

OFS Capital Corp
Form 10-Q
May 06, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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 (I.R.S. Employer
incorporation or organization) 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 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 Non-accelerated filer Smaller reporting company

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

The number of shares of the issuer's Common Stock, \$0.01 par value, outstanding as of May 3, 2016 was 9,692,324.

OFS CAPITAL CORPORATION

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PART I. FINANCIAL INFORMATION**Item 1. Unaudited Financial Statements****OFS Capital Corporation and Subsidiaries****Consolidated Balance Sheets (unaudited)****(Dollar amounts in thousands, except per share data)**

	March 31, 2016	December 31, 2015
Assets		
Investments, at fair value		
Non-control/non-affiliate investments (amortized cost of \$154,429 and \$175,529, respectively)	\$ 151,976	\$ 177,290
Affiliate investments (amortized cost of \$76,632 and \$63,113, respectively)	80,180	66,393
Control investment (amortized cost of \$13,247 and \$13,613, respectively)	13,251	13,613
Total investments at fair value (amortized cost of \$244,308 and \$252,255 respectively)	245,407	257,296
Cash and cash equivalents	42,230	32,714
Interest receivable	839	789
Prepaid expenses and other assets	4,209	3,877
Total assets	\$ 292,685	\$ 294,676
Liabilities		
SBA debentures (net of deferred debt issuance costs of \$3,324 and \$3,420, respectively)	\$ 146,556	\$ 146,460
Interest payable	404	1,548
Management and incentive fees payable	1,987	2,238
Administration fee payable	428	488
Accrued professional fees	464	433
Other liabilities	835	497
Total liabilities	150,674	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 March 31, 2016 and December 31, 2015, respectively	\$ - 97	\$ - 97

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Common stock, par value of \$0.01 per share, 100,000,000 shares authorized, 9,692,324 and 9,691,170 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively

Paid-in capital in excess of par	134,478	134,446
Accumulated undistributed net investment income	4,985	4,612
Accumulated undistributed net realized gain (loss)	1,352	(1,184)
Net unrealized appreciation on investments	1,099	5,041
Total net assets	142,011	143,012
Total liabilities and net assets	\$292,685	\$294,676
Number of shares outstanding	9,692,324	9,691,170
Net asset value per share	\$ 14.65	\$ 14.76

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2016	2015
Investment income		
Interest income		
Non-control/non-affiliate investments	\$4,736	\$5,815
Affiliate investments	1,686	1,343
Control investment	341	-
Total interest income	6,763	7,158
Dividend income		
Non-control/non-affiliate investments	28	80
Affiliate investments	529	249
Total dividend income	557	329
Fee income		
Non-control/non-affiliate investments	478	105
Affiliate investments	32	29
Control investment	13	-
Total fee income	523	134
Total investment income	7,843	7,621
Expenses		
Interest expense	1,308	1,777
Management fees	1,115	1,555
Incentive fee	733	375
Professional fees	314	315
Administration fee	428	541
General and administrative expenses	290	309
Total expenses	4,188	4,872
Net investment income	3,655	2,749
Net realized and unrealized gain (loss) on investments		

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Net realized gain on non-control/non-affiliate investments	2,566	90
Net change in unrealized appreciation/depreciation on non-control/non-affiliate investments	(4,092)	(353)
Net change in unrealized appreciation/depreciation on affiliate investments	146	746
Net change in unrealized appreciation/depreciation on control investment	4	-
Net gain (loss) on investments	(1,376)	483
Net increase in net assets resulting from operations	\$2,279	\$3,232
Net investment income per common share - basic and diluted	\$0.38	\$0.28
Net increase in net assets resulting from operations per common share - basic and diluted	\$0.24	\$0.33
Dividends and distributions declared per common share	\$0.34	\$0.34
Basic and diluted weighted average shares outstanding	9,691,183	9,650,969

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2016	2015
Increase in net assets resulting from operations:		
Net investment income	\$3,655	\$2,749
Net realized gain on investments	2,566	90
Net change in unrealized appreciation/depreciation on investments	(3,942)	393
Net increase in net assets resulting from operations	2,279	3,232
Distributions to shareholders from:		
Net investment income (2015 revised - Note 2)	(3,295)	(3,281)
Net realized gain (2015 revised - Note 2)	-	-
Total distributions to shareholders	(3,295)	(3,281)
Common stock transactions:		
Reinvestment of shareholder distributions	15	148
Net increase in net assets resulting from capital transactions	15	148
Net increase (decrease) in net assets	(1,001)	99
Net assets:		
Beginning of period	\$143,012	\$137,471
End of period	\$142,011	\$137,570
Accumulated undistributed net investment income (2015 revised - Note 2)	\$4,985	\$1,941
Common stock activity:		
Shares issued from reinvestment of shareholder distributions	1,154	12,106
Shares issued and outstanding at beginning of period	9,691,170	9,650,834
Shares issued and outstanding at end of period	9,692,324	9,662,940

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2016	2015
Cash Flows From Operating Activities		
Net increase in net assets resulting from operations	\$2,279	\$3,232
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized gain on investments	(2,566)	(90)
Net change in unrealized appreciation/depreciation on investments	3,942	(393)
Amortization and write-off of deferred debt issuance costs	121	547
Amortization of discounts and premiums, net	(257)	(306)
Amortization of deferred loan fee revenue	(119)	(79)
Amortization of intangible assets	49	49
Cash collection of deferred loan fee revenue	23	12
Payment-in-kind interest and dividends	(593)	(593)
Purchase and origination of portfolio investments	(6,502)	(24,588)
Proceeds from principal payments on portfolio investments	15,868	10,986
Proceeds from sale or redemption of portfolio investments	2,115	18,257
Changes in operating assets and liabilities:		
Interest payable	(1,144)	(573)
Management and incentive fees payable	(251)	820
Administration fee payable	(60)	268
Other assets and liabilities	(109)	(540)
Net cash provided by operating activities	12,796	7,009
Cash Flows From Financing Activities		
Distributions paid	(3,280)	(3,133)
Borrowings under revolving line of credit	-	1,200
Repayments under revolving line of credit	-	(9,464)
Draw down on SBA debentures	-	13,585
Change in other liabilities	-	(14)
Deferred financing closing costs paid	-	(329)
Deferred common stock offering costs paid	-	(4)
Net cash (used in) provided by financing activities	(3,280)	1,841
Net increase in cash and cash equivalents	9,516	8,850

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Cash and cash equivalents — beginning of period	32,714	12,447
Cash and cash equivalents — end of period	\$42,230	\$21,297
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$2,331	\$1,803
Reinvestment of shareholder distributions	\$15	\$148

See Notes to Unaudited Consolidated Financial Statements.

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments (unaudited)

March 31, 2016

(Dollar amounts in thousands)

Industry Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity	Principal Amount	Amortized Cost	Fair Value	Percent of Net Assets
<u>Non-control/Non-affiliate Investments</u>								
Accurate Group Holdings, Inc. (3)	Offices of Real Estate Appraisers	12.50%	N/A	8/23/18	\$ 10,000	\$ 10,046	\$ 9,848	6.9 %
Subordinated Loan								
A.C.T. Lighting, Inc. (3)	Electrical Apparatus and Equipment, Wiring Supplies, and Related	12.0% cash / 2.0% PIK	N/A	7/24/19	3,592	3,578	3,754	2.6
Subordinated Loan								
AssuredPartners, Inc. (3)	Insurance Agencies and Brokerages	10.00%	(L +9.00%)	10/20/23	3,000	2,887	2,664	1.9
Senior Secured Term Loan								
BCC Software, LLC (3)	Custom Computer Programming Services	9.00%	(L +8.00%)	6/20/19	6,426	6,364	6,250	4.4
Senior Secured Term Loan								

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Senior Secured Revolver (12)		N/A	(L +8.00%)	6/20/19	-	(11)	(30)(2)	-
					6,426	6,353	6,220	4.4
Community Intervention Services, Inc. (3)	Outpatient Mental Health and Substance Abuse Centers							
Subordinated Loan (8)		10.0% cash / 3.0% PIK	N/A	1/16/21	6,722	6,664	6,376	4.5
Confie Seguros Holdings II Co.	Insurance Agencies and Brokerages							
Senior Secured Term Loan		10.25%	(L +9.00%)	5/8/19	4,000	3,968	3,630	2.6
C7 Data Centers, Inc. (3)(7)	Other Computer Related Services							
Senior Secured Term Loan		13.16%	(L +8.50%)	6/22/20	11,850	11,829	11,624	8.2
Elgin Fasteners Group	Bolt, Nut, Screw, Rivet, and Washer Manufacturing							
Senior Secured Term Loan		6.25%	(L +5.00%)	8/27/18	4,495	4,484	4,447	3.1
Inhance Technologies Holdings LLC	Other Basic Inorganic Chemical Manufacturing							
Senior Secured Term Loan A		5.50%	(L +4.50%)	2/7/18	2,218	2,213	2,176	1.5
Intelli-Mark Technologies, Inc.(3)	Other Travel Arrangement and Reservation Services							
Senior Secured Term Loan (11)		13.00%	N/A	11/23/20	8,750	8,669	8,679	6.1
Common Equity (2,553,089 shares) (12)						1,500	1,612	1.1
					8,750	10,169	10,291	7.2
Intrafusion Holding Corp. (3) (6)	Other Outpatient							

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Senior Secured Term Loan B	Care Centers	12.85% (P +5.75%)	9/25/20	14,250	14,198	13,950	9.8
Jobson Healthcare Information, LLC (3)	Other Professional, Scientific, and Technical Services	10.13%					
Senior Secured Term Loan (8)		cash / 2.795% (L +10.925%)	7/21/19	14,597	14,336	14,117	9.9
Warrants (1,056,428 member units) (12)		PIK			454	358	0.3
Maverick Healthcare Equity, LLC (3)	Home Health Equipment Rental			14,597	14,790	14,475	10.2
Preferred Equity (1,250,000 units) (12)					900	1,405	1.0
Class A Common Equity (1,250,000 units) (12)					-	276	0.2
				-	900	1,681	1.2

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments (unaudited) - Continued

March 31, 2016

(Dollar amounts in thousands)

Industry Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Mat
Non-control/Non-affiliate Investments - Continued				
My Alarm Center, LLC (3)	Security Systems Services (except Locksmiths)	12.00%	(L +11.00%)	7/9/
Senior Secured Term Loan Class A Preferred Equity (100 units) (12)				
MYI Acquiror Limited (4)	Insurance Agencies and Brokerages	5.75%	(L +4.50%)	5/2/
Senior Secured Term Loan A				
NHR Holdings, LLC	Other Telecommunications	5.50%	(L +4.25%)	11/3/
Senior Secured Term Loan A		5.50%	(L +4.25%)	11/3/
Senior Secured Term Loan B				
Phoenix Brands LLC (5)	Soap and Other Detergent Manufacturing	9.25%	(L +7.75%)	1/2/
Senior Secured Term Loan A (12)				
Quantum Spatial, Inc. (f/k/a Aero-Metric, Inc.)	Other Information Services	6.75%		
Senior Secured Term Loan		cash / 2.0% PIK	(L +7.00%)	8/2/
Ranpak Corp.	Packaging Machinery Manufacturing			

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Senior Secured Term Loan		8.25%	(L +7.25%)	10/3
Riveron Consulting, LLC (3)	Administrative Management and General Management Consulting			
Subordinated Loan (10)		16.50%	N/A	3/25
Sentry Centers Holdings, LLC	Other Professional, Scientific, and Technical Services			
Senior Secured Loan		12.12%	(L +11.50%)	7/24
smarTours, LLC (3)	Tour Operators			
Senior Secured Loan		9.25%	N/A	10/3
Preferred Equity A (500,000 units) (12)				
Southern Technical Institute, LLC (3)	Colleges, Universities, and Professional Schools			
Subordinated Loan		9.0% cash / 4.0% PIK	(L +8.00%)	12/2
1,764,720 Class SP-1 Units in Southern Technical Holdings, LLC, 15.75% PIK (12)				
Class A Warrants (2,174,905 units) (12)				
Stancor, L.P. (3)	Pump and Pumping Equipment Manufacturing			
Senior Secured Term Loan		8.75%	(L +8.00%)	8/19
1,250,000 Class A Units in SCT Holdings, LLC, 8% PIK (12)				
TravelCLICK, Inc.	Computer Systems Design and Related Services			
Senior Secured Term Loan		8.75%	(L +7.75%)	11/8
United Biologics Holdings, LLC (3)	Medical Laboratories			
Subordinated Loan		12.0% cash / 2.0% PIK	N/A	3/5
Class A-1 Units (2,686 units) and Kicker Units (2,015 units) (12)				
Class A-1 Warrants (2,272 units) and Kicker Warrants (1,704 units) (12)				
Class A Warrants (10,160 units) (12)				
Class B Warrants (15,238 units) (12)				
VanDeMark Chemical Inc.	Other Basic Inorganic Chemical			

	Manufacturing			
Senior Secured Term Loan		6.50%	(L +5.25%)	11/3
Total Non-control/Non-affiliate Investments				

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments (unaudited) - Continued

March 31, 2016

(Dollar amounts in thousands)

Industry Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity
Affiliate Investments				
All Metals Holding, LLC (3)	Metal Service Centers and Other Metal Merchant Wholesalers	11.00%	N/A	3/31/21
Senior Secured Term Loan		14.0%	N/A	11/15/16
Subordinated Loan		PIK		
Common Equity (166,049 member units) (12)				
Contract Datascan Holdings, Inc. (3)	Office Machinery and Equipment Rental and Leasing	12.00%	N/A	2/5/21
Subordinated Loan				
Preferred Equity A (2,463 shares, 10% PIK) (12)				
Common Equity (9,069 shares) (12)				
Malabar International (3)	Other Aircraft Parts and Auxiliary Equipment Manufacturing	12.5%		
Subordinated Loan		cash / 2.5%	N/A	5/21/17
Preferred Stock (1,644 shares, 6% cash)		PIK		

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Master Cutlery, LLC (3)	Sporting and Recreational Goods and Supplies Merchant Wholesalers			
Subordinated Loan 3,723 Preferred Equity A units in MC Parent, LLC, 5% cash, 3% PIK (12) 15,564 Common Equity units in MC Parent, LLC (12)		13.00%	N/A	4/17/20
NeoSystems Corp. (3)	Other Accounting Services			
Subordinated Loan		10.50% cash / 1.25% PIK	N/A	8/13/19
Convertible Preferred Stock (521,962 shares, 10% PIK) (12)				
Pfanstiehl Holdings, Inc. (3)	Pharmaceutical Preparation Manufacturing			
Subordinated Loan (9) Class A Common Equity (400 shares)		13.50%	N/A	9/29/18
Strategic Pharma Solutions, Inc. (3)	Other Professional, Scientific, and Technical Services			
Senior Secured Term Loan 1,191 Class A Units in Strategic Pharma Solutions Holdings, LLC, 6% PIK (12)		11.00%	(L +10.00%)	12/18/20
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%)	12/10/19
Delayed Draw Senior Secured Term Loan		10.25%	(L +9.25%)	12/10/19
3,000,000 Class A Units in IGT Holdings, LLC, 11% PIK (12)				
3,000,000 Common Units in IGT Holdings, LLC (12)				
Total Affiliate Investments				

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Control Investment

Mirage Trailers LLC (3)

Travel Trailer
and Camper
Manufacturing

Senior Secured Term Loan
554 common equity shares in MTE Holding Corp.) (12)

12.50% (L +11.50%) 11/25/20

Total Control Investment

Total Investments

9

- The majority of investments bear interest at a variable rate that is indexed to the London Interbank Offered Rate ("LIBOR") (L) or Prime (P), and are reset monthly or quarterly. Substantially all of the Company's LIBOR
- (1) 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 March 31, 2016. Unless otherwise noted, all investments with a stated PIK rate are obligated to make 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 SBIC I LP. All other investments pledged as collateral under the PWB Credit Facility. Indicates investments that the Company deems non-qualifying assets under Section 55(a) of the Investment Company Act of 1940 ("1940 Act"), as amended. Qualifying assets must represent at least 70% of the Company's
 - (4) assets, as defined under Section 55 of the 1940 Act, at the time of acquisition of any additional non-qualifying assets. As of March 31, 2016, 98.4 % of the Company's assets were qualifying assets.
 - (5) Non-accrual loan.

SBIC I LP has entered into a contractual arrangement whereby, subject to certain conditions being satisfied, it has agreed, with respect to the Senior Secured Tem Loan B, to receive its payment after the repayment of certain
 - (6) lenders pursuant to a payment waterfall. With respect to Intrafusion Holding Corp., the reported interest rate of 12.85% at March 31, 2016 includes interest of 3.60% per annum as specified under the contractual arrangement SBIC I LP entered into with the co-lenders in connection with the credit agreement.

SBIC I LP has entered into a contractual arrangement whereby, subject to certain conditions being satisfied, it has agreed, with respect to the Senior Secured Tem Loan, to receive its payment after the repayment of certain lenders
 - (7) pursuant to a payment waterfall. With respect to C7 Data Centers, Inc., the reported interest rate of 13.16% at March 31, 2016 includes interest of 3.66% per annum as specified under the contractual arrangement SBIC I LP entered into with the co-lenders in connection with the credit agreement.

The interest rate on these investments contains a PIK provision, whereby the issuer has the option to make interest
 - (8) 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 interest rate includes a 1.5% PIK provision, whereby the issuer has the option to make interest payments in
 - (9) 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.

The interest rate includes a 2.5% PIK provision, whereby the issuer has the option to make interest payments in
 - (10) 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.

The interest rate includes a 2.0% PIK provision, whereby the issuer has the option to make interest payments in
 - (11) 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.
 - (12) Non-income producing.

See Notes to Unaudited Consolidated Financial Statements.

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments

December 31, 2015

(Dollar amounts in thousands)

Industry 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	12.50%	N/A	8/23/18	\$10,000	\$10,050	\$9,940	7.0%
Subordinated Loan								
A.C.T. Lighting, Inc. (3)	Electrical Apparatus and Equipment, Wiring Supplies, and Related	12.00%	N/A	7/24/19	3,574	3,558	3,559	2.5
Subordinated Loan		cash / 2.0% PIK						
All Metals Holding, LLC (3)	Metal Service Centers and Other Metal Merchant Wholesalers	10.50%	N/A	12/30/19	9,900	9,765	9,697	6.8
Senior Secured Term Loan								
Common Equity (69,464 member units) (12)						69	259	0.2
					9,900	9,834	9,956	7.0
AssuredPartners, Inc. (3)	Insurance Agencies and Brokerages							

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Senior Secured Term Loan		10.00%	(L +9.00%)	10/22/23	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%)	3/31/16	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%)	6/20/19	6,573	6,504	6,355	4.4
Senior Secured Revolver (12)		N/A	(L +8.00%)	6/20/19	-	(11)	(36)(2)	-
					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 (9)		10.0% cash / 3.0% PIK	N/A	1/16/21	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%)	5/8/19	4,000	3,965	3,893	2.7
C7 Data Centers, Inc. (3)(7)	Other Computer Related Services							
Senior Secured Term Loan		13.25%	(L +8.50%)	6/22/20	11,850	11,828	11,508	8.0
Elgin Fasteners Group	Bolt, Nut, Screw, Rivet, and Washer Manufacturing							
Senior Secured Term Loan		6.00%	(L +4.75%)	8/27/16	4,551	4,534	4,506	3.2
HealthFusion, Inc. (3)(8)	Software Publishers							
Senior Secured Loan		13.00%	N/A	10/7/18	4,750	4,711	4,893	3.4
Common Stock Warrants (2,007,360 shares) (12)						-	2,560	1.8

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					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%)	2/7/18	2,248	2,242	2,180	1.5
Intelli-Mark Technologies, Inc.(3)	Other Travel Arrangement and Reservation Services							
Senior Secured Term Loan		13.00%	N/A	11/23/20	8,750	8,664	8,664	6.1
Common Equity (2,553,089 shares) (12)						1,500	1,500	1.0
					8,750	10,164	10,164	7.1

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

December 31, 2015

(Dollar amounts in thousands)

Industry Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Ma
Non-control/Non-affiliate Investments - Continued				
Intrafusion Holding Corp. (3) (6) Senior Secured Term Loan B	Other Outpatient Care Centers	12.84%	(P +5.75%)	9/2
Jobson Healthcare Information, LLC (3) Senior Secured Term Loan (9)	Other Professional, Scientific, and Technical Services	10.13% cash / 2.795%	(L +10.925%)	7/2
Warrants (1,056,428 member units) (12)			PIK	
Maverick Healthcare Equity, LLC (3) Preferred Equity (1,250,000 units) (12) Class A Common Equity (1,250,000 units) (12)	Home Health Equipment Rental			
My Alarm Center, LLC (3) Senior Secured Term Loan	Security Systems Services (except Locksmiths)	12.00%	(L +11.00%)	7/9
MYI Acquiror Limited (4) Senior Secured Term Loan A	Insurance Agencies and Brokerages	5.75%	(L +4.50%)	5/2
NHR Holdings, LLC Senior Secured Term Loan A	Other Telecommunications	5.50%	(L +4.25%)	11/

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Senior Secured Term Loan B		5.50%	(L +4.25%)	11/
Phoenix Brands LLC (5)	Soap and Other Detergent Manufacturing			
Senior Secured Term Loan A (12)		9.25%	(L +7.75%)	1/2
Physiotherapy Associates Holding, Inc.	Other Outpatient Care Centers			
Senior Secured Term Loan		9.50%	(L +8.50%)	6/4
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%)	8/2
Ranpak Corp.	Packaging Machinery Manufacturing			
Senior Secured Term Loan		8.25%	(L +7.25%)	10/
Riveron Consulting, LLC (3)	Administrative Management and General Management Consulting			
Subordinated Loan		13.25%	N/A	3/2
Sentry Centers Holdings, LLC (3)	Other Professional, Scientific, and Technical Services			
Senior Secured Loan		14.00%	N/A	5/2
smarTours, LLC (3)	Tour Operators			
Senior Secured Loan		9.25%	N/A	10/
Preferred Equity A (500,000 units) (12)				
Southern Technical Institute, LLC (3)	Colleges, Universities, and Professional Schools			
Subordinated Loan		10.75% cash / 2.0% PIK	(L +11.75%)	12/
Stancor, L.P. (3)	Pump and Pumping Equipment Manufacturing			
Senior Secured Term Loan		8.75%	(L +8.00%)	8/1

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1,250,000 Class A Units in SCT Holdings, LLC, 8% PIK (12)

TravelCLICK, Inc.	Computer Systems Design and Related Services	8.75%	(L +7.75%)	11/
Senior Secured Term Loan				
United Biologics Holdings, LLC (3)	Medical Laboratories	12.0%		
Subordinated Loan (9)		cash / 2.0% PIK	N/A	3/5
Class A-1 Units (2,686 units) and Kicker Units (2,015 units) (12)				
Class A-1 Warrants (2,272 units) and Kicker Warrants (1,704 units) (12)				
Class A Warrants (10,160 units) (12)				
Class B Warrants (15,238 units) (12)				
VanDeMark Chemical Inc.	Other Basic Inorganic Chemical Manufacturing	6.50%	(L +5.25%)	11/
Senior Secured Term Loan				
Total Non-control/Non-affiliate Investments				

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued

December 31, 2015

(Dollar amounts in thousands)

Industry Portfolio Company Investment Type	Industry	Interest Rate (1)	Spread Above Index (1)	Maturity
Affiliate Investments				
Contract Datascan Holdings, Inc. (3)	Office Machinery and Equipment Rental and Leasing	12.00%	N/A	2/5/21
Subordinated Loan Preferred Equity A (2,463 shares, 10% PIK) (12) Common Equity (9,069 shares) (12)				
Malabar International (3)	Other Aircraft Parts and Auxiliary Equipment Manufacturing	12.5% cash / 2.5% PIK	N/A	5/21/17
Subordinated Loan Preferred Stock (1,644 shares, 6% cash)				
Master Cutlery, LLC (3)	Sporting and Recreational Goods and Supplies Merchant Wholesalers	13.00%	N/A	4/17/20
Subordinated Loan 3,723 Preferred Equity A units in MC Parent, LLC, 5% cash, 3% PIK (12) 15,564 Common Equity units in MC Parent, LLC (12)				

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NeoSystems Corp. (3)	Other Accounting Services	10.5%		
Subordinated Loan		cash / 1.25% PIK	N/A	8/13/19
Convertible Preferred Stock (521,962 shares, 10% PIK) (12)				
Pfanstiehl Holdings, Inc. (3)	Pharmaceutical Preparation Manufacturing			
Subordinated Loan (10) Class A Common Equity (400 shares)		13.50%	N/A	9/29/18
Strategic Pharma Solutions, Inc. (3)	Other Professional, Scientific, and Technical Services			
Senior Secured Term Loan 1,191 Class A Units in Strategic Pharma Solutions Holdings, LLC, 6% PIK (12)		11.00%	(L +10.00%)	12/18/20
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%)	12/10/19
Delayed Draw Senior Secured Term Loan 3,000,000 Class A Units in IGT Holdings, LLC, 11% PIK (12) 3,000,000 Common Units in IGT Holdings, LLC (12)		10.25%	(L +9.25%)	12/10/19
Total Affiliate Investments				
Control Investment				
Mirage Trailers LLC (3)	Travel Trailer and Camper Manufacturing			
Senior Secured Term Loan 554 common equity shares in MTE Holding Corp. (12)		12.50%	(L +11.50%)	11/25/20
Total Control Investment				
Total Investments				

- The majority of investments bear interest at a variable rate that is indexed to the London Interbank Offered Rate ("LIBOR") (L) or Prime (P), and are 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 are obligated to make interest payments with the issuance of additional securities as payment of the entire PIK provision.
- (1) The negative fair value is the result of the unfunded commitment being valued below par.
 - (2) Investments held by SBIC I LP. All other investments pledged as collateral under the PWB Credit Facility. Indicates investments that the Company deems non-qualifying assets under Section 55(a) of the Investment Company Act of 1940 ("1940 Act"), as amended. 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.
 - (3) Non-accrual loan.
SBIC I LP has entered into a contractual arrangement whereby, subject to certain conditions being satisfied, it has agreed, with respect to the Senior Secured Tem Loan B, to receive its payment after the repayment of certain lenders pursuant to a payment waterfall. With respect to Intrafusion Holding Corp., the reported interest rate of 12.84% at December 31, 2015 includes interest of 3.59% per annum as specified under the contractual arrangement SBIC I LP entered into with the co-lenders in connection with the credit agreement.
 - (4) SBIC I LP has entered into a contractual arrangement whereby, subject to certain conditions being satisfied, it has agreed, with respect to the Senior Secured Tem Loan, to receive its payment after the repayment of certain lenders pursuant to a payment waterfall. With respect to C7 Data Centers, Inc., the reported interest rate of 13.25% at December 31, 2015 includes interest of 3.75% per annum as specified under the contractual arrangement SBIC I LP entered into with the co-lenders in connection with the credit agreement.
 - (5) 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 earnout payment of up to approximately \$230 to \$460 in 2017.
 - (6) The interest rate on these investments contains a PIK provision, whereby the issuer has the option to make interest payments in cash 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.
 - (7) The interest rate includes a 1.5% 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.
 - (8) The interest rate includes a 2.0% 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.
 - (9) Non-income producing.

See Notes to Unaudited Consolidated Financial Statements.

OFS Capital Corporation and Subsidiaries

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

Note 1. Organization

OFS Capital Corporation (the “Company”) is a Delaware corporation formed on November 7, 2012, 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. The Company has entered into an investment advisory and management agreement with OFS Capital Management, LLC (“OFS Advisor”), under which OFS Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company.

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 (“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 limit distributions to the Company; and is subject to periodic audits and examinations of its financial statements. As of March 31, 2016, SBIC I LP was in compliance with its SBA regulatory requirements.

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.

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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, 2013, and for each interim period within the year ended December 31, 2015. The effect of the reclassifications to the consolidated statement of net assets as of March 31, 2015 and the consolidated statement of changes in net assets for the three months ended March 31, 2015 were as follows:

Summary of revisions to the Statement of Net Assets

	As Previously Reported March 31, 2015	Revisions	Revised March 31, 2015
Net Assets			
Preferred stock	\$ -	\$ -	\$ -
Common stock	97	-	97
Paid-in capital in excess of par	143,529	(6,985)	136,544
Accumulated undistributed (distributions in excess of) net investment income	(8,286)	10,227	1,941
Accumulated undistributed net realized gain (loss)	(844)	778	(66)
Net unrealized appreciation (depreciation) on investments	3,074	(4,020)	(946)
Total net assets	\$ 137,570	\$ -	\$ 137,570

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

	As Previously Reported Three Months Ended March 31, 2015	Revisions	Revised Three Months Ended March 31, 2015
Distributions to shareholders from:			
Net investment income	\$(3,191) \$(90) \$(3,281)
Net realized gains	(90) 90	-
Total distributions to shareholders	\$(3,281) \$-	\$(3,281)
Net assets:			
Beginning of period	\$ 137,471	\$-	\$ 137,471
End of period	\$ 137,570	\$-	\$ 137,570
Accumulated undistributed (distributions in excess of) net investment income	\$(8,286) \$ 10,227	\$ 1,941

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 reflect all adjustments consisting only of normal and recurring accruals and adjustment necessary for the fair presentation in accordance with GAAP. Certain amounts in the prior period financial statements have been reclassified to conform to the current year presentation.

OFS Capital Corporation and Subsidiaries