIC I LP held $242,038 and $245,147 in assets at September 30, 2016, and December 31, 2015, respectively, which accounted for approximately 83% and 83% of the Company's total consolidated assets, respectively.

The following table shows the Company's outstanding SBA debentures payable as of September 30, 2016, and December 31, 2015:

			SBA debentures outstanding	
Pooling Date	Maturity Date	Fixed Interest Rate	September 30, 2016	December 31, 2015
September 19, 2012	September 1, 2022	3.049 %	$ 14,000	$ 14,000
September 25, 2013	September 1, 2023	4.448	7,000	7,000
March 26, 2014	March 1, 2024	3.995	5,000	5,000
September 24, 2014	September 1, 2024	3.819	4,110	4,110
September 24, 2014	September 1, 2024	3.370	31,265	31,265

March 25, 2015	March 1, 2025	2.872	65,920	65,920
September 23, 2015	September 1, 2025	3.184	22,585	22,585
SBA debentures outstanding			149,880	149,880
Unamortized debt issuance costs			(3,133)	(3,420)
SBA debentures outstanding, net of unamortized debt issuance costs			$ 146,747	$ 146,460

The Company received exemptive relief from the SEC effective November 26, 2013. The exemptive relief allows the Company to exclude SBA guaranteed debentures from the definition of senior securities in the statutory 200% asset coverage ratio under the 1940 Act, allowing for greater capital deployment.

The effective interest rate on the SBA debentures, which includes amortization of deferred debt issuance costs, was 3.43% as of September 30, 2016, and December 31, 2015. Interest expense on the SBA debentures was $1,295 and $3,860 for the three and nine months ended September 30, 2016, respectively, which includes $95 and $286 of debt issuance costs amortization, respectively. Interest expense on the SBA debentures was $1,185 and $3,055 for the three and nine months ended September 30, 2015, respectively, which includes $96 and $200 of debt issuance costs amortization, respectively. The weighted average fixed cash interest rate on the SBA debentures as of September 30, 2016, and December 31, 2015 was 3.18%.

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PWB Credit Facility: On November 5, 2015, the Company entered into a Business Loan Agreement ("BLA") with Pacific Western Bank, as lender, to provide the Company with a $15,000 senior secured revolving credit facility ("PWB Credit Facility"). The PWB Credit Facility is available for general corporate purposes including investment funding. The maximum availability of the PWB Credit Facility is equal to 50% of the aggregate outstanding principal amount of eligible loans included in the borrowing base and otherwise specified in the BLA. The PWB Credit Facility is guaranteed by OFS Capital WM and secured by all of the Company's current and future assets excluding assets held by SBIC I LP and the Company's SBIC I LP and SBIC I GP partnership interests. The PWB Credit Facility matures on November 6, 2017. Advances under the facility bear interest at a fixed rate per annum equal to 4.75%. The Company incurred debt issuance costs of $202 in connection with the closing of the PWB Credit Facility. Deferred debt issuance costs, net of accumulated amortization, was $109 and $185 as of September 30, 2016, and December 31, 2015, respectively. Amortization of debt issuance costs was $26 and $76 for the three and nine months ended September 30, 2016. There have been no advances under the facility as of September 30, 2016.

The BLA contains customary terms and conditions, including, without limitation, affirmative and negative covenants such as information reporting requirements, a minimum tangible net asset value, a minimum quarterly net investment income after incentive fees, and a statutory asset coverage test. The BLA also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change in investment advisor, and the occurrence of a material adverse change in our financial condition.

On October 31, 2016, the BLA was amended to, among other things (i) increase the maximum amount available under the PWB Credit Facility from $15 million to $25 million, (ii) extend the maturity date from November 6, 2017 to October 31, 2018, (iii) increase the fixed interest rate from 4.75% to 5.00% per annum, and (iv) exclude subordinated loan investments (as defined in the BLA) from the borrowing base. In connection with the amendment the Company incurred debt issuance costs of $175 and will incur an unused commitment fee, payable monthly in arrears, equal to 0.50% per annum on any unused portion of the PWB Credit Facility in excess of $15 million.

OFS Capital WM Revolving Line of Credit: Prior to the termination of the WM Credit Facility on May 28, 2015 (see Note 4), OFS Capital WM had a $75,000 secured revolving credit facility, as amended from time to time, with Wells Fargo. The WM Credit Facility was secured by all eligible loans acquired by OFS Capital WM, and had a maturity date of December 31, 2018 and a reinvestment period through December 31, 2015. The interest rate on outstanding borrowings was the London Interbank Offered Rate plus 2.50% per annum. The minimum equity requirement was set at $35,000. The interest rate on the outstanding borrowings at December 31, 2014 was 2.76%. The unused commitment fee on the WM Credit Facility was (1) 0.5% per annum of the first $25,000 of the unused facility and (2) 2% per annum of the balance in excess of $25,000, and was included in interest expense on the consolidated statement of operations. Interest expense on the revolving line of credit was $0 and $2,695 for the three and nine months ended September 30, 2015, which includes $0 and $1,908 of amortization and write-off of debt issuance costs, respectively. During the three months ended March 31, 2015, the Company recorded a $430 write-off of debt issuance costs due to a permanent reduction in the facility's commitment from $100,000 to $75,000. During the three months ended June 30, 2015, the Company incurred a $1,216 write-off of debt issuance costs due to the termination of the facility on May 28, 2015.

Note 10. Federal Income Tax

The Company has elected to be taxed as a RIC under Subchapter M of the Code. In order to maintain its status as a RIC, the Company is required to distribute annually to its shareholders at least 90% of its ICTI, as defined by the Code. Additionally, to avoid a 4% excise tax on undistributed earnings the Company is required to distribute each calendar year the sum of (i) 98% of its ordinary income for such calendar year (ii) 98.2% of its net capital gains for the one-year period ending October 31 of that calendar year, and (iii) any income recognized, but not distributed, in preceding years and on which the Company paid no federal income tax. Maintenance of the Company's RIC status also requires adherence to certain source of income and asset diversification requirements.

The Company has met the required distribution, source of income and asset diversification requirements as of September 30, 2016, and intends to continue meeting these requirements. Accordingly, there is no liability for federal income taxes at the Company level. The Company’s ICTI differs from the net increase in net assets resulting from operations primarily due to differences in income recognition on the unrealized appreciation/depreciation of investments, income from Company’s equity investments in pass-through entities, PIK dividends that have not yet been declared and paid by underlying portfolio companies, and capital gains and losses and the net creation or utilization of capital loss carryforwards.

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The determination of the tax attributes of the Company's distributions is made annually as of the end of its fiscal year based upon its ICTI for the full year and distributions paid for the full year. If the tax characteristics of the Company's $9,886 distributions paid during 2016 were determined as of September 30, 2016, approximately $1,415 would have represented return of capital to its shareholders. The Company utilized $58 and $2,438 of capital loss carryforward during the three and nine months ended September 30, 2016, respectively, and has $319 of non-expiring capital loss carryforward remaining as of September 30, 2016.

The Company records reclassifications to its capital accounts related to permanent differences between GAAP and tax treatment of goodwill amortization, excise taxes, and other permanent differences; and temporary differences between GAAP and tax treatment of realized gains and losses, income arising from Company's equity investments in pass-through entities, PIK dividends, and other temporary differences. These required reclassifications for the three and nine months ended September 30, 2015, were part of the revisions discussed in Note 2 as they had not been reported in previously issued financial statements. Reclassifications for the three and nine months ended September 30, 2016 and 2015, were as follows:

	Three months ended September 30, 2016		Nine months ended September 30, 2016	
	2016	2015	2016	2015
Paid-in capital in excess of par	$(38)	$18	$(2)	$54
Undistributed net investment income	70	14	97	42
Accumulated net realized gain (loss)	(32)	(32)	(95)	(96)

The tax-basis cost of investments and associated tax-basis gross unrealized appreciation (depreciation) inherent in the fair value of investments as of September 30, 2016, and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
Tax-basis amortized cost of investments	$ 251,971	$ 247,714
Tax-basis gross unrealized appreciation on investments	14,164	13,826
Tax-basis gross unrealized depreciation on investments	(6,966)	(4,244)
Tax-basis net unrealized appreciation on investments	7,198	9,582
Fair value of investments	$ 259,169	$ 257,296

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Note 11. Financial Highlights

The following is a schedule of financial highlights for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Per share data:				
Net asset value per share at beginning of period	$14.76	$14.66	$14.76	$14.24
Distributions from accumulated net investment income [4][7] (2015 revised - Note 2)	(0.34)	(0.34)	(1.02)	(1.02)
Net investment income	0.34	0.38	1.07	0.94
Net realized gain on non-control/non-affiliate investments (2015 revised - Note 2)	0.01	0.02	0.27	0.02
Net realized gain on affiliate investments	—	—	—	0.15
Net change in unrealized appreciation/depreciation on non-control/non-affiliate investments (2015 revised - Note 2)	(0.06)	(0.22)	(0.38)	(0.02)
Net change in unrealized appreciation/depreciation on affiliate investments	(0.04)	(0.04)	0.01	0.15
Net change in unrealized depreciation on control investment	—	—	(0.04)	—
Net asset value per share at end of period	$14.67	$14.46	$14.67	$14.46
Per share market value, end of period	$13.03	$10.24	$13.03	$10.24
Total return based on market value [1]	4.0%	(11.8)%	22.4%	(5.3)%
Total return based on net asset value [2]	1.4%	1.0%	6.2%	8.7%
Shares outstanding at end of period	9,697,210	9,690,129	9,697,210	9,690,129
Weighted average shares outstanding	9,694,353	9,675,930	9,692,634	9,663,418
Ratio/Supplemental Data (in thousands except ratios)				
Average net asset value [3]	$142,645	$140,980	$142,578	$139,250
Net asset value at end of period	$142,210	$140,119	$142,210	$140,119
Net investment income	$3,297	$3,630	$10,409	$9,131
Ratio of total expenses to average net assets [5]	11.4%	11.5%	11.7%	13.7%
Ratio of net investment income to net assets at end of period [5]	9.3%	10.4%	9.8%	8.7%
Portfolio turnover [6]	2.2%	13.0%	15.5%	27.8%

(1) Calculation is ending market value less beginning market value, adjusting for distributions reinvested at prices obtained in the Company’s distribution reinvestment plan for the respective distributions.

(2) Calculation is ending net asset value less beginning net asset value, adjusting for distributions reinvested at the Company’s quarter-end net asset value for the respective distributions.

(3)

Based on net asset values as the end of the indicated and preceding calendar quarter for three-month periods, and net asset values as the end of the indicated and three preceding calendar quarters for nine-month periods.

(4) The components of the distributions are presented on an income tax basis.

(5) Annualized.

(6) Portfolio turnover rate is calculated using the lesser of year-to-date sales and principal payments or year-to-date purchases over the average of the invested assets at fair value.

(7) The determination of the tax attributes of the Company’s distributions is made annually as of the end of its fiscal year based upon its ICTI for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company’s distributions for a full year. If the tax characteristics of the Company’s distributions paid during 2016 were determined as of September 30, 2016, approximately $0.15 per share would represent a return of capital.

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Note 12. Distributions

The Company intends to make distributions to shareholders on a quarterly basis of substantially all of its net investment income. In addition, although the Company intends to make distributions of net realized capital gains, if any, at least annually, out of assets legally available for such distributions, it may in the future decide to retain such capital gains for investment.

The Company may be limited in its ability to make distributions due to the BDC asset coverage requirements of the 1940 Act. The Company's ability to make distributions may also be affected by its ability to receive distributions from SBIC I LP, which is governed by SBA regulations. Consolidated cash and cash equivalents includes $20,607 held by SBIC I LP, which was not available for distribution at September 30, 2016.

The following table summarizes distributions declared and paid for the nine months ended September 30, 2016 and 2015:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value
Nine Months Ended September 30, 2015						
March 4, 2015	March 17, 2015	March 31, 2015	$ 0.34	$ 3,133	12,106	$ 148
May 4, 2015	June 16, 2015	June 30, 2015	0.34	3,132	12,834	154
August 6, 2015	September 16, 2015	September 30, 2015	0.34	3,142	14,355	147
			$ 1.02	$ 9,407	39,295	$ 449
Nine Months Ended September 30, 2016						
March 7, 2016	March 17, 2016	March 31, 2016	$ 0.34	$ 3,280	1,154	$ 15
May 2, 2016	June 16, 2016	June 30, 2016	0.34	3,269	1,998	26
August 5, 2016	September 16, 2016	September 30, 2016	0.34	3,258	2,888	38
			$ 1.02	$ 9,807	6,040	$ 79

Since the Company's IPO, distributions to shareholders total $47,582, or $4.93 per share on a cumulative basis.

Distributions in excess of the Company's current and accumulated ICTI would be treated first as a return of capital to the extent of the shareholder's tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of the Company's distributions is made annually as of the end of its fiscal year based upon its ICTI for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of the Company’s distributions for a full year. Each year, a statement on Form 1099-DIV identifying the source of the distribution is mailed to the Company’s shareholders. If the tax characteristics of the Company’s distributions paid during 2016 were determined as of September 30, 2016, approximately $0.87 per share and $0.15 per share of the Company’s distributions represented ordinary income and a return of capital to its shareholders, respectively.

Note 13. Earnings per Share

The following table summarizes the calculations for basic and diluted net increase in net assets resulting from operations per common share for the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net increase in net assets resulting from operations	$2,388	$ 1,421	$9,005	$ 12,055
Basic and diluted weighted average shares outstanding	9,694,35[illegible]	9,675,930	9,692,634	9,663,418
Net increase in net assets resulting from operations per common share - basic and diluted	$0.25	$ 0.15	$0.93	$ 1.25

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Note 14. Consolidated Schedule of Investments In and Advances To Affiliates

Name of Portfolio Company	Investment Type [1]	Interest, Fees and Dividends Credited to Income[2]	December 31, 2015, Fair Value	Gross Additions [3]	Gross Reductions [4]	September 30, 2016, Fair Value
Control Investments						
Mirage Trailers LLC	Senior Secured Term Loan	$ 1,045	$ 10,544	$ 61	$ (688)	$ 9,917
	Common Equity[5]	139	3,069	258	—	3,327
		1,184	13,613	319	(688)	13,244
Malabar International	Subordinated Loan	443	—	7,609	(39)	7,570
	Preferred Stock	55	—	5,067	(144)	4,923
		498	—	12,676	(183)	12,493
Total Control Investments		1,682	13,613	12,995	(871)	25,737
Affiliate Investments						
All Metals Holding, LLC	Senior Secured Term Loan	995	9,697	2,337	—	12,034
	Subordinated Loan	174	—	1,836	—	1,836
	Performance Fee[5]	—	—	90	—	90
	Common Equity[5]	—	259	301	(68)	492
		1,169	9,956	4,564	(68)	14,452
Contract Datascan Holdings, Inc.	Subordinated Loan	577	5,236	2,656		7,892
	Preferred Equity A[5][6]	319	2,772	1,129	—	3,901
	Common Equity[5]	—	444	163	—	607
		896	8,452	3,948	—	12,400
Malabar International	Subordinated Loan	398	7,496	47	(7,543)	—
	Preferred Stock	44	5,316	—	(5,316)	—
		442	12,812	47	(12,859)	—
Master Cutlery, LLC	Subordinated Loan	470	4,705	4	(88)	4,621
	Preferred Equity [6]	304	3,015	160	(1,428)	1,747
	Common Equity [5]	—	167	—	(167)	—

774	7,887	164	(1,683)	6,368

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Name of Portfolio Company	Investment Type (1)	Interest, Fees and Dividends Credited to Income(2)	December 31, 2015, Fair Value	Gross Additions (3)	Gross Reductions (4)	September 30, 2016, Fair Value
NeoSystems Corp.	Subordinated Loan	487	4,619	65	(728)	3,956
	Convertible Preferred Stock (5)(6)	89	2,481	89	(1,345)	1,225
		576	7,100	154	(2,073)	5,181
Pfanstiehl Holdings, Inc	Subordinated Loan	333	3,814	44	(13)	3,845
	Class A Common Equity	42	1,884	2,466	—	4,350
		375	5,698	2,510	(13)	8,195
Strategic Pharma Solutions, Inc.	Senior Secured Term Loan	754	8,848	18	(562)	8,304
	Class A Units (5)(6)	82	1,804	343	—	2,147
		836	10,652	361	(562)	10,451
TRS Services, Inc.	Senior Term Loan	900	11,009	232	(1,678)	9,563
	Class AA Units in IGT Holdings, LLC (5)(6)	12	—	26	321	347
	Class A Units in IGT Holdings, LLC (5)(6)	273	2,757	273	(1,161)	1,869
	Common Units in IGT Holdings, LLC (5)	—	26	—	(26)	—
		1,185	13,792	531	(2,544)	11,779
Total Affiliate Investments		6,253	76,349	12,279	(19,802)	68,826
Total Control and Affiliate Investments		$ 7,935	$ 89,962	$ 25,274	$ (20,673)	$ 94,563

(1) Principal balance of debt investments and ownership detail for equity investments are shown in the consolidated schedule of investments.

(2) Represents the total amount of interest, fees or dividends included in 2016 income for the portion of the nine months ended September 30, 2016, that an investment was included in Control or Affiliate Investment categories, respectively. Due to an increase in the Company's voting ownership, Malabar International was re-categorized

from an Affiliate Investment to a Control Investment during the fiscal quarter ended June 30, 2016. Due to an increase in the Company's voting ownership, All Metals Holding, LLC was re-categorized from a Non-control/Non-affiliate Investment to an Affiliate Investment during the fiscal quarter ended March 31, 2016.

(3) Gross additions include increases in cost basis resulting from a new portfolio investment, PIK interest, fees and dividends, and accretion of OID . Gross additions also include net increases in unrealized net appreciation or decreases in unrealized depreciation, as well as the movement of All Metals Holding, LLC from a Non-control/Non-affiliate Investment to an Affiliate Investment and Malabar International fom an Affiliate Investment to a Control Investment.

(4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments and sales, if any. Gross reductions also include net decreases in unrealized appreciation or net increases in unrealized depreciation, as well as the movement of Malabar International from an Affiliate Investment to a Control Investment.

(5) Non-income producing.

(6) Dividends credited to income include dividends contractually earned but not declared.

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Note 15. Subsequent Events

On October 31, 2016, the Company’s Board declared a distribution of $0.34 per share for the fourth quarter of 2016, payable on December 30, 2016 to shareholders of record as of December 16, 2016.

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

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "would," "shoul "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 limited experience operating a BDC or a small business investment company, or SBIC, or maintaining our status as a RIC, under Code;
- our dependence on key personnel;
- our ability to maintain or develop referral relationships;
- our ability to replicate historical results;
- the ability of OFS Advisor, to identify, invest in and monitor companies that meet our investment criteria;
- actual and potential conflicts of interest with OFS Advisor and other affiliates of OFSAM, which is the holding company of OFS Advisor and OFS Services and owns approximately 30% of our outstanding shares of common stock;
- constraint on investment due to access to material nonpublic information;
- restrictions on our ability to enter into transactions with our affiliates;
- limitations on the amount of debentures guaranteed by the SBA, that may be issued by an SBIC;
- our ability to comply with SBA regulations and requirements;
- 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 BDC;
- the ability of SBIC I LP, and any future portfolio company to make distributions enabling us to meet RIC requirements;
- our ability to raise capital as a BDC;
- the timing, form and amount of any distributions from our portfolio companies;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the general economy and its impact on the industries in which we invest;
- uncertain valuations of our portfolio investments; and
- the effect of new or modified laws or regulations governing our operations.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, 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 quarterly report on Form 10-Q should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include, among others, those described or identified in "Item 1A. Risk Factors" in our annual report on Form 10-K for our year ended December 31, 2015. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this quarterly report on Form 10-Q.

We have based the forward-looking statements on information available to us on the date of this quarterly report on Form 10-Q. Except as required by the federal securities laws, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any additional disclosures that we may make directly to you or through reports that we may file with the SEC in the future, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The forward-looking statements and projections contained in this quarterly report on Form 10-Q are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this quarterly report on Form 10-Q.

Overview

We are an externally managed, closed-end, non-diversified management investment company. Our investment objective is to provide our shareholders with both current income and capital appreciation primarily through debt investments and, to a lesser extent, equity investments. Our investment strategy focuses primarily on investments in middle-market companies in the United States. We use the term “middle-market” to refer to companies that may exhibit one or more of the following characteristics: number of employees up to 2,000; revenues between $15 million and $300 million; annual earnings before interest, taxes, depreciation and amortization, or EBITDA, between $3 million and $50 million; generally, private companies owned by private equity firms or owners/operators; and enterprise value between $10 million and $500 million. For additional information about how we define the middle-market, see “General—Investment Criteria/Guidelines.”

As of September 30, 2016, our investment portfolio consisted of outstanding loans of approximately $230.9 million in aggregate principal amount in 37 portfolio companies, of which 77% were senior secured loans and 23% were subordinated loans, as well as equity investments of $32.7 million, at fair value, in 17 portfolio companies, 16 of which we also held a debt investment. As of September 30, 2016, 67% of our investment portfolio was comprised of senior secured loans, 20% of subordinated loans and 13% of equity investments, at fair value.

While our investment strategy focuses primarily on middle-market companies in the United States, including senior secured loans, which includes first-lien, second-lien and unitranche loans as well as subordinated loans and, to a lesser extent, warrants and other equity securities, we also may invest up to 30% of our portfolio in opportunistic investments of non-eligible portfolio companies. Specifically, as part of this 30% basket, we may consider investments in investment funds that are operating pursuant to certain exceptions to the 1940 Act and in advisers to similar investment funds, as well as in debt of middle-market companies located outside of the United States and debt and equity of public companies that do not meet the definition of eligible portfolio companies because their market capitalization of publicly traded equity securities exceeds the levels provided for in the 1940 Act.

Our investment strategy includes SBIC I LP, which received a license under the SBA’s SBIC Program in May 2012. The SBIC license allows SBIC I LP to receive SBA-guaranteed debenture funding, subject to the issuance of a leverage commitment by the SBA and other customary procedures. SBA leverage funding is subject to SBIC I LP’s payment of certain fees to the SBA, and the ability of SBIC I LP to draw on the leverage commitment is subject to its compliance with SBA regulations and policies, including an audit by the SBA. For additional information regarding the regulation of SBIC I LP, see “Regulation—Small Business Investment Company Regulations.”

In January 2015, we filed an application with the SBA for a second SBIC license, which, if approved, would provide up to $75.0 million in additional SBA debentures for the funding of our future investments upon our contribution of at least $37.5 million in additional regulatory capital and subject to the issuance of a leverage commitment by the SBA and other customary procedures. There can be no assurance as to whether or when this application will be approved by the SBA.

On a stand-alone basis, SBIC I LP held approximately $242.0 million and $245.1 million in assets at September 30, 2016 and December 31, 2015, respectively, which accounted for approximately 83% and 83% of our total consolidated assets at September 30, 2016 and December 31, 2015, respectively.

Our investment activities are 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 the Investment Advisory Agreement (as defined below) between us and OFS Advisor we have agreed to pay OFS Advisor an annual base management fee based on the average value 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) as well as an incentive fee based on our investment performance. We have elected to exclude from the base management fee calculation any base management fee that would be owed in respect of the intangible asset and goodwill resulting from our acquisitions of the remaining ownership interests in SBIC I LP and SBIC I GP on December 4, 2013. 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.

As a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our assets, as defined by the 1940 Act, are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies.” Under the relevant SEC rules, the term “eligible portfolio company” includes all private companies, companies whose securities are not listed on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than $250 million, in each case organized in the United States.

We are permitted to borrow money from time to time within the levels permitted by the 1940 Act (which generally allows us to incur leverage for up to 50% of our asset base). We may borrow money when the terms and conditions available are favorable to do so and are aligned with our investment strategy and portfolio composition. The use of borrowed funds or the proceeds of preferred stock to make investments would have its own specific benefits and risks, and all of the costs of borrowing funds or issuing preferred stock would be borne by holders of our common stock.

We have elected to be treated for tax purposes as a RIC under the Code. To qualify as a RIC, we must, among other things, meet certain source-of-income and assets diversification requirements. Pursuant to these elections, we generally will not have to pay corporate-level taxes on any income we distribute to our shareholders.

The 1940 Act generally prohibits BDCs from making certain negotiated co-investments with certain affiliates absent an order from the SEC permitting the BDC to do so. On October 12, 2016, we received exemptive relief from the SEC to permit us to co-invest in portfolio companies with certain other funds managed by OFS Advisor (“Affiliated Funds”) in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions (the “Order”). Pursuant to the Order, we are generally permitted to co-invest with Affiliated Funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our shareholders and do not involve overreaching by us or our shareholders on the part of any person concerned and (2) the transaction is consistent with the interests of our shareholders and is consistent with our investment objective and strategies.

Related Party Transactions

Investment Advisory Agreement

We have entered into an Investment Advisory Agreement with OFS Advisor, under which OFS Advisor manages the day-to-day operations of, and provides investment advisory services to us. Under the terms of the Advisory Agreement, which are in accordance with the 1940 Act and subject to the overall supervision of our Board, OFS Advisor is responsible for sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring investments, and monitoring investments and portfolio companies on an ongoing basis. OFS Advisor is a subsidiary of OFSAM and a registered investment advisor under the Investment Advisers Act of 1940, as amended.

OFS Advisor’s services under the Advisory Agreement are not exclusive to us and OFS Advisor is free to furnish similar services to other entities so long as its services to us are not impaired. For example, OFS Advisor also serves as the investment adviser for Hancock Park Corporate Income, Inc. ("Hancock Park"), a corporation formed under the laws of the State of Maryland in December 2015, and that has elected to be treated as a BDC in July 2016. Hancock Park's investment objective is similar to ours, which is to provide shareholders with current income and capital appreciation primarily through debt investments and, to a lesser extent, equity investments.

OFS Advisor receives fees for providing services, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 1.75% and based on the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts and including assets owned by any consolidated entity) at the end of the two most recently completed calendar quarters, adjusted for any share issuances or repurchases during the quarter. OFS Advisor has elected to exclude the value of the intangible asset and goodwill resulting from the SBIC Acquisitions from the base management fee calculation.

The base management fee expense was approximately $1.1 million and $3.3 million for the three and nine months ended September 30, 2016, respectively. The base management fee expense was approximately $1.1 million and $3.8 million for the three and nine months ended September 30, 2015, respectively.

The incentive fee has two parts. One part (part one) is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. "Pre-incentive fee net investment income" means interest income, dividend income and any other income (including any other fees such as commitment, origination and sourcing, structuring, diligence and consulting fees or other fees that we receive from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest or dividend feature (such as OID, debt instruments with PIK interest, equity investments with accruing or PIK dividend, and zero coupon securities), accrued income that we have not yet received in cash.

Pre-incentive fee net investment income does not include any realized gains, realized losses, unrealized capital appreciation or unrealized capital depreciation. Because of the structure of the incentive fee, it is possible that we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized capital losses and unrealized capital depreciation.

Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed "hurdle rate" of 2.0% per quarter. If market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our pre-incentive fee net investment income and make it easier for OFS Advisor to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. 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. Pre-incentive fee net investment income fees are prorated for any partial quarter based on the number of days in such quarter.

We pay OFS Advisor an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- No incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle rate;
- 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% in any calendar quarter. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.5%) as the "catch-up" provision. The catch-up is meant to provide OFS Advisor with 20.0% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this pre-incentive fee net investment income exceeds 2.5% in any calendar quarter; and
- 20.0% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.5% in any calendar quarter.

The second part (part two) of the incentive fee (the "Capital Gains Fee") is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (a) the sum of our cumulative aggregate realized capital losses and our aggregate unrealized capital depreciation from (b) our cumulative aggregate realized capital gains. If such amount is positive at the end of such year, then the Capital Gains Fee for such year is equal to 20.0% of such amount, less the aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee for such year.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in our portfolio when sold and (b) the accreted or amortized cost basis of such investment.

The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (a) the net sales price of each investment in our portfolio when sold is less than (b) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in our portfolio as of the applicable Capital Gains Fee calculation date and (b) the accreted or amortized cost basis of such investment. Unrealized capital appreciation is accrued, but not paid until said appreciation is realized.

We will accrue the Capital Gains Fee if, on a cumulative basis, the sum of net realized capital gains and (losses) plus net unrealized appreciation and (depreciation) is positive. OFS Advisor has excluded from the Capital Gains Fee calculation any realized gain with respect to the step acquisitions resulting from the SBIC Acquisition. The Capital Gains Fee for any partial year is prorated based on the number of days in such year.

We incurred incentive fee expense of $0.8 million and $2.4 million for the three and nine months ended September 30, 2016, respectively. Incentive fees for the three and nine months ended September 30, 2016, consisted of part one incentive fees (based on net investment income) of $0.8 million and $2.5 million, respectively. The part two incentive fee (based on net realized and unrealized gains and losses, or capital gains) for three and nine months ended September 30, 2016 was $0 and $(0.1) million which represents the reversal of the part two incentive fee accrued at December 31, 2015. Incentive fees were $0.9 million and $1.5 million for the three and nine months ended September 30, 2015, respectively, which consisted entirely of the part one incentive fee.

License Agreement

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.”

Administration Agreement

Pursuant to an Administration Agreement, OFS Services furnishes us with office facilities and equipment, necessary software licenses and subscriptions and clerical, bookkeeping and record keeping services at such facilities. Under the Administration Agreement, OFS Services performs, or oversees the performance of, our required administrative services, which include being responsible for the financial records that we are required to maintain and preparing reports to our shareholders and all other reports and materials required to be filed with the SEC or any other regulatory authority. In addition, OFS Services assists us in determining and publishing our net asset value, oversees the preparation and filing of our tax returns and the printing and dissemination of reports to our shareholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, OFS Services would provide managerial assistance on our behalf to certain portfolio companies that accept our offer to provide such assistance. Payments under the Administration Agreement are equal to an amount based upon our allocable portion (subject to the review and approval of our board of directors) of OFS Services’ overhead in performing its obligations under the Administration Agreement, including rent, information technology, and our allocable portion of the cost of our officers, including our chief executive officer, chief financial officer, chief compliance officer, chief accounting officer, and corporate secretary, and their respective staffs. The Administration Agreement may be renewed annually with the approval of our board of directors who are not “interested persons.” The Administration Agreement may be terminated by either party without penalty upon 60 days’ written notice to the other party. To the extent that OFS Services outsources any of its functions we pay the fees associated with such functions at cost on direct basis to OFS Services.

For the three and nine months ended September 30, 2016, we incurred administration fee expense of $0.3 million and $1.0 million, respectively. For the three and nine months ended September 30, 2015, we incurred administration fee expense of $0.3 million and $1.1 million, respectively.

Staffing Agreement

We do not have any internal management capacity or employees. We depend on the diligence, skill and network of business contacts of the OFS senior professionals to achieve our investment objective. OFS Advisor is a subsidiary of OFSAM and depends upon access to the investment professionals and other resources of OFSAM and its affiliates to fulfill its obligations to us under the Investment Advisory Agreement. OFS Advisor also depends upon OFSAM to obtain access to deal flow generated by the professionals of OFSAM and its affiliates. Under the Staffing Agreement between Orchard First Source Capital, Inc. ("OFSC"), a wholly-owned subsidiary of OFSAM, and OFS Advisor, OFSC provides OFS Advisor with the resources necessary to fulfill these obligations. The Staffing Agreement provides that OFSC 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. The Staffing Agreement also includes a commitment that the members of the Advisor Investment Committee serve in such capacity (including Mr. Ressler, who is currently the Chairman of the Advisor Investment Committee).

The Staffing Agreement is renewable by the parties thereto on an annual basis. Services under the Staffing Agreement are provided to OFS Advisor on a direct cost reimbursement basis, and such fees are not our obligation.

OFSC also has entered into a staffing and corporate services agreement with OFS Services. Under this agreement, OFSC makes available to OFS Services experienced investment professionals and access to the administrative resources of OFS Services.

Critical Accounting Policies and Estimates

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. Critical accounting policies are those that require management to make subjective or complex judgments about the effect of matters that are inherently uncertain and may change in subsequent periods. Changes that may be required in the underlying assumptions or estimates in these areas could have a material impact on our current and future financial condition and results of operations.

Our critical accounting policies and estimates are those relating to fair value estimates and revenue recognition. Management has discussed the development and selection of each critical accounting policy and estimate with the Audit Committee of the Board of Directors.

Fair value estimates. As of September 30, 2016, approximately 89% of our total assets were carried on the consolidated balance sheets at fair value. As discussed more fully in "Item 1—Financial Statements and Supplementary Data—Note 3" GAAP requires us to categorize financial assets and liabilities carried at fair value according to a three-level valuation hierarchy. The hierarchy gives the highest priority to quoted, active market prices for identical assets and liabilities (Level 1) and the lowest priority to valuation techniques that require significant management judgment because one or more of the significant inputs are unobservable in the market place (Level 3). All of our assets carried at fair value are classified as Level 3; we typically do not hold equity securities or other instruments that are actively traded on an exchange.

As described in "Item 1—Financial Statements and Supplementary Data—Note 7", we follow a process, under the supervision and review of the Board, to determine these unobservable inputs used to calculate the fair values of our investments. The most significant unobservable inputs in these fair value measurements are the discount rates, EBITDA multiples, and projected cash flows to us, either as contractually due from the investment or from disposition of the investment in an assumed exit transaction.

We consider a variety of factors in our determination of the discount rate to be applied to an investment including, among other things, investment type, LIBOR swap rate, indicative yields from independent third-party sources and the yield on our investment relative to indicative yields at the time of our investment (initial and subsequent investments) in the portfolio company.

We also consider a variety of factors in our determination of the EBITDA multiple to be applied to an investment including, among other things, the actual EBITDA multiple for the last arms-length transaction, and the ratio of the portfolio company's EBITDA multiple to the average of EBITDA multiples on comparable public companies.

For both the discount rate and the EBITDA multiple we also consider developments at the portfolio company since our investment including, but not limited to, trends in the portfolio company's earnings and leverage multiple, and input from our independent third-party valuation firms. This process typically results in a single selected discount rate and/or EBITDA multiple for each investment.

The following table illustrates the sensitivity of our fair value measures to variations of plus or minus 10% and plus or minus 20% to the estimated values for the unobservable discount rate and EBITDA multiple inputs, respectively, at September 30, 2016:

	Fair Value at September 30, 2016	Weighted average discount rate / EBITDA multiple at September 30, 2016	Discount rate sensitivity -10% Weighted average	Discount rate sensitivity +10% Weighted average	EBITDA multiple sensitivity -20% Weighted average	EBITDA multiple sensitivity +20% Weighted average
	(Dollar amounts in thousands)					
Debt investments:						
Senior Secured	$159,879	12.07 %	$164,209	$156,267	N/A	N/A
Subordinated	$52,280	15.31 %	$53,597	$50,593	N/A	N/A
Equity investments	$32,695	22.04% / 6.23x	$34,916	$30,498	$25,955	$39,309

This table presents the impact to our fair value accounting measures by uniformly modifying our discount rate and EBITDA multiple valuation inputs. These tables do not present the estimated effect of hypothetical changes in actual, observed interest rates, which would affect the cash flows from many of the underlying investments as they are indexed to LIBOR or the Prime Rate of interest, the operating environment of many of our portfolio companies, observed EBITDA multiples on comparable investments, and many other factors, as well as our estimates of the discount rate and EBITDA multiple valuation inputs. The effect of hypothetical changes in actual, observed interest rates on our fair value measures is not subject to reasonable estimation.

Revenue Recognition. Our revenue recognition policies are as follows:

Interest Income: Interest income is recorded on an accrual basis. Recognized interest income, if payable monthly or quarterly, is reported as interest receivable until collected. Recognized interest income due at maturity or at another stipulated date (“PIK interest”) is recorded as an adjustment to the cost basis of the investment. We accrue interest income until events occur that place a loan into a non-accrual status (see below). Loan origination fees, original issue discount (“OID”), market discount or premium, and loan amendment fees (collectively, “Net Loan Fees”) are capitalized, and we accrete or amortize such amounts as additional interest income over the life of the loan using a method that approximates the effective interest method. Unamortized Net Loan Fees are recorded as an adjustment to the cost basis of the investment. When we receive a loan principal payment, the unamortized Net Loan Fees related to the paid principal is accelerated and recognized in interest income. All other interest income is recognized as contractually earned. Further, in connection with our debt investments, we may receive warrants or similar equity-related securities (“Warrants”). We determine the cost basis of Warrants based upon their fair values on the date of receipt relative to the total fair value of the debt and Warrants received. Any resulting difference between the face amount of the debt and its recorded cost resulting from the assignment of value to the Warrants is treated as OID, and accreted into interest income as described above. To maintain our status as a RIC, we include non-cash interest income in the determination of distributable income.

Dividend Income: Dividend income on common stock, generally payable in cash, is recorded at the time dividends are declared. Dividend income on preferred equity securities is accrued as earned. Dividends on preferred equity securities may be payable in cash or in additional preferred securities, and are generally not payable unless declared or upon liquidation. Declared dividends payable in cash are reported as dividend receivables until collected. Dividends payable in additional preferred securities or contractually earned but not declared (“PIK dividends”) are recorded as an adjustment to the cost basis of the investment. We discontinue accrual of dividends on preferred equity securities when we determine that the dividend may not be collectible. We assess the collectability of the preferred dividends based on factors including the fair value of the preferred equity security, the valuation of the portfolio company's enterprise value, and proceeds expected to be received over the life of the investment. Distributions received from common or preferred equity securities that do not qualify as dividend income are recorded as return of capital and a reduction in the cost basis of the investment. In addition, we may receive cash distributions from portfolio companies that are taxed as flow-through entities. Each distribution is evaluated to determine whether it should be recorded as income or as a return of capital. Distributions classified as a return of capital are recorded as reductions in the cost basis of the investments.

Fee Income: We generate revenue in the form of management, valuation, and other contractual fees, which is recognized as the related services are rendered. In the general course of our business, we receive certain fees from our portfolio companies, which are non-recurring in nature. Such fees include prepayment fees on certain loans repaid prior to their scheduled due date, which are recognized when received, and fees for capital structuring services from certain portfolio companies, which are recognized upon closing of the investment.

Net Realized and Unrealized Gain or Loss on Investments: Investment transactions are reported on a trade-date basis. Realized gains or losses on investments are measured by the difference between the net proceeds from the disposition and the cost basis of the investment, without regard to unrealized gains or losses as of the date of disposition. Investments are reported at fair value as determined by our Board. After recording all appropriate interest, dividend, and other income, some of which is recorded as an adjustment to the cost basis of the investment as described above, we report changes in the fair value of investments as a component of the net changes in unrealized appreciation/depreciation on investments in the consolidated statements of operations.

Non-accrual loans: Loans on which the accrual of interest income has been discontinued are designated as non-accrual loans and accounted for on a non-accrual cash method. Loans are generally placed on non-accrual status when a loan either: (i) is delinquent for 90 days or more on principal or interest according to contractual terms of the loan (unless well secured and in the process of collection), or (ii) in the opinion of management, there is reasonable doubt about its collectability. When loans are placed on non-accrual status, all interest previously accrued but not collected interest, other than PIK interest that has been contractually added to the principal balance prior to the designation date, is reversed against current period interest income. Interest payments subsequently received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Interest accruals are resumed on non-accrual loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

Portfolio Composition and Investment Activity

Portfolio Composition

The total fair value of our investments was $259.2 million and $257.3 million at September 30, 2016, and December 31, 2015, respectively. Our investment portfolio as of September 30, 2016, consisted of outstanding loans to 37 portfolio companies, totaling approximately $230.9 million in aggregate principal amount, of which 77% were senior secured loans and 23% were subordinated loans, and approximately $32.7 million were equity investments, at fair value, in 16 portfolio companies in which we also held debt investments and one portfolio company in which we solely held an equity investment. Our investment portfolio encompassed a broad range of geographical regions within the United States and industries. We had unfunded commitments of $2.6 million to three portfolio companies and $3.8 million to three portfolio companies at September 30, 2016, and December 31, 2015, respectively. Set forth in the tables below is selected information with respect to our portfolio as of September 30, 2016, and December 31, 2015.

The following table summarizes the composition of our investment portfolio as of September 30, 2016, and December 31, 2015 (in thousands).

	September 30, 2016			December 31, 2015		
	Commitment (1)	Principal Amount	Fair Value	Commitment (1)	Principal Amount	Fair Value
Senior secured term loan	$178,717	$177,217	$174,200	$163,398	$163,398	$160,473
Subordinated term loan	53,695	53,695	52,280	67,751	65,373	64,240
Senior secured revolver	1,094	—	(6)	1,094	—	(36)
Equity investments	32,695	N/A	32,695	32,983	N/A	32,619
	$266,201	$230,912	$259,169	$265,226	$228,771	$257,296
Total number of obligors	37	37	37	38	38	38

(1)

Sum of outstanding principal and unfunded commitments for debt investments, and fair value for equity and other instruments.

The following table summarizes our combined debt commitments and equity investments (at fair value) portfolio by industry as of September 30, 2016, and December 31, 2015 (dollar amounts in thousands).

	September 30, 2016		December 31, 2015	
	Commitment	Percent	Commitment	Percent
Administrative and Support and Waste Management and Remediation Services				
Other Travel Arrangement and Reservation Services	$10,505	3.9 %	$10,250	3.9 %
Security Systems Services (except Locksmiths)	6,511	2.4	5,000	1.9
Tour Operators	3,313	1.2	3,208	1.2
Arts, Entertainment, and Recreation				
Fitness and Recreational Sports Centers	15,500	5.8	—	—
Education Services				
Colleges, Universities, and Professional Schools	5,125	1.9	5,026	1.9
Finance and Insurance				
Insurance Agencies and Brokerages	13,686	5.1	11,826	4.5
Health Care and Social Assistance				
Medical Laboratories	4,207	1.6	4,104	1.5
Other Outpatient Care Centers	14,250	5.4	15,250	5.7
Outpatient Mental Health and Substance Abuse Centers	6,722	2.5	6,672	2.5
Information				