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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

or

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

For the transition period from _______ to _______

Commission file number 814-00813

OFS CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

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 Offices	Zip Code

(847) 734-2000

Registrant’s Telephone Number, Including Area Code

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	OFS	The Nasdaq Global Select Market
6.25% Notes due 2023	OFSSG	The Nasdaq Global Select Market
5.95% Notes due 2026	OFSSI	The Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
Emerging growth company	☐		

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

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

The number of shares of the issuer’s Common Stock, $0.01 par value, outstanding as of August 5, 2021 was 13,415,235.

OFS CAPITAL CORPORATION

TABLE OF CONTENTS

Defined Terms

We have used "we," "us," "our," "our company" and "the Company" to refer to OFS Capital Corporation in this report. We also have used several other terms in this report, which are explained or defined below:

Term	Explanation or Definition
1940 Act	Investment Company Act of 1940, as amended
Administration Agreement	Administration Agreement between the Company and OFS Services dated November 7, 2012
Affiliated Account	An account, other than the Company, managed by OFS Advisor or an affiliate of OFS Advisor
Affiliated Fund	Certain other funds, including other BDCs and registered investment companies managed by OFS Advisor
ASC	Accounting Standards Codification, as issued by the FASB
ASU	Accounting Standards Updates, as issued by the FASB
BDC	Business Development Company under the 1940 Act
BLA	Business Loan Agreement, as amended, with Pacific Western Bank, as lender, which provides the Company with a senior secured revolving credit facility
BNP Facility	A secured revolving credit facility that provides for borrowings in an aggregate principal amount up to $150,000,000 issued pursuant to a Revolving Credit and Security Agreement by and among OFSCC-FS, the lenders from time to time parties thereto, BNP Paribas, as administrative agent, OFSCC-FS Holdings, LLC, a wholly owned subsidiary of the Company, as equityholder, the Company, as servicer, Citibank, N.A., as collateral agent and Virtus Group, LP, as collateral administrator
Board	The Company's board of directors
CLO	Collateralized loan obligation
Code	Internal Revenue Code of 1986, as amended
Company	OFS Capital Corporation and its consolidated subsidiaries
DRIP	Distribution reinvestment plan
EBITDA	Earnings before interest, taxes, depreciation and amortization
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
GAAP	Accounting principles generally accepted in the United States
HPCI	Hancock Park Corporate Income, Inc., a Maryland corporation and non-traded BDC for whom OFS Advisor serves as investment adviser
ICTI	Investment company taxable income, which is generally net ordinary income plus net short-term capital gains in excess of net long-term capital losses
Indicative Prices	Market quotations, prices from pricing services or bids from brokers or dealers
Investment Advisory Agreement	Investment Advisory and Management Agreement between the Company and OFS Advisor dated November 7, 2012
LIBOR	London Interbank Offered Rate
Net Loan Fees	The cumulative amount of fees, such as origination fees, discounts, premiums and amendment fees that are deferred and recognized as income over the life of the loan
OCCI	OFS Credit Company, Inc., a Delaware corporation and a non-diversified, closed-end management investment company for whom OFS Advisor serves as investment adviser
OFS Advisor	OFS Capital Management, LLC, a wholly owned subsidiary of OFSAM and registered investment advisor under the Investment Advisers Act of 1940, as amended
OFS Services	OFS Capital Services, LLC, a wholly owned subsidiary of OFSAM and affiliate of OFS Advisor
OFSAM	Orchard First Source Asset Management, LLC, a full-service provider of capital and leveraged finance solutions to U.S. corporations
OFSCC-FS	OFSCC-FS, LLC, an indirect wholly owned subsidiary of the Company
OFSCC-FS Assets	Assets held by the Company through OFSCC-FS

Term	Explanation or Definition
OFSCC-MB	OFSCC-MB, Inc., a wholly owned subsidiary taxed under subchapter C of the Code that generally holds the equity investments of the Company that are taxed as pass-through entities
OID	Original issue discount
Order	An exemptive relief order from the SEC to permit us to co-invest in portfolio companies with Affiliated Funds in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to compliance with certain conditions
Parent	OFS Capital Corporation
PIK	Payment-in-kind, non-cash interest or dividends payable as an addition to the loan or equity security producing the income
Portfolio Company Investment	A debt or equity investment in a portfolio company. Portfolio Company Investments exclude Structured Finance Notes
Prime Rate	United States Prime interest rate
PWB Credit Facility	Senior secured revolving credit facility between the Company and Pacific Western Bank, as lender
Reunderwriting Analysis	A discount rate method based upon a hypothetical recapitalization of the entity given its current operating performance and current market condition
RIC	Regulated investment company under the Code
SBA	United States Small Business Administration
SBIC	A fund licensed under the SBA Small Business Investment Company Program
SBIC Acquisition	The Company's acquisition of the remaining ownership interests in SBIC I LP and OFS SBIC I GP, LLC on December 4, 2013
SBIC Act	Small Business Investment Act of 1958, as amended
SBIC I LP	OFS SBIC I, LP, a wholly owned SBIC subsidiary of the Company
SBIC I GP	OFS SBIC I GP, LLC
SEC	United States Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Secured Revolver Amendment	The amended Business Loan Agreement with Pacific Western Bank, as lender, dated February 17, 2021
Stock Repurchase Program	The open market stock repurchase program for shares of the Company’s common stock under Rule 10b-18 of the Exchange Act
Structured Finance Notes	CLO mezzanine debt, CLO subordinated debt and CLO loan accumulation facility positions
Synthetic Rating Analysis	A discount rate method that assigns a surrogate debt rating to the entity based on known industry standards for assigning such ratings and then estimates the discount rate based on observed market yields for actual rated debt
Transaction Price	The cost of an arm's length transaction occurring in the same security
Unsecured Notes	The combination of the Unsecured Notes Due September 2023, the Unsecured Notes Due April 2025, the Unsecured Notes Due October 2025, the Unsecured Notes Due October 2026 and the Unsecured Notes Due February 2026
Unsecured Notes Due April 2025	The Company’s $50.0 million aggregate principal amount of 6.375% notes due April 30, 2025, which were redeemed on March 12, 2021
Unsecured Notes Due February 2026	The Company’s $125.0 million aggregate principal amount of 4.75% notes due February 10, 2026
Unsecured Notes Due October 2025	The Company’s $48.5 million aggregate principal amount of 6.5% notes due October 30, 2025, which were redeemed on March 12, 2021
Unsecured Notes Due October 2026	The Company's $54.3 million aggregate principal amount of 5.95% notes due October 31, 2026
Unsecured Notes Due September 2023	The Company’s $25.0 million aggregate principal amount of 6.25% notes due September 30, 2023

Forward-Looking Statements

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

- our ability and experience operating a BDC or an SBIC, or maintaining our tax treatment as a RIC under Subchapter M of the Code;
- our dependence on key personnel;
- our ability to maintain or develop referral relationships;
- our ability to replicate historical results;
- the ability of OFS Advisor to identify, invest in and monitor companies that meet our investment criteria;
- the belief that the carrying amounts of our financial instruments, such as cash, receivables and payables approximate the fair value of such items due to the short maturity of such instruments and that such financial instruments are held with high credit quality institutions to mitigate the risk of loss due to credit risk;
- actual and potential conflicts of interest with OFS Advisor and other affiliates of OFSAM;
- constraint on investments due to access to material nonpublic information;
- restrictions on our ability to enter into transactions with our affiliates;
- our ability to comply with SBA regulations and requirements;
- the use of borrowed money to finance a portion of our investments;
- our ability to incur additional leverage pursuant to Section 61(a)(2) of the 1940 Act and the impact of such leverage on our net investment income and results of operations;
- competition for investment opportunities;
- our plans to focus on lower-yielding, first lien senior secured loans to larger borrowers and the impact on our risk profile, including our belief that the seniority of such loans in a borrower's capital structure may provide greater downside protection against the impact of the coronavirus ("COVID-19") pandemic;
- the percentage of investments that will bear interest on a floating rate or fixed rate basis;
- the impact of inflation rates on our business prospects and the prospects of our portfolio companies;
- the impact of any new tax legislation on our investments, our stockholders, and our business;
- interest rate volatility, including the decommissioning of LIBOR;
- the ability of SBIC I LP to make distributions enabling us to meet RIC requirements;
- plans by SBIC I LP to repay its outstanding SBA debentures;
- our ability to raise debt or equity capital as a BDC;
- the timing, form and amount of any distributions from our portfolio companies;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the general economy and its impact on the industries in which we invest;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, including with respect to changes from the impact of the COVID-19 pandemic; the length and duration of the COVID-19 pandemic in the United States as well as worldwide and the magnitude of the economic impact of the pandemic; the effect of the COVID-19 pandemic on our business, financial condition, results of operations and cash flows and those of our portfolio companies (including the expectation that a shift from cash interest to PIK interest will result from concessions granted to borrowers due to the COVID-19 pandemic), including our and their ability to achieve our respective objectives; the effect of the disruptions caused

by the COVID-19 pandemic, including those caused by variants of the virus, on our ability to continue to effectively manage our business and on the availability of equity and debt capital and our use of borrowed money to finance a portion of our investments;

- the belief that we have sufficient levels of liquidity to support our existing portfolio companies and deploy capital in new investment opportunities;
- the belief that one or more of our investments can be restored to accrual status in the near term, or otherwise;
- uncertain valuations of our Portfolio Company Investments, including our belief that reverting back to an equal weighting of the Reunderwriting Analysis method and Synthetic Rating Analysis method more accurately captures certain data related to the observed return of market liquidity and the historic correlative relationship between these markets; and
- the effect of new or modified laws or regulations governing our operations.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, those assumptions also could be inaccurate. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Quarterly Report on Form 10-Q should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include, among others, those described or identified in “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 and in "Part II, Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q.

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

PART I. FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

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

	June 30, 2021	December 31, 2020
	(unaudited)	
Assets		
Investments, at fair value:		
Non-control/non-affiliate investments (amortized cost of $373,780 and $363,628, respectively)	$ 358,471	$ 328,665
Affiliate investments (amortized cost of $83,740 and $86,484, respectively)	113,493	102,846
Control investment (amortized cost of $11,057 and $10,911, respectively)	12,062	10,812
Total investments at fair value (amortized cost of $468,577 and $461,023, respectively)	484,026	442,323
Cash	35,159	37,708
Interest receivable	1,051	1,298
Prepaid expenses and other assets	2,204	2,484
Total assets	$ 522,440	$ 483,813
Liabilities		
Revolving lines of credit	$ 24,050	$ 32,050
SBA debentures (net of deferred debt issuance costs of $865 and $1,088, respectively)	94,640	104,182
Unsecured notes (net of deferred debt issuance costs of $5,607 and $4,897 respectively)	198,718	172,953
Interest payable	4,088	3,176
Payable to adviser and affiliates (Note 3)	3,352	3,252
Payable for investments purchased	16,363	8,411
Accrued professional fees	597	495
Other liabilities	639	338
Total liabilities	342,447	324,857
Commitments and contingencies (Note 6)		
Net assets		
Preferred stock, par value of $0.01 per share, 2,000,000 shares authorized, -0- shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	$ —	$ —
Common stock, par value of $0.01 per share, 100,000,000 shares authorized, 13,415,235 and 13,409,559 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	134	134
Paid-in capital in excess of par	187,179	187,124
Total distributable earnings (losses)	(7,320)	(28,302)
Total net assets	179,993	158,956
Total liabilities and net assets	$ 522,440	$ 483,813
Number of shares outstanding	13,415,235	13,409,559
Net asset value per share	$ 13.42	$ 11.85

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 June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Investment income				
Interest income:				
Non-control/non-affiliate investments	$ 9,089	$ 8,233	$ 17,616	$ 17,305
Affiliate investments	911	1,692	1,815	4,086
Control investment	221	209	490	405
Total interest income	10,221	10,134	19,921	21,796
Payment-in-kind interest and dividend income:				
Non-control/non-affiliate investments	275	264	593	525
Affiliate investments	80	191	151	460
Control investment	101	102	199	187
Total payment-in-kind interest and dividend income	456	557	943	1,172
Dividend income:				
Affiliate investments	—	—	—	100
Control investment	136	—	136	—
Total dividend income	136	—	136	100
Fee income:				
Non-control/non-affiliate investments	603	279	870	764
Affiliate investments	—	8	37	13
Control investment	—	3	—	6
Total fee income	603	290	907	783
Total investment income	11,416	10,981	21,907	23,851
Expenses				
Interest expense	4,241	4,931	9,066	9,853
Management fee	1,876	1,869	3,710	3,888
Incentive fee	809	215	809	1,098
Professional fees	489	460	876	1,108
Administration fee	439	500	1,007	1,020
Other expenses	327	399	654	746
Total expenses before incentive fee waiver	8,181	8,374	16,122	17,713
Incentive fee waiver (see Note 3)	—	—	—	(441)
Total expenses, net of incentive fee waiver	8,181	8,374	16,122	17,272
Net investment income	3,235	2,607	5,785	6,579
Net realized and unrealized gain (loss) on investments				
Net realized loss on non-control/non-affiliate investments	(10,841)	(1,040)	(10,750)	(10,013)
Net unrealized appreciation (depreciation) on non-control/non-affiliate investments, net of taxes	17,866	6,808	19,384	(15,614)
Net unrealized appreciation (depreciation) on affiliate investments	11,465	(880)	13,391	(3,804)
Net unrealized appreciation (depreciation) on control investment	716	163	1,104	(1,501)
Net gain (loss) on investments	19,206	5,051	23,129	(30,932)
Loss on extinguishment of debt	—	—	(2,299)	(149)
Net increase (decrease) in net assets resulting from operations	$ 22,441	$ 7,658	$ 26,615	$ (24,502)
Net investment income per common share – basic and diluted	$ 0.24	$ 0.19	$ 0.43	$ 0.49
Net increase (decrease) in net assets resulting from operations per common share – basic and diluted	$ 1.67	$ 0.57	$ 1.98	$ (1.83)
Distributions declared per common share	$ 0.22	$ 0.17	$ 0.42	$ 0.51
Basic and diluted weighted average shares outstanding	13,411,998	13,392,608	13,410,524	13,384,808

See Notes to Consolidated Financial Statements.

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

	Preferred Stock		Common Stock				
	Number of shares	**Par value**	**Number of shares**	**Par value**	**Paid-in capital in excess of par**	**Total distributable earnings (losses)**	**Total net assets**
Balances at January 1, 2020	—	—	13,376,836	$ 134	$ 187,305	$ (20,812)	$ 166,627
Net decrease in net assets resulting from operations:							
Net investment income	—	—	—	—	—	6,579	6,579
Net realized loss on investments	—	—	—	—	—	(10,013)	(10,013)
Loss on extinguishment of debt	—	—	—	—	—	(149)	(149)
Net unrealized depreciation on investments, net of taxes	—	—	—	—	—	(20,919)	(20,919)
Tax reclassifications of permanent differences	—	—	—	—	36	(36)	—
Distributions to stockholders:							
Common stock issued from reinvestment of stockholder distributions	—	—	22,858	—	96	—	96
Dividends declared	—	—	—	—	—	(6,824)	(6,824)
Net increase (decrease) for the period ended June 30, 2020	—	—	22,858	—	132	(31,362)	(31,230)
Balances at June 30, 2020	—	$ —	13,399,694	$ 134	$ 187,437	$ (52,174)	$ 135,397
Balances at March 31, 2020	—	$ —	13,392,529	$ 134	$ 187,387	$ (57,538)	$ 129,983
Net increase in net assets resulting from operations:							
Net investment income	—	—	—	—	—	2,607	2,607
Net realized loss on investments	—	—	—	—	—	(1,040)	(1,040)
Net unrealized appreciation on investments, net of taxes	—	—	—	—	—	6,091	6,091
Tax reclassifications of permanent differences	—	—	—	—	18	(18)	—
Distributions to stockholders:							
Common stock issued from reinvestment of stockholder distributions	—	—	7,165	—	32	—	32
Dividends declared	—	—	—	—	—	(2,276)	(2,276)
Net increase for the period ended June 30, 2020	—	—	7,165	—	50	5,364	5,414
Balances at June 30, 2020	—	$ —	13,399,694	$ 134	$ 187,437	$ (52,174)	$ 135,397

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

	Preferred Stock		Common Stock		Paid-in capital in excess of par	Total distributable earnings (losses)	Total net assets
	Number of shares	Par value	Number of shares	Par value			
Balances at January 1, 2021	—	$ —	13,409,559	$ 134	$ 187,124	$ (28,302)	$ 158,956
Net increase in net assets resulting from operations:							
Net investment income	—	—	—	—	—	5,785	5,785
Net realized loss on investments	—	—	—	—	—	(10,750)	(10,750)
Loss on extinguishment of debt	—	—	—	—	—	(2,299)	(2,299)
Net unrealized appreciation on investments, net of taxes	—	—	—	—	—	33,879	33,879
Distributions to stockholders:							
Common stock issued from reinvestment of stockholder distributions	—	—	6,376	—	60	—	60
Dividends declared	—	—	—	—	—	(5,633)	(5,633)
Common stock repurchased under stock repurchase program	—	—	(700)	—	(5)	—	(5)
Net increase for the period ended June 30, 2021	—	—	5,676	—	55	20,982	21,037
Balances at June 30, 2021	—	$ —	13,415,235	$ 134	$ 187,179	$ (7,320)	$ 179,993
Balances at March 31, 2021	—	$ —	13,411,962	$ 134	$ 187,146	$ (26,810)	$ 160,470
Net increase in net assets resulting from operations:							
Net investment income	—	—	—	—	—	3,235	3,235
Net realized loss on investments	—	—	—	—	—	(10,841)	(10,841)
Net unrealized appreciation on investments, net of taxes	—	—	—	—	—	30,047	30,047
Distributions to stockholders:							
Common stock issued from reinvestment of stockholder distributions	—	—	3,273	—	33	—	33
Dividends declared	—	—	—	—	—	(2,951)	(2,951)
Net increase for the period ended June 30, 2021	—	—	3,273	—	33	19,490	19,523
Balances at June 30, 2021	—	$ —	13,415,235	$ 134	$ 187,179	$ (7,320)	$ 179,993

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2021	**2020**
Cash flows from operating activities		
Net increase (decrease) in net assets resulting from operations	$ 26,615	$ (24,502)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized loss on investments	10,750	10,013
Loss on extinguishment of debt	2,299	149
Net unrealized (appreciation) depreciation on investments, net of taxes	(33,879)	20,919
Amortization of Net Loan Fees	(1,521)	(760)
Amendment fees collected	97	31
Payment-in-kind interest and dividend income	(943)	(1,191)
Accretion of interest income on structured finance notes	(4,670)	(2,626)
Amortization of debt issuance costs	888	867
Amortization of intangible asset	111	98
Purchase and origination of portfolio investments	(128,848)	(70,914)
Proceeds from principal payments on portfolio investments	100,817	56,276
Proceeds from sale or redemption of portfolio investments	10,294	65,528
Proceeds from distributions received from structured finance notes	6,356	3,290
Changes in operating assets and liabilities:		
Interest receivable	247	235
Interest payable	912	(396)
Payable to adviser and affiliates	100	(1,412)
Receivable for investment sold	—	(634)
Payable for investments purchased	7,952	(9,293)
Other assets and liabilities	249	194
Net cash provided by (used in) operating activities	(2,174)	45,872
Cash flows from financing activities		
Distributions paid to stockholders	(5,573)	(6,728)
Borrowings under revolving lines of credit	42,400	72,600
Repayments under revolving lines of credit	(50,400)	(77,300)
Repayments of SBA debentures	(9,765)	(16,110)
Redemption of unsecured notes	(98,525)	—
Proceeds from unsecured notes offering, net of discounts	121,791	—
Payment of deferred financing costs	(298)	—
Repurchases of common stock under Stock Repurchase Program	(5)	—
Net cash used in financing activities	(375)	(27,538)
Net increase (decrease) in cash	(2,549)	18,334
Cash at beginning of period	37,708	13,447
Cash at end of period	$ 35,159	$ 31,781
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 7,266	$ 9,383
Reinvestment of distributions to stockholders	60	96

See Notes to Consolidated Financial Statements.

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Non-control/Non-affiliate Investments									
Debt and Equity Investments									
AAdvantage Loyalty IP Ltd. and American Airlines, Inc. (14) (15) (22)	Scheduled Passenger Air Transportation								
Senior Secured Loan		5.50%	(L +4.75%)	3/10/2021	4/28/2028	$ 364	$ 360	$ 380	0.2 %
Aegion Corporation (15) (22)	Water and Sewer Line and Related Structures Construction								
Senior Secured Loan		5.50%	(L +4.75%)	4/1/2021	5/17/2028	632	628	628	0.3
Allen Media, LLC (14) (15)	Cable and Other Subscription Programming								
Senior Secured Loan		5.65%	(L +5.50%)	3/2/2021	2/10/2027	2,919	2,922	2,926	1.6
All Star Auto Lights, Inc. (4)	Motor Vehicle Parts (Used) Merchant Wholesalers								
Senior Secured Loan		9.00%	(L +8.00%)	12/19/2019	8/20/2024	15,437	15,260	15,437	8.6
Autokiniton US Holdings, Inc. (14) (15)	Automotive Parts and Accessories Stores								
Senior Secured Loan		5.00%	(L +4.50%)	3/26/2021	4/6/2028	1,714	1,710	1,730	1.0
A&A Transfer, LLC	Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers								
Senior Secured Loan (15)		7.75%	(L +6.50%)	2/7/2020	2/7/2025	16,204	16,028	16,141	9.0
Senior Secured Loan (Revolver) (5)		7.75%	(L +6.50%)	2/7/2020	2/7/2025	427	396	425	0.2
						16,631	16,424	16,566	9.2
Ball Metalpack	Metal Can Manufacturing								
Senior Secured Loan		9.75%	(L +8.75%)	6/8/2021	7/31/2026	1,250	1,225	1,225	0.7
Banijay Entertainment S.A.S. (14) (15) (22)	Motion Picture and Video Production								
Senior Secured Loan		3.84%	(L +3.75%)	4/5/2021	3/3/2025	997	993	995	0.6
Bass Pro Group, LLC (14) (15)	Sporting Goods Stores								
Senior Secured Loan		5.00%	(L +4.25%)	2/26/2021	2/24/2028	5,719	5,709	5,746	3.2

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Baymark Health Services, Inc. (15)	Outpatient Mental Health & Sub. Abuse Centers								
Senior Secured Loan		9.50%	(L +8.50%)	6/10/2021	6/11/2028	$ 4,962	$ 4,888	$ 4,873	2.7 %
Senior Secured Loan (Delayed Draw) (5)		n/m (18)	(L +8.50%)	6/10/2021	6/11/2028	—	(37)	(44)	—
						4,962	4,851	4,829	2.7 %
Connect U.S. Finco LLC (14) (15) (22)	Taxi Service								
Senior Secured Loan		4.50%	(L +3.50%)	11/20/2019	12/11/2026	1,975	1,975	1,980	1.1
Constellis Holdings, LLC (10)	Other Justice, Public Order, and Safety Activities								
Common Equity (20,628 common shares)				3/27/2020			703	342	0.2
Convergint Technologies Holdings, LLC (15)	Security Systems Services (except Locksmiths)								
Senior Secured Loan (14)		4.50%	(L +3.75%)	3/18/2021	3/31/2028	2,011	2,001	2,022	1.1
Senior Secured Loan		7.50%	(L +6.75%)	9/28/2018	3/30/2029	7,499	7,480	7,601	4.2
Senior Secured Loan (Delayed Draw) (5) (14)		4.50%	(L +3.75%)	4/6/2021	3/31/2028	320	318	322	0.2
						9,830	9,799	9,945	5.5
Corel Inc. (15)	Software Publishers								
Senior Secured Loan		5.14%	(L +5.00%)	3/2/2021	7/2/2026	1,301	1,293	1,287	0.7
Dexko Global Inc. (15)	Motor Vehicle Body Manufacturing								
Senior Secured Loan		9.25%	(L +8.25%)	1/28/2021	7/24/2025	1,460	1,465	1,460	0.8
DHX Media Ltd. (14) (15) (22)	Motion Picture and Video Production								
Senior Secured Loan		5.00%	(L +4.25%)	3/19/2021	3/18/2028	2,494	2,446	2,488	1.3
Diamond Sports Group, LLC (14) (15)	Television Broadcasting								
Senior Secured Loan		3.36%	(L +3.25%)	11/19/2019	8/24/2026	1,965	1,967	1,199	—
Eblens Holdings, Inc. (20)	Shoe Store								
Subordinated Loan (11)		12.00% cash / 1.00% PIK	N/A	7/13/2017	1/13/2023	9,160	9,071	8,438	4.7
Common Equity (71,250 Class A units) (10)				7/13/2017			713	114	0.1
						9,160	9,784	8,552	4.8

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Electrical Components International, Inc.	Current-Carrying Wiring Device Manufacturing								
Senior Secured Loan (14) (15)		4.37%	(L +4.25%)	4/8/2021	6/26/2025	$ 2,952	$ 2,912	$ 2,923	1.6 %
Senior Secured Loan		8.62%	(L +8.50%)	4/8/2021	6/26/2026	3,000	2,614	2,614	1.5
						5,952	5,526	5,537	3.1
Envocore Holding, LLC (F/K/A LRI Holding, LLC) (4)	Electrical Contractors and Other Wiring Installation Contractors								
Senior Secured Loan		7.50% cash / 3.50% PIK	(L +7.00%)	6/30/2017	6/30/2022	17,453	17,349	12,432	6.9
Preferred Equity (238,095 Series B units) (10)				6/30/2017			300	—	—
Preferred Equity (13,315 Series C units) (10)				8/13/2018			13	—	—
						17,453	17,662	12,432	6.9
Excelin Home Health, LLC (4)	Home Health Care Services								
Senior Secured Loan		11.50%	(L +9.50%)	10/25/2018	4/25/2024	4,250	4,206	4,250	2.4
GGC Aerospace Topco L.P.	Other Aircraft Parts and Auxiliary Equipment Manufacturing								
Common Equity (368,852 Class A units) (10)				12/29/2017			450	84	—
Common Equity (40,984 Class B units) (10)				12/29/2017			50	3	—
							500	87	—
Inergex Holdings, LLC	Other Computer Related Services								
Senior Secured Loan		8.00% cash / 1.0% PIK	(L +8.00%)	10/1/2018	10/1/2024	15,260	15,091	15,260	8.4
Senior Secured Loan (Revolver) (5) (18)		n/m (18)	(L +7.00%)	10/1/2018	10/1/2024	—	(15)	—	—
						15,260	15,076	15,260	8.4
Intouch Midco Inc. (15) (22)	All Other Professional, Scientific, and Technical Services								
Senior Secured Loan		4.85%	(L +4.75%)	12/20/2019	8/24/2025	2,300	2,241	2,297	1.3
Ivanti Software, Inc. (14) (15)	Software Publishers								
Senior Secured Loan		5.75%	(L +4.75%)	3/26/2021	12/1/2027	5,986	6,022	6,001	3.3
I&I Sales Group, LLC	Marketing Consulting Services								
Senior Secured Loan (15)		9.50%	(L +8.50%)	12/30/2020	7/10/2025	5,285	5,203	5,286	2.9
Senior Secured Loan (Revolver) (5) (18)		n/m (18)	(L +8.50%)	12/30/2020	7/10/2025	—	(2)	—	—
						5,285	5,201	5,286	2.9

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
JP Intermediate B, LLC (15)	Drugs and Druggists' Sundries Merchant Wholesalers								
Senior Secured Loan		6.50%	(L +5.50%)	1/14/2021	11/15/2025	$ 5,919	$ 5,675	$ 5,736	3.2 %
KNS Acquisition Corp. (14) (15)	Electronic Shopping and Mail-Order Houses								
Senior Secured Loan		7.00%	(L +6.25%)	4/16/2021	4/21/2027	5,000	4,958	4,998	2.8
LogMeIn, Inc. (14) (15)	Data Processing, Hosting, and Related Services								
Senior Secured Loan		4.83%	(L +4.75%)	3/26/2021	8/31/2027	4,994	4,991	4,992	2.8
McGraw Hill Global Education Holdings, LLC (14) (15)	All Other Publishers								
Senior Secured Loan		5.75%	(L +4.75%)	4/1/2021	11/1/2024	1,995	1,994	2,001	1.1
Micro Holding Corp (14)	Internet Publishing and Broadcasting and Web Search Portals								
Senior Secured Loan		3.60%	(L +3.50%)	3/26/2021	9/15/2024	2,000	2,003	2,007	1.1
Milrose Consultants, LLC (4) (8)	Administrative Management and General Management Consulting Services								
Senior Secured Loan		7.60%	(L +6.60%)	7/16/2019	7/16/2025	22,574	22,388	23,026	12.7
Odyssey Logistics and Technology Corporation (14) (15)	Freight Transportation Arrangement								
Senior Secured Loan		5.00%	(L +4.00%)	4/5/2021	10/12/2024	1,995	1,966	1,972	1.1
Online Tech Stores, LLC (4) (6)	Stationary & Office Supply Merchant Wholesaler								
Subordinated Loan		10.50% cash / 3.0% PIK	N/A	2/1/2018	8/1/2023	19,823	16,160	94	0.1
Panther BF Aggregator 2 LP (14) (15) (19)	Other Commercial and Service Industry Machinery Manufacturing								
Senior Secured Loan		3.35%	(L +3.25%)	11/19/2019	4/30/2026	1,817	1,817	1,803	1.0

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Parfums Holding Company, Inc. (14) (15)	Cosmetics, Beauty Supplies, and Perfume Stores								
Senior Secured Loan		4.10%	(L +4.00%)	6/25/2019	6/30/2024	$ 1,534	$ 1,533	$ 1,530	0.9 %
Pelican Products, Inc.	Unlaminated Plastics Profile Shape Manufacturing								
Senior Secured Loan		8.75%	(L +7.75%)	9/24/2018	5/1/2026	6,249	6,249	6,249	3.4
Peraton Inc. (14) (15)	Management Consulting Services								
Senior Secured Loan		4.50%	(L +3.75%)	4/2/2021	2/1/2028	748	749	752	0.4
Pike Corp. (14) (15)	Electrical Contractors and Other Wiring Installation Contractors								
Senior Secured Loan		3.11%	(L +3.00%)	9/17/2020	1/21/2028	131	131	131	0.1
PM Acquisition LLC (20)	All Other General Merchandise Stores								
Common Equity (499 units) (10) (13)				9/30/2017			499	1,308	0.7
Quest Software US Holdings Inc. (14) (15)	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers								
Senior Secured Loan		4.44%	(L +4.25%)	6/25/2019	5/16/2025	1,148	1,145	1,149	0.6
Resource Label Group, LLC	Commercial Printing (except Screen and Books)								
Senior Secured Loan		9.50%	(L +8.50%)	6/7/2017	11/26/2023	4,821	4,795	4,821	2.7
RPLF Holdings, LLC (10) (13)	Software Publishers								
Common Equity (254,110 Class A units)				1/17/2018			492	791	0.4
RSA Security (15)	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers								
Senior Secured Loan (14)		5.50%	(L +4.75%)	4/16/2021	4/27/2028	937	928	937	0.5
Senior Secured Loan		8.50%	(L +7.75%)	4/16/2021	4/27/2029	2,670	2,633	2,633	1.5
Senior Secured Loan (Delayed Draw) (5)		n/m (18)	(L +4.75%)	4/16/2021	4/27/2028	—	—	—	—
Senior Secured Loan (Delayed Draw) (5)		n/m (18)	(L +7.75%)	4/16/2021	4/16/2029	—	—	(21)	—
						3,607	3,561	3,549	2.0

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Sentry Centers Holdings, LLC (10) (13)	Convention and Trade Show Organizers								
Preferred Equity (2,248 Series A units)				9/4/2020			$ 51	$ —	— %
Preferred Equity (1,603 Series B units)				9/4/2020			160	28	—
Common Equity (269 units)				9/4/2020			3	—	—
							214	28	—
Signal Parent, Inc. (15)	New Single-Family Housing Construction (except For-Sale Builders)								
Senior Secured Loan		4.25%	(L +3.50%)	3/25/2021	4/3/2028	851	842	835	0.5
SourceHOV Tax, Inc.	Other Accounting Services								
Senior Secured Loan (4)		7.50%	(L +6.50%)	3/16/2020	3/16/2025	19,890	19,728	19,733	11.0
Senior Secured Loan (Revolver) (5) (18)		n/m (18)	(L +6.50%)	5/17/2021	3/17/2025	—	(14)	(9)	—
						19,890	19,714	19,724	11.0
Southern Technical Institute, LLC (4) (10)	Colleges, Universities, and Professional Schools								
Equity appreciation rights				6/27/2018			—	6,120	3.4
Spring Education Group, Inc. (F/K/A SSH Group Holdings, Inc.,) (15)	Child Day Care Services								
Senior Secured Loan		8.40%	(L +8.25%)	7/26/2018	7/30/2026	6,399	6,318	5,823	3.1
SSJA Bariatric Management LLC (15)	Offices of Physicians, Mental Health Specialists								
Senior Secured Loan		6.25%	(L +5.25%)	8/26/2019	8/26/2024	9,825	9,762	9,825	5.5
Senior Secured Loan		6.25%	(L +5.25%)	12/31/2020	8/26/2024	1,061	1,052	1,061	0.6
Senior Secured Loan (Revolver) (5) (18)		n/m (18)	(L +5.25%)	8/26/2019	8/26/2024	—	(4)	—	—
						10,886	10,810	10,886	6.1
Stancor, L.P. (4)	Pump and Pumping Equipment Manufacturing								
Preferred Equity (1,250,000 Class A units), 8% PIK (10)				8/19/2014			1,501	1,300	0.7
Staples, Inc. (14) (15) (22)	Business to Business Electronic Markets								
Senior Secured Loan		5.18%	(L +5.00%)	6/24/2019	4/16/2026	2,945	2,883	2,875	1.6

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
STS Operating, Inc.	Industrial Machinery and Equipment Merchant Wholesalers								
Senior Secured Loan (14) (15)		5.25%	(L +4.25%)	5/16/2018	12/11/2024	$ 622	$ 621	$ 616	0.3 %
Senior Secured Loan		9.00%	(L +8.00%)	5/15/2018	4/30/2026	9,073	9,070	8,933	5.0
						9,695	9,691	9,549	5.3
Sunshine Luxembourg VII SARL (14) (15) (22)	Pharmaceutical Preparation Manufacturing								
Senior Secured Loan		4.50%	(L +3.75%)	11/20/2019	10/1/2026	1,975	1,975	1,985	1.1
Tailwind Smith Cooper Intermediate Corporation (14) (15)	Fabricated Pipe and Pipe Fitting Manufacturing								
Senior Secured Loan		5.11%	(L +5.00%)	2/23/2021	5/28/2026	2,587	2,544	2,584	1.4
Tank Holding Corp. (14) (15)	Unlaminated Plastics Profile Shape Manufacturing								
Senior Secured Loan		3.60%	(L +3.50%)	6/24/2019	3/26/2026	1,965	1,971	1,955	1.1
Senior Secured Loan		5.75%	(L +5.00%)	12/18/2020	3/26/2026	891	879	895	0.5
						2,856	2,850	2,850	1.6
The Escape Game, LLC (4)	Other amusement and recreation industries								
Senior Secured Loan		9.75%	(L +8.75%)	12/22/2017	12/31/2021	2,333	2,329	2,333	1.3
Senior Secured Loan		9.75%	(L +8.75%)	2/14/2020	12/22/2022	7,000	6,979	7,000	3.9
Senior Secured Loan		9.75%	(L +8.75%)	7/18/2019	12/22/2022	7,000	7,000	7,000	3.8
Senior Secured Loan (Delayed Draw)		8.00%	(L +7.00%)	7/20/2018	12/31/2021	4,667	4,665	4,659	2.6
						21,000	20,973	20,992	11.6
Thryv, Inc. (14) (15)	Directory and Mailing List Publishers								
Senior Secured Loan		9.50%	(L +8.50%)	2/18/2021	3/1/2026	2,314	2,257	2,351	1.3
Truck Hero, Inc. (14) (15)	Truck Trailer Manufacturing								
Senior Secured Loan		4.50%	(L +3.75%)	4/1/2021	1/31/2028	748	747	749	0.4
TruGreen Limited Partnership	Landscaping Services								
Senior Secured Loan		9.25%	(L +8.50%)	5/13/2021	11/2/2028	4,500	4,639	4,639	2.6

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
United Biologics Holdings, LLC (4) (10)	Medical Laboratories								
Preferred Equity (151,787 units)				4/16/2013			$ 9	$ 12	— %
Warrants (29,374 units)				7/26/2012	3/5/2022 (12)		82	5	—
							91	17	—
United Natural Foods (14) (15) (22)	General Line Grocery Merchant Wholesalers								
Senior Secured Loan		3.60%	(L +3.50%)	6/9/2020	10/22/2025	283	273	283	0.2
West Corporation (14) (15)	All Other Telecommunications								
Senior Secured Loan		4.50%	(L +3.50%)	2/26/2021	10/10/2024	887	872	862	0.5
Total Debt and Equity Investments						$ 307,467	$ 306,248	$ 290,226	161.0 %
Structured Finance Note Investments (9) (16) (22)									
Apex Credit CLO 2020 Ltd. (7)									
Subordinated Notes		13.26%		11/16/2020	11/19/2031	11,080	9,268	9,534	5.3
Apex Credit CLO 2021 Ltd (7)									
Subordinated Notes		14.53%		5/28/2021	7/18/2034	8,630	7,267	7,288	4.0
Dryden 53 CLO, LTD. (7)									
Income Notes		23.16%		10/26/2020	1/15/2031	2,700	1,704	1,780	1.0
Subordinated Notes		23.13%		10/26/2020	1/15/2031	2,159	1,363	1,424	0.8
						4,859	3,067	3,204	1.8
Dryden 76 CLO, Ltd. (7)									
Subordinated Notes		16.20%		9/27/2019	10/20/2032	2,750	2,215	2,385	1.3
Elevation CLO 2017-7, Ltd. (7)									
Subordinated Notes		12.38%		2/6/2019	7/15/2030	10,000	6,577	5,678	3.2
Flatiron CLO 18, Ltd. (7)									
Subordinated Notes		19.14%		1/2/2019	4/17/2031	9,680	7,111	7,369	4.1
Madison Park Funding XXIII, Ltd. (7)									
Subordinated Notes		23.28%		1/8/2020	7/27/2047	10,000	6,468	7,402	4.1

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Madison Park Funding XXIX, Ltd. (7)									
Subordinated Notes		17.08%		12/22/2020	10/18/2047	$ 9,500	$ 7,256	$ 7,373	4.1 %
Monroe Capital MML CLO X, Ltd.									
Mezzanine bond - Class E		10.82%	(L +8.85%)	8/7/2020	8/20/2031	1,000	943	1,007	0.6
Park Avenue Institutional Advisers CLO Ltd 2021-1									
Mezzanine bond - Class E		8.74%	(L +7.30%)	1/26/2021	1/20/2034	1,000	972	997	0.6
Octagon Investment Partners 39, Ltd. (7)									
Subordinated Notes		18.62%		1/23/2020	10/20/2030	7,000	4,966	5,182	2.9
Redding Ridge 4 (7)									
Subordinated Notes		17.77%		3/4/2021	4/15/2030	1,300	1,152	1,168	0.6
Regatta II Funding									
Mezzanine bond - Class DR2		13.83%	(L +6.95%)	6/5/2020	1/15/2029	800	716	789	0.4
THL Credit Wind River 2019-3 CLO Ltd (7)									
Subordinated Notes		10.68%		4/5/2019	4/15/2031	7,000	5,680	4,806	2.7
Trinitas CLO VIII (7)									
Subordinated Notes		22.57%		3/4/2021	7/20/2031	5,200	3,205	3,360	1.9
Wellfleet CLO 2018-2 (7)									
Subordinated Notes		21.08%		3/4/2021	10/20/2031	1,000	669	703	0.4
Total Structured Finance Note Investments						$ 90,799	$ 67,532	$ 68,245	38.0 %
Total Non-control/Non-affiliate Investments						$ 398,266	$ 373,780	$ 358,471	199.0 %
Affiliate Investments									
3rd Rock Gaming Holdings, LLC (20)	Software Publishers								
Senior Secured Loan (6)		8.50% cash / 1.0% PIK	(L +7.50%)	3/13/2018	3/12/2023	19,305	17,333	6,975	3.9
Common Equity (2,547,250 units) (10) (13)				3/13/2018			2,547	—	—
						19,305	19,880	6,975	3.9

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Chemical Resources Holdings, Inc. (20)	Custom Compounding of Purchased Resins								
Senior Secured Loan (4) (8)		8.77%	(L +7.27%)	1/25/2019	1/25/2024	$ 13,743	$ 13,648	$ 13,956	7.8 %
Common Equity (1,832 Class A shares) (10) (13)				1/25/2019			1,814	3,400	1.9
						13,743	15,462	17,356	9.7
Contract Datascan Holdings, Inc. (4) (20)	Office Machinery and Equipment Rental and Leasing								
Preferred Equity (3,061 Series A shares), 10% PIK				8/5/2015			5,849	2,787	1.5
Common Equity (11,273 shares) (10)				6/28/2016			104	41	—
							5,953	2,828	1.5
DRS Imaging Services, LLC (20)	Data Processing, Hosting, and Related Services								
Common Equity (1,135 units) (10) (13)				3/8/2018			1,135	1,259	0.7
Master Cutlery, LLC (4) (10) (20)	Sporting and Recreational Goods and Supplies Merchant Wholesalers								
Subordinated Loan (6) (11)		13.00%	N/A	4/17/2015	7/20/2022	7,123	4,725	687	0.4
Preferred Equity (3,723 Series A units), 8% PIK				4/17/2015			3,483	—	—
Common Equity (15,564 units)				4/17/2015			—	—	—
						7,123	8,208	687	0.4
NeoSystems Corp. (4) (20)	Other Accounting Services								
Preferred Equity (521,962 convertible shares), 10% PIK				8/14/2014			1,985	3,255	1.8
Pfanstiehl Holdings, Inc. (4) (20) (21)	Pharmaceutical Preparation Manufacturing								
Common Equity (400 Class A shares)				1/1/2014			217	49,236	27.4
Professional Pipe Holdings, LLC (19)	Plumbing, Heating, and Air-Conditioning Contractors								
Senior Secured Loan		9.75% cash / 1.50% PIK	(L +10.25%)	3/23/2018	3/23/2023	5,742	5,692	5,518	3.1
Common Equity (1,414 Class A units) (10)				3/23/2018			1,414	849	0.5
						5,742	7,106	6,367	3.6
TalentSmart Holdings, LLC (20)	Professional and Management Development Training								
Common Equity (1,595 Class A shares) (10) (13)				10/11/2019			1,595	1,011	0.6

Consolidated Schedule of Investments - Continued (unaudited)
June 30, 2021
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	**Industry**	**Interest Rate (2)**	**Spread Above Index (2)**	**Initial Acquisition Date**	**Maturity**	**Principal Amount**	**Amortized Cost**	**Fair Value (3)**	**Percent of Net Assets**
TRS Services, LLC (4) (10) (20)	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance								
Preferred Equity (2,088,305 Class A units), 11% PIK				12/10/2014			$ 572	$ 867	0.5 %
Common Equity (3,000,000 units) (10)				12/10/2014			—	—	—
							572	867	0.5
TTG Healthcare, LLC (20)	Diagnostic Imaging Centers								
Senior Secured Loan (4)		8.50%	(L +7.50%)	3/1/2019	11/28/2025	19,505	19,318	19,612	10.9
Preferred Equity (2,309 Class B units) (10) (13)				3/1/2019			2,309	4,040	2.2
						19,505	21,627	23,652	13.1
Total Affiliate Investments						$ 65,418	$ 83,740	$ 113,493	63.2 %
Control Investment									
MTE Holding Corp. (4) (19)	Travel Trailer and Camper Manufacturing								
Subordinated Loan (to Mirage Trailers, LLC, a controlled, consolidated subsidiary of MTE Holding Corp.)		11.00% cash / 5.00% PIK	(L +15.00%)	11/25/2015	11/25/2021	7,988	7,988	7,988	4.4
Common Equity (554 shares)				11/25/2015			3,069	4,074	2.3
						7,988	11,057	12,062	6.7
Total Control Investment						$ 7,988	$ 11,057	$ 12,062	6.7 %
Total Investments						$ 471,672	$ 468,577	$ 484,026	268.9 %

(1) Equity ownership may be held in shares or units of companies affiliated with the portfolio company. The Company's investments are generally classified as "restricted securities" as such term is defined under Regulation S-X Rule 6-03(f) or Securities Act Rule 144.
(2) Substantially all of the investments that bear interest at a variable rate are indexed to LIBOR (L) at June 30, 2021, and reset monthly, quarterly, or semi-annually. Variable-rate loans with an aggregate cost of $339,970 include LIBOR reference rate floor provisions of generally 0.75% to 1.75%; at June 30, 2021, the reference rate on such instruments was generally below the stated floor provisions. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at June 30, 2021. Unless otherwise noted, all investments with a stated PIK rate require interest payments with the issuance of additional securities as payment of the entire PIK provision.
(3) Unless otherwise noted with footnote 14, fair value was determined using significant unobservable inputs for all of the Company's investments and are considered Level 3 under GAAP. See **Note 5** for further details.
(4) Investments (or portion thereof) held by SBIC I LP. These assets are pledged as collateral of the SBA debentures and cannot be pledged under any debt obligation of the Company.
(5) Subject to unfunded commitments. See **Note 6** for further details.
(6) Investment was on non-accrual status as of June 30, 2021, meaning the Company has suspended recognition of all or a portion of income on the investment. See **Note 4** for further details.
(7) CLO subordinated debt positions are entitled to recurring distributions which are generally equal to the remaining cash flow of payments made by underlying securities less contractual payments to debt holders and fund expenses.

(Dollar amounts in thousands)

(8) The Company has entered into a contractual arrangement with co-lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co-lenders pursuant to a payment waterfall. The table below provides additional details as of June 30, 2021:

Portfolio Company	Reported Interest Rate	Interest Rate per Credit Agreement	Additional Interest per Annum
Chemical Resources Holdings, Inc.	8.77%	7.50%	1.27%
Milrose Consultants, LLC	7.60%	7.00%	0.60%

(9) The rate disclosed is the estimated effective yield, generally established at purchase and re-evaluated upon receipt of distributions, and based upon projected amounts and timing of future distributions and the projected amount and timing of terminal principal payments at the time of estimation. The estimated yield and investment cost may ultimately not be realized. Maturity date represents the contractual maturity date of the structured finance notes. Projected cash flows, including the projected amount and timing of terminal principal payments which may be projected to occur prior to the contractual maturity date, were utilized in deriving the effective yield of the investments.

(10) Non-income producing.

(11) The interest rate on these investments contains a PIK provision, whereby the issuer has the option to make interest payments in cash or with the issuance of additional securities as payment of the entire PIK provision. The interest rate in the schedule represents the current interest rate in effect for these investments. The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed as of June 30, 2021:

Portfolio Company	Investment Type	Range of PIK Option	Range of Cash Option	Maximum PIK Rate Allowed
Eblens Holdings, Inc.	Subordinated Loan	0% or 1.00%	13.00% or 12.00%	1.00%
Master Cutlery, LLC	Subordinated Loan	0% to 13.00%	13.00% to 0%	13.00%

(12) Represents expiration date of the warrants.

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

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

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

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

(17) Reserved.

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

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

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

(21) Portfolio company represents greater than 5% of total assets at June 30, 2021.

(22) Non-qualifying assets under Section 55(a) of the 1940 Act. As defined under Section 55 of the 1940 Act, qualifying assets must represent at least 70% of the Company's assets at the time of acquisition of any additional non-qualifying assets. As of June 30, 2021, approximately 85% of the Company's assets were qualifying assets.

See Notes to Consolidated Financial Statements.

Consolidated Schedule of Investments
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Non-control/Non-affiliate Investments									
All Star Auto Lights, Inc. (4)	Motor Vehicle Parts (Used) Merchant Wholesalers								
Senior Secured Loan		8.50%	(L +7.50%)	12/19/2019	8/20/2024	$ 14,293	$ 14,167	$ 13,581	8.5 %
A&A Transfer, LLC	Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers								
Senior Secured Loan (15)		8.25%	(L +6.50%)	2/7/2020	2/7/2025	16,632	16,427	16,798	10.6
Senior Secured Loan (Revolver) (5)		n/m (18)	(L +6.50%)	2/7/2020	2/7/2025	—	(35)	(21)	—
						16,632	16,392	16,777	10.6
Bass Pro Group, LLC (14) (15)	Sporting Goods Stores								
Senior Secured Loan		5.75%	(L +5.00%)	6/24/2019	9/25/2024	2,954	2,907	2,968	1.9
BayMark Health Services, Inc.	Outpatient Mental Health and Substance Abuse Centers								
Senior Secured Loan		9.25%	(L +8.25%)	3/22/2018	3/1/2025	4,000	3,976	4,000	2.5
Community Intervention Services, Inc. (4) (6) (11)	Outpatient Mental Health and Substance Abuse Centers								
Subordinated Loan		7.00% cash / 6.00% PIK	N/A	7/16/2015	1/16/2021	10,225	7,639	105	0.1
Confie Seguros Holdings II Co.	Insurance Agencies and Brokerages								
Senior Secured Loan		8.73%	(L +8.50%)	7/7/2015	11/1/2025	9,678	9,544	9,302	5.9
Connect U.S. Finco LLC (14) (15)	Taxi Service								
Senior Secured Loan		5.50%	(L +4.50%)	11/20/2019	12/11/2026	1,985	1,976	1,997	1.3
Constellis Holdings, LLC (10)	Other Justice, Public Order, and Safety Activities								
Common Equity (20,628 common shares)				3/27/2020			703	676	0.4
Convergint Technologies Holdings, LLC	Security Systems Services (except Locksmiths)								
Senior Secured Loan		7.50%	(L +6.75%)	9/28/2018	2/2/2026	3,481	3,437	3,390	2.1
Custom Truck One Source (14) (15)	Construction, Mining, and Forestry Machinery and Equipment Rental and Leasing								
Senior Secured Loan		4.40%	(L +4.25%)	9/30/2020	4/18/2025	497	496	499	0.3

Consolidated Schedule of Investments - Continued
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Diamond Sports Group, LLC (14) (15)	Television Broadcasting								
Senior Secured Loan		3.40%	(L +3.25%)	11/19/2019	8/24/2026	$ 1,975	$ 1,977	$ 1,758	1.1 %
DuPage Medical Group (15)	Offices of Physicians, Mental Health Specialists								
Senior Secured Loan		7.75%	(L +7.00%)	8/22/2017	8/15/2025	10,098	10,159	10,098	6.4
Eblens Holdings, Inc. (20)	Shoe Store								
Subordinated Loan (11)		12.00% cash / 1.00% PIK	N/A	7/13/2017	1/13/2023	9,114	9,035	4,368	2.7
Common Equity (71,250 Class A units) (10)				7/13/2017			713	—	—
						9,114	9,748	4,368	2.7
Envocore Holding, LLC (F/K/A LRI Holding, LLC) (4)	Electrical Contractors and Other Wiring Installation Contractors								
Senior Secured Loan		7.50% cash / 3.50% PIK	(L +7.50%)	6/30/2017	6/30/2022	17,150	17,055	12,668	8.0
Preferred Equity (238,095 Series B units) (10)				6/30/2017			300	—	—
Preferred Equity (13,315 Series C units) (10)				8/13/2018			13	—	—
						17,150	17,368	12,668	8.0
Excelin Home Health, LLC	Home Health Care Services								
Senior Secured Loan		11.50%	(L +9.50%)	10/25/2018	4/25/2024	4,250	4,199	4,250	2.7
GGC Aerospace Topco L.P.	Other Aircraft Parts and Auxiliary Equipment Manufacturing								
Senior Secured Loan		9.75%	(L +9.50%)	12/29/2017	9/8/2024	5,000	4,931	4,102	2.6
Common Equity (368,852 Class A units) (10)				12/29/2017			450	166	0.1
Common Equity (40,984 Class B units) (10)				12/29/2017			50	7	—
						5,000	5,431	4,275	2.7
Inergex Holdings, LLC	Other Computer Related Services								
Senior Secured Loan		8.00%	(L +7.00%)	10/1/2018	10/1/2024	16,422	16,265	15,913	9.9
Senior Secured Loan (Revolver) (5)		n/m (18)	(L +7.00%)	10/1/2018	10/1/2024	—	(18)	87	0.1
						16,422	16,247	16,000	10.0
Institutional Shareholder Services, Inc.	Administrative Management and General Management Consulting Services								
Senior Secured Loan		8.75%	(L +8.50%)	3/4/2019	3/5/2027	6,244	6,099	6,244	3.9
Intouch Midco Inc. (15)	All Other Professional, Scientific, and Technical Services								
Senior Secured Loan		4.90%	(L +4.75%)	12/20/2019	8/24/2025	1,980	1,921	1,905	1.2

Consolidated Schedule of Investments - Continued
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
I&I Sales Group, LLC	Marketing Consulting Services								
Senior Secured Loan (15)		9.50%	(L +8.50%)	12/30/2020	7/10/2025	$ 5,325	$ 5,232	$ 5,232	3.3 %
Senior Secured Loan (Revolver) (5)		n/m (18)	(L +8.50%)	12/30/2020	7/10/2025	—	(3)	(3)	—
						5,325	5,229	5,229	3.3
Milrose Consultants, LLC (4) (8)	Administrative Management and General Management Consulting Services								
Senior Secured Loan		7.62%	(L +6.62%)	7/16/2019	7/16/2025	22,574	22,404	22,485	14.0
My Alarm Center, LLC (10)	Security Systems Services (except Locksmiths)								
Preferred Equity (335 Class Z units) (13)				9/12/2018			325	97	0.1
Preferred Equity (1,485 Class A units), 8% PIK (4) (13)				7/14/2017			1,571	—	—
Preferred Equity (1,198 Class B units) (4)				7/14/2017			1,198	—	—
Common Equity (64,149 units) (4) (13)				7/14/2017			—	—	—
							3,094	97	0.1
Online Tech Stores, LLC (4) (6)	Stationery and Office Supplies Merchant Wholesalers								
Subordinated Loan		13.50% PIK	N/A	2/1/2018	8/1/2023	18,360	16,129	2,426	1.5
Panther BF Aggregator 2 LP (14) (15) (19)	Other Commercial and Service Industry Machinery Manufacturing								
Senior Secured Loan		3.65%	(L +3.50%)	11/19/2019	4/30/2026	1,939	1,925	1,936	1.2
Parfums Holding Company, Inc.	Cosmetics, Beauty Supplies, and Perfume Stores								
Senior Secured Loan (14) (15)		4.23%	(L +4.00%)	6/25/2019	6/30/2024	1,537	1,536	1,530	1.0
Senior Secured Loan		9.75%	(L +8.75%)	11/16/2017	6/30/2025	5,171	5,202	5,171	3.3
						6,708	6,738	6,701	4.3
Pelican Products, Inc.	Unlaminated Plastics Profile Shape Manufacturing								
Senior Secured Loan		8.75%	(L +7.75%)	9/24/2018	5/1/2026	6,055	6,059	5,994	3.8
Pike Corp. (14) (15)	Electrical Contractors and Other Wiring Installation Contractors								
Senior Secured Loan		3.14%	(L +3.00%)	9/17/2020	7/24/2026	469	469	469	0.3

Consolidated Schedule of Investments - Continued
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
PM Acquisition LLC (20)	All Other General Merchandise Stores								
Senior Secured Loan		11.50% cash / 2.50% PIK	N/A	9/30/2017	10/29/2021	$ 4,780	$ 4,753	$ 4,780	3.0 %
Common Equity (499 units) (10) (13)				9/30/2017			499	280	0.2
						4,780	5,252	5,060	3.2
Quest Software US Holdings Inc. (14) (15)	Computer and Computer Peripheral Equipment and Software Merchant Wholesalers								
Senior Secured Loan		4.46%	(L +4.25%)	6/25/2019	5/16/2025	1,970	1,955	1,942	1.2
Resource Label Group, LLC	Commercial Printing (except Screen and Books)								
Senior Secured Loan		9.50%	(L +8.50%)	6/7/2017	11/26/2023	4,821	4,789	4,812	3.0
Rocket Software, Inc. (15)	Software Publishers								
Senior Secured Loan		8.46%	(L +8.25%)	11/20/2018	11/28/2026	6,275	6,190	6,241	3.9
RPLF Holdings, LLC (10) (13)	Software Publishers								
Common Equity (254,110 Class A units)				1/17/2018			492	605	0.4
Sentry Centers Holdings, LLC (10) (13)	Other Professional, Scientific, and Technical Services								
Preferred Equity (2,248 Series A units)				9/4/2020			51	47	—
Preferred Equity (1,603 Series B units)				9/4/2020			160	160	0.1
Common Equity (269 units)				9/4/2020			3	3	—
							214	210	0.1
SkyMiles IP Ltd. and Delta Air Lines, Inc. (14) (15)	Scheduled Passenger Air Transportation								
Senior Secured Loan		4.75%	(L +3.75%)	9/15/2020	10/20/2027	500	495	520	0.3
SourceHOV Tax, Inc. (4) (8)	Other Accounting Services								
Senior Secured Loan		7.61%	(L +6.11%)	3/16/2020	3/16/2025	19,892	19,742	19,988	12.6
Southern Technical Institute, LLC (4) (10)	Colleges, Universities, and Professional Schools								
Equity appreciation rights				6/27/2018			—	4,295	2.7

Consolidated Schedule of Investments - Continued
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Spring Education Group, Inc. (F/K/A SSH Group Holdings, Inc.)	Child Day Care Services								
Senior Secured Loan		8.50%	(L +8.25%)	7/26/2018	7/30/2026	$ 5,216	$ 5,178	$ 4,656	2.9 %
SSJA Bariatric Management LLC (15)	Offices of Physicians, Mental Health Specialists								
Senior Secured Loan		6.00%	(L +5.00%)	8/26/2019	8/26/2024	9,875	9,803	9,647	6.1
Senior Secured Loan		6.25%	(L +5.25%)	12/31/2020	8/26/2024	1,067	1,056	1,042	0.7
Senior Secured Loan (Revolver) (5)		n/m (18)	(L +5.00%)	8/26/2019	8/26/2024	—	(5)	15	—
						10,942	10,854	10,704	6.8
Stancor, L.P. (4)	Pump and Pumping Equipment Manufacturing								
Preferred Equity (1,250,000 Class A units), 8% PIK (10)				8/19/2014			1,501	1,281	0.8
Staples, Inc. (14) (15)	Business to Business Electronic Markets								
Senior Secured Loan		5.21%	(L +5.00%)	6/24/2019	4/16/2026	2,960	2,891	2,875	1.8
STS Operating, Inc.	Industrial Machinery and Equipment Merchant Wholesalers								
Senior Secured Loan (14) (15)		5.25%	(L +4.25%)	5/16/2018	12/11/2024	625	626	601	0.4
Senior Secured Loan		9.00%	(L +8.00%)	5/15/2018	4/30/2026	9,073	9,070	8,578	5.4
						9,698	9,696	9,179	5.8
Sunshine Luxembourg VII SARL (14) (15)	Pharmaceutical Preparation Manufacturing								
Senior Secured Loan		5.00%	(L +4.00%)	11/20/2019	9/25/2026	1,980	1,988	1,992	1.3
Tank Holding Corp. (15)	Unlaminated Plastics Profile Shape Manufacturing								
Senior Secured Loan (14)		5.50%	(L +4.00%)	6/24/2019	3/26/2026	1,975	1,981	1,942	1.2
Senior Secured Loan		3.40%	(L +3.25%)	12/18/2020	3/26/2026	896	882	882	0.6
						2,871	2,863	2,824	1.8
The Escape Game, LLC (4)	Other amusement and recreation industries								
Senior Secured Loan		9.75%	(L +8.75%)	7/18/2019	12/22/2022	7,000	6,973	6,647	4.2
Senior Secured Loan		9.75%	(L +8.75%)	12/22/2017	12/31/2021	2,333	2,329	2,216	1.4
Senior Secured Loan		8.00%	(L +7.00%)	7/20/2018	12/31/2021	4,667	4,665	4,463	2.8
Senior Secured Loan (Delayed Draw)		9.75%	(L +8.75%)	7/20/2018	12/22/2022	7,000	7,000	6,647	4.2
						21,000	20,967	19,973	12.6

Consolidated Schedule of Investments - Continued
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Truck Hero, Inc. (15)	Truck Trailer Manufacturing								
Senior Secured Loan		9.25%	(L +8.25%)	5/30/2017	4/21/2025	$ 8,174	$ 8,118	$ 8,174	5.1 %
United Biologics Holdings, LLC (4) (10)	Medical Laboratories								
Preferred Equity (151,787 units)				4/16/2013			9	26	—
Warrants (29,374 units)				7/26/2012	3/5/2022 (12)		82	12	—
							91	38	—
United Natural Foods (14) (15)	General Line Grocery Merchant Wholesalers								
Senior Secured Loan		4.40%	(L +4.25%)	6/9/2020	10/22/2025	286	275	284	0.2
Wastebuilt Environmental Solutions, LLC (4)	Industrial Supplies Merchant Wholesalers								
Senior Secured Loan		10.25%	(L +8.75%)	10/11/2018	10/11/2024	7,000	6,908	5,476	3.4
Weight Watchers International, Inc. (14) (15)	Diet and Weight Reducing Centers								
Senior Secured Loan		5.50%	(L +4.75%)	6/10/2020	11/29/2024	477	477	479	0.3
Xperi (14) (15)	Semiconductor and Related Device Manufacturing								
Senior Secured Loan		4.15%	(L +4.00%)	6/1/2020	6/1/2025	433	399	434	0.3
Total Debt and Equity Investments						$ 306,683	$ 307,768	$ 272,240	171.3 %
Structured Finance Note Investments									
Apex Credit CLO 2020 (7)									
Subordinated Notes		14.16% (9)		11/16/2020	11/19/2031 (17)	11,080	9,461 (16)	10,006	6.3
Dryden 53 CLO, LTD. (7)									
Income Notes		16.68% (9)		10/26/2020	1/15/2031 (17)	2,700	1,779	1,967	1.2
Subordinated Notes		16.68% (9)		10/26/2020	1/15/2031 (17)	2,159	1,423 (16)	1,573	1.0
						4,859	3,202	3,540	2.2
Dryden 76 CLO, Ltd. (7)									
Subordinated Notes		18.68% (9)		9/27/2019	10/20/2032 (17)	2,750	2,282 (16)	2,235	1.4

OFS Capital Corporation and Subsidiaries

Consolidated Schedule of Investments - Continued
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Elevation CLO 2017-7, Ltd. (7)									
Subordinated Notes		12.32% (9)		2/6/2019	7/15/2030 (17)	$ 10,000	$ 6,955 (16)	$ 6,226	3.9 %
Flatiron CLO 18, Ltd. (7)									
Subordinated Notes		20.73% (9)		1/2/2019	4/17/2031 (17)	9,680	7,265 (16)	7,702	4.8
Madison Park Funding XXIII, Ltd. (7)									
Subordinated Notes		21.99% (9)		1/8/2020	7/27/2047 (17)	10,000	6,654 (16)	7,129	4.5
Madison Park Funding XXIX, Ltd. (7)									
Subordinated Notes		14.22% (9)		12/22/2020	10/18/2047 (17)	9,500	7,529 (16)	7,569	4.8
Monroe Capital MML CLO X, LTD.									
Mezzanine bond - Class E		9.08%	(L +8.85%)	8/7/2020	8/20/2031 (17)	863	802	838	0.5
Octagon Investment Partners 39, Ltd. (7)									
Subordinated Notes		20.81% (9)		1/23/2020	10/20/2030 (17)	7,000	5,173 (16)	5,493	3.5
Park Avenue Institutional Advisers CLO 2017-1									
Mezzanine bond - Class D		6.44%	(L +6.22%)	6/5/2020	11/14/2029 (17)	100	83	95	0.1
Regatta II Funding									
Mezzanine bond - Class DR2		7.19%	(L +6.95%)	6/5/2020	1/15/2029 (17)	800	695	768	0.5
THL Credit Wind River 2019-3 CLO Ltd. (7)									
Subordinated Notes		14.69% (9)		4/5/2019	4/15/2031 (17)	7,000	5,759 (16)	4,824	3.0
Total Structured Finance Note Investments						$ 73,632	$ 55,860	$ 56,425	35.5 %
Total Non-control/Non-affiliate Investments						$ 380,315	$ 363,628	$ 328,665	206.8 %

Consolidated Schedule of Investments - Continued
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Affiliate Investments									
3rd Rock Gaming Holdings, LLC (20)	Software Publishers								
Senior Secured Loan (6)		8.50% cash / 1.00% PIK	(L +7.50%)	3/13/2018	3/12/2023	$ 20,858	$ 19,570	$ 9,258	5.8 %
Common Equity (2,547,250 units) (10) (13)				3/13/2018			2,547	—	—
						20,858	22,117	9,258	5.8
Chemical Resources Holdings, Inc. (20)	Custom Compounding of Purchased Resins								
Senior Secured Loan (4)(8)		9.22%	(L +7.72%)	1/25/2019	1/25/2024	13,743	13,630	13,744	8.6
Common Equity (1,832 Class A shares) (10) (13)				1/25/2019			1,814	3,420	2.2
						13,743	15,444	17,164	10.8
Contract Datascan Holdings, Inc. (4) (20)	Office Machinery and Equipment Rental and Leasing								
Preferred Equity (3,061 Series A shares) 10% PIK				8/5/2015			5,849	2,690	1.7
Common Equity (11,273 shares) (10)				6/28/2016			104	46	—
							5,953	2,736	1.7
DRS Imaging Services, LLC (20)	Data Processing, Hosting, and Related Services								
Common Equity (1,135 units) (10) (13)				3/8/2018			1,135	1,749	1.1
Master Cutlery, LLC (4) (10)(20)	Sporting and Recreational Goods and Supplies Merchant Wholesalers								
Subordinated Loan (6)		13.00% (11)	N/A	4/17/2015	7/20/2022	6,759	4,764	346	0.2
Preferred Equity (3,723 Series A units), 8% PIK				4/17/2015			3,483	—	—
Common Equity (15,564 units)				4/17/2015			—	—	—
						6,759	8,247	346	0.2
NeoSystems Corp. (4)(20)	Other Accounting Services								
Preferred Equity (521,962 convertible shares) 10% PIK				8/14/2014			1,879	2,250	1.4
Pfanstiehl Holdings, Inc. (4)(20)(21)	Pharmaceutical Preparation Manufacturing								
Common Equity (400 Class A shares)				1/1/2014			217	36,221	22.8

Consolidated Schedule of Investments - Continued
December 31, 2020
(Dollar amounts in thousands)

Portfolio Company (1) Investment Type	Industry	Interest Rate (2)	Spread Above Index (2)	Initial Acquisition Date	Maturity	Principal Amount	Amortized Cost	Fair Value (3)	Percent of Net Assets
Professional Pipe Holdings, LLC (19)	Plumbing, Heating, and Air-Conditioning Contractors								
Senior Secured Loan		9.75% cash / 1.50% PIK	(L +8.75%)	3/23/2018	3/23/2023	$ 6,263	$ 6,193	$ 6,086	3.8 %
Common Equity (1,414 Class A units) (10)				3/23/2018			1,414	1,208	0.8
						6,263	7,607	7,294	4.6
TalentSmart Holdings, LLC (20)	Professional and Management Development Training								
Common Equity (1,595,238 Class A shares) (10) (13)				10/11/2019			1,595	1,306	0.8
TRS Services, LLC (4)(20)	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance								
Preferred Equity (1,937,191 Class A units), 11% PIK				12/10/2014			—	915	0.6
Common Equity (3,000,000 units) (10)				12/10/2014			572	—	—
							572	915	0.6
TTG Healthcare, LLC (20)	Diagnostic Imaging Centers								
Senior Secured Loan (4)		8.50%	(L +7.50%)	3/1/2019	11/28/2025	19,603	19,409	19,530	12.3
Preferred Equity (2,309 Class B units) (10) (13)				3/1/2019			2,309	4,077	2.6
						19,603	21,718	23,607	14.9
Total Affiliate Investments						$ 67,226	$ 86,484	$ 102,846	64.7 %
Control Investment									
MTE Holding Corp. (4)(19)	Travel Trailer and Camper Manufacturing								
Subordinated Loan (to Mirage Trailers, LLC, a controlled, consolidated subsidiary of MTE Holding Corp.)		11.00% cash / 5.00% PIK	(L +10.00%)	11/25/2015	11/25/2021	7,842	7,842	7,822	4.9
Common Equity (554 shares) (10)				11/25/2015			3,069	2,990	1.9
						7,842	10,911	10,812	6.8
Total Control Investment						$ 7,842	$ 10,911	$ 10,812	6.8 %
Total Investments						$ 455,383	$ 461,023	$ 442,323	278.3 %

(1) Equity ownership may be held in shares or units of companies affiliated with the portfolio company. The Company's investments are generally classified as "restricted securities" as such term is defined under Regulation S-X Rule 6-03(f) or Securities Act Rule 144.

(Dollar amounts in thousands)

(2) Substantially all of the investments that bear interest at a variable rate are indexed to LIBOR (L), generally between 0.75% and 1.0% at December 31, 2020, and reset monthly, quarterly, or semi-annually. Variable-rate loans with an aggregate cost of $328,736 include LIBOR reference rate floor provisions of generally 0.75% to 1.0% at December 31, 2020, the reference rate on such instruments was generally below the stated floor provisions. For each investment, the Company has provided the spread over the reference rate and current interest rate in effect at December 31, 2020. Unless otherwise noted, all investments with a stated PIK rate require interest payments with the issuance of additional securities as payment of the entire PIK provision.
(3) Unless otherwise noted with footnote 14, fair value was determined using significant unobservable inputs for all of the Company's investments and are considered Level 3 under GAAP. See **Note 5** for further details.
(4) Investments (or portion thereof) held by SBIC I LP. These assets are pledged as collateral of the SBA debentures and cannot be pledged under any debt obligation of the Company.
(5) Subject to unfunded commitments. See Note 6 for further details.
(6) Investment was on non-accrual status as of December 31, 2020, meaning the Company has suspended recognition of all or a portion of income on the investment. See **Note 4** for further details.
(7) CLO subordinated debt positions are entitled to recurring distributions which are generally equal to the remaining cash flow of payments made by underlying securities less contractual payments to debt holders and fund expenses.
(8) The Company has entered into a contractual arrangement with co-lenders whereby, subject to certain conditions, it has agreed to receive its payment after the repayment of certain co-lenders pursuant to a payment waterfall. The table below provides additional details as of December 31, 2020:

Portfolio Company	Reported Interest Rate	Interest Rate per Credit Agreement	Additional Interest per Annum
Chemical Resources Holdings, Inc.	9.17%	7.50%	1.67%
Milrose Consultants, LLC	7.62%	7.00%	0.62%
SourceHOV Tax, Inc.	7.61%	7.00%	0.61%

(9) The rate disclosed is the estimated effective yield, generally established at purchase and re-evaluated upon receipt of distributions, and based upon projected amounts and timing of future distributions and the projected amount and timing of terminal principal payments at the time of estimation. The estimated yield and investment cost may ultimately not be realized.
(10) Non-income producing.
(11) The interest rate on these investments contains a PIK provision, whereby the issuer has the option to make interest payments in cash or with the issuance of additional securities as payment of the entire PIK provision. The interest rate in the schedule represents the current interest rate in effect for these investments. The following table provides additional details on these PIK investments, including the maximum annual PIK interest rate allowed as of December 31, 2020:

Portfolio Company	Investment Type	Range of PIK Option	Range of Cash Option	Maximum PIK Rate Allowed
Community Intervention Services, Inc.	Subordinated Loan	0% or 6.00%	13.00% or 7.00%	6.00%
Eblens Holdings, Inc.	Subordinated Loan	0% or 1.00%	13.00% or 12.00%	1.00%
Master Cutlery, LLC	Subordinated Loan	0% to 13.00%	13.00% to 0%	13.00%

(12) Represents expiration date of the warrants.
(13) All or portion of investment held by a wholly-owned subsidiary of the Company subject to income tax.
(14) Fair value was determined by reference to observable inputs other than quoted prices in active markets and are considered Level 2 under GAAP. See **Note 5** for further details.
(15) Investments (or portion thereof) held by OFSCC-FS. These assets are pledged as collateral of the BNP Facility and cannot be pledged under any other debt obligation of the Company.
(16) Amortized cost reflects accretion of effective yield less any cash distributions received or entitled to be received from CLO subordinated debt investments.
(17) Maturity date represents the contractual maturity date of the Structured Finance Notes. Projected cash flows, including the projected amount and timing of terminal principal payments which may be projected to occur prior to the contractual maturity date, were utilized in deriving the effective yield of the investments.
(18) Not meaningful as there is no outstanding balance on the revolver. The Company earns unfunded commitment fees on undrawn revolving lines of credit balances, which are reported in fee income.
(19) The Company holds at least one seat on the portfolio company’s board of directors.
(20) The Company has an observer seat on the portfolio company’s board of directors.
(21) Portfolio company represents greater than 5% of total assets at December 31, 2020.

Note 1. Organization

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

The Company’s investment objective is to provide stockholders with both current income and capital appreciation primarily through debt investments and, to a lesser extent, equity investments. OFS Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company.

In addition, OFS Advisor serves as the investment adviser for HPCI, a non-traded BDC with an investment strategy and objective similar to that of the Company. OFS Advisor also serves as the investment adviser for OCCI, a non-diversified, externally managed, closed-end management investment company that has registered as an investment company under the 1940 Act, and that primarily invests in Structured Finance Notes. Additionally, OFS Advisor provides sub-advisory services to CMFT Securities Investments, LLC, a wholly owned subsidiary of CIM Real Estate Finance Trust, Inc., a corporation that qualifies as a real estate investment trust and CIM Real Assets & Credit Fund, an externally managed registered investment company that operates as an interval fund that invests primarily in a combination of real estate, credit and related investments.

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

SBIC I LP is an investment company subsidiary licensed under the SBA's small business investment company program. The Company is limited to follow-on investments in current portfolio companies held through SBIC I LP. SBIC I LP is subject to SBA 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 SBIC Act; limitations on the financing terms of investments; and capitalization thresholds that may limit distributions to the Company. SBIC I LP is subject to periodic audits and examinations of its financial statements. SBIC I LP is repaying over time its outstanding SBA debentures prior to their scheduled maturity dates.

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

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

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The Company is an investment company as defined in the accounting and reporting guidance under ASC Topic 946, *Financial Services–Investment Companies*. The accompanying interim consolidated financial statements of the Company and related financial information have been prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q, and Articles 6, 10 and 12 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. However, in the opinion of management, the consolidated financial statements include all adjustments, consisting only of normal and recurring accruals and adjustments, necessary for fair presentation as of and for the periods presented. These consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

Significant Accounting Policies: The following information supplements the description of significant accounting policies contained in Note 2 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

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

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

Concentration of credit risk: Aside from its debt instruments, including investments in Structured Finance Notes of CLOs, financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits at financial institutions. At various times during the year, the Company may exceed the federally insured limits. The Company places cash deposits only with high credit quality institutions which OFS Advisor believes will mitigate the risk of loss due to credit risk. The amount of loss due to credit risk from debt investments, if borrowers completely fail to perform according to the terms of the contracts, and the collateral or other security for those instruments proved to be of no value to the Company, is equal to the sum of the Company's recorded investment in debt instruments and the unfunded loan commitments disclosed in Note 6.

Note 3. Related Party Transactions

Investment Advisory and Management Agreement: OFS Advisor manages the day-to-day operations of, and provides investment advisory services to, the Company pursuant to the Investment Advisory Agreement. The continuation of the Investment Advisory Agreement was most recently approved by the Board on April 1, 2021. Under the terms of the Investment Advisory Agreement, which are in accordance with the 1940 Act and subject to the overall supervision of the Board, OFS Advisor is responsible for sourcing potential investments, conducting research and diligence on potential investments and equity sponsors, analyzing investment opportunities, structuring investments, and monitoring investments and portfolio companies on an ongoing basis.

OFS Advisor’s services under the Investment Advisory Agreement are not exclusive to the Company and OFS Advisor is free to furnish similar services to other entities, including other funds affiliated with OFS Advisor, so long as its services to the Company are not impaired. OFS Advisor also serves as the investment adviser or collateral manager to CLO funds and other companies, including HPCI and OCCI.

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

Effective January 1, 2020, OFS Advisor agreed to further reduce the base management fee attributable to all of the OFSCC-FS Assets, without regard to the Company’s asset coverage. The agreement reduced the base management fee to 0.25% per quarter (1.00% annualized) of the average value of the OFSCC-FS Assets at the end of the two most recently completed calendar quarters. OFS Advisor’s base management fee reduction is renewable on an annual basis and OFS Advisor is not entitled to recoup the amount of the base management fee reduced with respect to the OFSCC-FS Assets. This agreement was renewed for the 2021 calendar year on February 16, 2021.

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

Pre-incentive fee net investment income is expressed as a rate of return on the value of the Company’s net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter and adjusted for any share issuances or repurchases during such quarter.

The incentive fee with respect to pre-incentive fee net income is 20.0% of the amount, if any, by which the pre-incentive fee net investment income for the immediately preceding calendar quarter exceeds a 2.0% hurdle rate (which is 8.0% annualized) and a “catch-up” provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, OFS Advisor receives no incentive fee until the net investment income equals the hurdle rate of 2.0%, but then receives, as a “catch-up," 100.0% of the pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.5%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.5% in any calendar quarter, OFS Advisor will receive 20.0% of the pre-incentive fee net investment income.

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

The second part of the incentive fee (the "Capital Gain Fee") is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.0% of the Company's aggregate realized capital gains, if any, on a cumulative basis from the date of the election to be a BDC through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation through the end of such year, less all previous amounts paid in respect of the Capital Gain Fee.

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).

On May 4, 2020, OFS Advisor agreed to irrevocably waive the receipt of $441 in Income Incentive Fees (based on net investment income) related to net investment income, that it would otherwise be entitled to receive under the Investment Advisory Agreement for the three months ended March 31, 2020. As a result of the voluntary fee waiver, the Company incurred Income Incentive Fee expense of $442 for the three months ended March 31, 2020, which is equal to half the Income Incentive Fee expense the Company would have incurred for the three months ended March 31, 2020. The voluntary fee waiver did not include Capital Gain Fees, which was $0 for the three months ended March 31, 2020.

License Agreement: The Company is party to a license agreement with OFSAM under which OFSAM has granted the Company a non-exclusive, royalty-free license to use the name "OFS."

Administration Agreement: OFS Services furnishes the Company with office facilities and equipment, necessary software licenses and subscriptions, and clerical, bookkeeping and record keeping services at such facilities pursuant to the Administration Agreement. Under the Administration Agreement, OFS Services performs, or oversees the performance of, the Company's required administrative services, which include being responsible for the financial records that the Company is required to maintain and preparing reports to its stockholders and all other reports and materials required to be filed with the SEC or any other regulatory authority. In addition, OFS Services assists the Company in determining and publishing its net asset value, oversees the preparation and filing of its tax returns and the printing and dissemination of reports to its stockholders, and generally oversees the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others. Under the Administration Agreement, OFS Services also provides managerial assistance on the Company's behalf to those portfolio companies that have accepted the Company's offer to provide such assistance. Payment under the Administration Agreement is equal to an amount based upon the Company's allocable portion of OFS Services's overhead in performing its obligations under the Administration Agreement, including, but not limited to, rent, information technology services and the Company's allocable portion of the cost of its officers, including its chief executive officer, chief financial officer, chief compliance officer, chief accounting officer and their respective staffs. To the extent that OFS Services outsources any of its functions, the Company will pay the fees associated with such functions on a direct basis without profit to OFS Services.

Equity Ownership: As of June 30, 2021, affiliates of OFS Advisor held 3,037,349 shares of common stock, which is approximately 23% of the Company's outstanding shares of common stock.

(Dollar amounts in thousands, except per share data)

Expenses recognized under agreements with OFS Advisor and OFS Services and distributions paid to affiliates for the three and six months ended June 30, 2021 and 2020, are presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Base management fees	$ 1,876	$ 1,869	$ 3,710	$ 3,888
Incentive fees:				
Income Incentive Fee	809	215	809	1,098
Incentive fee waiver	—	—	—	(441)
Administration fee expense	439	500	1,007	1,020
Distributions paid to affiliates	668	503	1,276	1,510

Note 4. Investments

As of June 30, 2021, the Company had loans to 61 portfolio companies, of which 95% were senior secured loans and 5% were subordinated loans, at fair value, as well as equity investments in 8 of these portfolio companies. The Company also held equity investments in 14 portfolio companies in which it did not hold a debt investment and 16 investments in Structured Finance Notes. At June 30, 2021, the Company's investments consisted of the following:

		Percentage of Total			Percentage of Total	
	Amortized Cost	Amortized Cost	Net Assets	Fair Value	Fair Value	Net Assets
Senior secured debt investments (1)	$ 331,982	70.8 %	184.4 %	$ 317,648	65.6 %	176.5 %
Subordinated debt investments	37,944	8.1	21.1	17,207	3.6	9.6
Preferred equity	16,232	3.5	9.0	12,289	2.5	6.8
Common equity, warrants and other	14,887	3.2	8.3	68,637	14.2	38.1
Total debt and equity investments	401,045	85.6	222.8	415,781	85.9	231.0
Structured Finance Notes	67,532	14.4	37.5	68,245	14.1	37.9
Total investments	$ 468,577	100.0 %	260.3 %	$ 484,026	100.0 %	268.9 %

(1) Includes debt investments, typically referred to as unitranche, in which the Company has entered into contractual arrangements with co-lenders whereby, subject to certain conditions, the Company has agreed to receive its principal payments after the repayment of certain co-lenders pursuant to a payment waterfall. Amortized cost and fair value of these investments were $36,036 and $36,982, respectively.

(Dollar amounts in thousands, except per share data)

Geographic composition is determined by the location of the corporate headquarters of the portfolio company. As of June 30, 2021 and December 31, 2020, the Company's investment portfolio was domiciled as follows:

	June 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
United States of America	$ 390,122	$ 404,749	$ 399,278	$ 380,004
Canada	5,980	6,072	1,921	1,905
Cayman Islands[1]	67,532	68,245	55,860	56,425
France	993	995	—	—
Luxembourg	1,975	1,980	1,976	1,997
Switzerland	1,975	1,985	1,988	1,992
Total investments	$ 468,577	$ 484,026	$ 461,023	$ 442,323

(1) Cayman Island investments represent Structured Finance Notes held by the Company. These investments generally represent beneficial interests in underlying portfolios of debt investments in companies domiciled in the United States of America.

As of June 30, 2021, the industry composition of the Company's investment portfolio was as follows:

		Percentage of Total			Percentage of Total	
	Amortized Cost	Amortized Cost	Net Assets	Fair Value	Fair Value	Net Assets
Administrative and Support and Waste Management and Remediation Services						
Convention and Trade Show Organizers	$ 214	— %	0.1 %	$ 28	— %	— %
Landscaping Services	4,639	1.0	2.6	4,639	1.0	2.6
Security Systems Services (except Locksmiths)	9,799	2.1 %	5.4	9,945	2.1	5.6
Arts, Entertainment, and Recreation						
Other Amusement and Recreation Industries	20,973	4.5	11.7	20,992	4.3	11.7
Construction						
Electrical Contractors and Other Wiring Installation Contractors	17,793	3.8	9.9	12,563	2.6	7.0
New Single-Family Housing Construction (except For-Sale Builders)	842	0.2	0.5	835	0.2	0.5
Plumbing, Heating, and Air-Conditioning Contractors	7,106	1.5	3.9	6,367	1.3	3.5
Water and Sewer Line and Related Structures Construction	628	0.1	0.3	628	0.1	0.3
Education Services						
Colleges, Universities, and Professional Schools	—	—	—	6,120	1.3	3.4
Professional and Management Development Training	1,595	0.3	0.9	1,011	0.2	0.6
Finance and Insurance						
Health Care and Social Assistance						
Child Day Care Services	6,318	1.3	3.5	5,823	1.2	3.2
Diagnostic Imaging Centers	21,627	4.6	12.0	23,652	4.8	13.1
Home Health Care Services	4,206	0.9	2.3	4,250	0.9	2.3
Medical Laboratories	91	—	0.1	17	—	—
Offices of Physicians, Mental Health Specialists	10,810	2.3	6.0	10,886	2.2	6.0

(Dollar amounts in thousands, except per share data)

	Amortized Cost	Percentage of Total		Fair Value	Percentage of Total	
		Amortized Cost	Net Assets		Fair Value	Net Assets
Outpatient Mental Health and Substance Abuse Centers	$ 4,851	1.0 %	2.7 %	$ 4,829	1.0 %	2.7 %
Information						
All Other Publishers	1,994	0.4	1.1	2,001	0.4	1.1
All Other Telecommunications	872	0.2	0.5	862	0.2	0.5
Cable and Other Subscription Programming	2,922	0.6	1.6	2,926	0.6	1.6
Data Processing, Hosting, and Related Services	6,126	1.3	3.4	6,251	1.3	3.5
Directory and Mailing List Publishers	2,257	0.5	1.3	2,351	0.5	1.3
Internet Publishing and Broadcasting and Web Search Portals	2,003	0.4	1.1	2,007	0.4	1.1
Motion Picture and Video Production	3,439	0.7	1.9	3,483	0.7	1.9
Software Publishers	27,687	5.9	15.4	15,054	3.1	8.4
Television Broadcasting	1,967	0.4	1.1	1,199	0.2	0.7
Manufacturing						
Commercial Printing (except Screen and Books)	4,795	1.0	2.7	4,821	1.0	2.7
Current-Carrying Wiring Device Manufacturing	5,526	1.2	3.1	5,537	1.1	3.1
Custom Compounding of Purchased Resins	15,462	3.3	8.6	17,356	3.6	9.6
Other Aircraft Parts and Auxiliary Equipment Manufacturing	500	0.1	0.3	87	—	—
Fabricated Pipe and Pipe Fitting Manufacturing	2,544	0.5	1.4	2,584	0.5	1.4
Metal Can Manufacturing	1,225	0.3	0.7	1,225	0.3	0.7
Motor Vehicle Body Manufacturing	1,465	0.3	0.8	1,460	0.3	0.8
Other Commercial and Service Industry Machinery Manufacturing	1,817	0.4	1.0	1,803	0.4	1.0
Pharmaceutical Preparation Manufacturing	2,192	0.5	1.2	51,221	10.5	28.5
Pump and Pumping Equipment Manufacturing	1,501	0.3	0.8	1,300	0.3	0.7
Travel Trailer and Camper Manufacturing	11,057	2.4	6.1	12,062	2.5	6.7
Truck Trailer Manufacturing	747	0.2	0.4	749	0.2	0.4
Unlaminated Plastics Profile Shape Manufacturing	9,099	1.9	5.1	9,099	1.9	5.1
Other Services (except Public Administration)						
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	572	0.1	0.3	867	0.2	0.5
Professional, Scientific, and Technical Services						
Administrative Management and General Management Consulting Services	22,388	4.8	12.4	23,026	4.7	12.8
All Other Professional, Scientific, and Technical Services	2,241	0.5	1.2	2,297	0.5	1.3
Management Consulting Services	749	0.2	0.4	752	0.2	0.4
Marketing Consulting Services	5,201	1.1	2.9	5,286	1.1	2.9
Other Accounting Services	21,699	4.6	12.1	22,979	4.7	12.8

(Dollar amounts in thousands, except per share data)

	Amortized Cost	Percentage of Total		Fair Value	Percentage of Total	
		Amortized Cost	Net Assets		Fair Value	Net Assets
Other Computer Related Services	$ 15,076	3.2 %	8.4 %	$ 15,260	3.2 %	8.5 %
Public Administration						
Other Justice, Public Order, and Safety Activities	703	0.2	0.4	342	0.1	0.2
Real Estate and Rental and Leasing						
Office Machinery and Equipment Rental and Leasing	5,953	1.3	3.3	2,828	0.6	1.6
Retail Trade						
Automotive Parts and Accessories Stores	1,710	0.4	1.0	1,730	0.4	1.0
Cosmetics, Beauty Supplies, and Perfume Stores	1,533	0.3	0.9	1,530	0.3	0.9
Electronic Shopping and Mail-Order Houses	4,958	1.1	2.8	4,998	1.0	2.8
Shoe store	9,784	2.1	5.4	8,552	1.8	4.8
Sporting Goods Stores	5,709	1.2	3.2	5,746	1.2	3.2
All Other General Merchandise Stores	499	0.1	0.3	1,308	0.3	0.7
Transportation and Warehousing						
Freight Transportation Arrangement	1,966	0.4	1.1	1,972	0.4	1.1
Scheduled Passenger Air Transportation	360	0.1	0.2	380	0.1	0.2
Taxi Service	1,975	0.4	1.1	1,980	0.4	1.1
Wholesale Trade						
Business to Business Electronic Markets	2,883	0.6	1.6	2,875	0.6	1.6
Computer and Computer Peripheral Equipment and Software Merchant Wholesalers	4,706	1.0	2.6	4,698	1.0	2.6
Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers	16,424	3.5	9.1	16,566	3.4	9.2
Drugs and Druggists' Sundries Merchant Wholesalers	5,675	1.2	3.2	5,736	1.2	3.2
General Line Grocery Merchant Wholesalers	273	0.1	0.2	283	0.1	0.2
Industrial Machinery and Equipment Merchant Wholesalers	9,691	2.1	5.4	9,549	2.0	5.3
Motor Vehicle Parts (Used) Merchant Wholesalers	15,260	3.3	8.5	15,437	3.2	8.6
Sporting and Recreational Goods and Supplies Merchant Wholesalers	8,208	1.8	4.6	687	0.1	0.4
Stationary & Office Supply Merchant Wholesaler	16,160	3.4	9.0	94	—	0.1
Total debt and equity investments	$ 401,045	85.5 %	222.8 %	$ 415,781	85.9 %	231.0 %
Structured Finance Notes	67,532	14.5	37.5	68,245	14.1	37.9
Total investments	$ 468,577	100.0 %	260.3 %	$ 484,026	100.0 %	268.9 %

(Dollar amounts in thousands, except per share data)

As of December 31, 2020, the Company had loans to 49 portfolio companies, of which 95% were senior secured loans and 5% were subordinated loans, at fair value, as well as equity investments in 10 of these portfolio companies. The Company also held an equity investment in 13 portfolio companies in which it did not hold a debt investment, as well as 12 investments in Structured Finance Notes. At December 31, 2020, investments consisted of the following:

		Percentage of Total			Percentage of Total	
	Amortized Cost	**Amortized Cost**	**Net Assets**	**Fair Value**	**Fair Value**	**Net Assets**
Senior secured debt investments	$ 325,647	70.6 %	204.9 %	$ 306,304	69.2 %	192.7 %
Subordinated debt investments	45,409	9.8	28.6	15,067	3.4	9.5
Preferred equity	18,648	4.0	11.7	11,543	2.6	7.3
Common equity, warrants and other	15,459	3.4	9.7	52,984	12.0	33.3
Total debt and equity investments	405,163	87.8 %	254.9 %	385,898	87.2 %	242.8 %
Structured Finance Notes	55,860	12.2	35.1	56,425	12.8	35.5
Total	$ 461,023	100.0 %	290.0 %	$ 442,323	100.0 %	278.3 %

Geographic composition is determined by the location of the corporate headquarters of the portfolio company. As of December 31, 2020, the industry compositions of the Company's debt and equity investments were as follows:

		Percentage of Total			Percentage of Total	
	Amortized Cost	**Amortized Cost**	**Net Assets**	**Fair Value**	**Fair Value**	**Net Assets**
Administrative and Support and Waste Management and Remediation Services						
Convention and Trade Show Organizers	$ 214	— %	0.1 %	$ 210	— %	0.1 %
Security Systems Services (except Locksmiths)	6,531	1.4	4.1	3,487	0.8	2.2
Arts, Entertainment, and Recreation						
Other Amusement and Recreation Industries	20,967	4.5	13.3	19,973	4.5	12.6
Construction						
Electrical Contractors and Other Wiring Installation Contractors	17,837	3.9	11.2	13,137	3.0	8.3
Plumbing, Heating, and Air-Conditioning Contractors	7,607	1.7	4.8	7,294	1.6	4.6
Education Services						
Colleges, Universities, and Professional Schools	—	—	—	4,295	1.0	2.7
Professional and Management Development Training	1,595	0.3	1.0	1,306	0.3	0.8
Finance and Insurance						
Insurance Agencies and Brokerages	9,544	2.1	6.0	9,302	2.1	5.9
Health Care and Social Assistance						
Child Day Care Services	5,178	1.1	3.3	4,656	1.1	2.9
Diagnostic Imaging Centers	21,718	4.8	13.8	23,607	5.3	14.9
Home Health Care Services	4,199	0.9	2.6	4,250	1.0	2.7
Medical Laboratories	91	—	0.1	38	—	—
Offices of Physicians, Mental Health Specialists	21,013	4.6	13.2	20,802	4.7	13.1
Outpatient Mental Health and Substance Abuse Centers	11,615	2.5	7.3	4,105	0.9	2.6

(Dollar amounts in thousands, except per share data)

	Amortized Cost	Percentage of Total		Fair Value	Percentage of Total	
		Amortized Cost	Net Assets		Fair Value	Net Assets
Information						
Data Processing, Hosting, and Related Services	$ 1,135	0.2 %	0.7 %	$ 1,749	0.4 %	1.1 %
Software Publishers	28,799	6.3	18.2	16,104	3.6	10.0
Television Broadcasting	1,977	0.4	1.2	1,758	0.4	1.1
Manufacturing						
Commercial Printing (except Screen and Books)	4,789	1.0	3.0	4,812	1.1	3.0
Custom Compounding of Purchased Resins	15,444	3.3	9.7	17,164	3.9	10.8
Other Aircraft Parts and Auxiliary Equipment Manufacturing	5,431	1.2	3.4	4,275	1.0	2.7
Other Commercial and Service Industry Machinery Manufacturing	1,925	0.4	1.2	1,936	0.4	1.2
Pharmaceutical Preparation Manufacturing	2,205	0.5	1.4	38,213	8.7	24.1
Pump and Pumping Equipment Manufacturing	1,501	0.3	0.9	1,281	0.3	0.8
Semiconductor and Related Device Manufacturing	399	0.1	0.3	434	0.1	0.3
Travel Trailer and Camper Manufacturing	10,911	2.4	6.9	10,812	2.4	6.8
Truck Trailer Manufacturing	8,118	1.8	5.1	8,174	1.8	5.1
Unlaminated Plastics Profile Shape Manufacturing	8,922	1.9	5.6	8,818	2.0	5.5
Other Services (except Public Administration)						
Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	572	0.1	0.4	915	0.2	0.6
Diet and Weight Reducing Centers	477	0.1	0.3	479	0.1	0.3
Professional, Scientific, and Technical Services						
Administrative Management and General Management Consulting Services	28,503	6.3	18.0	28,729	6.6	18.2
All Other Professional, Scientific, and Technical Services	1,921	0.4	1.2	1,905	0.4	1.2
Marketing Consulting Services	5,229	1.1	3.3	5,229	1.2	3.3
Other Accounting Services	21,621	4.7	13.7	22,238	5.0	14.0
Other Computer Related Services	16,247	3.5	10.2	16,000	3.6	10.1
Public Administration						
Other Justice, Public Order, and Safety Activities	703	0.2	0.4	676	0.2	0.4
Real Estate and Rental and Leasing						
Construction, Mining, and Forestry Machinery and Equipment Rental and Leasing	496	0.1	0.3	499	0.1	0.3
Office Machinery and Equipment Rental and Leasing	5,953	1.3	3.7	2,736	0.6	1.7
Retail Trade						
Cosmetics, Beauty Supplies, and Perfume Stores	6,738	1.5	4.2	6,701	1.5	4.2

(Dollar amounts in thousands, except per share data)

	Amortized Cost	Percentage of Total Amortized Cost	Percentage of Total Net Assets	Fair Value	Percentage of Total Fair Value	Percentage of Total Net Assets
Shoe Store	9,748	2.1	6.1	4,368	1.0	2.7
Sporting Goods Stores	$ 2,907	0.6 %	1.8 %	$ 2,968	0.7 %	1.9 %
All Other General Merchandise Stores	5,252	1.1	3.3	5,060	1.1	3.2
Transportation and Warehousing						
Scheduled Passenger Air Transportation	495	0.1	0.3	520	0.1	0.3
Taxi Service	1,976	0.4	1.2	1,997	0.5	1.3
Wholesale Trade						
Business to Business Electronic Markets	2,891	0.6	1.8	2,875	0.6	1.8
Computer and Computer Peripheral Equipment and Software Merchant Wholesalers	1,955	0.4	1.2	1,942	0.4	1.2
Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers	16,392	3.6	10.3	16,777	3.8	10.6
General Line Grocery Merchant Wholesalers	275	0.1	0.2	284	0.1	0.2
Industrial Machinery and Equipment Merchant Wholesalers	9,696	2.1	6.1	9,179	2.1	5.8
Industrial Supplies Merchant Wholesalers	6,908	1.5	4.3	5,476	1.2	3.4
Motor Vehicle Parts (Used) Merchant Wholesalers	14,167	3.1	8.9	13,581	3.1	8.5
Sporting and Recreational Goods and Supplies Merchant Wholesalers	8,247	1.8	5.2	346	0.1	0.2
Stationery and Office Supplies Merchant Wholesalers	16,129	3.5	10.1	2,426	0.5	1.5
Total debt and equity investments	$ 405,163	87.9 %	254.9 %	$ 385,898	87.2 %	242.8 %
Structured Finance Notes	55,860	12.1	35.1	56,425	12.8	35.5
Total investments	$ 461,023	100.0 %	290.0 %	$ 442,323	100.0 %	278.3 %

When there is reasonable doubt that principal, cash interest, or PIK interest will be collected, loan investments are placed on non-accrual status and the Company will generally cease recognizing cash interest, PIK interest, or Net Loan Fee amortization, as applicable. Interest accruals and Net Loan Fee amortization are resumed on non-accrual investments only when they are brought current with respect to principal, interest and when, in the judgment of management, the investments are estimated to be fully collectible as to all principal. The aggregate amortized cost and fair value of loans on non-accrual status with respect to all interest and Net Loan Fee amortization was $38,218 and $7,756, respectively, at June 30, 2021, and $48,102 and $12,135 respectively, at December 31, 2020.

On April 5, 2021, the Company sold its subordinated debt investment in Community Intervention Services, Inc. for $91. During the six months ended June 30, 2021, the Company recognized a realized loss of $7,548, of which $7,534 was recognized as an unrealized loss as of December 31, 2020.

On June 11, 2021, My Alarm Center, LLC’s bankruptcy plan became effective and our equity interests were cancelled. For the six months ended June 30, 2021, the Company recognized a realized loss of $3,094, of which $2,997 was recognized as an unrealized loss as of December 31, 2020.

On March 27, 2020, the Company's debt investment in Constellis Holdings, LLC was restructured, pursuant to which the Company converted its non-accrual debt investment into 20,628 shares of common equity. The cost and fair value of the common shares received were $703 and $703, respectively, as of March 31, 2020. The Company recognized a realized loss on the restructuring of $9,145 for the six months ended June 30, 2020, which was fully recognized as an unrealized loss as of December 31, 2019.

(Dollar amounts in thousands, except per share data)

Note 5. Fair Value of Financial Instruments

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

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

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

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

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

The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant judgment or estimation by management. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The Company generally categorizes its investment portfolio into Level 2 and Level 3 of the hierarchy.

The Company assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the measurement date. Senior securities with a fair value of $6,562 and $895 were transferred from Level 3 to Level 2 during the three and six months ended June 30, 2021, respectively. Senior securities with a fair value of $5,736 and $-0- were transferred from Level 2 to Level 3 during the three and six months ended June 30, 2021, respectively. Senior securities with a fair value of $-0- and $2,915 were transferred from Level 2 to Level 3 during the three and six months ended June 30, 2020, respectively, while senior securities with a fair value of $4,256 and $-0- were transferred from Level 3 to Level 2 during the three and six months ended June 30, 2020, respectively.

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

The following tables present the Company's investment portfolio measured at fair value on a recurring basis as of June 30, 2021, and December 31, 2020.

Security	Level 1	Level 2	Level 3	Fair Value at June 30, 2021
Debt investments	$ —	$ 66,139	$ 268,716	$ 334,855
Equity investments	—	—	80,926	80,926
Structured Finance Notes	—	—	68,245	68,245
	$ —	$ 66,139	$ 417,887	$ 484,026

(Dollar amounts in thousands, except per share data)

Security	Level 1	Level 2	Level 3	Fair Value at December 31, 2020
Debt investments	$ —	$ 22,226	$ 299,145	$ 321,371
Equity investments	—	—	64,527	64,527
Structured Finance Notes	—	—	56,425	56,425
	$ —	$ 22,226	$ 420,097	$ 442,323

The following tables provide quantitative information about valuation techniques and the Company's significant inputs to the Company's Level 3 fair value measurements as of June 30, 2021 and December 31, 2020. In addition to the techniques and inputs noted in the tables below, according to the Company's valuation policy, the Company may also use other valuation techniques and methodologies when determining the Company's fair value measurements. The table below provides information on the significant Level 3 inputs as they relate to the Company's fair value measurements.

	Fair Value at June 30, 2021	Valuation technique	Unobservable inputs	Range (Weighted average)
Debt investments:				
Senior secured	$ 220,384	Discounted cash flow	Discount rates	5.27% - 14.74% (9.18%)
Senior secured	19,407	Market approach	Revenue multiples	0.52x - 0.70x (0.58x)
Senior secured	11,718	Market approach	Transaction Price	
Subordinated	16,426	Discounted cash flow	Discount rates	17.49% - 20.69% (19.13%)
Subordinated	94	Market approach	EBITDA multiples	3.86x - 3.86x (3.86x)
Subordinated	687	Market approach	Revenue multiples	0.27x - 0.27x (0.27x)
Structured Finance Notes				
Subordinated notes (3)	65,452	Discounted cash flow	Discount rates	8.00% - 17.50% (13.41%)
			Constant Default Rate(1)	0.00% - 2.00% (1.78%)
			Constant Default Rate(2)	2.00% - 2.00% (2.00%)
			Recovery rate	60.00% - 60.00% (60.00%)
Mezzanine debt	2,793	Discounted cash flow	Discount Margin	7.25% - 8.70% (7.81%)
			Constant Default Rate(1)	0.00% - 3.00% (1.65%)
			Constant Default Rate(2)	2.00% - 3.00% (2.36%)
			Recovery rate	60.00% - 60.00% (60.00%)
Equity investments:				
Preferred equity	11,382	Market approach	EBITDA multiples	6.50x - 8.00x (7.30x)
Preferred equity	907	Market approach	Revenue multiples	0.15x - 3.00x (0.95x)
Common equity, warrants and other	68,545	Market approach	EBITDA multiples	3.75x - 12.27x (8.11x)
Common equity, warrants and other	92	Market approach	Revenue multiples	0.15x - 3.25x (3.08x)
	$ 417,887			

(1) Constant default rates for the next six months.
(2) Constant default rates following the next six months.
(3) The cash flows utilized in the discounted cash flow calculations assume liquidation of (a) certain distressed investments and (b) all investments currently in default held by the issuing CLO at their current market prices, and redeployment of proceeds at the issuing CLO's assumed reinvestment rate.

(Dollar amounts in thousands, except per share data)

	Fair Value at December 31, 2020	Valuation technique	Unobservable inputs	Range (Weighted average)
Debt investments:				
Senior secured	$ 256,042	Discounted cash flow	Discount rates	6.30% - 24.43% (10.18%)
Senior secured	12,668	Market approach	EBITDA multiples	8.50x - 8.50x (8.50x)
Senior secured	9,257	Market approach	Revenue multiples	0.86x - 0.86x (0.86x)
Senior secured	6,111	Market approach	Transaction Price	
Subordinated	7,822	Discounted cash flow	Discount rates	17.83% - 17.83% (17.83%)
Subordinated	6,794	Market approach	EBITDA multiples	7.05x - 9.10x (7.78x)
Subordinated	451	Market approach	Revenue multiples	0.10x - 0.20x (0.18x)
Structured Finance Notes:				
Subordinated notes[(1)]	54,724	Discounted cash flow	Discount rates	15.00% - 19.50% (17.79%)
			Constant default rate	0.00% - 2.00% (1.63%)
			Constant default rate after 6 months	2.00% - 2.00% (2.00%)
			Recovery rate	60.00% - 60.00% (60.00%)
Mezzanine debt	1,701	Discounted cash flow	Discount Margin	7.25% - 9.45% (8.58%)
			Constant default rate	0.00% - 2.00% (1.01%)
			Constant default rate after 9 months	2.00% - 3.00% (2.49%)
			Recovery rate	60.00% - 60.00% (60.00%)
Equity investments:				
Preferred equity	10,395	Market approach	EBITDA multiples	4.73x - 8.50x (7.37x)
Preferred equity	1,148	Market approach	Revenue multiples	0.20x - 1.56x (0.96x)
Common equity and warrants	52,969	Market approach	EBITDA multiples	3.75x - 11.50x (8.10x)
Common equity and warrants	15	Market approach	Revenue multiples	0.20x - 1.56x (0.47x)
	$ 420,097			

(1) The cash flows utilized in the discounted cash flow calculations assume liquidation at current market prices and redeployment of proceeds on all assets currently in default and all assets below specified fair value thresholds.

Averages in the preceding two tables were weighted by the fair value of the related instruments.

Changes in market credit spreads or events impacting the credit quality of the underlying portfolio company (both of which could impact the discount rate), as well as changes in EBITDA and/or EBITDA multiples, among other things, could have a significant impact on fair values, with the fair value of a particular debt investment susceptible to change in inverse relation to the changes in the discount rate. Changes in EBITDA and/or EBITDA multiples, as well as changes in the discount rate, could have a significant impact on fair values, with the fair value of an equity investment susceptible to change in tandem with the changes in EBITDA and/or EBITDA multiples, and in inverse relation to changes in the discount rate. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company’s disclosures and those of other companies may not be meaningful.

(Dollar amounts in thousands, except per share data)

The following tables present changes in investments measured at fair value using Level 3 inputs for the six months ended June 30, 2021 and June 30, 2020.

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

(Dollar amounts in thousands, except per share data)

	Six Months Ended June 30, 2020					
	Senior Secured Debt Investments	Subordinated Debt Investments	Preferred Equity	Common Equity, Warrants and Other	Structured Finance Notes	Total
Level 3 assets, January 1, 2020	$ 334,059	$ 43,090	$ 17,729	$ 25,777	$ 21,610	$ 442,265
Net realized loss on investments	(9,217)	—	—	—	—	(9,217)
Net unrealized appreciation (depreciation) on investments	(10,855)	(7,590)	(2,668)	5,986	(3,707)	(18,834)
Amortization of Net Loan Fees	642	—	—	—	—	642
Accretion of interest income on structured-finance notes	—	—	—	—	2,626	2,626
Capitalized PIK interest and dividends	586	255	341	—	—	1,182
Purchase and origination of portfolio investments	48,678	—	—	95	12,791	61,564
Proceeds from principal payments on portfolio investments	(50,158)	—	—	—	—	(50,158)
Sale and redemption of portfolio investments	(9,696)	—	(3,645)	—	—	(13,341)
Proceeds from distributions received from portfolio investments	—	—	—	—	(3,290)	(3,290)
Conversion from debt investment to equity investment (Note 4)	(703)	—	—	703	—	—
Transfers in to Level 3	2,915	—	—	—	—	2,915
Level 3 assets, June 30, 2020	$ 306,251	$ 35,755	$ 11,757	$ 32,561	$ 30,030	$ 416,354

The net unrealized appreciation (depreciation) reported in the Company's consolidated statements of operations for the six months ended June 30, 2021 and 2020, attributable to the Company's assets still held at those respective period ends was as follows:

	Six Months Ended June 30,	
	2021	2020
Senior secured debt investments	$ 2,796	$ (22,112)
Subordinated debt investments	2,071	(7,590)
Preferred equity	737	(2,666)
Common equity, warrants and other	15,653	5,986
Structured Finance Notes	160	(3,707)
Net unrealized appreciation (depreciation) on investments held	$ 21,417	$ (30,089)

(Dollar amounts in thousands, except per share data)

Other Financial Assets and Liabilities

The Company provides disclosure of the fair value of financial instruments for which it is practical to estimate such value. The Company believes that the carrying amounts of its other financial instruments such as cash, receivables and payables approximate the fair value of such items due to the short maturity of such instruments. The PWB Credit Facility and BNP Facility are variable rate instruments and fair value is approximately book value.

The following table sets forth carrying values and fair values of the Company's debt as of June 30, 2021 and December 31, 2020:

	As of June 30, 2021		As of December 31, 2020	
Description	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
PWB Credit Facility	$ —	$ —	$ 600	$ 600
BNP Facility	24,050	24,050	31,450	31,450
Unsecured Notes Due September 2023	24,269	25,500	24,106	25,100
Unsecured Notes Due April 2025	—	—	48,891	48,800
Unsecured Notes Due October 2025	—	—	47,339	47,069
Unsecured Notes Due February 2026	121,685	123,149	—	—
Unsecured Notes Due October 2026	52,764	54,977	52,617	51,066
SBA-guaranteed debentures	94,640	99,857	104,182	116,172
Total debt, at fair value	$ 317,408	$ 327,533	$ 309,185	$ 320,257

The following tables present the fair value measurements of the Company's debt and indicate the fair value hierarchy of the significant unobservable inputs utilized by the Company to determine such fair values as of June 30, 2021 and December 31, 2020:

	June 30, 2021			
Description	**Level 1**	**Level 2**	**Level 3 (1)**	**Total**
PWB Credit Facility	$ —	$ —	$ —	$ —
BNP Facility	—	—	24,050	24,050
Unsecured Notes Due September 2023	25,500	—	—	25,500
Unsecured Notes Due February 2026	—	—	123,149	123,149
Unsecured Notes Due October 2026	54,977	—	—	54,977
SBA-guaranteed debentures	—	—	99,857	99,857
Total debt, at fair value	$ 80,477	$ —	$ 247,056	$ 327,533

	December 31, 2020			
Description	**Level 1**	**Level 2**	**Level 3 (1)**	**Total**
PWB Credit Facility	$ —	$ —	$ 600	$ 600
BNP Facility	—	—	31,450	31,450
Unsecured Notes Due September 2023	25,100	—	—	25,100
Unsecured Notes Due April 2025	48,800	—	—	48,800
Unsecured Notes Due October 2025	47,069	—	—	47,069
Unsecured Notes Due October 2026	51,066	—	—	51,066
SBA-guaranteed debentures	—	—	116,172	116,172
Total debt, at fair value	$ 172,035	$ —	$ 148,222	$ 320,257

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

(Dollar amounts in thousands, except per share data)

Note 6. Commitments and Contingencies

The Company has the following unfunded commitments to portfolio companies as of June 30, 2021:

Name of Portfolio Company	Investment Type	Commitment
A&A Transfer, LLC	Senior Secured Loan (Revolver)	$ 1,709
Convergint Technologies	Senior Secured Loan (Delayed Draw)	101
I&I Sales Group, LLC	Senior Secured Loan (Revolver)	156
Inergex Holdings, LLC	Senior Secured Loan (Revolver)	2,813
Baymark Health Services, Inc.	Senior Secured Loan (Delayed Draw)	2,481
RSA Security	Senior Secured Loan (Delayed Draw)	1,898
SourceHOV Tax, Inc.	Senior Secured Loan (Revolver)	1,196
SSJA Bariatric Management LLC	Senior Secured Loan (Revolver)	667
		$ 11,021

From time to time, the Company is involved in legal proceedings in the normal course of its business. Although the outcome of such litigation cannot be predicted with any certainty, management is of the opinion, based on the advice of legal counsel, that final disposition of any litigation should not have a material adverse effect on the financial position of the Company as of June 30, 2021.

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

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

Note 7. Borrowings

SBA Debentures: The SBA debentures issued by SBIC I LP and other SBA regulations generally restrict assets held by SBIC I LP. On a stand-alone basis, SBIC I LP held $219,541 and $223,795 in assets at June 30, 2021 and December 31, 2020, respectively, which accounted for approximately 42% and 46% of the Company's total consolidated assets, respectively. These assets cannot be pledged under any debt obligation of the Company. As of June 30, 2021, SBIC I LP had outstanding debentures totaling $95,505.

BNP Facility: Under the BNP Facility maturing on June 20, 2024, OFSCC-FS has up to $150,000 of available credit, subject to borrowing base requirements, of which $24,050 was drawn as of June 30, 2021. The effective interest rate on the BNP Facility was 6.06% at June 30, 2021. The unused commitment under the BNP Facility was $125,950 as of June 30, 2021.

PWB Credit Facility: Under its PWB Credit Facility maturing February 28, 2023, the Company has up to $25,000 of available credit, subject to borrowing base requirements, of which $-0- was drawn as of June 30, 2021. The effective interest rate on the PWB Credit Facility was 5.02% at June 30, 2021. As of June 30, 2021 the unused commitment under the PWB Credit Facility was $25,000.

On February 17, 2021, the Company amended the BLA to among other things: (i) increase the maximum amount available from $20,000 to $25,000; (ii) decrease the interest rate floor from 5.25% per annum to 5.00% per annum; (iii) modify certain financial performance covenants; and (iv) extend the maturity date from February 28, 2021 to February 28, 2023.

Unsecured Notes*:* As of June 30, 2021, the Company had outstanding Unsecured Notes with an aggregate outstanding principal of $204,325. The weighted average effective interest rate on the Unsecured Notes was 5.90% at June 30, 2021.

The Unsecured Notes are direct unsecured obligations and rank equal in right of payment with all current and future unsecured indebtedness of the Company. Because the Unsecured Notes are not secured by any of the Company's assets, they are effectively subordinated to all existing and future secured unsubordinated indebtedness (or any indebtedness that is initially unsecured as to which the Company subsequently grants a security interest), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under the PWB Credit Facility.

(Dollar amounts in thousands, except per share data)

Interest expense for the three and six months ended June 30, 2021 and 2020 on the Company's outstanding borrowings is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
SBA Debentures	$ 761	$ 1,114	$ 1,595	$ 2,338
PWB Credit Facility	13	702	53	991
Unsecured Notes	3,024	2,590	6,526	5,205
BNP Facility	443	525	892	1,319
Total interest expense	$ 4,241	$ 4,931	$ 9,066	$ 9,853
Average dollar borrowings	$ 336,929	$ 359,640	$ 344,005	$ 364,867
Weighted average interest rate	5.05 %	5.26 %	5.31 %	5.23 %

Interest expense includes the stated interest on the outstanding balance, commitment fees on undrawn amounts, and the amortization of deferred financing costs.

The following table shows the scheduled maturities of the principal balances of the Company's outstanding borrowings as of June 30, 2021:

	Payments due by period				
	Total	Less than year	1-3 years (1)	4-5 years (1)	After 5 years (1)
PWB Credit Facility	$ —	$ —	$ —	$ —	$ —
Unsecured Notes	204,325	—	25,000	125,000	54,325
SBA Debentures	95,505	—	7,000	88,505	—
BNP Facility	24,050	—	—	24,050	—
Total	$ 323,880	$ —	$ 32,000	$ 237,555	$ 54,325

(1) The SBA debentures are scheduled to mature between September 2022 and September 2025. The Unsecured Notes are scheduled to mature between September 2023 and October 2026.

Note 8. Financial Highlights

The following is a schedule of financial highlights for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Per share operating performance:				
Net asset value per share at beginning of period	$ 11.96	$ 9.71	$ 11.85	$ 12.46
Net investment income (4)	0.24	0.19	0.43	0.49
Net realized loss on non-control/non-affiliate investments (4)	(0.81)	(0.08)	(0.80)	(0.75)
Net unrealized appreciation (depreciation) on non-control/non-affiliate investments, net of taxes (4)	1.34	0.52	1.44	(1.17)
Net unrealized appreciation (depreciation) on affiliate investments (4)	0.85	(0.07)	1.00	(0.28)
Net unrealized appreciation (depreciation) on control investment (4)	0.05	0.01	0.08	(0.11)
Loss on extinguishment of debt (4)	—	—	(0.17)	(0.01)
Total from operations	1.67	0.57	1.98	(1.83)
Distributions	(0.22)	(0.17)	(0.42)	(0.51)
Issuance of common stock (10)	0.01	(0.01)	0.01	(0.02)
Net asset value per share at end of period	$ 13.42	$ 10.10	$ 13.42	$ 10.10
Per share market value, end of period	$ 9.96	$ 4.52	$ 9.96	$ 4.52
Total return based on market value (1)(9)	15.9 %	15.2 %	45.6 %	(54.5)%
Total return based on net asset value (2)(9)	14.7 %	7.9 %	18.4 %	(8.9)%
Shares outstanding at end of period	13,415,235	13,399,694	13,415,235	13,399,694
Weighted average shares outstanding	13,411,998	13,392,608	13,410,524	13,384,808
Ratio/Supplemental Data (in thousands except ratios)				
Average net asset value (3)	$ 170,232	$ 132,690	$ 166,473	$ 144,002
Net asset value at end of period	$ 179,993	$ 135,397	$ 179,993	$ 135,397
Net investment income	$ 3,235	$ 2,607	$ 5,785	$ 6,579
Ratio of total expenses, net to average net assets (5)(7)	19.2 %	25.2 %	19.4 %	24.0 %
Ratio of total expenses and loss on extinguishment of debt to average net assets(5)(11)	19.2 %	25.2 %	20.7 %	24.1 %
Ratio of net investment income to average net assets (5)(8)	7.6 %	7.9 %	7.0 %	9.1 %
Ratio of loss on extinguishment of debt to average net assets(9)	— %	— %	1.4 %	0.1 %
Portfolio turnover (6)	12.7 %	1.6 %	25.3 %	15.0 %

(1) Calculated as ending market value less beginning market value, adjusted for distributions reinvested at prices based on the Company's dividend reinvestment plan for the respective distributions.
(2) Calculated as ending net asset value less beginning net asset value, adjusted for distributions reinvested at the Company's dividend reinvestment plan for the respective distributions.
(3) Based on the average of the net asset value at the beginning and end of the indicated period and if applicable the preceding calendar quarters.
(4) Calculated on the average share method.
(5) Annualized.
(6) Portfolio turnover rate is calculated using the lesser of period-to-date sales, Structured Finance Note distributions and principal payments or period-to-date purchases over the average of the invested assets at fair value.
(7) Ratio of total expenses before incentive fee waiver to average net assets was 24.6% for the six months ended June 30, 2020.
(8) Ratio of net investment income before incentive fee waiver to average net assets was 8.5% for the six months ended June 30, 2020.

(Dollar amounts in thousands, except per share data)

(9) Not annualized.
(10) Common stock issued through DRIP.
(11) Ratio of total expenses and loss on extinguishment of debt before incentive fee waiver to average net assets was 24.7% for the six months ended June 30, 2020.

Note 9. Capital Transactions

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

The Company may be limited in its ability to make distributions due to the BDC asset coverage requirements of the 1940 Act. The Company's ability to make distributions may be affected by SBIC I LP's distributions to the Company, which are governed by SBA regulations and currently require the prior approval of the SBA. In addition, distributions from OFSCC-FS to the Company are restricted by the terms and conditions of the BNP Facility. Net assets of SBIC I LP were $123,913, and consolidated cash at June 30, 2021 includes $15,747 held by SBIC I LP, of which $12,078 was available for distribution to the Company with the prior consent of the SBA. Net Assets of OFSCC-FS were $89,133, and consolidated cash at June 30, 2021 includes $5,875 held by OFSCC-FS, of which $-0- was available for distribution to the Company.

The following table summarizes distributions declared and paid for the six months ended June 30, 2021 and 2020:

Date Declared	Record Date	Payment Date	Amount Per Share	Cash Distribution	DRIP Shares Issued	DRIP Shares Value
Six Months Ended June 30, 2020						
March 11, 2020	March 24, 2020	March 31, 2020	$ 0.34	$ 4,484	15,693	$ 64
May 4, 2020	June 23, 2020	June 30, 2020	0.17	2,244	7,165	32
			$ 0.51	$ 6,728	$ 22,858	$ 96
Six Months Ended June 30, 2021						
March 2, 2021	March 24, 2021	March 31, 2021	$ 0.20	$ 2,655	3,103	$ 27
May 11, 2021	June 23, 2021	June 30, 2021	0.22	2,918	3,273	33
			$ 0.42	$ 5,573	$ 6,376	$ 60

Distributions in excess of the Company's current and accumulated ICTI would be treated first as a return of capital to the extent of the stockholder's adjusted tax basis, and any remaining distributions would be treated as a capital gain. The determination of the tax attributes of the Company's distributions is made annually as of the end of its fiscal year based upon its 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 tax character of distributions is mailed to the Company's stockholders.

Stock repurchase program:

The Company maintains a Stock Repurchase Program under which the Company may acquire up to $10.0 million of its outstanding common stock. On May 4, 2020, the Board extended the Stock Repurchase Program for an additional two-year period ending May 22, 2022, or until the approved dollar amount has been used to repurchase shares.

(Dollar amounts in thousands, except per share data)

The following table summarizes shares of common stock repurchased under the Stock Repurchase Program during the six months ended June 30, 2021 and 2020, respectively.

Period	Total Number of Shares Purchased	Cost of Shares Purchased	Average Price Paid Per Share
Six Months Ended June 30, 2020			
January 1, 2020 through March 31, 2020	—	$ —	$ —
April 1, 2020 through June 30, 2020	—	$ —	$ —
Six Months Ended June 30, 2021			
January 1, 2021 through March 31, 2021	700	$ 5	$ 6.70
April 1, 2021 through June 30, 2021	—	$ —	$ —

(Dollar amounts in thousands, except per share data)

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

Period Ended June 30, 2021

Name of Portfolio Company	Investment Type (1)	Net Realized Gain (Loss)	Net change in unrealized appreciation/(depreciation)	Interest & PIK Interest	Dividends	Fees	Total Income (2)	December 31, 2020, Fair Value	Gross Additions (3)	Gross Reductions (4)	June 30, 2021, Fair Value (5)
Control Investment											
MTE Holding Corp.	Subordinated Loan	$ —	$ 20	$ 689	$ —	$ —	$ 689	$ 7,822	$ 218	$ (52)	$ 7,988
	Common Equity	—	1,084	—	136	—	136	2,990	1,084	—	4,074
		—	1,104	689	136	—	825	10,812	1,302	(52)	12,062
Total Control Investment		—	1,104	689	136	—	825	10,812	1,302	(52)	12,062
Affiliate Investments											
3rd Rock Gaming Holdings, LLC	Senior Secured Loan	—	(46)	14	—	—	14	9,258	13	(2,296)	6,975
	Common Equity (6)	—	—	—	—	—	—	—	—	—	—
		—	(46)	14	—	—	14	9,258	13	(2,296)	6,975
Chemical Resources Holdings, Inc.	Senior Secured Loan	—	194	644	—	—	644	13,744	212		13,956
	Common Equity (6)	—	(20)	—	—	—	—	3,420	—	(20)	3,400
		—	174	644	—	—	644	17,164	212	(20)	17,356
Contract Datascan Holdings, Inc.	Preferred Equity (7)	—	97	—	—	—	—	2,690	97	—	2,787
	Common Equity (6)	—	(5)	—	—	—	—	46	—	(5)	41
		—	92	—	—	—	—	2,736	97	(5)	2,828
DRS Imaging Services, LLC	Common Equity (6)	—	(490)	—	—	—	—	1,749	—	(490)	1,259
Master Cutlery, LLC	Subordinated Loan (6)	—	380	—	—	—	—	346	380	(39)	687
	Preferred Equity (6)	—	—	—	—	—	—	—	—	—	—
	Common Equity (6)	—	—	—	—	—	—	—	—	—	—
		—	380	—	—	—	—	346	380	(39)	687
NeoSystems Corp.	Preferred Equity (7)	—	899	—	106	—	106	2,250	1,005	—	3,255
Pfanstiehl Holdings, Inc	Common Equity	—	13,015	—	—	—	—	36,221	13,015	—	49,236

(Dollar amounts in thousands, except per share data)

		Period Ended June 30, 2021									
Name of Portfolio Company	**Investment Type (1)**	**Net Realized Gain (Loss)**	**Net change in unrealized appreciation/(depreciation)**	**Interest & PIK Interest**	**Dividends**	**Fees**	**Total Income (2)**	**December 31, 2020, Fair Value**	**Gross Additions (3)**	**Gross Reductions (4)**	**June 30, 2021, Fair Value (5)**
Professional Pipe Holdings, LLC	Senior Secured Loan	$ —	$ (67)	$ 358	$ —	$ —	$ 358	$ 6,086	$ 65	$ (633)	$ 5,518
	Common Equity (6)	—	(359)	—	—	—	—	1,208	—	(359)	849
		—	(426)	358	—	—	358	7,294	65	(992)	6,367
TalentSmart Holdings, LLC	Common Equity (6)	—	(295)	—	—	—	—	1,306	—	(295)	1,011
TRS Services, Inc.	Preferred Equity (6)	—	(48)	—	—	—	—	915	—	(48)	867
	Common Equity (6)	—	—	—	—	—	—	—	—	—	—
		—	(48)	—	—	—	—	915	—	(48)	867
TTG Healthcare, LLC	Senior Secured Loan	—	173	844	—	37	881	19,530	180	(98)	19,612
	Preferred Equity (6)	—	(37)	—	—	—	—	4,077	—	(37)	4,040
		—	136	844	—	37	881	23,607	180	(135)	23,652
Total Affiliate Investments		—	13,391	1,860	106	37	2,003	102,846	14,967	(4,320)	113,493
Total Control and Affiliate Investments		$ —	$ 14,495	$ 2,549	$ 242	$ 37	$ 2,828	$ 113,658	$ 16,269	$ (4,372)	$ 125,555

(1) Principal balance, interest rate and maturity of debt investments, and ownership detail for equity investments are presented in the consolidated schedule of investments. The Company's investments are generally classified as "restricted securities" as such term is defined under Regulation S-X Rule 6-03(f) or Securities Act Rule 144.
(2) Represents the total amount of interest, fees or dividends included in income for the six months ended June 30, 2021, during which an investment was included in the Control Investment or Affiliate Investment categories.
(3) Gross additions include increases in cost basis of investments resulting from a new portfolio investment, PIK interest, fees and dividends; accretion of OID, and net increases in unrealized appreciation or decreases in net depreciation.
(4) Gross reductions include decreases in the cost basis of investments resulting from principal repayments and sales, if any, and net decreases in net unrealized appreciation or net increases in net depreciation.
(5) Fair value was determined using significant unobservable inputs. See Note 5 for further details.
(6) Non-income producing.
(7) Dividends credited to income include dividends contractually earned but not declared.

Note 11. Subsequent Events Not Disclosed Elsewhere

On August 3, 2021, the Board declared a distribution of $0.24 per share for the third quarter of 2021, payable on September 30, 2021 to stockholders of record as of September 23, 2021.

COVID-19

The Company evaluated events subsequent to June 30, 2021 through August 5, 2021. The Company is continuing to closely monitor the impact of the COVID-19 pandemic on all aspects of our business, including how it impacts its portfolio companies, employees, due diligence and underwriting processes, and financial markets. The U.S. capital markets experienced extreme volatility and disruption following the outbreak of the COVID-19 pandemic, which appear to have subsided and returned to pre-COVID-19 levels. Nonetheless, certain economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a prolonged period of world-wide economic downturn.

On March 27, 2020, the U.S. government enacted the CARES Act, which contains provisions intended to mitigate the adverse economic effects of the coronavirus pandemic. On December 27, 2020, the U.S. government enacted the December 2020 COVID Relief Package. Additionally, on March 11, 2021, the U.S. government enacted the American Rescue Plan, which included additional funding to mitigate the adverse economic effects of the COVID-19 pandemic. It is uncertain whether, or to what extent, our portfolio companies will be able to benefit from the CARES Act, the December 2020 COVID Relief Package, the American Rescue Plan, or any other subsequent legislation intended to provide financial relief or assistance. As a result of this disruption and the pressures on their liquidity, certain of its portfolio companies have been, or may continue to be, incentivized to draw on most, if not all, of the unfunded portion of any revolving or delayed draw term loans made by the Company, subject to availability under the terms of such loans.

The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend to a large extent on future developments regarding the duration and severity of the coronavirus, effectiveness of vaccination deployment and the actions taken by governments (including stimulus measures or the lack thereof) and their citizens to contain the coronavirus or treat its impact, all of which are beyond our control. An extended period of global supply chain and economic disruption could materially affect its business, results of operations, access to sources of liquidity and financial condition. Given the fluidity of the situation, the Company cannot estimate the long-term impact of COVID-19 on its business, future results of operations, financial position, or cash flows at this time.

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

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this Quarterly Report on Form 10-Q. For additional overview information on the Company, see "Item 1. Business" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Overview

Key performance metrics are presented below:

	June 30, 2021	March 31, 2021
Net asset value per common share	$ 13.42	$ 11.96

	Three Months Ended		Six Months Ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
Net investment income per common share	$ 0.24	$ 0.19	$ 0.43	$ 0.49
Net increase (decrease) in net assets resulting from operations per common share	1.67	0.31	1.98	(1.83)
Distributions paid per common share	0.22	0.2	0.42	0.51

Net investment income per share increased $0.05 from the prior quarter primarily due to an approximate $0.08 increase in net interest margin—total interest income less interest expense—per share due to higher interest income, which accounted for $0.03 of the increase, and lower interest expense, which accounted for $0.05 of the increase. The growth in interest income was principally attributable to our investments in Structured Finance Notes, which contributed $0.03 to the increase in net interest margin per share, resulting from the deployment of $21.9 million into these investments in the first half of the year. The remainder of the increase in interest income is attributable to accelerations of Net Loan Fees from loan prepayments. Our prior quarter net investment income included interest costs of approximately $564,000, or $0.04 per share, incurred for both the newly issued $125.0 million of Unsecured Notes Due February 2026 and the $98.5 million of redeemed Unsecured Notes Due April 2025 and October 2025. The increase in net interest margin during the quarter ended June 30, 2021 was partially offset by increases in management and incentive fees of $0.04 per share.

As of June 30, 2021 and December 31, 2020, floating rate loans at fair value, excluding Structured Finance Notes, were 97% and 96% of our debt portfolio, respectively, and fixed rate loans at fair value were 3% and 4% of this portfolio, respectively. Structured Finance Notes generally do not carry a stated rate of interest, but the loan portfolios underlying these investments are generally variable rate debt. The weighted average yield on debt and Structured Finance Notes investments, declined to 8.91% as of June 30, 2021 from 9.01% as of March 31, 2021, due to our continued focus on lower-yielding, first lien senior secured loans to larger borrowers, which we believe will improve our overall risk profile. As of June 30, 2021, approximately 93% of our debt is fixed rate and bears a weighted-average interest cost of 5.07%.

During the three months ended June 30, 2021, our portfolio experienced net gains of $19.2 million, or $1.43 per share, principally due to a $18.3 million, or a6.8%, improvement in the fair values of our directly originated debt and equity investments. The net appreciation in our directly originated investments was primarily attributable to a $12.1 million improvement on our common equity in Pfanstiehl Holdings, Inc., as well as a $3.5 million improvement on our subordinated debt investment in Eblens Holdings, Inc., in each case, as a result of improved operating results. Pfanstiehl Holdings, Inc., a a global manufacturer of high-purity pharmaceutical ingredients, accounted for 10.2% of our portfolio at fair value, and 27.4% of our consolidated net assets as of June 30, 2021. We also experienced net appreciation of $0.7 million in our Structured Finance Note investments, due to the increase in the value of our Apex Credit CLO 2020 Ltd. and Madison Park Funding XXIII, Ltd. investments. The fair value of our investments in broadly syndicated loans were relatively unchanged, consistent with major syndicated loan indices.

Since OFS Advisor implemented its business continuity plan in mid-March 2020, OFS Advisor's entire team has effectively transitioned to remote work and we are currently capable of maintaining our normal functionality to complete our operational requirements.

OFS Advisor has actively monitored our portfolio companies throughout this period of economic uncertainty, which has included assessments of our portfolio companies' operational and liquidity outlook. During the three months ended June 30, 2021, we provided revolving and delayed draw term facilities with total commitments of $6.0 million to four portfolio companies and amended a senior secured loan, which resulted in an increased spread. As of June 30, 2021, we have unfunded commitments of $11.0 million to eight portfolio companies. During the three months ended June 30, 2021, we purchased Structured Finance Notes for an aggregate cost of $15.7 million and completed $44.6 million in Portfolio Company Investments.

At June 30, 2021, our asset coverage ratio of 179% was within minimum asset coverage requirements under the 1940 Act, and we remained in compliance with all applicable financial thresholds under our outstanding debt. As of June 30, 2021, we had an unused commitment of $25.0 million under our PWB Credit Facility, as well as an unused commitment of $125.9 million under our BNP Facility, both subject to a borrowing base and other covenants. Based on our portfolio's fair value and our equity capital at June 30, 2021, we could access these available lines of credit for $129.0 million and remain in compliance with our asset coverage requirements. We continue to believe that we have sufficient levels of liquidity to support our existing portfolio companies and expect to continue to selectively deploy capital in new investment opportunities in this challenging environment.

On August 3, 2021, the Board declared a distribution of $0.24 per share for the third quarter of 2021, payable on September 30, 2021 to stockholders of record as of September 23, 2021.

We cannot predict the full impact of the COVID-19 pandemic, including its duration in the United States and worldwide, and the magnitude of the economic impact of the outbreak, including the impact of travel restrictions, business closures and other quarantine measures imposed on service providers and other individuals by various local, state, and federal governmental authorities, as well as non-U.S. governmental authorities. As such, we are unable to predict the duration of any business and supply-chain disruptions, the extent to which the COVID-19 pandemic will negatively affect our portfolio companies' operating results, or the impact that such disruptions may have on our results of operations and financial condition. Depending on the duration and extent of the disruption to the operations of our portfolio companies, we expect that certain portfolio companies will experience financial distress and possibly default on their financial obligations to us and their other capital providers. We also expect that some of our portfolio companies may significantly curtail business operations, furlough or lay-off employees and terminate service providers, and defer capital expenditures if subjected to prolonged and severe financial distress, which would likely impair their business on a permanent basis. These developments would likely result in a decrease in the value of our investment in any such portfolio company.

We will continue to monitor the rapidly evolving situation relating to the COVID-19 pandemic and guidance from U.S. and international authorities, including federal, state and local public health authorities, and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our plan of operation. As such, given the dynamic nature of this situation, we cannot reasonably estimate the impacts of the COVID-19 pandemic on our financial condition, results of operations or cash flows in the future. However, to the extent our portfolio companies continue to be adversely impacted by the COVID-19 pandemic, our future net investment income, financial condition, results of operations and the fair value of our portfolio investments may be materially adversely impacted.

We are also subject to financial risks, including changes in market interest rates. As of June 30, 2021, approximately $345 million (principal amount) of our debt investments bore interest at variable rates, which are generally LIBOR-based, and many of which are subject to reference-rate floors. In connection with the COVID-19 pandemic, the U.S. Federal Reserve and other central banks have reduced certain interest rates and LIBOR has decreased, primarily in the second quarter of 2020. A prolonged reduction in interest rates will reduce our gross investment income and could result in a decrease in our net investment income if such decreases in LIBOR are not offset by a corresponding increase in the spread over LIBOR that we earn on our portfolio investments, a decrease in our operating expenses, including with respect to our Income Incentive Fee, or a decrease in the interest rate of our floating interest rate liabilities indexed to LIBOR. As of June 30, 2021, the majority of our variable rate debt investments are subject to the base rate floor, partially mitigating the impact of the recent decrease in LIBOR on our gross investment income.

Critical Accounting Policies and Significant Estimates

Our critical accounting policies and estimates are those relating to revenue recognition and fair value estimates. Management has discussed the development and selection of each critical accounting policy and estimate with the Audit Committee of the Board. For descriptions of our revenue recognition and fair value policies, see "Item 8. Financial Statements - Notes to Financial Statements - Note 2" and "Management's Discussion and Analysis - Critical Accounting Policies and Significant Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Fair value estimates. Our approach to fair value estimates was significantly adjusted in response to the economic uncertainty associated with the spread of the COVID-19 pandemic, principally through adjustments to the weights given the various methodologies we utilize to estimate discount rates, greater use of pandemic-adjusted forward-looking information, and shortening the evaluation periods used to assess the market depth and liquidity associated with Indicative Prices. These adjustments resulted from observed decreases in the historic correlation between observable inputs utilized on our valuation models. However, as of December 31, 2020, we had reverted all of our methodologies to their pre-pandemic weightings as financial markets stabilized and the correlations between observable market factors returned.

The following table illustrates the impact of our fair value measures if we selected the low or high end of the range of values for all investments at June 30, 2021 (dollar amounts in thousands):

Investment Type	Fair Value at June 30, 2021	Range of Fair Value	
		Low-end	High-end
Debt investments:			
Senior secured	$ 305,930	$ 302,945	$ 309,024
Senior secured (valued at Transaction Prices)	11,718	11,718	11,718
Subordinated	17,207	16,701	17,713
Structured Finance Notes:			
Subordinated notes	65,452	$ 63,588	67,318
Mezzanine debt	2,793	2,746	2,840
Equity investments:			
Preferred equity	12,289	10,877	13,648
Common equity, warrants and other	68,637	64,369	74,436
	$ 484,026	$ 472,944	$ 496,697

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

Related Party Transactions

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

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

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

Effective January 1, 2020, OFS Advisor agreed to further reduce the base management fee attributable to all of the OFSCC-FS Assets, without regard to the Company's asset coverage. The agreement reduced the base management fee to 0.25% per quarter (1.00% annualized) of the average value of the OFSCC-FS Assets at the end of the two most recently completed calendar quarters. OFS Advisor's base management fee reduction is renewable on an annual basis and OFS Advisor is not entitled to recoup the amount of the base management fee reduced with respect to the OFSCC-FS Assets. This agreement was renewed for the 2021 calendar year on February 16, 2021.

The 1940 Act generally prohibits BDCs from making certain negotiated co-investments with certain affiliates absent an order from the SEC permitting the BDC to do so. On August 4, 2020, we received the Order, which superseded a previous order we received on October 12, 2016 and provides us with greater flexibility to enter into co-investment transactions with Affiliated Funds. We are generally permitted to co-invest with Affiliated Funds if a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the transactions, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies.

In addition, pursuant to an exemptive order issued by the SEC on April 8, 2020 and applicable to all BDCs, through December 31, 2020, we were permitted, subject to the satisfaction of certain conditions, to co-invest in our existing portfolio companies with certain affiliates, even if such other funds had not previously invested in such existing portfolio company. Without this order, affiliated funds would not be able to participate in such co-investments with us unless the affiliated funds had previously acquired securities of the portfolio company in a co-investment transaction with us. Although the conditional exemptive order expired on December 31, 2020, the SEC’s Division of Investment Management has indicated that until March 31, 2022, it will not recommend enforcement action, to the extent that any BDC with an existing co-investment order continues to engage in certain transactions described in the conditional exemptive order, pursuant to the same terms and conditions described therein.

Conflicts may arise when we make an investment in conjunction with an investment being made by an Affiliated Account, or in a transaction where an Affiliated Account has already made an investment. Investment opportunities are, from time to time, appropriate for more than one account in the same, different or overlapping securities of a portfolio company’s capital structure. Conflicts arise in determining the terms of investments, particularly where these accounts may invest in different types of securities in a single portfolio company. Potential conflicts arise when addressing, among other things, questions as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be restructured, modified or refinanced. For a discussion of the risks associated with conflicts of interest, see "Item 1A. Business — Conflicts of Interest", "Item 1A. Risk Factors — Risks Related to OFS Advisor and its Affiliates —We have potential conflicts of interest related to the purchases and sales that OFS Advisor makes on our behalf and/or on behalf of Affiliated Accounts" and "Item 1A. Risk Factors — Regulations — Conflicts of Interest - Conflicts Related to Portfolio Investments" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Portfolio Composition and Investment Activity

Portfolio Composition

As of June 30, 2021, the fair value of our debt investment portfolio totaled $334.9 million in 61 portfolio companies, of which 95% and 5% were senior secured loans and subordinated loans, respectively. As of June 30, 2021, we had equity investments in 22 portfolio companies with a fair value of approximately $80.9 million. We also have sixteen investments in Structured Finance Notes with a fair value of $68.2 million. We had unfunded commitments of $11.0 million to eight portfolio companies at June 30, 2021. Set forth in the tables and charts below is selected information with respect to our portfolio as of June 30, 2021 and December 31, 2020.

The following table presents our investment portfolio by each wholly owned legal entity within the consolidated group as of June 30, 2021, and December 31, 2020 (dollar amounts in thousands):

	June 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
OFS Capital Corporation (Parent)	$ 172,281	$ 160,426	$ 190,627	$ 172,249
SBIC I LP	176,405	203,295	191,192	190,573
OFSCC-FS	109,785	109,776	67,781	68,037
OFSCC-MB	10,106	10,529	11,423	11,464
Total investments	$ 468,577	$ 484,026	$ 461,023	$ 442,323

Portfolio Yields

The weighted average yield on total investments[1] was 8.36% and 8.56% at June 30, 2021 and December 31, 2020, respectively. The following table displays the composition of our performing debt investment and Structured Finance Note portfolio by yield range and its weighted average yields as of June 30, 2021, and December 31, 2020:

	June 30, 2021				December 31, 2020			
Yield Range	**Senior Secured Debt**	**Subordinated Debt**	**Structured Finance Notes**	**Total**	**Senior Secured Debt**	**Subordinated Debt**	**Structured Finance Notes**	**Total**
Less than 8%	45.5 %	— %	— %	35.8 %	29.5 %	— %	1.4 %	24.0 %
8% - 10%	40.9	—	1.4	32.5	52.0	—	1.4	42.2
10% - 12%	10.5	—	9.8	9.9	13.5	—	—	10.9
12% - 14%	3.1	53.2	24.5	8.9	3.4	53.6	12.5	7.0
Greater than 14%	—	46.8	64.3	12.9	1.6	46.4	84.7	15.9
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Weighted average yield - performing debt and Structured Finance Note investments [2]	8.08 %	14.06 %	16.52 %	9.77 %	8.92 %	14.88 %	16.56 %	10.27 %
Weighted average yield - total debt and Structured Finance Note investments [3]	7.66 %	6.32 %	16.52 %	8.91 %	8.38 %	5.53 %	16.56 %	9.15 %

(1) Weighted average yield on total investments is computed as (a) the sum of (i) the annual stated accruing interest on our debt investments at the balance sheet date plus the annualized accretion of Net Loan Fees, (ii) the effective yield on our performing preferred equity investments, and (iii) the annual effective yield on Structured Finance Notes, divided by (b) amortized cost of our total investment portfolio, including assets in non-accrual status as of the balance sheet date.

(2) The weighted average yield on our performing debt and Structured Finance Note investments is computed as (a) the sum of (i) the annual stated accruing interest on debt investments plus the annualized accretion of Net Loan Fees; and (ii) the annual effective yield on Structured Finance Notes divided by (b) amortized cost of our debt and Structured Finance Note investments, excluding debt investments in non-accrual status as of the balance sheet date.

(3) The weighted average yield on our total debt and Structured Finance Note investments is computed as (a) the sum of (i) the annual stated accruing interest plus the annualized accretion of Net Loan Fees and (ii) plus the annual effective yield on Structured Finance Notes divided by (b) amortized cost of our debt and Structured Finance Note investments, including debt investments in non-accrual status as of the balance sheet date.

The weighted average yield on performing portfolio company debt securities, including Structured Finance Notes, decreased to 9.77% at June 30, 2021 from 10.27% at December 31, 2020, primarily due to the 8.0% weighted average yield on new debt investments and Structured Finance Notes. During the six months ended June 30, 2021, we purchased approximately $75.3 million in debt securities, primarily in lower-yielding, first lien senior secured loans to larger borrowers, with a weighted average yield of 6.4%. The weighted average yield on total debt, including Structured Finance Notes, decreased to 8.91% at June 30, 2021 from 9.15% at December 31, 2020.

As of June 30, 2021 and December 31, 2020, floating rate loans at fair value, excluding Structured Finance Notes, were 97% and 96% of our debt portfolio, respectively, and fixed rate loans at fair value were 3% and 4% of this portfolio, respectively.

The weighted average yield of our investments is not the same as a return on investment for our stockholders, but rather the gross investment income from our investment portfolio before the payment of all of our fees and expenses. There can be no assurance that the weighted average yield will remain at its current level.

Portfolio Company Investments

The following table summarizes the composition of our Portfolio Company Investments as of June 30, 2021 and December 31, 2020 (dollar amounts in thousands):

	June 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Senior secured debt investments (1)	$ 331,982	$ 317,648	$ 325,647	$ 306,304
Subordinated debt investments	37,944	17,207	45,409	15,067
Preferred equity	16,232	12,289	18,648	11,543
Common equity, warrants and other	14,887	68,637	15,459	52,984
Total Portfolio Company Investments	$ 401,045	$ 415,781	$ 405,163	$ 385,898
Total number of portfolio companies	75	75	62	62

(1) Includes debt investments in which we have entered into contractual arrangements with co-lenders whereby, subject to certain conditions, we have agreed to receive our principal payments after the repayment of certain co-lenders pursuant to a payment waterfall. The aggregate amortized cost and fair value of these investments was $36,036 and $36,982, respectively, at June 30, 2021, and $55,776 and $56,217, respectively, at December 31, 2020.

At June 30, 2021, 95% and 66% of our loan portfolio and total portfolio, respectively, consisted of senior secured loans, based on fair value. Approximately 76% of our Portfolio Company Investments at fair value are senior securities of the borrower, rather than in the subordinated securities, preferred equity or common equity. We believe the seniority of our debt investments in the borrowers' capital structures may provide greater downside protection against adverse economic changes, including those caused by the COVID-19 pandemic.

As of June 30, 2021, the three largest industries of our Portfolio Company Investments by fair value, were (1) Manufacturing (26.3%), (2) Professional, Scientific, and Technical Services (16.7%), and (3) Wholesale Trade (13.5%), totaling approximately 56.5% of our Portfolio Company Investment portfolio. For a full summary of our investment portfolio by industry, see “Item 1–Financial Statements–Note 4.”

As of June 30, 2021, our common equity in Pfanstiehl Holdings, Inc. based on its fair value of $49.2 million, $49.0 million of which representing an unrealized gain, accounts for 10.2% of our total portfolio at fair value, or 27.4% of total net assets. Since December 31, 2020 and December 31, 2019, Pfanstiehl Holdings, Inc., a global manufacturer of high-purity pharmaceutical ingredients, has appreciated $13.0 million and $37.3 million, respectively, primarily due to improved operating results, as well as multiple expansion in the pharmaceutical industry.

The following table presents our debt investment portfolio by investment size as of June 30, 2021 and December 31, 2020 (dollar amounts in thousands):

	Amortized Cost				Fair Value			
	June 30, 2021		December 31, 2020		June 30, 2021		December 31, 2020	
Up to $4,000	$ 49,367	13.3 %	$ 30,427	8.2 %	$ 49,644	14.8 %	$ 33,149	10.3 %
$4,001 to $7,000	79,557	21.5	72,030	19.4	81,400	24.3	68,939	21.5
$7,001 to $10,000	36,549	9.9	51,874	14.0	35,920	10.7	43,735	13.6
$10,001 to $13,000	10,810	2.9	21,013	5.7	23,318	7.0	33,470	10.4
Greater than $13,000	193,643	52.4	195,711	52.7	144,573	43.2	142,078	44.2
Total	$ 369,926	100.0 %	$ 371,055	100.0 %	$ 334,855	100.0 %	$ 321,371	100.0 %

Investment Activity

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

	Three Months Ended June 30, 2021		Six Months Ended June 30, 2021	
	Debt Investments	**Equity Investments**	**Debt Investments**	**Equity Investments**
Investments in new portfolio companies	$ 26.5	$ —	$ 62.8	$ —
Investments in existing portfolio companies				
Follow-on investments	18.0	—	44.2	—
Restructured investments	—	—	—	—
Delayed draw and revolver funding	—	—	—	—
Total investments in existing portfolio companies	18.0	—	44.2	—
Total investments in new and existing portfolio companies	$ 44.5	$ —	$ 107.0	$ —
Number of new portfolio company investments	13	—	31	—
Number of existing portfolio company investments	8	—	17	—
Proceeds/redemptions from principal payments/ equity investments	52.2	—	100.8	—
Proceeds from investments sold or redeemed	9.7	—	10.3	—
Total proceeds from principal payments, equity distributions and investments sold	$ 61.9	$ —	$ 111.1	$ —

Notable investments in new portfolio companies during the six months ended June 30, 2021, include KNS Acquisition Corp. ($5.0 million senior secured loan), Baymark Health Services, Inc. ($4.9 million senior secured loan), Electrical Components International, Inc. ($5.6 million senior secured loan), and TruGreen Limited Partnership ($4.7 million senior secured loan).

During the six months ended June 30, 2021, the weighted-average yield of new debt in Portfolio Company Investment companies was 6.4%.

During the six months ended June 30, 2021, we also invested $21.9 million in Structured Finance Notes with a weighted average annual effective yield of 16.8%.

The following is a summary of our Portfolio Company Investment activity for the three and six months ended June 30, 2020 (dollar amounts in millions):

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
	Debt Investments	**Equity Investments**	**Debt Investments**	**Equity Investments**
Investments in new portfolio companies	$ 2.4	$ —	$ 42.3	$ —
Investments in existing portfolio companies				
Follow-on investments	0.5	—	10.1	0.1
Restructured investments	—	—	—	0.7
Delayed draw and revolver funding	4.3	—	5.7	—
Total investments in existing portfolio companies	4.8	—	15.8	0.8
Total investments in new and existing portfolio companies	$ 7.2	$ —	$ 58.1	$ 0.8
Number of new portfolio company investments	5	—	10	—
Number of existing portfolio company investments	4	1	15	3
Proceeds/distributions from principal payments/ equity investments	19.1	—	56.3	—
Proceeds from investments sold or redeemed	23.4	—	61.9	3.6
Total proceeds from principal payments, equity distributions and investments sold	$ 42.5	$ —	$ 118.2	$ 3.6

Notable investments in new portfolio companies during the six months ended June 30, 2020, include A&A Transfer, LLC ($23.7 million senior secured loan and $1.6 million revolver) and SourceHOV Tax, Inc. ($12.8 million senior secured loan).

During the six months ended June 30, 2020, the weighted-average yield of direct debt investments in new portfolio companies was 8.5%.

During the six months ended June 30, 2020, we also invested $12.8 million in Structure Finance Notes with a weighted average annual effective yield of 19.6%.

Non-cash investment activity

On June 11, 2021, My Alarm Center, LLC’s bankruptcy plan became effective and our equity interests were cancelled. For the six months ended June 30, 2021, the Company recognized a realized loss of $3.1 million, of which $3.0 million was recognized as an unrealized loss as of December 31, 2020.

On March 27, 2020, our debt investment in Constellis Holdings, LLC was restructured. We converted our non-accrual debt investment into 20,628 shares of common equity. The fair value of the 20,628 shares of common equity received was $0.7 million, which we recognized as the investment's cost.

Risk Monitoring

We categorize direct investments in the debt securities of portfolio companies into seven risk categories based on relevant information about the ability of borrowers to service their debt. For additional information regarding our risk categories, see “Item 1. Business–Portfolio Review/Risk Monitoring” in our Annual Report on Form 10-K for the year ended December 31, 2020. The following table shows the classification of our debt securities of portfolio companies, excluding Structured Finance Notes, by credit risk rating as of June 30, 2021 and December 31, 2020 (dollar amounts in thousands):

	Debt Investments, at Fair Value			
Risk Category	**June 30, 2021**		**December 31, 2020**	
1 (Low Risk)	$ —	— %	$ —	— %
2 (Below Average Risk)	—	—	—	—
3 (Average)	309,149	92.3	263,934	82.2
4 (Special Mention)	17,950	5.4	45,302	14.1
5 (Substandard)	6,975	2.1	11,684	3.6
6 (Doubtful)	781	0.2	451	0.1
7 (Loss)	—	—	—	—
	$ 334,855	100.0 %	$ 321,371	100.0 %

Changes in the distribution of our debt investments across risk categories were a result of new debt investments, the receipt of amortization payments on existing debt investments, repayment of certain debt investments in full, changes in the fair value of our existing debt investments, realized gains on the sale of investments, as well as changes in risk categories. During the six months ended June 30, 2021, debt investments with an aggregate cost and fair value of $17.1 million and $16.4 million, respectively, had risk rating upgrades from risk category 4 to risk category 3, and a debt investment with a cost and fair value of $16.1 million and $0.1 million, respectively, had a risk rating downgrade from risk category 5 to risk category 6.

Non-Accrual Loans

When there is reasonable doubt that principal, cash interest, or PIK interest will be collected, loan investments are placed on non-accrual status and the Company will generally cease recognizing cash interest, PIK interest, or Net Loan Fee amortization, as applicable. Interest accruals and Net Loan Fee amortization are resumed on non-accrual investments only when they are brought current with respect to principal, interest and when, in the judgment of management, the investments are estimated to be fully collectible as to all principal. No new loans were placed on non-accrual status during the six months ended June 30, 2021. The aggregate amortized cost and fair value of loans on non-accrual status with respect to all interest and Net Loan Fee amortization was $38.2 million and $7.8 million, respectively, at June 30, 2021, and $48.1 million and $12.1 million, respectively, at December 31, 2020. During the six months ended June 30, 2021, Community Intervention Services, Inc., a non-accrual loan since September 30, 2016 with a cost of $7.6 million was sold for $0.1 million.

Structured Finance Notes

The following table summarizes the composition of our Structured Finance Notes as of June 30, 2021, and December 31, 2020 (in thousands):

	June 30, 2021		**December 31, 2020**	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Subordinated notes	$ 64,901	$ 65,452	$ 54,280	$ 54,724
Mezzanine bonds	2,631	2,793	1,580	1,701
Total Structured Finance Notes	$ 67,532	$ 68,245	$ 55,860	$ 56,425

As of June 30, 2021, the weighted average yield on Structured Finance Notes remained stable at 16.52%, compared to 16.56% at December 31, 2020.

Results of Operations

Our key financial measures are described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations–Results of Operations–Key Financial Measures" in our Annual Report on Form 10-K for the year ended December 31, 2020. The following is a discussion of the key financial measures that management employs in reviewing the performance of our operations.

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

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

The following analysis compares our quarterly results of operations to the preceding quarter, as well as our year-to-date results of operations to the corresponding period in the prior year. We believe a comparison of our current quarterly results to the preceding quarter is more meaningful and transparent than a comparison to the corresponding prior-year quarter as our results of operations are not influenced by seasonal factors the latter comparison is designed to elicit and highlight.

Comparison of the three months ended June 30, 2021 and March 31, 2021 and comparison of the six months ended June 30, 2021 and 2020

Consolidated operating results for the three months ended June 30, 2021 and March 31, 2021 and the six months ended June 30, 2021 and 2020 are as follows (in thousands):

	Three Months Ended		Six Months Ended June 30,	
	June 30, 2021	**March 31, 2021**	**2021**	**2020**
Investment income				
Interest income:				
Cash interest income	$ 6,972	$ 6,837	$ 13,809	$ 18,299
Net Loan Fee amortization	857	573	1430	817
Accretion of interest income on Structured Finance Notes	2,392	2,278	4,670	2,626
Other interest income	—	12	12	54
Total interest income	10,221	9,700	19,921	21,796
PIK income:				
PIK interest income	397	440	837	829
Preferred equity PIK dividends	59	47	106	343
Total PIK income	456	487	943	1,172
Dividend income:				
Common and preferred equity cash dividends	136	—	136	100
Total dividend income	136	—	136	100
Fee income:				
Syndication fees	439	217	656	378
Prepayment and other fees	164	86	251	405
Total fee income	603	304	907	783
Total investment income	11,416	10,491	21,907	23,851
Total expenses, net	8,181	7,941	16,122	17,272
Net investment income	3,235	2,550	5,785	6,579
Net gain (loss) on investments	19,206	3,923	23,129	(30,932)
Loss on extinguishment of debt	—	(2,299)	(2,299)	(149)
Net increase (decrease) in net assets resulting from operations	$ 22,441	$ 4,174	$ 26,615	$ (24,502)

Interest and PIK income by debt investment type for the three months ended June 30, 2021 and March 31, 2021 and six months ended June 30, 2021 and 2020, is summarized below (in thousands):

	Three Months Ended		Six Months Ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
Interest income and PIK interest income:				
Senior secured debt investments	$ 7,580	$ 7,202	$ 14,782	$ 18,084
Subordinated debt investments	646	660	1,306	1,911
Structured Finance Notes	2,392	2,278	4,670	2,630
Total interest income and PIK interest income	10,618	10,140	20,758	22,625
Less Net Loan Fees accelerations	(551)	(342)	(893)	(235)
Recurring interest income and PIK interest income	$ 10,067	$ 9,798	$ 19,865	$ 22,390

Investment Income

Other than acceleration of Net Loan Fees (PIK interest income and the accretable yield on Structured Finance Notes) recognized upon the repayment of a loan, we consider our interest income on direct debt investments to portfolio companies to be recurring in nature. Such recurring interest income and PIK interest income increased $0.3 million during the three months ended June 30, 2021 compared to the prior quarter, primarily due to a $10.9 million increase in the average outstanding performing loan balance. Recurring interest income decreased $2.5 million during the six months ended June 30, 2021 compared to the corresponding period in the prior year, primarily due to a $3.1 million decrease in the average outstanding performing loan balance, partly offset by a $0.6 million increase from a 30 basis point increase in the recurring earned yield.

During the three months ended June 30, 2021, dividend income increased $0.1 million due to a distribution from our equity investment in MTE Holding Corp.

Syndication fees, prepayment fees and the acceleration of Net Loan Fees are considered non-recurring and generally result from periodic transactions rather than from holding portfolio investments. Syndication fees, which are recognized when OFS Advisor sources, structures, and arranges the lending group, and for which we are additionally compensated, increased to $0.4 million for the three months ended June 30, 2021 compared to $0.2 million for the three months ended March 31, 2021. Total fee income for the six months ended June 30, 2021 compared to the corresponding period in the prior year, increased from $0.8 million to $0.9 million primarily due to an increase in syndication fees.

Expenses

Operating expenses for the three months ended June 30, 2021 and March 31, 2021 and six months ended June 30, 2021 and 2020, are presented below (in thousands):

	Three Months Ended		Six Months Ended June 30,	
	June 30, 2021	March 31, 2021	2021	2020
Interest expense	$ 4,241	$ 4,825	$ 9,066	$ 9,853
Management fee	1,876	1,834	3,710	3,888
Incentive fee	809	—	809	1,098
Professional fees	489	387	876	1,108
Administration fee	439	568	1,007	1,020
General and administrative expenses	327	327	654	746
Total expenses before incentive fee waiver	8,181	7,941	16,122	17,713
Incentive fee waiver	—	—	—	(441)
Total expenses, net of incentive fee waiver	$ 8,181	$ 7,941	$ 16,122	$ 17,272

Interest expense for the three months ended June 30, 2021 decreased $0.6 million compared to the preceding quarter, primarily due to interest costs of approximately $564,000 incurred for both the newly issued $125.0 million of Unsecured Notes Due February 2026 and the $98.5 million of redeemed Unsecured Notes Due April 2025 and October 2025. Interest expense for the six months ended June 30, 2021 decreased $0.8 million compared to the corresponding period in the prior year, primarily due to a $20.9 million decrease in the weighted average debt balance.

Management fee expense for the three months ended June 30, 2021 remained stable compared to the prior quarter consistent with changes in total assets. Management fee expense for the six months ended June 30, 2021 decreased $0.2 million compared to the corresponding period in the prior year consistent with changes in total assets.

The incentive fees earned by OFS Advisor for the three months ended June 30, 2021 increased $0.8 million compared to the prior quarter due to an increase in net interest margin. Pre-incentive fee net investment income did not exceed the performance hurdle for incentives in the three months ended March 31, 2021. Incentive fee expense for the six months ended June 30, 2021 before taking into account the incentive fee waiver during the three months ended March 31, 2020, decreased $0.3 million compared to the corresponding period in the prior year, primarily due to the decrease in net interest margin during the first quarter of 2021.

Professional fees for the three months ended June 30, 2021 increased $0.1 million compared to the prior quarter. Professional fees for the six months ended June 30, 2021 decreased $0.2 million compared to the corresponding period in the prior year due to a decrease in valuation services.

Administration fee expense for the three months ended June 30, 2021 decreased $0.1 million compared to the prior quarter due to allocations related to year-end administrative services, including audit support during the first quarter of 2021. Administration fee expense for the six months ended June 30, 2021 remained stable with the corresponding period in the prior year.

General and administrative expenses for the three months ended June 30, 2021 remained stable with the prior quarter. General and administrative expenses decreased $0.1 million over the prior year primarily due to tax expenses in the corresponding period in the prior year.

Net realized and unrealized gain (loss) on investments

Net gain (loss), inclusive of realized and unrealized gains (losses), by investment type for the three months ended June 30, 2021 and March 31, 2021 and six months ended June 30, 2021 and 2020, were as follows (in thousands):

	Three Months Ended		Six Months Ended June 30,	
	June 30, 2021	**March 31, 2021**	**2021**	**2020**
Senior secured debt	$ 918	$ 3,880	4,796	$ (23,368)
Subordinated debt	3,513	(1,442)	2,071	(7,590)
Preferred equity	(81)	721	640	(2,669)
Common equity, warrants and other	14,371	1,373	15,744	5,986
Structured Finance Notes	690	(543)	147	(3,707)
Deferred income tax benefit (expense)	(205)	(66)	(269)	416
Total net gain (loss) on investments	$ 19,206	$ 3,923	$ 23,129	$ (30,932)

<u>Net gain on investments for the three months ended June 30, 2021 and March 31, 2021</u>

Three months ended June 30, 2021

Our portfolio experienced net gains of $19.2 million in the second quarter of 2021, principally due to a $18.3 million, or 6.8%, improvement in the fair values of our directly originated debt and equity investments. Net gains for the quarter include realized losses of $10.8 million primarily on the sale of our subordinated debt investment in Community Intervention Services, LLC and the write-off of equity interests in My Alarm Center, LLC, which were substantially recognized as unrealized losses in prior fiscal years.

During the three months ended June 30, 2021, our senior secured debt remained stable with the prior quarter and experienced net gains of $0.9 million.

The net appreciation of $3.5 million on our subordinated debt investments in the second quarter of 2021 was primarily attributable to a $3.5 million improvement on our debt investment in Eblens Holdings, Inc. .

The net gains on our common equity in the second quarter of 2021 was primarily attributable to the $12.1 million improvement in Pfanstiehl Holdings, Inc.

Three months ended March 31, 2021

In the first quarter of 2021, our portfolio experienced net gains of $3.9 million, primarily as a result of performance improvements in our directly originated debt and equity investments, resulting in net unrealized appreciation.

In the first quarter of 2021, the net appreciation on our senior secured debt investments was primarily attributable to a $1.5 million improvement on our debt investment in Wastebuilt Environmental Solutions LLC. We also experienced general appreciation in our senior secured investments as a result of credit spread tightening observed in the market, leading to a 31 basis point reduction in the weighted average discount rates utilized in our discounted cash flow fair value models.

First quarter 2021 net losses in our subordinated debt investments was principally due to a decrease of $2.3 million in the fair value of our subordinated debt investment in Online Tech Stores LLC, resulting from further degradation of performance at that company.

Net gain on investments for the six months ended June 30, 2021 and 2020

Six months ended June 30, 2021

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

Six months ended June 30, 2020

Our portfolio experienced net unrealized losses of $20.9 million during the six months ended June 30, 2020, primarily due to the adverse economic effects of the COVID-19 pandemic on market conditions and the overall economy, and the related declines in quoted loan prices. Additionally, we incurred realized losses of $10.0 million, primarily due to the loss of $9.1 million on the restructuring of our debt investment in Constellis Holdings, LLC, which was fully recognized as an unrealized loss as of December 31, 2019.

Loss on Extinguishment of Debt

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

During the six months ended June 30, 2020, we prepaid $16.1 million of SBA debentures, and recognized losses on extinguishment of debt of $0.1 million related to the charge-off of deferred borrowing costs.

Liquidity and Capital Resources

At June 30, 2021, we held cash of $35.2 million, which includes $15.7 million held by SBIC I LP, our wholly owned SBIC, and $5.9 million held by OFSCC-FS. Our use of cash held by SBIC I LP may be restricted by SBA regulation, including limitations on the amount of cash SBIC I LP can distribute to the Parent. Any such distributions to the Parent from SBIC I LP are generally restricted under SBA regulations to a statutory measure of undistributed accumulated earnings or regulatory capital of SBIC I LP, and require the prior approval of the SBA. During the six months ended June 30, 2021, the Parent received a return of capital distribution of $19.1 million from SBIC I LP. The Company is limited to follow-on investments in current portfolio companies held through SBIC I LP. Distributions from OFSCC-FS to the Parent are restricted by the terms and conditions of the BNP Facility. During the six months ended June 30, 2021, the Parent received $1.9 million in cash distributions from OFSCC-FS. As of June 30, 2021, cash available to be distributed from SBIC I LP and OFSCC-FS were $12.1 million and $-0-, respectively.

At June 30, 2021, we had an unused commitment of $25.0 million under our PWB Credit Facility, as well as an unused commitment of $125.9 million under our BNP Facility, both subject to a borrowing base requirements and other covenants. Based on fair values and equity capital at June 30, 2021, we could access available lines of credit for $129.0 million and remain in compliance with our asset coverage requirements. As of August 2, 2021, we had cash on hand of approximately $29.6 million. We continue to believe that we have sufficient levels of liquidity to support our existing portfolio companies and selectively deploy capital in new investment opportunities in this challenging environment.

The Parent may make unsecured loans to SBIC I LP, the aggregate which cannot exceed $35 million at any given time, and no interest may be charged on the unpaid principal balance. There were no intercompany loans between the Parent and SBIC I LP as of June 30, 2021.

Sources and Uses of Cash

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

	Six Months Ended June 30,	
	2021	**2020**
Cash from net investment income[1]	$ 5,925	$ 4,245
Net (purchases and originations)/repayments and sales of portfolio investments[1]	(8,099)	41,627
Net cash provided by (used in) operating activities	(2,174)	45,872
Distributions paid to stockholders[2]	(5,573)	(6,728)
Net payments under lines of credit	(8,000)	(4,700)
Repayment of SBA debentures	(9,765)	(16,110)
Proceeds from unsecured notes offering, net of discounts	121,791	—
Redemption of unsecured notes	(98,525)	—
Other financing activities	(303)	—
Net cash used in financing activities	(375)	(27,538)
Increase (decrease) in cash	$ (2,549)	$ 18,334

(1) Net (purchases and originations)/repayments and sales of portfolio investments includes purchase and origination of portfolio investments, proceeds from principal payments on portfolio investments, proceeds from sale or redemption of portfolio investments, changes in receivable for investments sold, payable form investments purchased as reported in our statements of cash flows, as well as the excess of proceeds from distributions received from structured finance notes over accretion of interest income on structured finance notes. Cash from net investment income includes all other cash flows from operating activities reported in our statements of cash flows. Certain amounts in the prior year have been reclassified to conform with the current year presentation.

(2) The determination of the tax attributes of our distributions is made annually as of the end of our fiscal year based upon our ICTI for the full year and distributions paid for the full year. Therefore, a determination made on a quarterly basis may not be representative of the actual tax attributes of our distributions for a full year.

Cash from net investment income

Cash from net investment income increased $1.7 million for the six months ended June 30, 2021, compared to the six months ended June 30, 2020, principally due to a $1.0 million increase in the excess distributions received from our investments in Structured Finance Notes over the accretion of interest income on such Structured Finance Note investments.

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

During the six months ended June 30, 2021, net purchases and originations of portfolio investments of 8.1 million were primarily due to $120.9 million of cash we used to purchase portfolio investments, offset by $117.5 million of cash we received from amortized cost repayments and sales on our portfolio investments. During the six months ended June 30, 2020, net purchases and originations of portfolio investments of $41.6 million were primarily due to $80.2 million of cash we used to purchase portfolio investments, offset by $124.5 million of cash we received from amortized cost repayments and sales on our portfolio investments. See "—Portfolio Composition and Investment Activity–Investment Activity."

Borrowings

SBA Debentures

SBIC I LP's SBIC license allowed it to obtain leverage by issuing SBA-guaranteed debentures, subject to issuance of a capital commitment by the SBA and customary procedures. These debentures are non-recourse to us, and bear interest payable semi-annually, and each debenture has a maturity date that is ten years following issuance. The interest rate was fixed at the first pooling date after issuance, which was March and September of each year, at a market-driven spread over U.S. Treasury Notes with ten-year maturities. As of June 30, 2021 and 2020, SBIC I LP had outstanding debentures of $95.5 million and $133.8 million, respectively.

On a stand-alone basis, SBIC I LP held $219.5 million and $223.8 million in total assets at June 30, 2021 and December 31, 2020, respectively, which accounted for approximately 42% and 46% of the Company's total consolidated assets, respectively.

As part of our plans to focus on lower-yielding, first lien senior secured loans to larger borrowers, which we believe will improve our overall risk profile, SBIC I LP intends, over time, to pay its outstanding SBA debentures prior to their scheduled maturity dates. Under a plan approved by the SBA, we will only make follow-on investments in current portfolio companies held by SBIC I LP. We believe that investing in more senior loans to larger borrowers is consistent with our view of the private loan market and will reduce our overall leverage on a consolidated basis. During the six months ended June 30, 2021, SBIC I LP prepaid $9.8 million of SBA debentures that were contractually due September 1, 2022 and September 1, 2024. We recognized a loss on extinguishment of debt of $0.1 million related to the charge-off of deferred borrowing costs on the prepaid debentures.

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

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

PWB Credit Facility

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

On February 17, 2021, we amended the BLA to among other things: (i) increase the maximum amount available from $20.0 million to $25.0 million; (ii) decrease the interest rate floor from 5.25% per annum to 5.00% per annum; (iii) modify certain financial performance covenants; and (iv) extend the maturity date from February 28, 2021 to February 28, 2023.

As of June 30, 2021, we had no outstanding balance and an unused commitment of $25.0 million under the PWB Credit Facility, subject to a borrowing base and other covenants.

The BLA contains customary terms and conditions, including, without limitation, affirmative and negative covenants, such as information reporting requirements, a minimum tangible net asset value, a minimum quarterly net investment income after incentive fees, a debt/worth ratio and a net loss restriction. The BLA also contains customary events of default, including, without limitation, nonpayment, misrepresentation of representations and warranties in a material respect, breach of covenant, cross-default to other indebtedness, bankruptcy, change in investment advisor, and the occurrence of a material adverse change in our financial condition. As of June 30, 2021, we were in compliance with the applicable covenants under the PWB Credit Facility.

Unsecured Notes

On February 10, 2021, we closed the public offering of $100.0 million aggregate principal amount of our 4.75% notes due 2026, and on March 18, 2021, we closed an additional public offering of $25.0 million aggregate principal amount of our 4.75% notes due 2026 (the "Unsecured Notes Due February 2026"). The total net proceeds to us from the Unsecured Notes Due February 2026, after deducting underwriting fees of $3.2 million and offering expenses of $0.3 million, was approximately $121.5 million. The Unsecured Notes Due February 2026 bear an effective interest rate, including amortization of deferred debt issuance costs, of 5.32%. The Unsecured Notes Due February 2026 will mature on February 10, 2026, and we may redeem the Unsecured Notes Due February 2026 in whole or in part at any time, or from time to time, at our option at par plus a "make-whole" premium, if applicable. The Unsecured Notes Due February 2026 bear interest at a rate of 4.75% per year payable semi-annually in arrears on February 10 and August 10 of each year, commencing on August 10, 2021.

In connection with, and using the proceeds from, the issuance of the Unsecured Notes Due February 2026, on March 12, 2021, we redeemed all $50.0 million in aggregate principal amount of the Unsecured Notes Due April 2025 and all

$48.5 million in aggregate principal amount of the Unsecured Notes Due October 2025. The Unsecured Notes Due April 2025 and the Unsecured Notes Due October 2025 were redeemed at 100% of their principal amount ($25 per Note), plus the accrued and unpaid interest thereon from January 31, 2021, through, but excluding, March 12, 2021. We recognized a loss on extinguishment of debt of $2.2 million related to the charge-off of deferred borrowing costs on the redemption of the notes.

The Unsecured Notes are direct unsecured obligations and rank equal in right of payment with all of our current and future unsecured indebtedness. Because the Unsecured Notes are not secured by any of our assets, they are effectively subordinated to all existing and future secured unsubordinated indebtedness (or any indebtedness that is initially unsecured as to which we subsequently grant a security interest), to the extent of the value of the assets securing such indebtedness, including, without limitation, borrowings under the PWB Credit Facility.

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

BNP Facility

On June 20, 2019, OFSCC-FS entered into the BNP Facility, which provides for borrowings in an aggregate principal amount up to $150.0 million, of which $24.1 million was drawn as of June 30, 2021. Borrowings under the BNP Facility bear interest based on LIBOR for the relevant interest period, plus an applicable spread. The effective interest rate on the BNP Facility was 6.06% at June 30, 2021. The BNP Facility will mature on the earlier of June 20, 2024 or upon certain other events defined in the credit agreement which result in accelerated maturity. Borrowings under the BNP Facility are secured by substantially all of the assets held by OFSCC-FS. The unused commitment under the BNP Facility was $125.9 million as of June 30, 2021. As of June 30, 2021, we were in compliance with the applicable covenants.

On a stand-alone basis, OFSCC-FS held approximately $116.9 million and $72.4 million in total assets at June 30, 2021 and December 31, 2020, respectively, which accounted for approximately 22% and 15% of our total consolidated assets, respectively.

Other Liquidity Matters

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

As a BDC, we must not acquire any assets other than “qualifying assets” specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our assets, as defined by the 1940 Act, are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies.” Under the relevant SEC rules, the term “eligible portfolio company” includes all private companies, companies whose securities are not listed on a national securities exchange, and certain public companies that have listed their securities on a national securities exchange and have a market capitalization of less than $250 million, in each case organized in the United States. Conversely, we may invest up to 30% of our portfolio in opportunistic investments not otherwise eligible under BDC regulations. Specifically, as part of this 30% basket, we may consider investments in investment funds that are operating pursuant to certain exceptions to the 1940 Act and in advisers to similar investment funds, as well as in debt or equity of middle-market portfolio companies located outside of the United States and debt and equity of public companies that do not meet the definition of eligible portfolio companies because their market capitalization of publicly traded equity securities exceeds the levels provided for in the 1940 Act. As of June 30, 2021, approximately 85% of our investments were qualifying assets.

BDCs generally are required to meet a coverage ratio of total assets, less liabilities and indebtedness not represented by senior securities to total senior securities, which include all of our borrowings and any outstanding preferred stock, of at least 200% (150% if certain requirements are met). We received an exemptive order from the SEC to permit us to exclude the debt of SBIC I LP guaranteed by the SBA from the definition of Senior Securities in the statutory asset coverage ratio under the 1940 Act. This requirement limits the amount that we may borrow. To fund growth in our investment portfolio in the future, we anticipate the need to raise additional capital from various sources, including the equity markets and the securitization or other debt-related markets, which may or may not be available on favorable terms, if at all.

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

On May 22, 2018, the Board authorized the Stock Repurchase Program under which we could acquire up to $10.0 million of our outstanding common stock through the two-year period ending May 22, 2020. On May 4, 2020, the Board extended the Stock Repurchase Program for an additional two-year period. Under the extended Stock Repurchase Program, we are authorized to repurchase shares in open-market transactions, including through block purchases, depending on prevailing market conditions and other factors. We expect the Stock Repurchase Program to be in place through May 22, 2022, or until the approved dollar amount has been used to repurchase shares. The Stock Repurchase Program does not obligate us to acquire any specific number of shares, and all repurchases will be made in accordance with SEC Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases. The Stock Repurchase Program may be extended, modified or discontinued at any time for any reason. We have provided our stockholders with notice of our intention to repurchase shares of our common stock in accordance with 1940 Act requirements. We retire all shares of common stock that we purchased in connection with the Stock Repurchase Program.

The following table summarizes shares of common stock repurchased under the Stock Repurchase Program during the six months ended June 30, 2021 (in thousands).

Period	Total Number of Shares Purchased	Cost of Shares Purchased	Average Price Paid Per Share
January 1, 2021 through March 31, 2021	700	$ 5	$ 6.70
April 1, 2021 through June 30, 2021	—	$ —	$ —

As of June 30, 2021, the aggregate amount outstanding of the senior securities issued by us was $228.4 million, for which our asset coverage was 179%. The Small Business Administration Debentures are not subject to the asset coverage requirements of the 1940 Act as a result of exemptive relief granted to us by the SEC effective November 26, 2013. The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by total senior securities representing indebtedness.

As a BDC, we are generally not permitted to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value per share of our common stock if the Board determines that such sale is in the best interests of us and our stockholders, and if our stockholders approve such sale. On June 15, 2021, our stockholders approved a proposal to authorize us, with approval of our Board, to sell or otherwise issue shares of our common stock (during a twelve-month period) at a price below our then-current net asset value per share in one or more offerings, subject to certain limitations (including that the cumulative number of shares sold pursuant to such authority does not exceed 25% of our then outstanding common stock immediately prior to each such sale).

Contractual Obligations and Off-Balance Sheet Arrangements

The following table shows our contractual obligations as of June 30, 2021 (in thousands):

	Payments due by period				
Contractual Obligation (1)	Total	Less than year	1-3 years (2)	4-5 years (2)	After 5 years (2)
PWB Credit Facility	$ —	$ —	$ —	$ —	$ —
Unsecured Notes	204,325	—	25,000	125,000	54,325
SBA Debentures	95,505	—	7,000	88,505	—
BNP Facility	24,050	—	—	24,050	—
Total(3)	$ 323,880	$ —	$ 32,000	$ 237,555	$ 54,325

(1) Excludes commitments to extend credit to our portfolio companies.
(2) The PWB Credit Facility is scheduled to mature on February 28, 2023. The SBA debentures are scheduled to mature between September 2022 and September 2025. SBIC I LP is repaying over time its outstanding SBA debentures prior to the scheduled maturity dates of its debentures. The Unsecured Notes are scheduled to mature between September 2023 and October 2026. The BNP Facility is scheduled to mature on June 20, 2024.
(3) 63% of the outstanding debt is unsecured.

We continue to believe our long-dated financing, with approximately 90% of our total debt contractually maturing in 2024 and beyond, affords us operational flexibility.

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

We may become a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our portfolio companies. These instruments may include commitments to extend credit and involve, to varying degrees, elements of liquidity and credit risk in excess of the amount recognized in the balance sheet. At June 30, 2021, we had $11.0 million in unfunded commitments to eight portfolio companies. We continue to believe that we have sufficient levels of liquidity to support our existing portfolio companies and will meet these unfunded commitments by using our cash on hand or utilizing our available borrowings under the PWB Credit Facility.

Distributions

We are taxed as a RIC under the Code. In order to maintain our tax treatment as a RIC, we are required to distribute annually to our stockholders at least 90% of our ICTI, as defined by the Code. Additionally, to avoid a 4% excise tax on undistributed earnings we are required to distribute each calendar year the sum of (i) 98% of our ordinary income for such calendar year (ii) 98.2% of our net capital gains for the one-year period ending October 31 of that calendar year and (iii) any income recognized, but not distributed, in preceding years and on which we paid no federal income tax. Maintenance of our RIC status requires adherence to certain source of income and asset diversification requirements. Generally, a RIC is entitled to deduct dividends it pays to its stockholders from its income to determine “taxable income.” Taxable income includes our taxable interest, dividend and fee income, and taxable net capital gains. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized appreciation or depreciation, as gains or losses are not included in taxable income until they are realized. In addition, gains realized for financial reporting purposes may differ from gains included in taxable income as a result of our election to recognize gains using installment sale treatment, which generally results in the deferment of gains for tax purposes until notes or other amounts, including amounts held in escrow, received as consideration from the sale of investments are collected in cash. Taxable income includes non-cash income, such as changes in accrued and reinvested interest and dividends, which includes contractual PIK interest, and the amortization of discounts and fees. Cash collections of income resulting from contractual PIK interest and dividends or the amortization of discounts and fees generally occur upon the repayment of the loans or debt securities that include such items. Non-cash taxable income is reduced by non-cash expenses, such as realized losses and depreciation, and amortization expense.

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

Recent Developments

On August 3, 2021, our Board declared a distribution of $0.24 per share for the third quarter of 2021, payable on September 30, 2021 to stockholders of record as of September 23, 2021.

We evaluated events subsequent to June 30, 2021 through August 5, 2021. We are continuing to closely monitor the impact of the COVID-19 pandemic on all aspects of our business, including how it impacts our portfolio companies, employees, due diligence and underwriting processes, and financial markets. The U.S. capital markets experienced extreme volatility and disruption following the outbreak of the COVID-19 pandemic, which appear to have subsided and returned to pre-COVID-19 levels. Nonetheless, certain economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a prolonged period of world-wide economic downturn.

On March 27, 2020, the U.S. government enacted the CARES Act, which contains provisions intended to mitigate the adverse economic effects of the coronavirus pandemic. On December 27, 2020, the U.S. government enacted the December 2020 COVID Relief Package. Additionally, on March 11, 2021, the U.S. government enacted the American Rescue Plan, which included additional funding to mitigate the adverse economic effects of the COVID-19 pandemic. It is uncertain whether, or to what extent, our portfolio companies will be able to benefit from the CARES Act, the December 2020 COVID Relief Package, the American Rescue Plan, or any other subsequent legislation intended to provide financial relief or assistance. As a result of this disruption and the pressures on their liquidity, certain of our portfolio companies have been, or may continue to be, incentivized to draw on most, if not all, of the unfunded portion of any revolving or delayed draw term loans made by us, subject to availability under the terms of such loans.

The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend to a large extent on future developments regarding the duration and severity of the coronavirus, effectiveness of vaccination deployment and the actions taken by governments (including stimulus measures or the lack thereof) and their citizens to contain the coronavirus or treat its impact, all of which are beyond our control. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity and financial condition. Given the fluidity of the situation, we cannot estimate the long-term impact of COVID-19 on our business, future results of operations, financial position, or cash flows at this time.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The economic effects of the COVID-19 pandemic has introduced significant volatility in the financial markets. The U.S. Federal Reserve and other central banks have reduced certain interest rates and LIBOR has decreased. In addition, in a prolonged low interest rate environment, including a reduction of LIBOR to zero, our net interest margin will be compressed and adversely affect our operating results. For additional information concerning the COVID-19 pandemic and its potential impact on our business and our operating results, see "*Part I, Item 1A. Risk Factors*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

As of June 30, 2021, 97% of our debt investments bore interest at floating interest rates, at fair value. The interest rates on our debt investments bearing floating interest rates are usually based on a floating LIBOR, and the debt investments typically contain interest rate re-set provisions that adjust applicable interest rates to current market rates on a periodic basis. A significant portion of our loans that are subject to the floating LIBOR rates are also subject to a minimum base rate, or floor, that we charge on our loans if the current market rates are below the respective floors. As of June 30, 2021, a majority of our floating rate loans were based on a floating LIBOR, subject to its floor.

Our outstanding SBA debentures and Unsecured Notes bear interest at fixed rates. Our PWB Credit Facility and BNP Facility have floating interest rate provisions based on the Prime Rate and LIBOR, respectively, with effective interest rates of 5.02% and 6.06%, respectively, as of June 30, 2021.

Assuming that the interim and unaudited consolidated balance sheet as of June 30, 2021 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following tables show the annualized impact of hypothetical changes in interest rate indices (in thousands).

Basis point increase	**Interest income**	**Interest expense**	**Net change**
25	$ 48	$ (64)	$ (16)
50	121	(125)	(4)
75	231	(186)	45
100	609	(247)	362
125	1,254	(308)	946

Basis point decrease[(1)]	**Interest income**	**Interest expense**	**Net change**
25	$ (65)	$ 41	$ (24)

(1) Decreases in LIBOR beyond that presented would not result in a change to interest income or interest expense due to current LIBOR rates and a minimum base rate, or floor, that our debt investments and the PWB Credit Facility contain.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. The term “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the foregoing evaluation of our disclosure controls and procedures as of June 30, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We, OFS Advisor and OFS Services, are not currently subject to any material pending legal proceedings threatened against us as of June 30, 2021. From time to time, we may be a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

Investing in our common stock may be speculative and involves a high degree of risk. In addition to the other information contained in this Quarterly Report on Form 10-Q, including our financial statements, and the related notes, schedules and exhibits, you should carefully consider the risk factors described in "*Part I, Item 1A. Risk Factors*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and in "Part II, Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K and Quarterly Report on Form 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Other than the risk described below, there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2021. The risks previously disclosed in our Annual Report on Form 10-K and Quarterly Report on Form 10-Q should be read together with the other information disclosed elsewhere in this Quarterly Report on Form 10-Q and our other reports filed with the SEC.

The interest rates of our loans to our portfolio companies that extend beyond 2021 might be subject to change based on recent regulatory changes, including the decommissioning of LIBOR.

LIBOR is the basic rate of interest used in lending transactions between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate in loans we extend to portfolio companies such that the interest due to us pursuant to a loan extended to a portfolio company is calculated using LIBOR. The terms of our debt investments generally include minimum interest rate floors which are calculated based on LIBOR.

On March 5, 2021, the United Kingdom's Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that it will not compel panel banks to contribute to the overnight 1, 3, 6 and 12 months U.S. LIBOR tenors after June 30, 2023 and all other tenors after December 31, 2021. It is unclear if at that time LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. Central banks and regulators in a number of major jurisdictions (for example, United States, United Kingdom, European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for interbank offered rates (“IBORs”). To identify a successor rate for U.S. dollar LIBOR, the Alternative Reference Rates Committee (“ARRC”), a U.S.-based group convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York, was formed. The ARRC has identified the Secured Overnight Financing Rate (“SOFR”) as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. Although SOFR appears to be the preferred replacement rate for U.S. dollar LIBOR, at this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or other reforms to LIBOR that may be enacted in the United States, United Kingdom or elsewhere or, whether the COVID-19 outbreak will have further effect on LIBOR transition plans.

The elimination of LIBOR or any other changes or reforms to the determination or supervision of LIBOR could have an adverse impact on the market value of and/or transferability of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

Recently, the CLOs we have invested in have included, or have been amended to include, language permitting the CLO investment manager to implement a market replacement rate (like those proposed by the ARRC of the Federal Reserve Board and the Federal Reserve Bank of New York) upon the occurrence of certain material disruption events. However, we cannot ensure that all CLOs in which we are invested will have such provisions, nor can we ensure the CLO investment managers will undertake the suggested amendments when able. We believe that because CLO managers and other CLO market participants have been preparing for an eventual transition away from LIBOR, we do not anticipate such a transition to have a material impact on the liquidity or value of any of our LIBOR-referenced CLO investments. However, because the future of LIBOR at this time is uncertain and the specific effects of a transition away from LIBOR cannot be determined with certainty as of the date of this filing, a transition away from LIBOR could:

- adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any LIBOR-linked CLO investments;
- require extensive changes to documentation that governs or references LIBOR or LIBOR-based products, including, for example, pursuant to time-consuming renegotiations of existing documentation to modify the terms of outstanding investments;
- result in inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with one or more alternative reference rates;
- result in disputes, litigation or other actions with CLO investment managers, regarding the interpretation and enforceability of provisions in our LIBOR-based CLO investments, such as fallback language or other related provisions, including, in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between LIBOR and the various alternative reference rates;
- require the transition and/or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on one or more alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and
- cause us to incur additional costs in relation to any of the above factors.

In addition, the effect of a phase out of LIBOR on U.S. senior secured loans, the underlying assets of the CLOs in which we invest, is currently unclear. To the extent that any replacement rate utilized for senior secured loans differs from that utilized for a CLO that holds those loans, the CLO would experience an interest rate mismatch between its assets and liabilities which could have an adverse impact on our net investment income and portfolio returns.

Many underlying corporate borrowers can elect to pay interest based on 1-month LIBOR, 3-month LIBOR and/or other rates in respect of the loans held by CLOs in which we are invested, in each case plus an applicable spread, whereas CLOs generally pay interest to holders of the CLO's debt tranches based on 3-month LIBOR plus a spread. The 3-month LIBOR currently exceeds the 1-month LIBOR by a historically high amount, which may result in many underlying corporate borrowers electing to pay interest based on 1-month LIBOR. This mismatch in the rate at which CLOs earn interest and the rate at which they pay interest on their debt tranches negatively impacts the cash flows on a CLO's equity tranche, which may in turn adversely affect our cash flows and results of operations. Unless spreads are adjusted to account for such increases, these negative impacts may worsen as the amount by which the 3-month LIBOR exceeds the 1-month LIBOR increases.

The senior secured loans underlying the CLOs in which we invest typically have floating interest rates. A rising interest rate environment may increase loan defaults, resulting in losses for the CLOs in which we invest. In addition, increasing interest rates may lead to higher prepayment rates, as corporate borrowers look to avoid escalating interest payments or refinance floating rate loans. Further, a general rise in interest rates will increase the financing costs of the CLOs. However, since many of the senior secured loans within CLOs have LIBOR floors, if LIBOR is below the average LIBOR floor, there may not be corresponding increases in investment income resulting in smaller distributions to equity investors in these CLOs.

We cannot predict how new tax legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.

Legislative or other actions relating to taxes could have a negative effect on us. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. The Biden Administration has proposed significant changes to the existing U.S. tax rules, and there are a number of proposals in Congress that would similarly modify the existing U.S. tax rules. The likelihood of any such legislation being enacted is uncertain, but new legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC or the U.S. federal income tax consequences to us and our investors of such qualification, or could have other adverse consequences. Investors are urged to consult with their tax advisor regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our common stock.

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

During the three month period ended June 30, 2021, we issued 3,273 shares of common stock to stockholders in connection with our DRIP. These issuances were not subject to the registration requirements of the Securities Act. The aggregate value of the shares of our common stock issued under our distribution reinvestment plan was approximately $32,596.

Issuer Purchases of Equity Securities

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

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

During the three months ended June 30, 2021, no shares of common stock were repurchased on the open market under the Stock Repurchase Program. The following table provides information regarding the Stock Repurchase Program (amount in thousands except shares and per share amounts):

Period	Total Number of Shares Purchased [(1)]	Cost of Shares Purchased	Average Price Paid Per Share	Maximum Number (or Appropriate Dollar Value) of Shares that May Yet Be Purchased Under the Stock Repurchase Program
May 22, 2018 through June 30, 2018	—	$ —	$ —	$ 10,000
July 1, 2018 through September 30, 2018	—	—	—	10,000
October 1, 2018 through December 31, 2018	300	3	10.29	9,997
January 1, 2019 through March 31, 2019	—	—	—	9,997
April 1, 2019 through June 30, 2019	—	—	—	9,997
July 1, 2019 through September 30, 2019	—	—	—	9,997
October 1, 2019 through December 31, 2019	—	—	—	9,997
January 1, 2020 through March 31, 2020	—	—	—	9,997
April 1, 2020 through June 30, 2020	—	—	—	9,997
July 1, 2020 through September 30, 2020	—	—	—	9,997
October 1, 2020 through December 31, 2020	—	—	—	9,997
January 1, 2021 through March 31, 2021	700	5	6.70	9,992
April 1, 2021 through June 30, 2021	—	—	—	9,992

(1) Excludes shares purchased on the open market and reissued in order to satisfy the DRIP obligation.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

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

		Incorporated by Reference		
Exhibit Number	Description	Form and SEC File No.	Filing Date with SEC	Filed with this 10-Q
3.1	Certificate of Incorporation of OFS Capital Corporation	Form N-2/A (333-166363)	March 18, 2011	
3.2	Certificate of Correction to Certificate of Incorporation of OFS Capital Corporation	Form 10-K	March 26, 2013	
3.3	Bylaws of OFS Capital Corporation	Form N-2/A (333-166363)	March 18, 2011	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended			*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended			*
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			†
32.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			†

* Filed herewith

† Furnished herewith

SIGNATURES

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

Dated: August 6, 2021	OFS CAPITAL CORPORATION	
	By:	/s/ Bilal Rashid
	Name:	Bilal Rashid
	Title:	Chief Executive Officer
	By:	/s/ Jeffrey A. Cerny
	Name:	Jeffrey A. Cerny
	Title:	Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer

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

1. I have reviewed this quarterly report on Form 10-Q of OFS Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 6th day of August, 2021.

By: /s/ Bilal Rashid

Bilal Rashid
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer

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

1. I have reviewed this quarterly report on Form 10-Q of OFS Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 6th day of August, 2021.

By: /s/ Jeffrey A. Cerny

Jeffrey A. Cerny
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. Section 1350 , as adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2021 (the “Report”) of OFS Capital Corporation (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Bilal Rashid, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

	/s/ Bilal Rashid
Name:	**Bilal Rashid**
Date:	**August 6, 2021**

Exhibit 32.2

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. Section 1350 , as adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2021 (the “Report”) of OFS Capital Corporation (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Jeffrey A. Cerny, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

	/s/ Jeffrey A. Cerny
Name:	**Jeffrey A. Cerny**
Date:	**August 6, 2021**