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As filed with the Securities and Exchange Commission on October 5, 2010

Securities Act File No. 333-166363

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

FORM N-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 ☒
Pre-Effective Amendment No. 2 ☒
Post-Effective Amendment No. ☐

OFS CAPITAL, LLC

(Exact Name of Registrant as Specified in Charter)

2850 West Golf Road, 5th Floor
Rolling Meadows, Illinois 60008
(Address of Principal Executive Offices)

(847) 734-2060
(Registrant's Telephone Number, including Area Code)

Glenn R. Pittson
2850 West Golf Road, 5th Floor
Rolling Meadows, Illinois 60008
(Name and Address of Agent for Service)

WITH COPIES TO:

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

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

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

☐ when declared effective pursuant to section 8(c)

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

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

Subject to Completion October 5, 2010

PRELIMINARY PROSPECTUS

Shares

OFS CAPITAL CORPORATION

Common Stock

We are an externally managed, closed-end, non-diversified management investment company. Prior to the completion of this offering, we will convert into OFS Capital Corporation and file an election to be treated as a business development company under the Investment Company Act of 1940, as amended. Our investment objective is to provide our stockholders with both current income and capital appreciation through debt and equity investments. As of June 30, 2010, on a pro forma basis giving effect to the OFS Capital WM Transaction and the other transactions described in this prospectus, our investment portfolio consisted of outstanding loans of approximately $7.1 million in aggregate principal amount and our equity investments in our portfolio companies (including our investment in OFS Capital WM) of $54.0 million. Following this offering, we intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. We expect that our investments will include asset classes in which our external manager has expertise, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. Initially, we expect that our senior loan investments will principally be made through on-balance sheet or off-balance sheet special purpose vehicles, such as in the OFS Capital WM Transaction.

OFS Capital Management, LLC will serve as our external manager. OFS Capital Services, LLC will serve as our administrator. These entities are subsidiaries of our parent company, Orchard First Source Asset Management, LLC, an established lender to middle-market companies since 1995 with approximately $789.0 million and $855.0 million of assets under management as of June 30, 2010 and December 31, 2009, respectively.

This is our initial public offering of our shares of common stock. All of the shares of common stock offered by this prospectus are being sold by us.

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

Investing in our common stock involves a high degree of risk. Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset values. If our shares trade at a discount to our net asset value, it will likely increase the risk of loss for purchasers in this offering. Assuming an initial public offering price of $ per share, purchasers in this offering will experience immediate dilution of approximately $ per share. See “Dilution” for more information. In addition, the companies in which we invest are subject to special risks. Before buying any shares, you should read the discussion of the material risks of investing in our common stock, including the risk of leverage, in “Risk Factors” beginning on page 23 of this prospectus.

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

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

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

(1) We estimate that we will incur offering expenses of approximately $, or approximately $ per share, in connection with this offering. All of these offering expenses will be borne indirectly by investors in this offering and will immediately reduce the net asset value of each investor’s shares. We estimate that the net proceeds to us after expenses will be approximately $, or approximately $ per share.

We have granted the underwriters an option to purchase up to an additional shares of our common stock from us at the public offering price, less the sales load payable by us, solely to cover over-allotments, if any, within 30 days from the date of this prospectus. If the underwriters exercise this option in full, the total sales load will be $, and total proceeds, before expenses, will be $.

The underwriters expect to deliver the shares of our common stock on or about , 2010.

FBR CAPITAL MARKETS

The date of this prospectus is , 2010

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

PROSPECTUS SUMMARY

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

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

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

Unless indicated otherwise or the context requires, all information in this prospectus assumes (1) no exercise of the underwriters' over-allotment option to purchase additional shares of our common stock, and (2) an initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus).

OFS Capital

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

We expect that our investments will include asset classes in which our external manager has expertise, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. More information on each of these asset classes can be found at "The Company—Structure of Investments." Initially, we expect that our senior loan investments will principally be made through on-balance sheet or off-balance sheet special purpose vehicles, such as in the OFS Capital WM Transaction described in this prospectus, while unitranche, second lien and mezzanine-loans will be made by us directly or through our proposed SBIC subsidiary as described below. We expect our investments in the equity securities of these companies, such as warrants, preferred stock, common stock and other equity interests, will

principally be made in conjunction with our debt investments, although we currently anticipate that no more than 5% of our portfolio will consist of equity investments in middle-market companies that do not pay a regular dividend.

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

Before giving effect to the Pro Forma Transactions that we describe in greater detail in our unaudited pro forma condensed combined financial statements, our loan portfolio consisted primarily of directly originated loans, club loans and broadly syndicated loan securities with a contractual 2.8-year weighted average life to maturity, approximately 85.4% of which we characterized as of June 30, 2010 as senior secured. As of June 30, 2010, before giving effect to the Pro Forma Transactions, we had commitments of approximately $226.0 million and outstanding loans of approximately $193.8 million in aggregate principal amount, representing approximately $169.3 million in fair value, plus approximately $4.6 million in fair value of other securities, with an average obligor commitment of $4.6 million. The difference between the amount of commitments and the outstanding loans is attributable to the unfunded portion of revolving loans in our portfolio. As of June 30, 2010, before giving effect to the Pro Forma Transactions, this portfolio had a weighted average yield on income producing investments at fair value of approximately 7.2%.

OFS Capital Corporate Structure

We are currently organized as a limited liability company wholly-owned by our parent, Orchard First Source Asset Management (“OFSAM”), a Delaware limited liability company. OFSAM, in turn, is owned primarily by members of our management and board of directors. Immediately prior to the completion of this offering, we intend to convert from a Delaware limited liability company into a Delaware corporation, OFS Capital Corporation, and file an election to be regulated as a business development company under the 1940 Act. In addition, for tax purposes we intend to elect to be treated as a RIC under the Code.

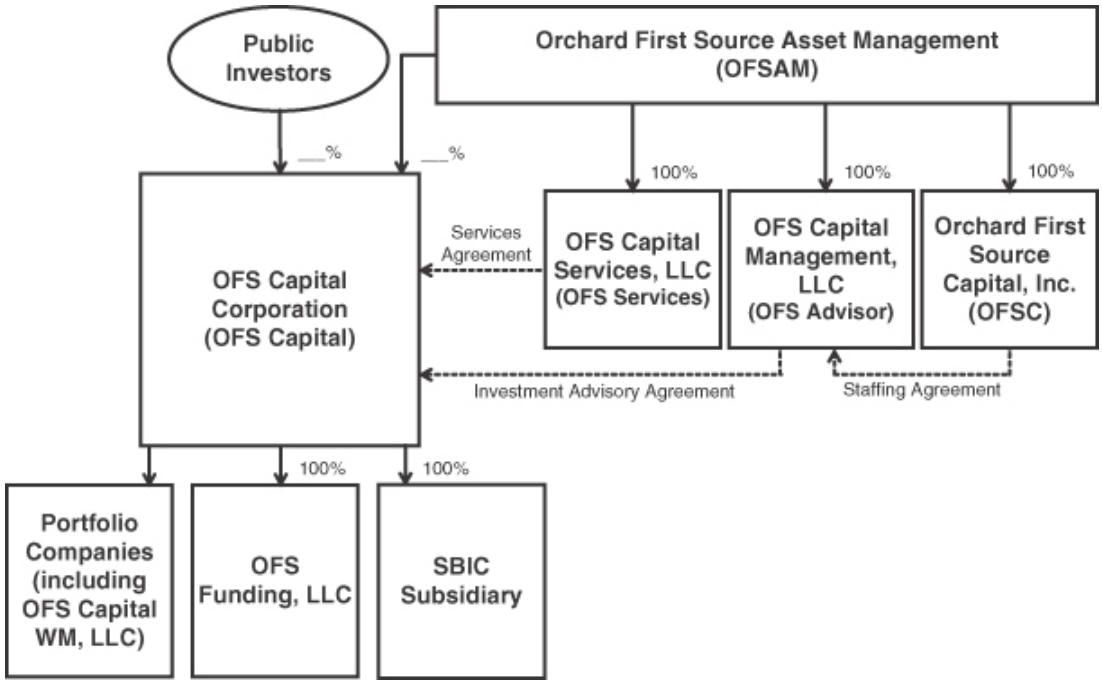
The entity that will issue and sell shares of common stock to you is OFS Capital Corporation. As a result of this offering, OFSAM’s percentage ownership of our common stock (and the indirect ownership of members of our management and board of directors) will be reduced to approximately % (or approximately % if the underwriters exercise their over-allotment option in full).

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

As of June 30, 2010, before giving effect to the Pro Forma Transactions, substantially all of our investments were held by OFS Funding, LLC (“OFS Funding”), a Delaware limited liability company and our wholly-owned subsidiary. On September 28, 2010, we sold a substantial portion of our loan portfolio to a new portfolio company, OFS Capital WM, LLC (“OFS Capital WM”), in connection with the OFS Capital WM Transaction as described in more detail elsewhere in this prospectus. Although we sold a substantial portion of our loan portfolio, we will continue to benefit from the loan assets sold to OFS Capital WM by virtue of our ownership of all of the limited liability company interests in OFS Capital WM. Our portfolio company, OFS Capital WM, is managed by a loan manager that is an affiliate of Madison Capital Funding LLC, a subsidiary of New York Life Investments (“Madison Capital”), and unaffiliated with us.

In addition, we intend to pursue a portion of our investment strategy through our SBIC subsidiary as described below.

The following chart depicts our structure after giving effect to this offering:



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

About OFS and Our Advisor

OFS (which refers to the collective activities and operations of OFSAM and its subsidiaries and certain affiliates) is an established investment platform focused on meeting the capital needs of middle-market companies. Since commencing operations in 1995, OFS (together with its predecessor) has closed approximately 1,000 transactions with aggregate commitments of approximately $7.5 billion. OFS's professionals have developed strong sourcing relationships and have expertise in investing across all levels of the capital structure of our targeted portfolio companies. OFS senior managers have gained extensive workout experience during multiple business cycles throughout the course of their careers. In addition, the senior management team has worked together to manage over 50 workouts involving debt securities in payment default or material covenant default. As of June 30, 2010 and December 31, 2009, OFS had approximately $789.0 million and $855.0 million, respectively, in face value of assets under management. OFS also draws upon the significant experience of Richard Ressler, the Chairman of OFS Advisor's investment committee. Mr. Ressler is the founder and President of Orchard Capital Corporation ("Orchard Capital"), co-founder and Principal of CIM Group, Inc., a real estate investor and manager, and Chairman of j2 Global Communications, Inc., in addition to serving on the boards of directors of various private companies. Mr. Ressler has been actively involved in managing and investing in private middle-market companies for over 20 years. He has developed an expansive network of relationships in the sponsor group and corporate arena, which we intend to leverage for loan origination and sourcing purposes.

OFS currently has 28 employees and is headquartered in Rolling Meadows, Illinois, a suburb of Chicago, with additional offices in New York, New York and Los Angeles, California.

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

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

OFS Advisor has entered into a staffing agreement with OFSC (the "Staffing Agreement"). OFSC employs all of OFS's investment professionals. Under the Staffing Agreement, OFSC will make experienced investment professionals available to OFS Advisor and provide access to the senior investment personnel of OFS and its affiliates. The Staffing Agreement provides OFS Advisor with access to deal flow generated by OFS and its affiliates in the ordinary course of their businesses and commits the members of OFS Advisor's investment committee to serve in that capacity. As our investment advisor, OFS Advisor is obligated to allocate investment opportunities among us and any other clients fairly and equitably over time in accordance with its allocation policy.

OFS Advisor intends to capitalize on the significant deal origination and sourcing, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of OFS's professionals. We currently expect that the senior management team of OFS, including Richard Ressler, Glenn Pittson, Bilal Rashid, Jeff Cerny, Kathi Inorio and Bob Palmer, will provide services to OFS Advisor. These managers have developed a broad network of contacts within the investment community averaging over 19 years of experience investing in debt and equity securities of middle-market companies. In addition, these managers have gained extensive experience investing in assets that will constitute our primary focus and have expertise in investing across all levels of the capital structure of middle-market companies.

In addition to their roles with OFS Advisor, Glenn Pittson and Bilal Rashid will serve as our interested directors. Mr. Pittson has over 25 years of experience in corporate finance, senior and mezzanine lending, structured finance, loan workouts and loan portfolio management, having spent the majority of his career at various capacities in CIBC World Markets Inc. ("CIBC"), including as head of U.S. Credit Markets, where he was central to the development and execution of a fundamental restructuring of CIBC's loan origination activities. During the mid-1980's, Mr. Pittson was instrumental in establishing CIBC's leveraged lending business. Mr. Rashid has approximately 15 years of experience in investment banking, debt capital markets and investing as it relates to corporate credit, structured credit and securitizations, including serving as a managing

director in the global markets and investment banking division at Merrill Lynch & Co., Inc. ("Merrill Lynch"). Over his career, Mr. Rashid has advised, arranged financing for and lent to several middle-market credit providers, including business development companies and their affiliates.

Among other members of OFS' senior management team, Jeff Cerny is experienced in credit evaluation, credit monitoring, troubled credit and loan administration, and negotiation and structuring of structured funding vehicles, having previously held positions at Sanwa Business Credit Corporation, American National Bank and Trust Company of Chicago and Charter Bank Group, a multi-bank holding company. Kathi Inorio's focus is on origination and underwriting, drawing on her experience as a vice president in the corporate finance group at Heller Financial, Inc., where she was responsible for portfolio management of middle-market senior cash flow loans. Bob Palmer, head of OFS's portfolio management and loan recovery group, has 26 years of experience in loan underwriting, distressed debt resolution and credit administration, including 16 years at First Maryland Bancorp (now M&T Bank) and NationsBank Corp. (now Bank of America).

Certain Steps to Facilitate our Strategy

On December 31, 2009, we distributed to OFSAM assets and operations that we determined were inconsistent with our strategy. For additional information, see the discussion of the 2009 Reorganization under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments and Other Factors Affecting Comparability." Since December 31, 2009, we have undertaken or determined to undertake certain additional steps to further our strategy, as described below, which are included in the Pro Forma Transactions that we describe in greater detail in our unaudited pro forma condensed combined financial statements. For more information on the Pro Forma Transactions, see "Unaudited Pro Forma Condensed Combined Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments and Other Factors Affecting Comparability."

OFS Capital WM Transaction and OFSAM Cash Contribution

We have established an entity that will be one of our portfolio companies upon consummation of the BDC Conversion and will acquire, manage and finance senior secured loan investments to middle-market companies in the United States. This entity, OFS Capital WM, is a newly formed Delaware limited liability company and our wholly-owned subsidiary. To finance its business, on September 28, 2010 (the "OFS Capital WM Closing"), OFS Capital WM entered into a new $180 million secured revolving credit facility (the "WM Credit Facility") with Wells Fargo Bank, N.A. ("Wells Fargo") and Madison Capital. The WM Credit Facility is secured by the eligible loan assets or participations therein acquired by OFS Capital WM from us at the OFS Capital WM Closing and eligible loan assets thereafter acquired by OFS Capital WM from us or other sources during its reinvestment period. Subject to limited exceptions, our sale of eligible loan assets or participations therein to OFS Capital WM is without recourse to us, and we will have no liability for the debts or other obligations of OFS Capital WM.

At the OFS Capital WM Closing, we sold approximately $96.9 million of loans or participations therein, transferred to us by OFS Funding, to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and cash in the amount of $36.2 million (the "OFS Capital WM Cash Consideration"). We transferred the OFS Capital WM Cash Consideration to OFS Funding, and OFS Funding used the OFS Capital WM Cash Consideration to repay a substantial portion of the outstanding loan balance under OFS Funding's credit facility with Bank of America (the "Old Credit Facility"). We refer to these transactions collectively as the "OFS Capital WM Transaction." Simultaneously with the OFS Capital WM Closing, OFSAM made an additional capital contribution to us in the amount of $19.5 million (the "OFSAM Cash Contribution"), which we transferred to OFS Funding, and which OFS Funding used, together with cash on hand, to pay off the remaining balance under the Old Credit Facility in full. The balance under the Old Credit Facility had already been reduced prior to September 28, 2010 by OFS Funding's application of net proceeds from the sale of three loans to pay down a portion thereof.

Upon consummation of the BDC Conversion, OFS Capital WM will be one of our eligible portfolio companies, the assets of which are managed by an affiliate of Madison Capital, as loan manager, subject in certain circumstances to our consent, as administrative manager of OFS Capital WM. Accordingly, we will not consolidate OFS Capital WM in our financial statements in accordance with Article 6 of Regulation S-X under the Securities Act of 1933, as amended (the "Securities Act"). Instead, our equity investment in OFS Capital WM will be reflected on our balance sheet. In addition, we will exclude OFS Capital WM's debt from our 200% asset coverage test under the 1940 Act. We expect that OFS Capital WM will be able to increase the rate of return on the senior secured assets sold to it as a result of the more favorable financing terms under the WM Credit Facility, as compared to the Old Credit Facility. We will continue to benefit from the loan assets sold to OFS Capital WM by virtue of our ownership of 100% of the equity interests in OFS Capital WM, as well as from increased management capacity at OFS Advisor resulting from the appointment of an unaffiliated loan manager for OFS Capital WM. In addition, the management fee payable to OFS Advisor will be reduced because we will pay that fee on the value of our equity investment in OFS Capital WM (which value takes into account the indebtedness of OFS Capital WM), as opposed to the value of the individual assets sold to OFS Capital WM (which would not reflect any indebtedness). We expect that, over the life of the WM Credit Facility, based on the cost of capital and the yield on the underlying assets, we will have positive cash flow on a quarterly basis from our investment in OFS Capital WM. In addition, we believe that our newly established relationship with Madison Capital will significantly expand the investment opportunities available to us.

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

2010 Distribution

In addition, concurrently with the OFS Capital WM Transaction, OFS Funding distributed to us and we in turn distributed to OFSAM approximately $67.2 million of loans or participations therein and, prior to the completion of this offering, we expect that OFS Funding will distribute to us and we in turn will distribute to OFSAM approximately $1.3 million of equity investments. We determined to make these distributions to eliminate potential conflicts of interest that might arise due to the fact that we and an affiliated fund both had or currently have investments in these portfolio companies. For additional information, see the discussion of the 2010 Distribution under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments and Other Factors Affecting Comparability."

Small Business Investment Company Subsidiary

To further facilitate our investments in the debt and equity securities of middle-market companies in the United States, we have established a limited partnership ("SBIC LP" or "SBIC subsidiary"), and have received preliminary authorization from the United States Small Business Administration (the "SBA") in the form of a "Green Light" letter, dated October 7, 2009 to begin the application process to become licensed as a Small Business Investment Company ("SBIC"). SBIC LP is our wholly-owned subsidiary. OFSC has employed three individuals who will be primarily responsible for the day-to-day management of the investment activities of our SBIC subsidiary, all of the cost of which will be borne by OFS Advisor through the Staffing Agreement. Additionally, we have amended our initial Management Assessment Questionnaire filed with the SBA to include Mr. Pittson as a member of our SBIC subsidiary's investment committee. We also own all the limited liability company interests in a newly formed limited liability company that will serve as the general partner of SBIC LP ("SBIC GP").

If our SBIC subsidiary obtains an SBIC license and satisfies certain other conditions, it is our intention to invest over time up to $225 million through our SBIC subsidiary, which includes borrowings by our SBIC subsidiary of up to a maximum of $150 million by issuing SBA-guaranteed debentures to make debt and equity investments in eligible small businesses in the United States. We expect that our SBIC subsidiary will have the same investment objective as ours and that our SBIC subsidiary will invest in debt securities similar to those we invest in; however, we expect that

our SBIC subsidiary will focus on the generation of investment opportunities that are primarily non-sponsor oriented, complementing our current sponsor-oriented origination activities. We expect to apply for exemptive relief from the Securities and Exchange Commission ("SEC") to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from our 200% asset coverage test under the 1940 Act. If we receive an exemption for this SBA debt, we would have increased capacity to fund investments with debt capital. Notwithstanding that OFSC has employed the three individuals who will manage the investment activities of our SBIC subsidiary, we cannot assure you that Mr. Pittson will be approved by the SBA to be a member of our SBIC subsidiary's investment committee, that our SBIC subsidiary will obtain an SBIC license, that our SBIC subsidiary will receive the capital commitment from the SBA necessary to begin issuing SBA-guaranteed debentures, or that we will be granted exemptive relief to exclude our SBIC subsidiary's debt from our asset coverage test. For additional information on our SBIC subsidiary, see "The Company—Small Business Investment Company."

Market Opportunity

As of June 30, 2010, before giving effect to the Pro Forma Transactions, our investment portfolio consisted of outstanding loans of approximately $193.8 million in aggregate principal amount and we had debt of $75.5 million aggregate principal amount outstanding. After giving effect to the Pro Forma Transactions, as of June 30, 2010, our investment portfolio would have consisted of outstanding loans of approximately $7.1 million in aggregate principal amount and our equity investments in our portfolio companies (including our investment in OFS Capital WM) of $54.0 million and we would have had no debt outstanding. Following this offering, we intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. We expect that our investments will include asset classes in which our external manager has expertise, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. Initially, we expect that our senior loan investments will principally be made through on-balance sheet or off-balance sheet special purpose vehicles, such as in the OFS Capital WM Transaction, while our unitranche, second lien and mezzanine-loans will be made by us directly or through our proposed SBIC subsidiary. We expect our investments in the equity securities of these companies, such as warrants, preferred stock, common stock and other equity interests, will principally be made in conjunction with our debt investments, although we currently anticipate that no more than 5% of our portfolio will consist of equity investments in middle-market companies that do not pay a regular dividend. We believe that the economic recession and the recent dislocation in U.S. credit markets have provided excellent conditions for middle-market lending.

We find the middle-market attractive for the following reasons:

Large Target Market. According to the U.S. Census Bureau in its 2002 economic census, businesses in the United States with annual revenues between $10 million and $2.5 billion accounted for approximately 39.2% of all revenues generated by U.S. companies and generated more than $8 trillion in annual revenues. We believe that these middle-market companies represent a significant growth segment of the U.S. economy and often require substantial capital investments to grow. Middle-market companies have historically constituted the vast bulk of OFS's portfolio companies since its inception, and constituted the vast bulk of our portfolio as of June 30, 2010. We believe that this market segment will continue to produce significant investment opportunities for us.

Specialized Lending Requirements with High Barriers to Entry. We believe that several factors render many U.S. financial institutions ill-suited to lend to U.S. middle-market companies. For example, based on the experience of our management team, lending to private middle-market companies in the United States (1) is generally more labor-intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of information for such companies, (2) requires due diligence and underwriting practices consistent with the demands and economic limitations of the middle-market and (3) may also require more

extensive ongoing monitoring by the lender. As a result, middle-market companies historically have been served by a limited segment of the lending community. As a result of the unique challenges facing lenders to middle-market companies, there are high barriers to entry that a new lender must overcome.

Reduction in Competition Due to Dislocation in the Capital Markets. We believe that the dislocation in the markets over the last 18 to 24 months has further reduced the amount of credit available to middle-market companies. Many participants in the mezzanine, second-lien and subordinated debt market over the past five years, such as hedge funds and managers of collateralized loan obligations ("CLOs"), have contracted or eliminated their origination and sourcing activities as investors' credit concerns have reduced available funding. In addition, we believe several existing business development companies are less active in the lending markets due to a lack of access to debt and equity financing. Moreover, many commercial banks face significant balance sheet constraints and increasing regulatory scrutiny, which we believe restricts their ability to lend. These balance sheet constraints are reflected in the results of the 2009 Shared National Credit review, which analyzed approximately $500 billion in loans formally identified as leveraged finance shared national credits. The 2009 Shared National Credit Review identified approximately 72% of the dollar volume of the 50 largest leveraged finance shared national credits as criticized assets.

Significant Refinancing Requirements. We believe that the debt associated with a large number of middle-market leveraged mergers and acquisitions completed from 2005 to 2008, which totals approximately $97.7 billion in the aggregate, should begin to mature in the 2010-2013 time period. In many cases, this debt will need to be refinanced as the existing debt facilities mature. When combined with the decreased availability of debt financing for middle-market companies generally, we believe these factors will increase lending opportunities for us.

Robust Demand for Debt Capital. Private equity firms reportedly raised more than $600 billion in each of 2007 and 2008, which we believe to be far in excess of the amount of equity they subsequently invested from this capital raised. We expect the large amount of unfunded buyout commitments will drive demand for leveraged buyouts over the next several years, which should, in turn, create leveraged lending opportunities for us.

Attractive Pricing. Reduced access to, and availability of, debt capital for our targeted middle-market borrowers typically increases the interest rates, or pricing, of loans. We believe that interest rates charged on mezzanine credit facilities were at or above 15% per annum in many instances in 2009, versus average rates of approximately 14% in 2006 and 2007. Based on what OFS has observed, recent mezzanine deals typically have included meaningful upfront fees, prepayment protections and, in many cases, warrants, all of which should enhance the profitability of new loans to lenders.

Conservative Deal Structures. As a result of the recent credit crisis, many lenders are requiring less senior and total leverage, more equity and more comprehensive loan covenants than was customary in the years leading up to the credit crisis. Lower debt multiples on purchase prices suggest that the cash flow of borrowing companies should enable them to service their debt more easily, creating a greater buffer against a downturn. According to industry sources, leverage (defined as total debt to EBITDA) of middle-market companies has been at an historically low average level of approximately 3.4x for the five quarters ended March 31, 2010. Since 1997, the previous lowest average leverage level was approximately 3.6x in 2001, while the previous highest average leverage level was approximately 4.8x in both 1997 and 2007.

Competitive Strengths and Core Competencies

Deep Management Team Experienced in All Phases of Investment Cycle and Across All Levels of the Capital Structure. We will be managed by OFS Advisor, which will have access through the Staffing Agreement with OFSC to the resources and expertise of OFS investment professionals. As of June 30, 2010, OFS's credit and investment professionals (including all investment committee members but not including the recently hired

SBIC subsidiary management personnel) employed by OFSC had an average of over 15 years of investment experience with strong institutional backgrounds, including General Electric Capital Corporation, Bank of America Business Credit, Merrill Lynch, Heller Financial, Inc., NationsBank Corp., Sanwa Business Credit Corporation, Canadian Imperial Bank of Commerce and Drexel Burnham Lambert, Inc., Moreover, OFS's investment professionals specialize in the acquisition, origination and sourcing, underwriting and asset management of our specific targeted class of portfolio companies and have experience in investing at all levels of the capital structure. OFS's senior managers have gained extensive workout experience during multiple business cycles. Recently, this staff of investment professionals has been augmented and diversified by the addition of the three individuals who will be primarily responsible for the day-to-day management of the investment activities of our SBIC subsidiary. OFS's credit and investment professionals, including the SBIC subsidiary management personnel, are supported by additional administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management. The expertise of OFS's senior managers extends beyond just loan origination and sourcing to significant experience with distressed debt and workouts. OFS also draws upon the significant experience of Richard Ressler, the Chairman of the executive committee of OFSAM and the Chairman of OFS Advisor's investment committee. Mr. Ressler is the founder and President of Orchard Capital, co-founder and Principal of CIM Group, Inc., a real estate investor and manager, and Chairman of j2 Global Communications, Inc., in addition to serving on the boards of directors of various private companies. Mr. Ressler has been actively involved in managing and investing in private middle-market companies for over 20 years. He has developed an expansive network of relationships in the sponsor group and corporate arena, which we intend to leverage for loan origination and sourcing purposes.

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

Significant Investment Capacity. Income from our investments, together with the net proceeds of this offering and any new debt we may incur, will provide us with a substantial amount of capital available for deployment into new investment opportunities in our targeted asset class. Additionally, we have submitted an application to the SBA to obtain a license for an SBIC subsidiary and have received preliminary approval from the SBA. Upon receipt of the SBIC license, we will be able to borrow additional funds through our SBIC subsidiary and take advantage of additional investment opportunities to meet our investment objectives.

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

Our platform extends beyond origination and sourcing and includes a regimented credit monitoring system. We believe that our careful approach, which involves ongoing review and analysis by an experienced team of professionals, should enable us to identify problems early and to assist borrowers before they face difficult

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

Extensive Loan Sourcing Capabilities. OFS Advisor gives us access to the deal flow of OFS. We believe OFS's 15-year history as a middle-market lending platform and its market position makes it a leading lender to many sponsors and other deal sources, especially in the currently weak lending environment, and we have extensive relationships with potential borrowers and other lenders. Since its inception, OFS (together with its predecessor) has closed approximately 1,000 transactions with aggregate commitments of approximately $7.5 billion. We believe that because of its relationships and its reputation in the marketplace as a source of debt capital to the middle-market, OFS receives relationship-based "early looks" at many investment opportunities, allowing it to be selective in the transactions it pursues. Finally, we believe that the addition by OFSC to its staff of investment professionals of the three individuals who will be primarily responsible for the day-to-day management of the investment activities of our SBIC subsidiary, as well as the newly established relationship with the lenders to OFS Capital WM, will significantly expand the investment opportunities available to us.

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

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

Operating and Regulatory Structure

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

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

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

Also, as a business development company, we will generally be prohibited from acquiring assets other than “qualifying assets” unless, after giving effect to any acquisition, at least 70% of our total assets are qualifying assets. Qualifying assets generally include securities of “eligible portfolio companies,” cash, cash equivalents, U.S. government securities and high-quality debt instruments maturing in one year or less from the time of investment. Under the rules of the 1940 Act, “eligible portfolio companies” include (1) private domestic operating companies, (2) public domestic operating companies whose securities are not listed on a national securities exchange (*e.g.*, the New York Stock Exchange, NYSE Amex Equities and The Nasdaq Global Market) or registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and (3) public domestic operating companies having a market capitalization of less than $250 million. Public domestic operating companies whose securities are quoted on the over-the-counter bulletin board and through Pink OTC Markets, Inc. are not listed on a national securities exchange and therefore are eligible portfolio companies. See “Regulation.”

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

In addition, if our SBIC subsidiary receives an SBIC license, it will be subject to regulation and oversight by the SBA. See “Regulation—Small Business Investment Company Regulations” and “Risk Factors—Our SBIC subsidiary, if it is granted an SBIC license, will be subject to SBA regulations.” The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies and prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. SBA regulations currently limit the amount that an SBIC may borrow to up to a maximum of $150 million when it has at least $75 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. For two or more SBICs under common control, the maximum amount of outstanding SBA-provided leverage cannot exceed $225 million. Further, the SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a “change of control” or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. In addition, our SBIC subsidiary may also be limited in its ability to make distributions to us if it does not have sufficient capital, in accordance with SBA regulations. Receipt of an SBIC license does not assure that our SBIC subsidiary will receive SBA-guaranteed debenture funding, and such funding is dependent upon our SBIC subsidiary’s continuing to be in compliance with SBA regulations and policies.

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

Conflicts of Interests

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

investment objective, policies and strategies and other relevant factors. Such offers will be subject to the exception that, in accordance with OFS Advisor's conflict of interest and allocation policies, we might not participate in each individual opportunity but will, on an overall basis, be entitled to participate equitably with other entities managed by OFS Advisor and its affiliates. Although OFS Advisor currently contemplates that we will be the only investment vehicle managed by it or one of its affiliates with an investment strategy focused in substantial part on investments in unitranche, second-lien and mezzanine loans to middle-market companies in the United States, we may in the future have conflicts of interest with OFSAM and its affiliates or their respective other clients that elect to invest in one or more of these types of securities.

Although we are currently the only entity managed by OFS Advisor, affiliates of OFS Advisor manage other assets and a CLO fund and OFS Advisor and/or its affiliates may manage other entities in the future. To the extent that we compete with entities managed by OFS Advisor or any of its affiliates for a particular investment opportunity, OFS Advisor will allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (1) its internal conflict of interest and allocation policies, (2) the requirements of the Advisers Act, and (3) certain restrictions under the 1940 Act and rules thereunder regarding co-investments with affiliates. OFS Advisor's allocation policies are intended to ensure that we may generally share equitably with other investment funds or other investment vehicles managed by OFS Advisor or its affiliates in investment opportunities, particularly those involving a security with limited supply or involving differing classes of securities of the same issuer which may be suitable for us and such other investment funds or other investment vehicles.

OFS Advisor and/or its affiliates may in the future manage investment vehicles with similar or overlapping investment strategies and will put in place a conflict-resolution policy that addresses the co-investment restrictions set forth under the 1940 Act. OFS Advisor will seek to ensure the equitable allocation of investment opportunities when we are able to invest alongside other accounts managed by OFS Advisor and its affiliates. When we invest alongside such other accounts as permitted, such investments will be made consistent with OFS Advisor's allocation policy. Under this allocation policy, a fixed percentage of each opportunity, which may vary based on asset class and from time to time, will be offered to us and similar eligible accounts, as periodically determined by OFS Advisor and approved by our board of directors, including our independent directors. The allocation policy will provide that allocations among us and other accounts will generally be made pro rata based on each account's capital available for investment, as determined, in our case, by our board of directors, including our independent directors. It is our policy to base our determinations as to the amount of capital available for investment on such factors as the amount of cash on hand, existing commitments and reserves, if any, the targeted leverage level, the targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors, or imposed by applicable laws, rules, regulations or interpretations. We expect that these determinations will be made similarly for other accounts. In situations where co-investment with other entities managed by OFS Advisor or its affiliates is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer, OFS Advisor will need to decide whether we or such other entity or entities will proceed with the investment. OFS Advisor will make these determinations based on its policies and procedures which will generally require that such opportunities be offered to eligible accounts on a basis that will be fair and equitable over time, including, for example, through random or rotational methods. We and OFS Advisor intend to submit an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other funds managed by OFS Advisor or its affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors. We cannot assure you that this application for exemptive relief will be granted by the SEC, or that, if granted, it would be on the same terms requested by us. See "Related-Party Transactions and Certain Relationships."

Corporate Information

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

THE OFFERING SUMMARY

Common Stock Offered by Us	shares (or shares if the underwriters exercise their over-allotment option in full).
Common Stock to be Outstanding after this Offering	shares (or shares if the underwriters exercise their over-allotment option in full).
Use of Proceeds	Our net proceeds from this offering will be approximately $, or approximately $ if the underwriters exercise their over-allotment option in full, in each case assuming an initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus). We intend to use the net proceeds of this offering to invest in portfolio companies in accordance with our investment objective and the strategies described in this prospectus and for general corporate purposes. We will also pay operating expenses, including management and administrative fees, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of this offering. We intend to use substantially all of the net proceeds of this offering for the above purposes within six months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. Pending such investments, we intend to invest the net proceeds of this offering primarily in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. These temporary investments may have lower yields than our other investments and, accordingly, may result in lower distributions, if any, during such period. See “Use of Proceeds.”
Proposed Symbol on The Nasdaq Global Market	OFS
Distributions	Subsequent to the completion of this offering, and to the extent we have income and cash available, we intend to distribute quarterly dividends to our stockholders, beginning with the first full calendar quarter after the completion of this offering. Our quarterly dividends, if any, will be determined by our board of directors. Any dividends to our stockholders will be declared out of assets legally available for distribution.
Taxation	We intend to elect to be treated, and intend to qualify thereafter, as a RIC under the Code, beginning with our first taxable year ending December 31, 2010. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on any net ordinary income or capital gains that we distribute to our stockholders. To obtain and

	maintain RIC tax treatment, we must distribute at least 90% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. See “Distributions” and “Material U.S. Federal Income Tax Considerations.”
Leverage	As a business development company, we are permitted under the 1940 Act to borrow funds to finance a portion of our investments. As a result, we may be exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings, also known as leverage, increase the potential for gain and loss on amounts invested and therefore increase the risks associated with investing in our securities. With certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such borrowing. Debt of our proposed SBIC subsidiary and our unconsolidated subsidiaries will be excluded from our 200% asset coverage test under the 1940 Act. In addition, the costs associated with our borrowings, including any increase in the management fee payable to OFS Advisor, will be borne by our stockholders. As of June 30, 2010, our subsidiary, OFS Funding, had $75.5 million aggregate principal amount of indebtedness outstanding under the Old Credit Facility. This balance was subsequently reduced due to OFS Funding’s application of net proceeds from the sale of three loans to pay down a portion thereof. On September 28, 2010, OFS Funding repaid the remaining balance under the Old Credit Facility in the aggregate principal amount of $56.1 million, plus accrued and unpaid interest, in full and terminated the Old Credit Facility in connection with the OFS Capital WM Transaction and OFSAM Cash Contribution. We do not anticipate that we or our consolidated subsidiaries will have any meaningful indebtedness outstanding at the closing of this offering. However, under the WM Credit Facility, our unconsolidated subsidiary and portfolio company, OFS Capital WM, had debt in the amount of $49.9 million outstanding as of September 28, 2010.
Dividend Reinvestment Plan	We have adopted a dividend reinvestment plan for our stockholders, which is an “opt out” dividend reinvestment plan. Under this plan, if we declare a cash dividend or other distribution, our stockholders who have not opted out of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution. If a stockholder opts out, that stockholder will receive cash dividends or other distributions. Stockholders who receive dividends and other distributions in the form of shares of common stock generally are subject to the same U.S. federal tax consequences as stockholders who elect to receive their distributions in cash; however, since their cash dividends will be reinvested, such stockholders will not receive cash with which to pay any applicable taxes on reinvested dividends. See “Dividend Reinvestment Plan.”

Investment Advisory Fees	We pay OFS Advisor a fee for its services under the Investment Advisory Agreement consisting of two components—a base management fee and an incentive fee. The base management fee is calculated at an annual rate of % of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts). The incentive fee consists of two parts. The first part is calculated and payable quarterly in arrears and equals % of our "pre-incentive fee net investment income" for the immediately preceding quarter, subject to a preferred return, or "hurdle," and a "catch up" feature. The foregoing incentive fee is subject to a cumulative total return requirement, which provides that no incentive fee in respect of our pre-incentive fee net investment income will be payable except to the extent that % of the cumulative net increase in net assets resulting from operations over the then current and preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the preceding calendar quarters. For the foregoing purpose, the "cumulative net increase in net assets resulting from operations" is the sum of our pre-incentive fee net investment income, base management fees, realized gains, realized losses and unrealized capital depreciation for the then current and preceding calendar quarters. In addition, the portion of such incentive fee that is attributable to deferred interest (sometimes referred to as payment-in-kind ("PIK") interest or original issue discount ("OID")) will be paid to OFS Advisor, together with interest thereon from the date of deferral to the date of payment, only if and to the extent we actually receive such interest in cash, and any accrual thereof will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. The second part is determined and payable in arrears as of the end of each calendar year in an amount equal to % of our realized capital gains, if any, on a cumulative basis from inception through the end of the year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. See "Management and Other Agreements—Investment Advisory Agreement."
Administration Agreement	We will reimburse OFS Services under an administration agreement (the "Administration Agreement") for our allocable portion (subject to the review and approval of our board of directors) of overhead and other expenses, including furnishing us with office facilities and equipment and providing clerical, bookkeeping, record-keeping, necessary software licences and subscriptions and other administrative services at such facilities. To the extent that OFS Services outsources any of its functions, we will pay the fees associated with such functions on a direct basis without incremental profit to OFS Services. See "Management and Other Agreements—Administration Agreement."

License Arrangements	We have entered into a license agreement with OFSAM, under which OFSAM has agreed to grant us a non-exclusive, royalty-free license to use the name "OFS." For a description of the license agreement, see "Management and Other Agreements—License Agreement."
Risk Factors	An investment in our common stock is subject to risks. See "Risk Factors" beginning on page 22 of this prospectus to read about factors you should consider before deciding to invest in shares of our common stock.
Trading	Shares of closed-end investment companies, including business development companies, frequently trade at a discount to their net asset value. We are not generally able to issue and sell our common stock at a price below our net asset value per share unless we have stockholder approval. The risk that our shares may trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our shares will trade above, at or below net asset value. See "Risk Factors."
Custodian and Transfer Agent	will serve as our custodian, and will serve as our transfer and dividend paying agent and registrar. See "Custodian, Transfer and Dividend Paying Agent and Registrar."
Available Information	We have filed with the SEC a registration statement on Form N-2, of which this prospectus is a part, under the Securities Act. This registration statement contains additional information about us and the shares of our common stock being offered by this prospectus. After the completion of this offering, we will be required to file periodic reports, current reports, proxy statements and other information with the SEC. This information will be available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549 and on the SEC's website at http://www.sec.gov. Information on the operation of the SEC's public reference room may be obtained by calling the SEC at 1-202-551-8090. We maintain a website at and intend to make all of our periodic and current reports, proxy statements and other information available, free of charge, on or through our website. Information on our website is not incorporated into or part of this prospectus. You may also obtain such information free of charge by contacting us in writing at 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008, Attention: Investor Relations.

FEES AND EXPENSES

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

Stockholder transaction expenses:		
Sales load (as a percentage of offering price)	%	(1)
Offering expenses (as a percentage of offering price)	%	(2)
Dividend reinvestment plan expenses	None	(3)
Total stockholder transaction expenses (as a percentage of offering price)	%	
Annual expenses (as a percentage of net assets attributable to common stock):		
Base management fee	%	(4)
Incentive fees payable under Investment Advisory Agreement	%	(5)
Interest payments on borrowed funds	%	(6)
Other expenses	%	(7)(8)
Total annual expenses	%	(8)(9)

(1) The sales load (underwriting discount and commission) with respect to the shares of our common stock sold in this offering, which is a one-time fee paid to the underwriters, is the only sales load paid in connection with this offering.

(2) Amount reflects estimated offering expenses of approximately $.

(3) The expenses of the dividend reinvestment plan are included in "other expenses."

(4) Our management fee will be % of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts). For the purposes of this table, we have assumed that the management fee will remain at % as set forth in the Investment Advisory Agreement. We may from time to time decide it is appropriate to change the terms of the agreement. Under the 1940 Act, any material change to our Investment Advisory Agreement must be submitted to stockholders for approval. The % reflected in the table is calculated on our net assets (rather than our total assets). See "Management and Other Agreements—Investment Advisory Agreement."

(5) The incentive fee consists of two parts:

The first, payable quarterly in arrears, equals % of our pre-incentive fee net investment income (including income that is accrued but not yet received in cash), subject to a % quarterly (% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, OFS Advisor receives no incentive fee until our net investment income equals the hurdle rate of % but then receives, as a "catch-up," 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than %. The effect of this provision is that, if pre-incentive fee net investment income exceeds % in any calendar quarter, OFS Advisor will receive % of our pre-incentive fee net investment income as if a hurdle rate did not apply. The foregoing incentive fee is subject to a cumulative total return requirement, which provides that no incentive fee in respect of our pre-incentive fee net investment income will be payable except to the extent % of the cumulative net increase in net assets resulting from operations over the then current and preceding calendar quarters exceeds the cumulative incentive fees accrued and/or paid for the preceding calendar quarters. For the foregoing purpose, the "cumulative net increase in net assets resulting from operations" is the sum of our pre-incentive fee net investment income, base management fees, realized gains, realized losses and unrealized capital depreciation for the then current and preceding calendar quarters.

The hurdle rate is fixed at %, which means that, if interest rates rise, it will be easier for our net investment income to surpass the hurdle rate, which could lead to the payment of fees to OFS Advisor in an amount greater than expected. In addition, the portion of such incentive fee that is attributable to deferred interest (such as PIK interest or OID) will be paid to OFS Advisor, together with interest thereon from the date of deferral to the date of payment, only if and to the extent we actually receive such interest in cash, and any accrual thereof will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. There is no accumulation of amounts on the hurdle rate from quarter to quarter and accordingly there is no clawback of amounts previously paid if subsequent quarters are below the quarterly hurdle rate and there is no delay of payment if prior quarters are below the quarterly hurdle rate.

The second part, payable annually in arrears, equals % of our realized capital gains on a cumulative basis from inception through the end of the year, if any (or upon the termination of the Investment Advisory Agreement, as of the termination date), computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees.

See "Management and Other Agreements—Investment Advisory Agreement."

(6) As of June 30, 2010, OFS Funding had $75.5 million aggregate principal amount of indebtedness outstanding under the Old Credit Facility. This balance was subsequently reduced due to OFS Funding's application of net proceeds from the sale of three loans to pay down a portion thereof. On September 28, 2010, OFS Funding repaid the remaining balance under the Old Credit Facility in the aggregate principal amount of $56.1 million, plus accrued and unpaid interest, in full and terminated the Old Credit Facility in connection with the OFS Capital WM Transaction and OFSAM Cash Contribution. We do not anticipate that we or our consolidated subsidiaries will have any meaningful indebtedness outstanding at the closing of the offering. However, under the WM Credit Facility, our unconsolidated subsidiary and portfolio company, OFS Capital WM, had debt in the amount of $49.9 million outstanding as of September 28, 2010.

We do not plan to incur significant leverage, or to pay significant interest in respect thereof, until after most of the proceeds of this offering are invested in accordance with our investment objective and do not intend to incur leverage during our first year of operations in excess of % of our average total assets after giving effect to such leverage. The table assumes: (a) that we borrow for investment purposes up to an amount equal to % of our pro forma average total assets (average borrowing of $ million out of pro forma average total assets of $ million) and (b) that the interest expense, the unused fee and the one-year portion of the aggregate structuring fee is $ million. Our stockholders will bear directly or indirectly the costs of borrowings under any debt instruments we may enter into.

(7) Includes estimated organizational expenses of $ (which are non-recurring) and our overhead expenses, including payments under the Administration Agreement based on our allocable portion of overhead and other expenses incurred by OFS Services. See "Management and Other Agreements—Administration Agreement." "Other expenses" are based on estimated amounts for the current fiscal year.

(8) Estimated.

(9) "Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We intend to borrow money to leverage our net assets and increase our total assets. The SEC requires that the "total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period), rather than the total assets, including assets that have been purchased with borrowed amounts. If the "total annual expenses" percentage were calculated instead as a percentage of consolidated total assets, our "total annual expenses" would be % of consolidated total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage and that our annual operating expenses would remain at the levels set forth in the table above. Transaction expenses are not included in the following example.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return(1)	$	$	$	$

(1) The above illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation. The expenses you would pay, based on a $1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, $; 3 years, $; 5 years, $; and 10 years, $.

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

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

GLOSSARY OF CERTAIN TERMS

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

- "2010 Distribution" refers to our distribution to OFSAM concurrently with the OFS Capital WM Transaction of a substantial portion of our remaining loan portfolio and our expected distribution to OFSAM prior to the completion of this offering of certain of our equity investments due to the fact that we and an affiliated fund both had or currently have investments in these portfolio companies;
- "BDC Conversion" refers to our conversion from a Delaware limited liability company into a Delaware corporation, OFS Capital Corporation, together with our elections to be treated as a business development company under the 1940 Act and a RIC under the Code;
- "Management" refers, collectively, to our directors and officers and to the officers of OFS Advisor and OFSC;
- "OFS" refers, collectively, to the activities and operations of OFSAM and its subsidiaries and certain affiliates;
- "OFS Advisor" refers to OFS Capital Management, LLC, a Delaware limited liability company and wholly-owned subsidiary of OFSAM, and our investment adviser;
- "OFS Capital," "we," "us," "our" and the "Registrant" refer to OFS Capital, LLC, a Delaware limited liability company and direct wholly-owned subsidiary of OFSAM, and its consolidated subsidiaries for the periods prior to consummation of the BDC Conversion, and refer to OFS Capital Corporation, a Delaware corporation, and its consolidated subsidiaries for the periods after the consummation of the BDC Conversion;
- "OFS Capital WM" refers to OFS Capital WM, LLC, a Delaware limited liability company and our newly formed, wholly-owned but unconsolidated subsidiary and portfolio company;
- "OFS Capital WM Cash Consideration" refers to the cash received by us from OFS Capital WM in the OFS Capital WM Transaction, which we transferred to OFS Funding, and which OFS Funding used to repay a substantial portion of the outstanding balance under the Old Credit Facility.
- "OFS Capital WM Transaction" refers to the sale of a substantial portion of our loan portfolio to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration in connection with OFS Capital WM's entry into the WM Credit Facility;
- "OFS Funding" refers to OFS Funding, LLC, a Delaware limited liability company and our wholly-owned subsidiary, and the entity which historically held our investment portfolio;
- "OFS senior professionals" refers to the senior professional employees of OFSC contracted to OFS Advisor under the Staffing Agreement, who are deemed employees of OFS Advisor for all purposes under the 1940 Act and the Advisers Act;
- "OFS Services" refers to OFS Capital Services, LLC, a Delaware limited liability company and wholly-owned subsidiary of OFSAM, and our administrator;
- "OFSAM" refers to Orchard First Source Asset Management, LLC, a Delaware limited liability company and our parent company prior to this offering;
- "OFSAM Cash Contribution" refers to the cash contribution made by OFSAM to us simultaneously with the OFS Capital WM Transaction, which we transferred to OFS Funding, and which OFS Funding used, together with cash on hand, to payoff the remaining balance under the Old Credit Facility in full;
- "OFSC" refers to Orchard First Source Capital, Inc., a Delaware corporation and wholly-owned subsidiary of OFSAM, which employs all of OFSAM's investment professionals, and is an affiliate of OFS Advisor;

- "Pro Forma Transactions" refers to the BDC Conversion, the OFS Capital WM Transaction, the OFSAM Cash Contribution, the 2010 Distribution and the other transactions that we describe in greater detail in our unaudited pro forma condensed combined financial statements;
- "SBIC LP" and "SBIC subsidiary" refer to a newly formed, wholly-owned subsidiary, formed to obtain a license from the SBA and operate as an SBIC; and
- "WM Credit Facility" refers to the new $180 million senior secured revolving credit facility, which OFS Capital WM entered into with Wells Fargo and Madison Capital to finance its business.

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

RISK FACTORS

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

Risks Relating to Our Business and Structure

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

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

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

We intend to pursue a portion of our investment strategy through our SBIC subsidiary; however, we have never operated or managed an SBIC. Although OFSC has employed three individuals who will manage the investment activities of our SBIC subsidiary, none of us, OFS Advisor or any of our or their respective affiliates has any experience in operating an SBIC or complying with SBA regulations and requirements. Additionally, we have amended our initial Management Assessment Questionnaire filed with the SBA to include Mr. Pittson as a member of our SBIC subsidiary's investment committee. We can make no assurance, however, that Mr. Pittson will be approved. As a result, our lack of experience may hinder our ability to be authorized to submit an SBIC license application or, if we receive a license, to take advantage of investment opportunities through our SBIC subsidiary and to achieve our investment objective.

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

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

In addition, OFSC has employed three individuals who will manage the investment activities of our SBIC subsidiary. The departure of any of the SBIC subsidiary management personnel could have a material adverse effect on our ability to obtain an SBIC license and our strategy to make investments through our SBIC subsidiary.

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

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

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

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

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

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

OFS Capital WM, which will be our largest portfolio company upon consummation of the BDC Conversion, financed the purchase from us of a substantial portion of our loan portfolio using funds borrowed under the WM Credit Facility. While investors in OFS Capital will continue to benefit from the loan assets sold to OFS Capital WM by virtue of our ownership of 100% of the equity interests in OFS Capital WM, they will also be exposed to the risks associated with those assets. For example, the lenders have a first lien on the loan assets sold to OFS Capital WM and will have a superior claim to our claim as equity holder in any liquidation of OFS Capital WM. In addition, the lenders have a first lien on our equity interests in OFS Capital WM and will have a superior claim to a claim by our investors on those equity interests in any liquidation of OFS Capital. Additionally, OFS Capital WM will be managed by an affiliate of Madison Capital, as loan manager, pursuant to the WM Credit Facility documentation, which prescribes the order in which payments are to be applied and contains other contractual restrictions. Accordingly, at least in the near term, our success will depend, to a significant extent, on the administration of OFS Capital WM's portfolio by an unaffiliated loan manager over whom we have no control. If the loan manager is unable to generate sufficient returns to permit payments to us under the WM Credit Facility documentation or defaults in its obligation thereunder, we could be materially and adversely affected. In addition, we could have a conflict of interest with Madison Capital and its affiliates by virtue of the fact that Madison Capital holds class B loans under the WM Credit Facility, whereas our interest is as an equityholder.

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

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

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

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

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

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

Although OFS Advisor currently contemplates that we will be the only investment vehicle managed by it or one of its affiliates with an investment strategy focused in substantial part on investments in unitranche, second-lien and mezzanine loans to middle-market companies in the United States, we may in the future have conflicts of interest with OFSAM and its affiliates or their respective other clients that elect to invest in one or more of these types of securities. The members of OFS Advisor's investment committee serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do, or of investment funds or other investment vehicles managed by OFS Advisor or its affiliates. Similarly, OFS Advisor and/or its affiliates may have, or may have other clients with, similar, different or competing investment objectives. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the best interests of us or our stockholders. OFS Advisor will seek to allocate investment opportunities among eligible accounts in a manner that is fair and equitable over time and consistent with its allocation policy. OFS Advisor has agreed with our board of directors that allocations among us and other investment funds or other investment vehicles managed by OFS Advisor or its affiliates will generally be made based on capital available for investment in the asset class being allocated. Our board of directors will determine the amount of capital we have available for investment by asset class, and we expect that available capital for our investments will be determined based on the amount of cash on hand, existing commitments and reserves, if any, the targeted leverage level, targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors imposed by applicable laws, rules, regulations or interpretations. However, there can be no assurance that we will be able to participate in all investment opportunities that are suitable to us.

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

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

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

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

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

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

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

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

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

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

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

We are prohibited under the 1940 Act from participating in certain transactions with our affiliates without the prior approval of our independent directors and, in some cases, of the SEC. Those transactions include purchases and sales, and so-called "joint" transactions, in which we and one or more of our affiliates are engaging together in certain types of profit-making activities. Any person that owns, directly or indirectly, five percent or more of our outstanding voting securities will be our affiliate for purposes of the 1940 Act, and we are generally prohibited from engaging in purchases or sales of assets or joint transactions with such affiliates, absent the prior approval of our independent directors. Additionally, without the approval of the SEC, we are prohibited from engaging in purchases or sales of assets or joint transactions with the following affiliated persons: (1) our officers, directors, and employees; (2) OFS Advisor and its affiliates; and (3) any person who owns more than 25% of our voting securities or certain of that person's affiliates.

We may, however, invest alongside OFSAM and its other affiliates or their respective other clients in certain circumstances where doing so is consistent with applicable law and SEC staff interpretations. For example, we may invest alongside such accounts consistent with guidance promulgated by the SEC staff permitting us and such other accounts to purchase interests in a single class of privately placed securities so long as certain conditions are met, including that OFS Advisor, acting on our behalf and on behalf of other clients, negotiates no term other than price. We may also invest alongside OFSAM and its other affiliates or their respective other clients as otherwise permissible under regulatory guidance, applicable regulations and OFS Advisor's allocation policy. Under this allocation policy, a fixed percentage of each opportunity, which may vary based on asset class and from time to time, will be offered to us and similar eligible accounts, as periodically determined by OFS Advisor and approved by our board of directors, including our independent directors. The allocation policy will further provide that allocations among us and these other accounts will generally be made pro rata based on each account's capital available for investment, as determined, in our case, by our board of directors. It is our policy to base our determinations as to the amount of capital available for investment based on such factors as the amount of cash on hand, existing commitments and reserves, if any, the targeted leverage level, the targeted asset mix and diversification requirements and other investment policies and restrictions set by our board of directors or imposed by applicable laws, rules, regulations or interpretations. We expect that these determinations will be made similarly for other accounts.

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

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of members of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the business development company regulations governing transactions with affiliates to prohibit certain "joint transactions" between entities that share a common investment adviser. Historically, we have invested in a number of the same middle-market companies as a fund managed by OFSAM or one of its affiliates. As of June 30, 2010, approximately 80% of our investments (measured by fair value) was in portfolio companies in which that fund is also invested. Most of these co-investments have been in securities of the same seniority. However, concurrently with the OFS Capital WM Transaction, we distributed to OFSAM a substantial portion of our loan portfolio and, prior to the completion of the offering, we expect to distribute to OFSAM certain of our equity investments. Upon assignment of all loans in which OFSAM was granted a participation and all such equity interests, we will have no remaining

co-investments. In connection with our election to be regulated as a business development company, we will not be permitted to co-invest with other funds managed by OFSAM or one of its affiliates in certain types of negotiated investment transactions unless we receive exemptive relief from the SEC permitting us to do so. Moreover, we may be limited in our ability to make follow-on investments or liquidate our existing equity investments in such companies. Although we intend to apply to the SEC for exemptive relief to permit such co-investment and liquidity transactions, subject to certain conditions, we cannot be certain that our application for such relief will be granted or what conditions will be placed on such relief.

We may not be approved for an SBIC license.

On October 7, 2009 we received preliminary authorization from the SBA in the form of a "Green Light" letter, to begin the application process to become licensed as an SBIC. Subsequent to receiving the "Green Light" letter, we amended our initial Management Assessment Questionnaire to include Mr. Pittson as a member of our SBIC subsidiary's investment committee. We cannot presently predict whether Mr. Pittson will be approved as a member of the investment committee of our SBIC subsidiary or whether we will receive an SBIC license. If we do not receive an SBIC license, we will not be able to take advantage of investment opportunities through our SBIC subsidiary and may not be able to achieve our investment objective.

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

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

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

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

Moreover, once it receives an SBIC license, our SBIC subsidiary's status as an SBIC does not automatically assure that it will receive SBA guaranteed debenture funding. Receipt of SBA leverage funding is dependent upon whether our SBIC subsidiary is and continues to be in compliance with SBA regulations and policies and whether funding is available. The amount of SBA leverage funding available to SBICs is dependent upon annual Congressional authorizations and in the future may be subject to annual Congressional appropriations. There can be no assurance that there will be sufficient debenture funding available at the times desired by our SBIC subsidiary.

Our SBIC subsidiary, if it is granted an SBIC license, will be subject to SBA regulations.

We intend to pursue a portion of our investment strategy through SBIC LP, which we intend to be licensed by the SBA as an SBIC. Upon receipt of an SBIC license, our SBIC subsidiary will be regulated by the SBA. Receipt of an SBIC license will allow our SBIC subsidiary to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies and

prohibits SBICs from providing funds for certain purposes or to businesses in a few prohibited industries. Compliance with SBIC requirements may cause our SBIC subsidiary to forego attractive investment opportunities that are not permitted under SBA regulations.

Further, the SBA regulations require that a licensed SBIC be periodically examined and audited by the SBA to determine its compliance with the relevant SBA regulations. The SBA prohibits, without prior SBA approval, a "change of control" of an SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC. If our SBIC subsidiary fails to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit its use of debentures, declare outstanding debentures immediately due and payable, and/or limit it from making new investments. In addition, the SBA can revoke or suspend a license for willful or repeated violation of, or willful or repeated failure to observe, any provision of the Small Business Investment Act of 1958 or any rule or regulation promulgated thereunder. These actions by the SBA would, in turn, negatively affect us because our SBIC subsidiary will be our wholly-owned subsidiary.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending or investing outside of the United States, and providing funds to businesses engaged in a few prohibited industries and to certain "passive" (i.e., non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC's regulatory capital in any one company and its affiliates.

The SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a "change of control" or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. In addition, our SBIC subsidiary may also be limited in its ability to make distributions to us if it does not have sufficient capital, in accordance with SBA regulations.

If our SBIC subsidiary receives a license, it will be subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that our SBIC subsidiary will receive SBA-guaranteed debenture funding, and such funding is dependent upon our SBIC subsidiary's continuing to be in compliance with SBA regulations and policies. Further, upon licensure, if we do receive SBA-guaranteed debenture funding and fail to comply with applicable SBA regulations, the SBA could, depending on the severity of the violation, limit or prohibit our SBIC subsidiary's use of debentures, declare outstanding debentures, if any, immediately due and payable and/or limit our SBIC subsidiary from making any new investments.

The SBA, as a creditor, will have a superior claim to our SBIC subsidiary's assets over our stockholders in the event we liquidate our SBIC subsidiary or the SBA exercises its remedies under the SBA debentures issued by our SBIC subsidiary in the event of a default.

Notwithstanding that OFSC has employed the three individuals who will manage the investment activities of our SBIC subsidiary, we cannot assure you that our SBIC subsidiary will receive an SBIC license, that our SBIC subsidiary will receive the capital commitment from the SBA necessary to begin issuing SBA-guaranteed debentures or that we will receive the exemptive relief from the SEC relating to excluding our SBIC subsidiary's debt from our 200% asset coverage test.

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

The use of leverage magnifies the potential for gain or loss on amounts invested. The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in our securities. We may pledge up to 100% of our assets and may grant a security interest in all of our assets under the terms of any debt instruments we may enter into with lenders. In addition, under the terms of any credit facility or other debt instrument we enter into, we are likely to be required by its terms to use the net proceeds of any investments that we sell to repay a portion of the amount borrowed under such facility or instrument before

applying such net proceeds to any other uses. If the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged, thereby magnifying losses or eliminating our equity stake in a leveraged investment. Similarly, any decrease in our revenue or income will cause our net income to decline more sharply than it would have had we not borrowed. Such a decline would also negatively affect our ability to make dividend payments on our common stock or preferred stock. Our ability to service our debt will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, because the management fee payable to OFS Advisor is payable based on our total assets (other than cash, cash equivalents but including assets purchased with borrowed amounts), OFS Advisor will have a financial incentive to incur leverage which may not be consistent with our stockholders' interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of our use of leverage, including interest expenses and any increase in the management fee payable to OFS Advisor.

As a business development company, we generally will be required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 200%. If this ratio declines below 200%, we will not be able to incur additional debt and could be required to sell a portion of our investments to repay some debt when it is disadvantageous to do so. This could have a material adverse effect on our operations, and we may not be able to make distributions. The amount of leverage that we employ will depend on OFS Advisor's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. We cannot assure you that we will be able to obtain credit at all or on terms acceptable to us.

The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of expenses, and giving effect to the Pro Forma Transactions. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

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

(1) Assumes $59.8 million in total pro forma assets, debt outstanding in an amount equal to % of our pro forma average total assets and $57.6 million in net assets as of June 30, 2010 and an average cost of funds of %.

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

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

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

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

We may enter into reverse repurchase agreements as part of our management of our temporary investment portfolio. Under a reverse repurchase agreement, we will effectively pledge our assets as collateral to secure a

short-term loan. Generally, the other party to the agreement makes the loan in an amount equal to a percentage of the fair value of the pledged collateral. At the maturity of the reverse repurchase agreement, we will be required to repay the loan and correspondingly receive back our collateral. While used as collateral, the assets continue to pay principal and interest which are for the benefit of us.

Our use of reverse repurchase agreements, if any, involves many of the same risks involved in our use of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired in the reverse repurchase agreement may decline below the price of the securities that we have sold but remain obligated to purchase. In addition, there is a risk that the market value of the securities retained by us may decline. If a buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experience insolvency, we may be adversely affected. Also, in entering into reverse repurchase agreements, we would bear the risk of loss to the extent that the proceeds of such agreements at settlement are less than the fair value of the underlying securities being pledged. In addition, due to the interest costs associated with reverse repurchase agreements transactions, our net asset value would decline, and, in some cases, we may be worse off than if we had not used such instruments.

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

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

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

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

Although we intend to elect to be treated as a RIC under Subchapter M of the Code for 2010 and succeeding tax years, no assurance can be given that we will be able to qualify for and maintain RIC status. If we qualify as a RIC under the Code, we will not be required to pay corporate level federal income taxes on our income and capital gains distributed (or deemed distributed) to our stockholders. To qualify as a RIC under the Code and to be relieved of federal taxes on income and gains distributed to our stockholders, we must meet certain source-of-income, asset diversification and distribution requirements. The distribution requirement for a RIC is

satisfied if we distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. In addition, we will be subject to a 4% nondeductible federal excise tax to the extent that we do not satisfy certain additional minimum distribution requirements on a calendar-year basis. We will be subject, to the extent we use debt financing, to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify and maintain our qualification for the tax benefits available to RICs and, thus, may be subject to corporate-level federal income tax. To qualify and maintain our qualification as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments will be in private or thinly traded public companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason and become subject to corporate-level federal income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distributions to stockholders and the amount of our distributions and the amount of funds available for new investments. Such a failure would have a material adverse effect on us and our stockholders. See “Material U.S. Federal Income Tax Considerations—Taxation as a RIC.”

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

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

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

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

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the requirement to distribute at least 90% of our net ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to qualify for the tax benefits available to RICs. In such a case, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations and

sourcings to meet these distribution requirements. If we sell built-in-gain assets, we may be required to recognize taxable income in respect of the built-in-gain on such assets. In such a case, we would have to distribute all of our taxable gain (including the built-in-gain) in respect of such sale to avoid the imposition of entity-level tax on such gain. If we are not able to obtain such cash from other sources, we may fail to qualify for the tax benefits available to RICs and thus be subject to corporate-level income tax. See "Material U.S. Federal Income Tax Considerations—Taxation as a RIC."

We may make incentive fee payments on income in circumstances where we otherwise would not have done so and with respect to which we do not have a clawback right against OFS Advisor.

The portion of the incentive fee payable by us to OFS Advisor that relates to our net investment income is computed on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. Although we do not pay to OFS Advisor any portion of the incentive fee attributable to deferred interest until we receive such interest in cash, we still use the accrued interest with respect to such investments in our calculation of the hurdle rate, which could cause our pre-incentive fee net investment income to exceed the hurdle rate for one or more quarters in circumstances where we ultimately never collect any of the deferred interest. Consequently, we may make incentive fee payments attributable to cash interest in circumstances where we otherwise would not have done so and with respect to which we do not have a clawback right against OFS Advisor. For example, if in a particular quarter our pre-incentive fee net investment income equals % of our net assets, of which % is attributable to cash interest and % is attributable to deferred interest, then our pre-incentive fee net investment income will exceed the % hurdle and we will be obligated to pay an incentive fee to OFS Advisor in respect of the portion that is attributable to cash interest. However, if we ultimately never collect any of the deferred interest, and had not accrued for such interest in the quarter in question, our pre-incentive fee net investment income would not have exceeded the hurdle and we would not have paid any incentive fee to OFS Advisor.

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

We may distribute taxable dividends that are payable in part in our stock. Under a recently-issued IRS revenue procedure, up to 90% of any such taxable dividend with respect to a taxable year ending on or before December 31, 2011 could be payable in our stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

In addition, as discussed above, our loans may contain a PIK interest provision. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To avoid the imposition of corporate-level tax on us, this non-cash source of income needs to be paid out to stockholders in cash distributions or, in the event that we rely on the IRS revenue procedure, in shares of our common stock, even though we have not yet collected and may never collect the cash relating to the PIK interest. As a result, if we distribute taxable dividends in the form of our common stock, we may have to distribute a stock dividend to account for PIK interest even though we have not yet collected the cash. Regulations governing our operation as a business development company affect our ability to and the way in which we raise additional capital. As a business development company, we will need to raise additional capital, which will expose us to risks, including the typical risks associated with leverage.

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

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

Following this offering, we plan to seek a credit facility to finance investments and potentially for working capital requirements. If our SBIC subsidiary obtains an SBIC license and satisfies certain other conditions, it is our intention to invest over time up to $225 million through our SBIC subsidiary, which includes borrowings by our SBIC subsidiary of up to a maximum of $150 million by issuing SBA-guaranteed debentures to make debt and equity investments in eligible small businesses in the United States. There can be no assurance that we will be able to obtain such financing on favorable terms or at all, or that we will be able to borrow additional funds through our SBIC subsidiary.

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

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

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

To maintain our status as a business development company, we are not permitted to acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a common equity market capitalization that is less than $250 million at the time of such investment.

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

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

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

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

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

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

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

If we are unable to consummate credit facilities on commercially reasonable terms, our liquidity may be reduced significantly. If we are unable to repay amounts outstanding under any facility we may enter into and are declared in default or are unable to renew or refinance any such facility, it would limit our ability to initiate significant originations or to operate our business in the normal course. These situations may arise due to circumstances that we may be unable to control, such as inaccessibility of the credit markets, a severe decline in the value of the U.S. dollar, a further economic downturn or an operational problem that affects third parties or us, and could materially damage our business. Moreover, we are unable to predict when economic and market conditions may become more favorable. Even if such conditions improve broadly and significantly over the long term, adverse conditions in particular sectors of the financial markets could adversely impact our business.

Additionally, SBA regulations currently limit the amount that an SBIC may borrow to up to a maximum of $150 million when it has at least $75 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. We cannot assure you that we will receive an SBIC license or that we will be able to borrow funds upon receipt of an SBIC license.

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

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

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

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

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

We expect that many of our portfolio investments (including our investment in OFS Capital WM) will take the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable, and we will value these securities at fair value as determined in good faith by our board of directors, including to reflect significant events affecting the value of our securities. Most of our investments (other than cash and cash equivalents) will be classified as Level 3 under Statement of Financial Accounting Standards 157, *Fair Value Measurement* (ASC Topic 820) ("FAS 157 (ASC Topic 820)"). This means that our portfolio valuations will be based on unobservable inputs and our own assumptions about how market participants would price the asset or liability in question. We expect that inputs into the determination of fair value of our portfolio investments will require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. We expect to retain the services of one or more independent service providers to review the valuation of these securities. The types of factors that the board of directors may take into account in determining the fair value of our investments generally include, as appropriate, comparison to publicly traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would

have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

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

We may experience fluctuations in our quarterly operating results.

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

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

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

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

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

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

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

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

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

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

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

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

OFS Services has the right to resign under the Administration Agreement, whether we have found a replacement or not. If OFS Services resigns, we may not be able to find a new administrator or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and administrative activities is likely to suffer if we are unable to identify and reach an agreement with a service provider or individuals with the expertise possessed by OFS Services. Even if we are able to retain a comparable service provider or individuals to perform such services, whether internal or external, their integration into our business and lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

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

As a publicly traded company, we will incur legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and other rules implemented by the SEC.

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

Under current SEC rules, beginning with our fiscal year ending December 31, 2011, we will be required to report on our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and

related rules and regulations of the SEC. We will be required to review on an annual basis our internal control over financial reporting, and on a quarterly and annual basis to evaluate and disclose changes in our internal control over financial reporting.

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

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

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

Risks Related to Our Investments

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

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

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

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

Beginning in 2007 and continuing into 2010, the global capital markets have experienced a period of disruption resulting in increasing spreads between the yields realized on riskier debt securities and those realized on risk-free securities and a lack of liquidity in parts of the debt capital markets, significant write-offs in the financial services sector relating to subprime mortgages and the re-pricing of credit risk in the broadly syndicated

market. These events, along with the deterioration of the housing market, illiquid market conditions, declining business and consumer confidence and the failure of major financial institutions in the United States, led to a general decline in economic conditions. This economic decline has materially and adversely affected the broader financial and credit markets and has reduced the availability of debt and equity capital for the market as a whole and to financial firms in particular. We generally have not originated any new loans over the last 24 months as a result of this economic deterioration. To the extent that we wish to use debt to fund our investments, the debt capital that will be available to us, if at all, may be at a higher cost, and on terms and conditions that may be less favorable, than what we expect, which could negatively affect our financial performance and results. A prolonged period of market illiquidity may cause us to reduce the volume of loans we originate and/or fund below historical levels and adversely affect the value of our portfolio investments, which could have a material and adverse effect on our business, financial condition, and results of operations. The continuation or further deterioration of current market conditions could materially and adversely affect our business.

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

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

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

As of June 30, 2010, before giving effect to the Pro Forma Transactions, substantially all of our investment portfolio consisted of senior secured loans to middle-market companies in the United States. Following this offering, we intend to expand into additional asset classes, including investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities, which may result in a higher amount of risk than alternative investments, volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our securities may not be suitable for someone with lower risk tolerance.

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

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

officers, directors and OFS Advisor may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

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

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

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

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

- a comparison of the portfolio company's securities to publicly traded securities,
- the enterprise value of a portfolio company,
- the nature and realizable value of any collateral,
- the portfolio company's ability to make payments and its earnings and discounted cash flow,
- the markets in which the portfolio company does business, and
- changes in the interest rate environment and the credit markets generally that may affect the price at which similar investments may be made in the future and other relevant factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we use the pricing indicated by the external event to corroborate our valuation. We record decreases in the market values or fair values of our investments as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets may result in significant net unrealized depreciation in our portfolio. The effect of all of these factors on our portfolio may reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

During this period, we will invest these amounts in cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less from the date of investment. We expect these

temporary investments to earn yields substantially lower than the income that we expect to receive in respect of investments in junior debt securities. As a result, any distributions we make during this period may be substantially smaller than the distributions that we expect to pay when our portfolio is fully invested.

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

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

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

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

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

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

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

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

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

- exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or
- preserve or enhance the value of our investment.

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

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

Although we may do so in the future, we generally do not hold controlling equity positions in our portfolio companies. Although we are the sole owner of all of the equity interests of OFS Capital WM, a special purpose vehicle, an affiliate of Madison Capital, as loan manager, manages all of its assets, subject in certain circumstances to our consent, as administrative manager of OFS Capital WM. In addition, we could have a conflict of interest with Madison Capital and its affiliates by virtue of the fact that Madison Capital holds class B loans under the WM Credit Facility, whereas our interest is as an equityholder. Further, the limited liability company managers of OFS Capital WM consist of us and two managers independent of OFS Capital WM and us. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and that the management and/or stockholders of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity of the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company and may therefore suffer a decrease in the value of our investments.

Defaults by our portfolio companies will harm our operating results.

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

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

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

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

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

- the ability to cause the commencement of enforcement proceedings against the collateral;
- the ability to control the conduct of such proceedings;
- the approval of amendments to collateral documents;
- releases of liens on the collateral; and
- waivers of past defaults under collateral documents.

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

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

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

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

The disposition of our investments may result in contingent liabilities.

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

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

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

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

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

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

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

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

Under the Investment Advisory Agreement, OFS Advisor will not assume any responsibility to us other than to render the services called for under that agreement, and it will not be responsible for any action of our board of directors in following or declining to follow OFS Advisor's advice or recommendations. Under the terms of the Investment Advisory Agreement, OFS Advisor and its and its affiliates' respective officers, directors, members, managers, stockholders and employees will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and

pursuant to the Investment Advisory Agreement, except those resulting from acts constituting gross negligence, willful misconduct, bad faith or reckless disregard of OFS Advisor's duties under the Investment Advisory Agreement. In addition, we have agreed to indemnify OFS Advisor and its and its affiliates' respective officers, directors, members, managers, stockholders and employees from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person's duties under the Investment Advisory Agreement. These protections may lead OFS Advisor to act in a riskier manner when acting on our behalf than it would when acting for its own account.

We may be subject to additional risks if we engage in hedging transactions and/or invest in foreign securities.

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

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

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

We may not realize gains from our equity investments.

When we invest in senior secured, unitranche, second-lien and mezzanine loans, we may acquire warrants or other equity securities of portfolio companies as well. We may also invest in equity securities directly. To the

extent we hold equity investments, except as described below, we will attempt to dispose of them and realize gains upon our disposition of them. However, the equity interests we receive may not appreciate in value and may decline in value. As a result, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience. In the case of OFS Capital WM, which will be our largest portfolio company upon consummation of the BDC Conversion, it is not our intention to dispose of our equity interests as a means of monetizing our investment, and we will not receive direct benefit from the sale of assets in the current portfolio. Rather, our return on our investment in OFS Capital WM will depend on the ability of OFS Capital WM's loan portfolio to generate cash flow in excess of payments required to be made to other parties under the terms of the WM Credit Facility documentation and distribution of the excess to us.

Risks Relating to This Offering

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

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

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

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

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

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

The market price of our common stock may fluctuate significantly.

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

- significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which is not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs, SBICs or business development companies;
- failure to qualify for treatment as a RIC or loss of RIC or business development company status;

- failure of our SBIC subsidiary to qualify for treatment as an SBIC or its loss of status as an SBIC;
- changes or perceived changes in earnings or variations in operating results;
- changes or perceived changes in the value of our portfolio of investments;
- changes in accounting guidelines governing valuation of our investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of OFS Advisor's, OFSC's or any of their affiliates' key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

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

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

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

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

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

If you purchase shares of our common stock in this offering, you will experience immediate dilution of $ per share because the price that you pay will be greater than the pro forma net asset value per share of the common stock you acquire. This dilution is in large part due to the expenses incurred by us in connection with the consummation of this offering. Investors in this offering will pay a price per share of common stock that exceeds the tangible book value per share after the closing of the offering.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about us, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “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 inexperience operating a business development company;
- our dependence on key personnel;
- our ability to maintain or develop referral relationships;
- our ability to replicate historical results;
- the ability of OFS Advisor to identify, invest in and monitor companies that meet our investment criteria;
- actual and potential conflicts of interest with OFS Advisor and other affiliates of OFSAM;
- constraint on investment due to access to material nonpublic information;
- restrictions on our ability to enter into transactions with our affiliates;
- our ability to receive an SBIC license;
- our receipt of exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary from our asset coverage test;
- limitations on the amount of SBA-guaranteed debentures that may be issued by an SBIC;
- our ability to comply with additional SBIC regulations and requirements;
- the use of borrowed money to finance a portion of our investments;
- restrictions on investment and other activities under any credit facility or other debt instrument we may enter into;
- competition for investment opportunities;
- our ability to qualify and maintain our qualification as a RIC and as a business development company;
- our SBIC subsidiary’s ability to make distributions enabling use to meet RIC requirements;
- the timing of cash flows from the operations of our portfolio companies;
- the timing, form and amount of any dividend 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; and
- the effect of new or modified laws or regulations governing our operations.

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

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering will be approximately $ million (or approximately $ million if the underwriters exercise their over-allotment option in full), assuming an initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus), after deducting the underwriting discounts and commissions and estimated organization and offering expenses of approximately $ payable by us.

We intend to use the net proceeds of this offering to invest in portfolio companies in accordance with our investment objective and the strategies described in this prospectus and for general corporate purposes. We will also pay operating expenses, including management and administrative fees, and may pay other expenses such as due diligence expenses of potential new investments, from the net proceeds of this offering. We intend to use substantially all of the net proceeds of this offering for the above purposes within six months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. We cannot assure you we will achieve our targeted investment pace.

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

DISTRIBUTIONS

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

Our fiscal quarter dividend distribution, payable in 2011, is expected to be between $ and $ per share. We anticipate that this dividend will be paid from income generated primarily by interest and dividend income earned on our investment portfolio. The specific tax characteristics of the dividend will be reported to stockholders after the end of the calendar year.

We intend to elect to be treated, and intend to qualify annually thereafter, as a RIC under the Code, beginning with our first taxable year ending December 31, 2010. To obtain and maintain RIC tax treatment, we must distribute at least 90% of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses, if any. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of: (1) 98% of our net ordinary income for such calendar year; (2) 98% of our capital gain net income (i.e., the excess of the gains from sales or exchanges of capital assets over the losses from such sales or exchanges) for the one-year period ending on October 31 of that calendar year reduced by our net ordinary loss for the calendar year (but not below our net capital gain for the one-year period ending on October 31 of that calendar year) or, if we have a taxable year that ends with the month of November or December and so elect, 98% of our capital gain net income for the calendar year reduced by our net ordinary loss for the calendar year (but not below our net capital gain for the calendar year); and (3) any net ordinary income and net capital gains for preceding years that were not distributed during such years and on which we previously paid no U.S. federal income tax.

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

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

election to receive distributions in cash in lieu of shares of our common stock. Any dividends reinvested through the issuance of shares through our dividend reinvestment plan will increase our assets on which the base management fee and the incentive fee are determined and paid to OFS Advisor. See “Dividend Reinvestment Plan.”

THE BDC CONVERSION

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

Our election following this offering to be treated as a business development company under the 1940 Act will require us to change some of the accounting principles used to prepare our consolidated financial statements. After the business development company election, our consolidated financial statements will be prepared in accordance with Article 6 of Regulation S-X, which, among other things, will require us to report our portfolio investments at fair value with changes in value reported through our consolidated financial statements. Additionally, the business development company election will result in changes in the way we manage our business and our capital structure, including the amount of our borrowings. Accordingly, our historical consolidated balance sheet and statement of income may not be indicative of our financial condition and results of operations after we make the election. Please refer to “Unaudited Pro Forma Condensed Combined Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this prospectus for detailed analysis and discussion of how this business development company election will impact our December 31, 2009 and June 30, 2010 historical financial statements.

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

CAPITALIZATION

The following table sets forth:

- the actual capitalization of OFS Capital, LLC and its subsidiaries at June 30, 2010 (but giving effect to changes in accounting principles as a result of our election to be treated as a business development company immediately following the completion of this offering, which requires all of our investments to be carried at market value or, for investments with no ascertainable market value, fair value as determined by our board of directors, as further described in the section of this prospectus entitled "Unaudited Pro Forma Condensed Combined Financial Statements"); and
- the pro forma capitalization of OFS Capital Corporation and its subsidiaries at June 30, 2010, as adjusted to reflect (1) the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus) after deducting the underwriting discounts and commissions and estimated organization and offering expenses of approximately $ million payable by us; (2) the completion of the BDC Conversion; and (3) the other Pro Forma Transactions.

	As of June 30, 2010	
	OFS Capital, LLC Actual (unaudited)	OFS Capital Corporation Pro Forma(1) (unaudited)
	(dollars in thousands)	
Assets:		
Cash and cash equivalents	$ 4,834	$ —
Loans receivable	181,709	4,302
Interest receivable	651	651
Deferred financing closing costs, net of accumulated amortization of $2,878	1,072	—
Deferred offering costs	874	874
Equity investments	4,616	54,014
Total assets	$ 193,756	$ 59,841
Liabilities:		
Revolving line of credit	$ 75,515	$ —
Interest payable	607	—
Due to affiliated entities	3,665	1,386
Other liabilities	841	841
Total liabilities	80,628	2,227
Members' Equity	113,128	57,614
Stockholders' Equity:		
Common stock, par value $0.01 per share; shares authorized; shares issued and outstanding, pro forma	$	$
Capital in excess of par		
Total liabilities and stockholders' equity	$ 193,756	$ 59,841
Pro forma net asset value		$ 57,614

(1) Reflects the completion of the BDC Conversion, including the conversion of all outstanding limited liability company interests of OFS Capital, LLC into shares of common stock of OFS Capital Corporation, immediately prior to the date of this prospectus, at an average estimated price of $ per share. See "The BDC Conversion." Also reflects the pro forma effects on our June 30, 2010 unaudited balance sheet of (a) the OFS Capital WM Transaction, including our receipt of the OFS Capital WM Cash

Consideration, which we transferred to OFS Funding and which OFS Funding used to repay a substantial portion of the outstanding loan balance under the Old Credit Facility, removal from our balance sheet of $95.9 million in assets sold to OFS Capital WM in connection with the OFS Capital WM Transaction and the booking of an asset in the amount of $50.7 million in respect of our investment in OFS Capital WM, (b) receipt of the OFSAM Cash Contribution of $22.0 million, made by our parent simultaneously with the OFS Capital WM Closing, which we transferred to OFS Funding, and which OFS Funding used, together with cash on hand, to repay the remaining portion of our indebtedness outstanding under the Old Credit Facility, and (c) the 2010 Distribution of $69.9 million in assets by OFS Funding to us and by us to OFSAM. For purposes hereof, the $75.5 million aggregate principal amount of indebtedness outstanding under the Old Credit Facility at June 30, 2010 is deemed reduced by OFS Funding's application of net proceeds from the sale of three loans (which were outstanding as of June 30, 2010 but were subsequently sold prior to the OFS Capital WM Transaction and OFSAM Cash Contribution) to pay down a portion of the balance under the Old Credit Facility. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments and Other Factors Affecting Comparability" and "Unaudited Pro Forma Condensed Combined Financial Statements."

DILUTION

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

Prior to consummation of the BDC Conversion, we had one limited liability company interest outstanding. Our net asset value as of June 30, 2010 was approximately $113.1 million. Our pro forma net asset value was $57.6 million, or approximately $ per share of common stock (after giving effect to the Pro Forma Transactions). After giving effect to the sale of shares to be sold in this offering at an assumed initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus) and the deduction of discounts and estimated expenses of this offering payable by us, our pro forma net asset value would have been approximately $, or $ per share, representing an immediate increase in net asset value of $ per share and an immediate dilution of $ per share to shares sold in this offering.

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

Assumed initial public offering price per share	$
Net asset value per share after BDC Conversion	
[Increase] [Decrease] in net asset value per share attributable to Pro Forma Transactions (other than BDC Conversion)	$
Increase in net asset value per share attributable to new stockholders in this offering	
Adjusted pro forma net asset value per share	$
Dilution per share to new stockholders (without exercise of the over-allotment option)	$

If the underwriters exercise in full their over-allotment option to purchase additional shares of our common stock in this offering, the adjusted pro forma net asset value per share after this offering would be $ per share, the increase in the pro forma net asset value per share to existing stockholders would be $ per share and the dilution to new stockholders purchasing shares in this offering would be $ per share.

The following table summarizes, as of June 30, 2010, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share (1) paid by OFSAM after giving effect to the BDC Conversion and (2) to be paid by new investors purchasing shares of common stock in this offering at the initial public offering price of $ per share (the mid-point of the estimated initial public offering price range set forth on the cover page of this prospectus), before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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

SELECTED FINANCIAL AND OTHER INFORMATION

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

We derived the selected consolidated financial data for the year ended December 31, 2009 from our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus. We derived the selected consolidated financial data for the year ended December 31, 2008 from our audited consolidated financial statements and related notes, which are not included in this prospectus. We derived the selected consolidated financial data for the years ended December 31, 2005, 2006 and 2007 from our unaudited consolidated financial statements and related notes, which are not included in this prospectus. Our results for periods less than a year may not be indicative of full year results. We derived the selected consolidated financial data for the six months ended June 30, 2009 and 2010 from our unaudited consolidated financial statements and related notes, which are included elsewhere in this prospectus. In the opinion of management, the unaudited consolidated financial statements presented include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the information set forth therein.

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

	Six Months Ended June 30,		Years Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(unaudited)	(unaudited)(1)	(1)		(unaudited)	(unaudited)	(unaudited)
			(dollars in thousands)				
Interest and fees on loans	$ 5,934	$ 9,273	$16,812	$ 25,811	$ 44,606	$ 35,873	$ 23,304
Other interest income	—	488	711	2,659	8,875	7,785	5,623
Interest expense	1,559	4,071	7,131	19,594	40,987	39,774	29,5204
Net interest income	4,375	5,690	10,392	8,876	12,494	3,884	(593)
Provision for loan losses	—	—	6,886	23,754(4)	5,570	2,645	10,510
Loan loss recovery(13)	966	—	—	—	—	—	—
Net interest income after provision for losses and loan loss recovery	5,341	5,690	3,506	(14,878)	6,924	1,239	(11,103)
Other income (expense)							
Management fee income - related party(2)	—	2,229	4,575	4,499	4,445	1,377	—
Realized gain (loss) on sale of assets	(130)	4,998	6,030	(2,111)	2,570	35,493(8)	(1,215)
Unrealized gain on warrants	30	—	—	—	—	—	—
Cancellation of debt income	—	—	—	189,525(5)	—	—	—
Write-down of structured securities and impairment of other equity investments	—	—	(819)	—	—	(2,432)	—
Amortization and write-off of deferred financing costs	(429)	(2,564)(11)	(3,058)(11)	(7,627)(6)	(688)	(742)	(10,567)(9)
Fee and other income	205	988	1,794	2,561	3,869	5,637	3,449
Management fee expense-related party(14)	(1,043)	—	—	—	—	—	—
Total other income (expense)	(1,367)	5,651	8,522	186,847	10,196	39,333	(8,333)
Operating expenses	166	4,954	8,806	8,602	12,506	9,342	8,918
Income (loss) before non-controlling interest and income tax expense (benefit)	3,808	6,387	3,222	163,367	4,614	31,230	(28,354)
Non-controlling interest	—	—	—	—	—	—	8,026(10)
Income (loss) before income tax expense (benefit)	3,808	6,387	3,222	163,367	4,614	31,230	(20,328)
Income tax expense (benefit)	—	(25)	(36)	53	363	484	32
Net income (loss)	$ 3,808	$ 6,412	$ 3,258	$163,314	$ 4,251	$ 30,746	$ (20,360)

	Six Months Ended June 30,		Years Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(unaudited)	(unaudited)(1)	(1)		(unaudited)	(unaudited)	(unaudited)
			(dollars in thousands)				
Selected Period-End Balances:							
Gross loans receivable	$193,161	$289,471	$236,147(7)	$290,680(7)	$415,679	$410,515	$392,571
Cash and cash equivalents	4,834	42,074	7,373	35,611	234,005	153,312	166,763
Investments in equity and structured securities(3)	4,616	3,101	53	41,520	40,293	33,849	51,179
Total assets	193,756	357,580	228,549	352,480	698,519	610,758	619,019
Borrowings	75,515	214,850	113,208	224,523	708,721	618,513	621,922
Members' equity (deficit)	113,128	129,655	111,350	125,037	(21,476)	(17,573)	(22,302)
Selected Average Balances:							
Gross loans receivable	214,654	290,071	263,414	353,180	413,097	401,543	304,051
Total assets	211,153	355,030	290,515	525,500	654,639	614,889	493,063
Borrowings	94,362	219,687	168,866	466,622	663,617	620,218	484,091
Members' equity (deficit)	112,239	127,346	118,194	51,781	(19,525)	(19,938)	(7,505)
Operating Ratios and Other Data:							
Average annualized yield on investment portfolio(12)	5.53%	6.39%	6.38%	7.31%	10.80%	8.93%	7.66%
Number of portfolio companies (at quarter or year end)	49	62	60	79	108	95	85

(1) Income statement data for the six months ended June 30, 2009 and year ended December 31, 2009 still included operations of our affiliates. As a result of the 2009 Reorganization (as defined below) (see our December 31, 2009 consolidated financial statements included elsewhere in this prospectus for more details about the 2009 Reorganization), we transferred our 100% membership interests in those affiliates to our parent company, OFSAM. See our pro forma adjustments related to the 2009 Reorganization in our Unaudited Pro Forma Condensed Combined Financial Statements included elsewhere in this prospectus.

(2) Except for the six months ended June 30, 2010, this represented the fees we generated from managing a CLO prior to December 31, 2009. As a result of the 2009 Reorganization, we assigned our management rights of the CLO to OFSAM. Effective January 1, 2010, we no longer generate any management fee from this CLO.

(3) Our interest in Vidalia (defined elsewhere in this prospectus) was sold in June 2009 (see our December 31, 2009 consolidated financial statements included elsewhere in this prospectus for details of the sale). Our investments in structured securities were transferred to our affiliate as a result of the 2009 Reorganization. At December 31, 2009, we only had minimum amount of equity investments recorded on our consolidated balance sheet. In January 2010, we received equity interests from two of our borrowers during our loan restructuring, which were valued at $4,396 at time of restructuring.

(4) Prior to 2008, our allowance for loan losses consisted of only one component, the specific reserve component. Effective for fiscal year 2008, we included a general reserve as a second component of our allowance for loan losses. This amount reflected an additional provision we recorded related to our estimated general reserve on our performing loans as of December 31, 2008 as well as additional specific reserves. Please refer to our Significant Accounting Policies included in our December 31, 2009 consolidated financial statements for our accounting policies related to loan loss allowance.

(5) This represented income we recognized in 2008 as a result of our subordinated noteholders' forgiveness of a portion of our subordinated debt during our debt refinancing.

(6) $6,228 was related to the write-off of unamortized deferred financing costs upon our payoff of the old debt during our refinancing.

(7) The declines in loan receivables at December 31, 2009 and 2008 were primarily due to our limited reinvestment activity and loan payoffs and sales in 2008.

(8) This represented the net gains we recognized in 2006 upon our sale of certain deeply discounted distressed securities.

(9) $8,591 was related to the write-off of unamortized deferred financing costs upon our payoff of the old debt during our refinancing.

(10) We bought out all the membership interests held by our non-controlling interest holders in one of our subsidiaries in 2006.

(11) Included a write-off of deferred financing costs of $2,008 as a result of our voluntary reduction of our Bank of America loan facility in 2009.

(12) The average annualized yield on investment portfolio is computed as the (a) total interest and fees on loans divided by (b) the average gross loans receivable.

(13) Based on our loan impairment analysis, for the six months ended June 30, 2010, we recorded a loan loss recovery of $966. We did not record any loan loss provision for the six months ended June 30, 2009.

(14) This represented OFS Funding's accrued and unpaid servicing fees due to our parent, OFSAM, for the six months ended June 30, 2010 (See our June 30, 2010 unaudited consolidated financial statement included in this prospectus for more details).

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Our anticipated election to be treated as a business development company under the 1940 Act and to be treated as a RIC under the Code will require us to change some of the accounting principles used to prepare our consolidated financial statements. These elections also will result in changes in the presentation of our financial statements going forward. We refer to these changes, which are described in the first two bullets below and in more detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations," collectively as the "BDC/RIC Elections Adjustments." In addition, in connection with the OFS Capital WM Transaction, we sold a substantial portion of our loan portfolio, transferred to us by OFS Funding, to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital Cash Consideration. We transferred the OFS Capital Cash Consideration to OFS Funding, and OFS Funding used the OFS Capital WM Cash Consideration to repay a substantial portion of the outstanding loan balance under the Old Credit Facility. We also transferred the OFSAM Cash Contribution, made by our parent to us simultaneously with the OFS Capital WM Transaction, to OFS Funding, and OFS Funding used the OFSAM Cash Contribution, together with cash on hand, to pay off the remaining balance under the Old Credit Facility. Also, as described elsewhere in this prospectus, concurrently with the OFS Capital WM Transaction, we distributed to OFSAM a substantial portion of our remaining loan portfolio and, prior to the completion of this offering, we expect to distribute to OFSAM certain of our equity investments. We determined to make these distributions to eliminate potential conflicts of interest that might arise due to the fact that we and an affiliated fund both had or currently have investments in these portfolio companies. Furthermore, as described below and in more detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations," on December 31, 2009, we undertook certain steps as part of a reorganization designed to facilitate this offering.

Specifically, the unaudited pro forma condensed combined balance sheet at June 30, 2010 and the unaudited pro forma condensed combined statements of income for the six months ended June 30, 2010 and for the year ended December 31, 2009, give effect to the following:

- the BDC Conversion, pursuant to which we will convert into a corporation and elect to be treated as a BDC, and changes in our accounting principles as a result of that election, which require all of our investments to be carried at market value, or for investments with no ascertainable market value, fair value as determined in good faith by our board of directors; and
- our qualification and election to be treated as a RIC, including the income tax consequences of our election, following the completion of this offering.

In addition, the unaudited pro forma condensed combined balance sheet at June 30, 2010 and the unaudited pro forma condensed combined statement of income for the six months ended June 30, 2010, give effect to the following:

- the OFS Capital WM Transaction, as a result of which we sold a substantial portion of our loan portfolio to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration, and our transfer of the OFS Capital WM Cash Consideration to OFS Funding;
- our receipt of the OFSAM Cash Contribution, made by OFSAM to us simultaneously with the OFS Capital WM Closing, and our transfer of the OFSAM Cash Contribution to OFS Funding;
- the sale of three loans to outside parties, the proceeds of which OFS Funding used to pay down a portion of the Old Credit Facility (these three loans were outstanding as of June 30, 2010 but were sold prior to the OFS Capital WM Transaction and the OFSAM Cash Contribution and the net proceeds applied prior to OFS Funding's September 28, 2010 payoff of the then-remaining portion of the Old Credit Facility);
- the payoff of the remaining portion of the Old Credit Facility by OFS Funding using the OFS Capital WM Cash Consideration and the OFSAM Cash Contribution contributed to it;
- the payment to OFSAM of accrued servicing fees owed by OFS Funding to OFSAM; and
- the 2010 Distribution, as a result of which (a) we distributed to OFSAM, concurrently with the OFS Capital WM Transaction, a substantial portion of our remaining loan portfolio transferred to us by OFS Funding and (b) we will distribute to OFSAM, prior to the completion of this offering, certain of our equity investments to be transferred to us by OFS Funding.

In this prospectus, we refer to the OFS Capital WM Transaction, the OFSAM Cash Contribution, the 2010 Distribution and the other transactions described above, together with the BDC Conversion, as the "Pro Forma Transactions."

Our unaudited pro forma condensed combined statement of income for the year ended December 31, 2009 does not give effect to the above listed additional bulleted items primarily due to the substantial loan activity during the 12 months ended December 31, 2009 and the first six months of 2010. This loan activity resulted in a much lower loan portfolio balance at June 30, 2010 as compared with that during fiscal year 2009 and at December 31, 2009, as well as in changes to the composition of the loan portfolio itself. Accordingly, the assumptions that would be required to show the pro forma effect of these additional bulleted items on our condensed combined statement of income for the year ended December 31, 2009, including among others assumptions about which loans to remove from the pro forma income statement and the resulting impact on our net income, as well as certain assumptions that are dependent upon decisions of the two lenders, would be hypothetical and, in our view, would render the resulting pro forma income statement as not meaningful to investors.

Finally, our unaudited pro forma condensed combined statement of income for the year ended December 31, 2009, also gives effect to the following:

- the 2009 Reorganization, as a result of which we transferred substantially all of our assets to our parent company (excluding our membership interest in OFS Funding, LLC).

The unaudited pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. Presentation of the unaudited pro forma financial information is prepared in conformity with Article 11 of Regulation S-X under the Exchange Act. The historical balance sheet of OFS Capital as of June 30, 2010 has been adjusted to give effect to the BDC/RIC Elections Adjustments, the OFS Capital WM Transaction, the OFSAM Cash Contribution and the 2010 Distribution, as if such events took place on June 30, 2010. The historical statement of operations for the six months ended June 30, 2010 has been adjusted to give effect to the BDC/RIC Elections Adjustments, the OFS Capital WM Transaction, the OFSAM Cash Contribution and the 2010 Distribution, as if such events took place on January 1, 2010. The historical statement of operations for the year ended December 31, 2009 has been adjusted to give effect to the BDC/RIC Elections Adjustments and the 2009 Reorganization, as if such events took place on January 1, 2009.

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

Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2010
(in thousands)

	Historical	OFS Capital WM Transaction, OFSAM Cash Contribution, and 2010 Distribution Adjustments	BDC/RIC Elections Adjustments	Pro Forma
Assets				
Cash and cash equivalents	$ 4,834	$11,370(1)	$ —	$ —
		22,420(2)		
		39,777(3)		
		(76,122)(4)		
		(2,279)(5)		
Loans receivable	193,161	(98,135)(3)	(2,762)(7)	4,302
		(74,631)(6)		
		(13,331)(1)		
Allowance for loan losses	(11,452)	2,259(3)	3,213(8)	—
		5,059(6)		
		921(1)		
Net loans receivable	181,709	(182,692)	451	4,302
Interest receivable	651			651
Deferred financing closing costs, net	1,072	(1,072)(4)		—
Deferred offering costs	874			874
Equity investments	4,616	50,731(3)	200(7)	54,014
		(1,533)(6)		
Total assets	$193,756	$ (134,566)	$ 651	$ 59,841
Liabilities and Members' Equity/Stockholders' Equity				
Liabilities				
Revolving line of credit	$ 75,515	$ (75,515)(4)	$	$ —
Interest payable and other liabilities	1,448	(607)(4)		841
Due to affiliated entities	3,665	(2,279)(5)		1,386
Total liabilities	80,628	(78,401)		2,227
Commitments and Contingencies				
Members' Equity/Stockholders' Equity				
Members' equity	113,128	(1,040)(1)	3,213(8)	60,176
		22,420(2)		
		(5,368)(3)		
		(71,105)(6)		
		(1,072)(4)		
Unrealized loss on investments	—		(2,562)(7)	(2,562)
Common stock				
Paid-in capital				
Total members' equity/stockholders' equity	113,128	(56,165)	651	57,614
Total liabilities and members' equity/stockholders' equity	$193,756	$ (134,566)	$ 651	$ 59,841

See notes to unaudited pro forma condensed combined financial information

Unaudited Pro Forma Condensed Combined Statement of Income
For the Six Months Ended June 30, 2010
(in thousands)

	Historical	OFS Capital WM Transaction, OFSAM Cash Contribution and 2010 Distribution Adjustments	BDC/RIC Elections Adjustments	Pro Forma
Income				
Interest and fees on loans	$ 5,934	$ (5,934)(9)	$ —	$ —
Dividend income from OFS Capital WM	—	1,477(10)	—	1,477
Fee and other income	205	(194)(9)	—	11
Total income	6,139	(4,651)	—	1,488
Expenses				
Interest on borrowed funds	1,559	(1,559)(11)	—	—
Amortization of deferred financing closing costs	429	(429)(11)	—	—
Loan loss recovery	(966)	966(12)	—	—
Servicing fee - related party	1,043	(1,043)(13)	—	—
Management fee expense	—	—	598(15)	598
Directors' Fees	—	—	145(15)	145
Insurance expense	—	—	250(15)	250
Professional fees	64	—	450(15)	514
Other administrative expenses	102	—	288(15)	390
Total expenses	2,231	(2,065)	1,731	1,897
Income (loss) before net realized and unrealized gain (loss) on investments	3,908	(2,586)	(1,731)	(409)
Realized and unrealized gain (loss) on investments				
Realized loss on sale of loans, net	(130)	130(14)	—	—
Change in net unrealized gain (loss) on loans	—	—	451(7)	451
Change in net unrealized gain (loss) on equity investments	30	—	170(7)	200
Net realized and unrealized gain (loss) on investments	(100)	130	621	651
Net income	$ 3,808	$ (2,456)	$ (1,110)	$ 242

See notes to unaudited pro forma condensed combined financial information

Unaudited Pro Forma Condensed Combined Statement of Income
For the Year Ended December 31, 2009
(in thousands)

	Historical	Adjustment for 2009 Reorganization(16)	BDC/RIC Elections Adjustments	Pro Forma after BDC/RIC Elections and 2009 Reorganization Adjustments
Income				
Interest and fees on loans	$16,812	$ (1,967)	$ —	$ 14,845
Interest and dividends on securities	244	(244)	—	—
Interest from related party	467	(467)	—	—
Income from Vidalia	522	—	—	522
Management fee income - related party	4,575	(4,575)	—	—
Fee and other income	1,272	(870)	—	402
Total income	23,892	(8,123)	—	15,769
Expenses				
Interest on borrowed funds	6,772	—	—	6,772
Interest to related party	359	(359)	—	—
Provision for loan losses	6,886	303	(7,189)(8)	—
Amortization of deferred financing closing costs	1,050	—	—	1,050
Write-off of unamortized deferred financing closing cost	2,008	—	—	2,008
Management fee expense	—	—	4,043(15)	4,043
Directors' fees	—	—	290(15)	290
Compensation and benefits	5,211	(5,211)	—	—
Insurance expense	—	—	500(15)	500
Professional fees	2,182	(2,182)	900(15)	900
Consulting fees - related party	180	(180)	—	—
Other administrative expenses	1,233	(1,233)	575(15)	575
Write-down of structured securities	346	(346)	—	—
Impairment of other equity investments	473	(473)	—	—
Total expenses	26,700	(9,681)	(881)	16,138
Income (loss) before net realized and unrealized gain (loss) on investments	(2,808)	(1,558)	881	(369)
Realized gain on sale of equity investments	188	(188)	—	—
Realized gain on sale of loans, net	924	(924)	—	—
Realized gain on sale of Vidalia interest	4,918	—	—	4,918
Change in net unrealized gain (loss) on investments	—	—	(26,198)(7)	(26,198)
Net income (loss) before income tax benefit	3,222	446	(25,317)	(21,649)
Income tax expense (benefit)	(36)	36	—	—
Net income (loss)	$ 3,258	$ 410	$ (25,317)	$ (21,649)

See notes to unaudited pro forma condensed combined financial information

Notes to Unaudited Pro Forma Condensed Combined Balance Sheet and Statement of Income

Pro Forma Adjustments:

(1) Represents the pro forma effect of the sale of three loans as of June 30, 2010, which loans were actually sold subsequent to June 30, 2010. A loss of $1,040 was recognized.

(2) Represents the effects of the OFSAM Cash Contribution.

(3) Represents the effects of the sale of loans to OFS Capital WM in exchange for cash and 100% equity ownership interest in OFS Capital WM as part of the OFS Capital WM Transaction, which also results in the recognition of a pro forma loss of $5,368.

(4) To record payoff of the outstanding loan principal and accrued interest under the Old Credit Facility with the OFS Capital WM Cash Consideration and the OFSAM Cash Contribution. Also to write off deferred offering costs related to the Old Credit Facility upon payoff of the amounts outstanding under that facility.

(5) To record payment to OFSAM of accrued servicing fees owed by OFS Funding to OFSAM through June 30, 2010.

(6) Represents the effects of the transfer of loans and certain equity interests to OFSAM as part of the 2010 Distribution.

(7) Represents adjustment of our loans and other investments to fair value as required for a business development company as a result of the BDC/RIC Elections Adjustments. For a discussion of our valuation policy following this offering, please see “Determination of Net Asset Value.” For the six months ended June 30, 2010, our net unrealized gain totaled $651. For the year ended December 31, 2009, our net unrealized loss totaled $26,198.

(8) Represents elimination of allowance for loan losses and provision for loan losses as a result of the BDC/RIC Elections Adjustments. In future periods, following our election to adopt FAS 157 (ASC Topic 820) in preparation to be treated as a business development company, we will no longer record an allowance for loan losses. Rather, we will value each individual loan and investment on a quarterly basis at fair value, which will be the market value, or, if no market value is ascertainable, at the fair value as determined in good faith pursuant to procedures approved by our board of directors in accordance with our valuation policy.

(9) To eliminate interest and fee income on loans transferred to OFS Capital WM and OFSAM as part of the OFS Capital WM Transaction and the 2010 Distribution. Also to eliminate interest and fee income on the three loans.

(10) Assumes that OFS Capital WM makes a cash distribution to OFS Capital in an amount equal to all of its cash interest income for the six months ended June 30, 2010 in respect of the loans sold to OFS Capital WM in excess of the estimated cash expenses of OFS Capital WM for the six months ended June 30, 2010. Specifically, dividend income reflects total interest and fee income earned on loans transferred to OFS Capital WM in the estimated amount of $2,992, net of estimated interest expense incurred on both lenders’ loans of $1,170 and the estimated loan management fee incurred to the loan manager in the amount of $345.

(11) To eliminate interest expense incurred on the Old Credit Facility. Also to eliminate amortization of deferred financing costs related to the Old Credit Facility.

(12) To eliminate loan loss recovery on loans transferred to OFS Capital WM and OFSAM as part of the OFS Capital WM Transaction and the 2010 Distribution. Also to eliminate loan loss recovery on the three loans.

(13) To eliminate servicing fee incurred by OFS Capital to OFSAM.

(14) To eliminate realized loss on loans sold during the six months ended June 30, 2010, assuming those loans had been transferred to OFS Capital WM, LLC on January 1, 2010.

(15) Represents pro forma adjustments related to our estimated base management fee and other operating expenses assuming our BDC/RIC election took place on January 1, 2009. Base management fee for the quarter ended June 30, 2010 and year ended December 31, 2009 was calculated as % of our average total assets balance (excluding cash and cash equivalents) at June 30, 2010 and December 31, 2009, respectively. We assumed no incentive fee will be charged for both the quarter ended June 30, 2010 and year ended December 31, 2009 as our estimated pre-incentive fee net investment income would be lower than our hurdle rate of % per annum for each period. In addition, there would not be any capital gain incentive fee for the year ended December 31, 2009 as our unrealized loss on investment exceeded our realized capital gain. No capital gain incentive fee will be calculated for the quarter ended June 30, 2010 as this is an annually computed fee.

(16) Our historical consolidated statement of income for the year ended December 31, 2009 included operations of our affiliates that were distributed to our parent company, OFSAM, as part of the 2009 Reorganization. As a result of the December 31, 2009 Reorganization (see our December 31, 2009 consolidated financial statements included elsewhere in this prospectus and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more details about our 2009 Reorganization), we transferred our 100% membership interest in those affiliates to our parent company, OFSAM. These pro forma adjustments assumed our 2009 Reorganization took place on January 1, 2009 and eliminated the operating results of all those affiliates for the year ended December 31, 2009.

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

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

Overview

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

Our investment objective is to provide our stockholders with both current income and capital appreciation through debt and equity investments. Before giving effect to the Pro Forma Transactions, as of June 30, 2010, our investment portfolio consisted of outstanding loans of approximately $193.8 million in aggregate principal amount, of which 85.4% were senior secured loans. Following this offering, we intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. Although we will continue to focus on investments in senior secured loans, we also intend to expand into additional asset classes in which our external manager has expertise, including investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. Initially, we expect that our senior secured loan investments will principally be made through on-balance sheet or off-balance sheet special purpose vehicles, such as in the OFS Capital WM Transaction, while our unitranche, second lien and mezzanine-loans will be made by us directly or through our proposed SBIC subsidiary. We expect our investments in the equity securities of these companies, such as warrants, preferred stock, common stock and other equity interests, will principally be made in conjunction with our debt investments, although we currently anticipate that no more than 5% of our portfolio will consist of equity investments in middle-market companies that do not pay a regular dividend.

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

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

As of June 30, 2010, after giving effect to the Pro Forma Transactions, our net asset value was $57.6 million, or $ per share. As of that date, before giving effect to the Pro Forma Transactions, our portfolio comprised debt in 49 portfolio companies and the weighted average yield on income producing investments at fair value was

approximately 7.2%. Throughout this document, the weighted average yield on income producing investments at fair value is computed as the (1) total annual stated interest on accruing loans plus the annualized amortization of deferred loan origination fees and accretion of OID divided by (2) total income producing investments at fair value. The weighted average yield on income producing investments at fair value is computed as of the balance sheet date and excludes assets on non-accrual status as of such date.

Key Financial Measures

The following is a discussion of the key financial measures that management will employ in reviewing the performance of our operations. As discussed in more detail below under "—Recent Developments and Other Factors Affecting Comparability—BDC/RIC Elections Adjustments," our anticipated election to be treated as a business development company under the 1940 Act and to be treated as a RIC under the Code will require us to change some of the accounting principles used to prepare our consolidated financial statements and the presentation of our financial statements. The following discussion of key financial measures is with respect to how management will assess our performance after the effectiveness of these elections.

Revenues. We plan to generate revenue in the form of interest income on debt investments and capital gains and distributions, if any, on investment securities in portfolio companies. We anticipate that our debt investments will typically have a term of three to eight years and bear interest at fixed and floating rates. As of June 30, 2010, before giving effect to the Pro Forma Transactions, floating rate loans comprise over 90% of our current portfolio; however, in accordance with our investment strategy, we expect that over time the proportion of fixed rate loans will increase. We anticipate that, in some instances, we will receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we anticipate receiving repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period. On occasion, our portfolio activity may also reflect the proceeds of sales of securities. In some cases, our investments will provide for deferred interest payments or PIK interest. In addition, we may generate revenue in the form of commitment, origination and sourcing, structuring or due diligence fees, fees for providing managerial assistance and consulting fees. Loan origination and sourcing fees, OID and market discount or premium will be capitalized, and we will accrete or amortize such amounts as interest income. We will record prepayment premiums on loans as interest income. When we receive principal payments on a loan in an amount that exceeds its carrying value, we will also record the excess principal payment as interest income. Dividend income, if any, will be recognized on an accrual basis to the extent that we expect to collect such amounts.

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

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to making investments, including out-of-pocket fees and expenses associated with performing due diligence and reviews of prospective investments;
- transfer agent and custodial fees;
- out-of-pocket fees and expenses associated with marketing efforts;
- federal and state registration fees and any stock exchange listing fees;
- U.S. federal, state and local taxes;
- independent directors' fees and expenses;

- brokerage commissions;
- fidelity bond, directors' and officers' liability insurance and other insurance premiums;
- direct costs, such as printing, mailing, long-distance telephone and staff;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1940 Act and other applicable U.S. federal and state securities laws; and
- other expenses incurred by either OFS Services or us in connection with administering our business, including payments under the Administration Agreement that will be based upon our allocable portion (subject to the review and approval of our board of directors) of overhead.

Outlook on Market Conditions

There have been significant developments in the worldwide capital markets recently. The economy continues to be characterized by disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market, as well as the entire corporate credit market, and the failure of certain major financial institutions. Despite actions of the U.S. federal government and foreign governments, these events have contributed to worsening general economic conditions that are materially and adversely impacting the broader financial and credit markets and reducing the availability of debt and equity capital for the market as a whole.

These conditions may continue for a prolonged period of time or worsen in the future and present both opportunities and risks to us. The current credit market deterioration has caused many of the alternative methods of obtaining middle-market debt financing to significantly decrease in scope and availability, creating an attractive investment environment for us. On the other hand, a prolonged period of market illiquidity may have an adverse effect on our business, financial condition, and results of operations. Unfavorable economic conditions could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us, thereby limiting our investment originations and sourcings, limiting our ability to grow and negatively impacting our operating results.

Recent Developments and Other Factors Affecting Comparability

BDC/RIC Elections Adjustments. Prior to this offering, we were not required to apply fair value accounting in accordance with the principles of FAS 157 (ASC Topic 820). Accordingly, loans or other equity investments were carried at cost on our balance sheet. In conjunction with our election to be treated as a business development company, under FAS 157 (ASC Topic 820) we will report our investments at fair value with changes in value reported through our income statement under the caption "unrealized appreciation (depreciation) on investments." See "Determination of Net Asset Value." Currently, we maintain an allowance for loan losses for inherent losses in our loan portfolio. Upon conversion, we will eliminate the allowance for loan losses and, consistent with our prospective accounting policies, will record unrealized appreciation and depreciation that will increase or decrease the carrying value of individual assets. Based upon the carrying value of our loans at June 30, 2010, after giving effect to the Pro Forma Transactions, the unrealized depreciation that we expect to record upon conversion would be $2.6 million (without taking into account the $3.2 million allowance as of June 30, 2010). Our unaudited pro forma financial statements included in this prospectus give effect to a fair value adjustment to the carrying value of our loan and other equity investments as of June 30, 2010. See the section of this prospectus entitled "Unaudited Pro Forma Condensed Combined Financial Statements."

As of June 30, 2010, our net asset value, after giving effect to the Pro Forma Transactions, was $57.6 million. In addition to obtaining input from OFS Advisor, our board of directors has hired an asset valuation firm, , to provide valuation assistance on these assets, consisting of certain limited procedures (the "Procedures") we identified and requested they perform. Based upon the performance of these Procedures, the

valuation firm concluded that the fair value of these assets did not appear unreasonable. The valuation firm provided valuation assistance for 100% of our remaining portfolio investments (including our equity interests in OFS Capital WM) following the OFS Capital WM Transaction and the 2010 Distribution and for which sufficient market quotations were not readily available as of June 30, 2010. Our board of directors intends to retain one or more independent valuation firms to review the valuation of each portfolio investment that does not have a readily available market quotation at least once during each 12-month period. However, our board of directors is ultimately and solely responsible for determining the fair value of our assets using a documented valuation policy and consistently applied valuation process. For more information, see the sections of this prospectus entitled "Unaudited Pro Forma Condensed Combined Financial Statements" and "Determination of Net Asset Value."

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

OFS Capital WM Transaction and OFSAM Cash Contribution. We have established OFS Capital WM, an entity that will be one of our portfolio companies upon consummation of the BDC Conversion and will acquire, manage and finance senior secured loan investments to middle-market companies in the United States. To finance its business, at the OFS Capital WM Closing, OFS Capital WM entered into the WM Credit Facility with Wells Fargo and Madison Capital, which is secured by the eligible loan assets or participations therein acquired by OFS Capital WM from us at the OFS Capital WM Closing and eligible loan assets thereafter acquired by OFS Capital WM from us or other sources during its reinvestment period. Subject to limited exceptions, our sale of eligible loan assets or participations therein to OFS Capital WM is without recourse to us, and we will have no liability for the debts or other obligations of OFS Capital WM.

At the OFS Capital WM Closing, we sold approximately $96.9 million (or $95.9 million, pro forma, as of June 30, 2010) of loans or participations therein, transferred to us by OFS Funding, to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration. We transferred the OFS Capital WM Cash Consideration to OFS Funding, and OFS Funding used the OFS Capital WM Cash Consideration to repay a substantial portion of the outstanding loan balance under the Old Credit Facility. We also transferred the OFSAM Cash Contribution, made by our parent to us simultaneously with the OFS Capital WM Closing, to OFS Funding, and OFS Funding used the OFSAM Cash Contribution, together with cash on hand, to pay off the remaining balance under the Old Credit Facility in full. The balance under the Old Credit Facility had already been reduced prior to September 28, 2010 by our application of net proceeds from the sale of three loans to pay down a portion thereof.

Upon consummation of the BDC Conversion, OFS Capital WM will be one of our eligible portfolio companies, the assets of which are managed by an affiliate of Madison Capital, as loan manager, subject in certain circumstances to our consent, as administrative manager of OFS Capital WM. Accordingly, we will not consolidate OFS Capital WM in our financial statements in accordance with Article 6 of Regulation S-X under the Securities Act. Instead, our equity investment in OFS Capital WM will be reflected on our balance sheet. We expect that OFS Capital WM will be able to increase the rate of return on the senior secured assets sold to OFS Capital WM as a result of the more favorable financing terms under the WM Credit Facility, as compared to the Old Credit Facility. We will continue to benefit from the loan assets sold to OFS Capital WM by virtue of our ownership of 100% of the equity interests in OFS Capital WM, as well as from increased management capacity at OFS Advisor resulting from the appointment of an unaffiliated loan manager for OFS Capital WM. In addition, the management fee payable to OFS Advisor will be reduced because we will pay that fee on the value of our equity investment in OFS Capital WM (which value takes into account the indebtedness of OFS Capital WM), as opposed to the value of the individual assets sold to OFS Capital WM (which would not reflect any indebtedness).

We expect that, over the life of the WM Credit Facility, based on the cost of capital and the yield on the underlying assets, we will have positive cash flow on a quarterly basis from our investment in OFS Capital WM. In addition, we believe that our newly established relationship with Madison Capital will significantly expand the investment opportunities available to us.

Among other aspects of the OFS Capital WM Transaction that affect the comparability of our financial statements, the OFS Capital WM Transaction and OFSAM Cash Contribution, on a pro forma basis, as of June 30, 2010, will involve the repayment of $75.5 million (or $56.1 million as of September 28, 2010) aggregate principal amount of indebtedness outstanding under the Old Credit Facility, removal from our balance sheet of $95.9 million (or $96.9 million as of September 28, 2010) in assets to be sold to OFS Capital WM in connection with the OFS Capital WM Transaction and the booking of an asset in the amount of $50.7 million in respect of our investment in OFS Capital WM. For more information on the Pro Forma Transactions, see "Unaudited Pro Forma Condensed Combined Financial Statements."

2010 Distribution. Concurrently with the OFS Capital WM Transaction, OFS Funding distributed to us and we in turn distributed to OFSAM certain investments in each of the following portfolio companies: Airxcel, Inc., Arclin US Holdings Inc., Barton-Cotton, Incorporated, BBB Industries LLC, BlueWater Thermal Processing, LLC, Einstruction Corporation, FCL Graphics, Inc., Hopkins Manufacturing Inc., Jason Incorporated, Jonathan Holding Company, Jones Stephens Corp., LMH I, Inc. (Latham), LVI Services, Inc., National Bedding Company, LLC, Pamarco Technologies, Inc., Plainfield Tool and Engineering, Inc. (f/k/a Polymer Technologies, Inc. and Plainfield Tool and Engineering, Inc.), Revere Industries, LLC, SMG and Tecta America Corporation. Our investments in these portfolio companies aggregated approximately $67.2 million. In addition, prior to the completion of this offering, we expect that OFS Funding will distribute to us and we in turn will distribute to OFSAM approximately $1.3 million of equity investments. We refer to these actions collectively as the "2010 Distribution." We determined to make these distributions to eliminate certain potential conflicts of interest that might arise due to the fact that we and an affiliated fund both had or currently have investments in these portfolio companies.

2009 Reorganization. Formerly, we were named Old Orchard First Source Asset Management, LLC ("Old OFSAM"), but, in March 2010, we were renamed "OFS Capital, LLC." On December 31, 2009, Old OFSAM undertook certain steps as part of a reorganization designed to facilitate this offering. Specifically:

- our then equity owners created a new holding company, Orchard First Source Asset Management, LLC, or OFSAM, by contributing their equity interests in Old OFSAM to OFSAM such that Old OFSAM became a wholly-owned subsidiary of that entity;
- Old OFSAM distributed to OFSAM assets that we determined to be inconsistent with our primary investment objectives described in this prospectus or with the operations of an externally managed finance company, including, among other things, by:
    - distributing to OFSAM an approximate 6% equity interest in a CLO vehicle and assigning to OFSAM the management rights and certain fee receivables related to that vehicle;
    - distributing to OFSAM all equity interests in OFSC, an Illinois corporation that employs all of the investment and other professionals who will carry out the investment activities on our behalf; and
    - distributing to OFSAM all equity interests in certain other subsidiaries engaged in management and agency activities.

We refer to these actions collectively as the "2009 Reorganization." The above-described steps resulted in OFS Funding becoming our only subsidiary with loan and other investment assets. No assets within OFS Funding were transferred or paid out as a dividend as part of the 2009 Reorganization. For more details on the specific steps taken in connection with the 2009 Reorganization, see our financial statements and the related notes thereto appearing elsewhere in this prospectus as well as the section of this prospectus entitled "Unaudited Pro Forma Condensed Combined Financial Statements." Because the 2009 Reorganization occurred on December 31, 2009, it impacts the comparability of our balance sheet information as of June 30, 2010 and December 31, 2009 with the period-end balance sheet information as of prior periods, and will impact the comparability of future period income statement information with the income statement information for periods ending on or before December 31, 2009.

Investment in Vidalia. Until June 2009, we owned a 100% interest in a trust that owned a 9.93% interest in a hydroelectric power generating facility in Concordia Parish, Louisiana ("Vidalia"). The investment in Vidalia was carried at cost. Distributions from the investment in Vidalia were recorded as income to the extent the facility had generated income. Distributions in excess of income were recorded as a reduction in the cost basis as they reflected a return of capital. In June 2009, we sold our entire interest in Vidalia for $33.6 million in net proceeds and recognized a gain of $4.9 million from the sale. For the year ended December 31, 2009, we recorded investment income from Vidalia in the amount of $0.5 million.

Composition of Existing Portfolio and Recent Portfolio Activities. As of June 30, 2010, before giving effect to the Pro Forma Transactions, substantially all of our investment portfolio consisted of senior secured loans to middle-market companies in the United States. As noted elsewhere in this prospectus, following this offering, we intend to expand into additional asset classes, including investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. Accordingly, over time, we expect that senior secured loans will represent a smaller percentage of our investment portfolio as we grow our business. In addition, over the last 24 months, we have focused primarily on management and collection efforts with respect to our existing portfolio and generally have not originated any new loans. We anticipate that our activities in the near term will return to a more balanced mix of investment origination and sourcing, management and collection, with the majority of new loans being added to our portfolio by our originations.

Critical Accounting Policies

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

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

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

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

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

- For each such investment, a basic credit rating process will be completed. Every credit rating will be reviewed and either reaffirmed or revised by the investment committee. This process, along with comparisons to similar assets in the market based on, among other things, third-party credit ratings, will establish base information for the quarterly valuation process.

- As it relates to our equity investment in OFS Capital WM, we anticipate that a review of the credit rating, cash flow and maturity profile of the underlying assets owned by OFS Capital WM will be completed. In addition, we anticipate that the review will also consider the liability structure of OFS Capital WM, including the amount of leverage, financing costs and other expenses.
- Each portfolio company or investment will additionally be valued by the investment professionals responsible for the credit monitoring.
- Preliminary valuation conclusions will then be documented and discussed with individual members of the investment committee.
- The preliminary valuations will then be submitted to the investment committee for ratification.
- Third-party valuation firms engaged by, or on behalf of, our board of directors will conduct independent appraisals and review the investment committee's preliminary valuations and make their own independent assessment for all assets for which sufficient market quotations are not readily available. Each such asset will be valued at least once every 12 months.
- Our board of directors will discuss valuations and determine the fair value of each investment in the portfolio in good faith based on the input of OFS Advisor and, where appropriate, the respective independent valuation firms.

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

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

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

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

Non-accrual. We currently (and will continue to) place loans on non-accrual status when principal and interest payments are past due 90 days or more or when there is reasonable doubt that we will collect principal or interest. Accrued interest is currently (and will continue to be) generally reversed when a loan is placed on non-accrual. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans is currently (and will continue to be) restored to accrual status when past due principal and interest is paid and, in our management's judgment, are likely to remain current.

Portfolio Composition, Investment Activity and Yield

The following discussion of our portfolio does not give effect to the Pro Forma Transactions. Even though the completion of OFS Capital WM Transaction and a substantial part of the 2010 Distribution significantly

altered the nature and composition of our consolidated portfolio and balance sheet, we believe that providing this portfolio data on an actual basis (as opposed to a pro forma basis) is more meaningful to investors because it provides a more complete picture of our historical origination and investment activities. The total value of our investments was approximately $173.9 million at June 30, 2010, $200.1 million at December 31, 2009 and $307.8 million at December 31, 2008, respectively. The amount at June 30, 2010 gives pro forma effect to the BDC/RIC Elections Adjustments, as described above under "—Recent Developments and Other Factors Affecting Comparability—BDC/RIC Elections Adjustments." The amount at December 31, 2009 excludes $22.7 million in carrying value of our loans and other investments distributed to OFSAM as of December 31, 2009 as part of the 2009 Reorganization. For the six months ended June 30, 2010, we originated only $550,000 of new investments. For the years ended December 31, 2009 and 2008, we did not originate any new investments, and the decrease from December 31, 2008 to December 31, 2009 primarily reflects debt repayments as well as the distribution of certain assets as part of the 2009 Reorganization.

For the six months ended June 30, 2010 and the year ended December 31, 2009, we had approximately $7.9 million and $26.5 million, respectively, in net debt repayments (net of advances under the Old Credit Facility) in existing portfolio companies and sold $16.9 million and $8.5 million of our loans, respectively. We distributed approximately $22.7 million in carrying value of our loans and other investments pursuant to the 2009 Reorganization. For the six months ended June 30, 2009 and the year ended December 31, 2008, we had approximately $9.4 and $47.3 million, respectively, in net debt repayments in existing portfolio companies. We sold $33.6 million of our investment in Vidalia in June 2009 and $82.1 million of our loans during 2008.

The following table shows the cost and fair value of our portfolio of investments by asset class as of June 30, 2010 and December 31, 2009 and the cost of our portfolio of investments by asset class as of December 31, 2008:

	As of June 30, 2010		As of December 31, 2009		2008(1)
	Cost	Fair Value	Cost	Fair Value	Cost
			(in thousands)		
Senior Secured:					
Performing	$ 155,062	$ 139,255	$188,367	$166,998	$252,130
Non-Accrual	9,739	7,011	23,191	13,706	—
Unitranche:					
Performing	—	—	—	—	—
Non-Accrual	—	—	—	—	—
Second-Lien:					
Performing	22,185	20,591	20,392	17,623	17,490
Non-Accrual	3,539	1,270	3,394	1,271	—
Mezzanine:					
Performing	—	—	—	—	—
Non-Accrual	—	—	—	—	—
Unsecured:					
Performing	—	—	—	—	—
Non-Accrued	2,636	1,146	2,534	252	—
Equity Investments:	4,616	4,582	53	279	30,523(2)
Total	$197,777	$173,855	$237,931	$200,129	$300,143

(1) Adjusted to exclude portfolio investments distributed to OFSAM in connection with the 2009 Reorganization.
(2) Included investment in Vidalia in the amount of $30,179, which was sold in 2009 at fair value.

Our portfolio had a weighted average yield on income producing investments at fair value of approximately 7.2% and 6.8% as of June 30, 2010 and December 31, 2009, respectively.

Results of Operations

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

Comparison of the six months ended June 30, 2010 (unaudited) and June 30, 2009 (unaudited)

Net Income

	Six Months Ended June 30,		
	2010	2009	% Change
	(in thousands)		
Net interest income	$ 4,375	$ 5,690	(23.1)%
Income before income tax expense	3,808	6,387	(40.4)
Net income	$ 3,808	$ 6,412	(40.6)

Net income decreased by $2.6 million, or 40.6%, for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. The decrease in net income resulted primarily from a decrease in non-interest income of $8.1 million and a decrease in net interest income of $1.3 million partially offset by a decrease in non-interest expense of $5.9 million.

Net Interest Income

	Six Months Ended June 30,		
	2010	2009	% Change
	(in thousands)		
Interest and fees on loans	$ 5,934	$ 9,273	(36.0)%
Interest and dividends on securities	—	245	(100.0)
Interest from related party	—	243	(100.0)
Total interest income	$ 5,934	$ 9,761	(39.2)
Interest on borrowed funds	$ 1,559	$ 3,890	(59.9)
Interest to related party	—	181	(100.0)
Total interest expense	1,559	4,071	(61.7)
Net interest income	$ 4,375	$ 5,690	(23.1)

Net interest income decreased by $1.3 million, or 22.1%, for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. The decrease in net interest income was due to a decrease of $3.8 million in total interest income, which was primarily attributable to a decrease in our weighted average

assets of approximately $80.9 million. In addition, total interest income for the six months ended June 30, 2009 included $1.2 million of interest income generated by entities distributed by us as a part of our 2009 Reorganization. This was partially offset by a decrease in total interest expense of $2.5 million resulting primarily from reduced borrowings in the first six months of 2010 as compared to the first six months of 2009. In November 2009, we reduced borrowings outstanding under the Old Credit Facility by $99 million in connection with the Amended SSA with Bank of America.

Loan Loss Recovery

Based on our loan impairment analysis, we recorded a loan loss recovery of $966,000 for the six months ended June 30, 2010. We did not record a provision for loan losses for the six months ended June 30, 2009.

Non-Interest Income

	Six Months Ended June 30,		% Change
	2010	2009	
	(in thousands)		
Gain on sale of equity investments	$ —	$ 80	(100.0)%
Loss on sale of loans, net	(130)	—	N/A
Gain on sale of Vidalia interest	—	4,918	(100.0)%
Management fee income – related party	—	2,229	(100.0)%
Income from Vidalia	—	522	(100.0)%
Fee income	153	363	(57.9)%
Other income	52	103	(49.5)%
Unrealized gain on warrants	30	—	N/A
Total non interest income	$ 105	$ 8,215	(99.7)%

Non-interest income decreased by $8.1 million, or 99.7%, for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. The decrease in non-interest income resulted primarily from (1) a $4.9 million gain on sale resulting from the sale in June 2009 of our 100% interest in Vidalia, a trust that owned a 9.93% interest in a hydroelectric power generating facility in Concordia Parish, Louisiana, and (2) the fact that, prior to the 2009 Reorganization, we received fee income from providing services associated with the management of the assets of an affiliated fund. As part of the 2009 Reorganization, we assigned that management agreement and the related servicing rights to OFSAM.

Non-Interest Expense

	Six Months Ended June 30,		% Change
	2010	2009	
	(in thousands)		
Amortization of deferred financing closing costs	$ 429	$ 556	(22.8)%
Write-off of unamortized deferred financing closing cost	—	2,008	(100.0)
Management fee – related party	1,043	—	N/A
Compensation and benefits	—	2,974	(100.0)
Professional fees	64	1,253	(94.9)
Consulting fees – related party	—	90	(100.0)
Other administrative expenses	102	637	(84.0)
Total non-interest expense	$ 1,638	$ 7,518	(78.2)

Non-interest expense decreased by $5.9 million, or 78.2%, for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. The decrease in non-interest expense resulted primarily from (1) our reduction during the first quarter of 2009 in the Old Credit Facility from $400 million to $265 million, which resulted in a write-off of unamortized deferred financing costs of $2.0 million during that quarter, and

(2) the 2009 Reorganization, the result of which was that we were no longer the holding company for the OFS entities and which led, accordingly, to decreases in compensation and benefits, professional fees and other administrative expenses of $3.0 million, $1.2 million and $535,000, respectively. These were partially offset by an increase in management fee - related party of $1.0 million, resulting from the 2009 Reorganization as a result of which OFSAM assumed responsibility for servicing the assets held by our subsidiary, OFS Funding.

Comparison of the year ended December 31, 2009 and December 31, 2008

Net Income

	Year Ended December 31,		
	2009	2008	% Change
	(in thousands)		
Net interest income	$ 10,392	$ 8,876	17.1%
Net interest income (loss) after provision for loan losses	3,506	(14,878)	123.6
Income before income tax expense	3,222	163,367	(98.0)
Net income	$ 3,258	$ 163,314	(98.0)

Net income decreased by $160.1 million, or 98.0%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease in net income resulted primarily from cancellation of indebtedness income during the year ended December 31, 2008 in the amount of $189.5 million related to our subordinated noteholders' forgiveness of a portion of our subordinated debt during our debt refinancing. Excluding this cancellation of debt income, net income would have increased by $29.0 million, or 112.4%, primarily as a result of (1) a reduction in the provision for loan losses from the year ended December 31, 2008 to December 31, 2009 of $17.0 million, (2) an increase in net interest income of $1.5 million and (c) a reduction in non-interest expense of $8.8 million primarily as a result of decreased write-off of unamortized deferred financing closing costs, partially offset by a decrease in non-interest income of $2.4 million.

Net Interest Income

	Year Ended December 31,		
	2009	2008	% Change
	(in thousands)		
Interest and fees on loans	$ 16,812	$ 25,811	(34.9)%
Interest and dividends on securities	244	2,527	(90.3)
Interest from related party	467	132	253.8
Total interest income	$ 17,523	$ 28,470	(38.5)
Interest on borrowed funds	$ 6,772	$ 19,321	(65.0)
Interest to related party	359	273	31.5
Total interest expense	7,131	19,594	(63.6)
Net interest income	$ 10,392	$ 8,876	17.1

Net interest income increased by $1.5 million, or 17.1%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase in net interest income was primarily attributable to a decrease in interest on borrowed funds of $13.0 million resulting from lower debt balances and a declining LIBOR rate. This decrease in interest on borrowed funds was partially offset by a decrease in total interest income of $11.0 million resulting from a reduced average investment balance resulting from the repayment and sale of various debt investments as well as decreased LIBOR rates in 2009.

Provision for Loan Losses

	Year Ended December 31, 2009	2008	% Change
	(in thousands)		
Provision for loan losses	$ 6,886	$ 23,754	(71.0)%

The provision for loan losses decreased by $16.9 million, or 71.0%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease in loan loss provision was primarily due to our implementation of a general loan loss reserve effective for the year ended December 31, 2008 on our overall loan portfolio as well as higher specific reserves and a larger overall loan portfolio in 2008.

Non-Interest Income

	Year Ended December 31, 2009	2008	% Change
	(in thousands)		
Gain on sale of assets	$ 6,030	$ —	N/A
Management fee income – related party	4,575	4,499	1.7%
Income from Vidalia	522	1,650	(68.4)
Other income	1,272	911	39.6
Writedown of affiliated structured securities and impairment of other equity interests	(819)	—	N/A
Cancellation of debt income	—	189,525	(100.0)
Total non-interest income	$ 11,580	$ 196,585	(94.1)

Non-interest income decreased by $187.3 million, or 94.1%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease in non-interest income resulted primarily from cancellation of indebtedness income during the year ended December 31, 2008 in the amount of $189.5 million related to our subordinated noteholders' forgiveness of a portion of our subordinated debt during our debt refinancing. Excluding this cancellation of debt income, non-interest income would have increased by $2.2 million, or 23.4%, primarily resulting from a gain on sale of our interest in Vidalia of $4.9 million, partially offset by a decrease in gain on sale of equity investments of $2.1 million.

Non-Interest Expense

	Year Ended December 31, 2009	2008	% Change
	(in thousands)		
Amortization of deferred financing closing costs	$ 1,050	$ 1,571	(33.2)%
Write-off of unamortized deferred financing closing cost	2,008	6,056	(66.8)
Administrative expenses	8,806	8,602	2.4
Loss of sale of assets, net	—	4,438	(100.0)
Total non-interest expense	$ 11,864	$ 20,667	(42.6)

Non-interest expense decreased by $8.8 million, or 42.6%, for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The decrease in non-interest expense resulted primarily from a reduction in write-off of unamortized deferred financing closing costs of $4.0 million. The write-off of costs during 2008 was a result of our payoff of the old debt during our refinancing.

Income Tax

As a limited liability company that did not elect to be treated as a corporation for U.S. federal income tax purposes, we did not pay U.S. federal income taxes.

After the completion of this offering, we intend to elect to be treated for income tax purposes as a RIC. As a RIC, we generally will not have to pay corporate-level U.S. federal income taxes on ordinary income or capital gains that we distribute to our stockholders as dividends. See "Material U.S. Federal Income Tax Considerations."

Financial Condition, Liquidity and Capital Resources

As of June 30, 2010, before giving effect to the Pro Forma Transactions, we had $4.8 million in cash and cash equivalents and $75.5 million aggregate principal amount of indebtedness outstanding under the Old Credit Facility. After giving effect to the Pro Forma Transactions, as of June 30, 2010, we have no cash and no indebtedness outstanding.

We intend to generate cash primarily from the net proceeds of this offering, as well as any future offerings of securities, future borrowings, including borrowings through our SBIC subsidiary, and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. Following this offering, we plan to seek a credit facility to finance investments and working capital requirements. There can be no assurance that we will be able to obtain such financing on favorable terms or at all, or that we will be able to borrow additional funds through our SBIC subsidiary. In the future, we may also seek to finance all or portions of our portfolio through on-balance sheet or off-balance sheet special purpose vehicles, such as in the OFS Capital WM Transaction. To securitize investments, we would likely create a wholly-owned subsidiary and contribute a pool of investments to the subsidiary. We or the subsidiary would then sell debt or equity interests in the subsidiary to purchasers and we would retain all or a portion of the equity in the subsidiary. Our primary use of funds will be investments in our targeted asset classes, interest payments on any indebtedness and cash distributions to holders of our common stock.

Although we expect to fund the growth of our investment portfolio through the net proceeds from this offering, future equity offerings, including our dividend reinvestment plan, and issuances of senior securities or future borrowings, to the extent permitted by the 1940 Act, we cannot assure you 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 to fund our unfunded commitments to portfolio companies. The illiquidity of these 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.

In addition, as a business development company, we generally will be 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%. This requirement limits the amount that we may borrow. To fund growth in our investment portfolio in the future, we anticipate needing 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.

Off-Balance Sheet Arrangements

We may be 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, such as in the OFS Capital WM Transaction. As of June 30, 2010, we had unfunded commitments to fund investments in our portfolio companies totaling $32.2 million

under various undrawn revolving loans, or zero after giving effect to the Pro Forma Transactions. Such commitments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet and are not reflected on our balance sheet.

Contractual Obligations

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. See "Management and Other Agreements."

As discussed above, our subsidiary, OFS Funding, was also the borrower under the Old Credit Facility. This credit facility was secured by our existing investments. However, we repaid in full and terminated the Old Credit Facility in connection with the Pro Forma Transactions. Giving effect to the Pro Forma Transactions, we have no scheduled contractual cash obligations or other commercial commitments as of June 30, 2010.

Quantitative and Qualitative Disclosure about Market Risk

We are subject to financial market risks, including changes in interest rates. Changes in interest rates affect both our cost of funding and the valuation of our investment portfolio. Our risk management systems and procedures are designed to identify and analyze our risk, to set appropriate policies and limits and to continually monitor these risks and limits by means of reliable administrative and information systems and other policies and programs. Our investment portfolio and investment income may be affected by changes in various interest rates, including LIBOR and prime rates.

As of June 30, 2010, before giving effect to the Pro Forma Transactions, over 90% of our debt investment portfolio bore interest at floating rates.

THE COMPANY

General

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

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

As of June 30, 2010, before giving effect to the Pro Forma Transactions, our investment portfolio consisted of outstanding loans of approximately $193.8 million in aggregate principal amount, of which 85.4% were senior secured loans. Although we will continue to focus on investments in senior secured loans, we also intend to expand into additional asset classes in which our external manager has expertise, including investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. More information on each of these asset classes can be found at "—Structure of Investments." Initially, we expect that our senior loan investments will be principally made through on-balance sheet or off-balance sheet special purpose vehicles, such as the OFS Capital WM Transaction, while our unitranche, second lien and mezzanine-loans will be made by us directly or through our proposed SBIC subsidiary described below. We expect our investments in the equity securities of these companies, such as warrants, preferred stock, common stock and other equity interests, will principally be made in conjunction with our debt investments, although we currently anticipate that no more than 5% of our portfolio will consist of equity investments in middle-market companies that do not pay a regular dividend.

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

Before giving effect to the Pro Forma Transactions, our loan portfolio consisted primarily of directly originated loans, club loans and broadly syndicated loan securities with a contractual 2.8-year weighted average life to maturity, approximately 85.4% of which we characterized as of June 30, 2010 as senior secured. As of June 30, 2010, before giving effect to the Pro Forma Transactions, we had commitments of approximately $226.0 million and outstanding loans of approximately $193.8 million in aggregate principal amount, representing approximately $169.3 million in fair value, plus approximately $4.6 million in fair value of other securities, with an average obligor commitment of $4.6 million. The difference between the amount of commitments and the outstanding loans is attributable to the unfunded portion of revolving loans in our portfolio. As of June 30, 2010, our portfolio had a weighted average yield on income producing investments at fair value of approximately 7.2%. Additional information about the current composition of our loan portfolio is provided below under "—Investments."

We believe senior secured, unitranche, second-lien and mezzanine loans to middle-market companies represent particularly attractive investments when compared to similar loans originated by market participants in the 2005-2007 period due to what we expect to be more attractive pricing and more conservative borrowing terms and deal

structures. In particular, we believe that structured equity debt investments (i.e., unitranche loans, typically with significant warrant coverage, in companies with no financial sponsor) represent a significant growth opportunity offering the borrower the convenience of dealing with one lender, which may result in a higher blended rate of interest than a traditional multitranche structure. We believe this creates the opportunity to originate new loans to less leveraged borrowers at historically high interest rates, as well as to purchase loans in the secondary market at attractive prices with high yields.

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

Additionally, we may in the future seek to securitize loans to generate cash for funding new investments. To securitize loans, we may create a wholly-owned subsidiary and contribute a pool of loans to the subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers who we would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and we would retain a portion of the equity in the securitized pool of loans.

About OFS and Our Advisor

OFS (which refers to the collective activities and operations of OFSAM and its subsidiaries and certain affiliates) is an established investment platform focused on meeting the capital needs of middle-market companies. OFS is the successor to First Source Financial Inc., which was founded in 1995 as a joint venture between Dominion Capital, Inc., a wholly-owned subsidiary of Dominion Resources, Inc. (“Dominion”), and Household Commercial Financial Services Inc., a unit of Household International (“Household”). Household sold its interest in First Source Financial Inc. to Dominion in 1997. In 2003, Orchard Paladin Management, LLC, our predecessor, acquired from Dominion a portfolio of performing and non-performing loans of approximately $625 million in aggregate commitment amount, plus additional investments in equity securities. Shortly thereafter, in 2004, Orchard Paladin Management, LLC acquired Dominion’s interest in First Source Financial Inc. Most of the workouts managed by our senior managers since 2003 involved loans in the portfolio acquired from Dominion and loans acquired as a result of the purchase of Dominion’s interest in First Source Financial Inc.

Since commencing operations in 1995, OFS (together with its predecessor) has closed approximately 1,000 transactions with aggregate commitments of approximately $7.5 billion. OFS’s professionals have developed strong sourcing relationships and have expertise in investing across all levels of the capital structure of our targeted portfolio companies. OFS senior managers have gained extensive workout experience during multiple business cycles throughout the course of their careers. In addition, the senior management team has worked together to manage over 50 workouts involving debt securities in payment default or material covenant default. As of June 30, 2010 and December 31, 2009, OFS had approximately $789.0 million and $855.0 million, respectively, in face value of assets under management. OFS also draws upon the significant experience of Richard Ressler, the Chairman of OFS Advisor’s investment committee. Mr. Ressler is the founder and President of Orchard Capital, co-founder and Principal of CIM Group, Inc., a real estate investor and manager, and Chairman of j2 Global Communications, Inc., in addition to serving on the boards of directors of various private companies. Mr. Ressler has been actively involved in managing and investing in private middle-market companies for over 20 years. He has developed an expansive network of relationships in the sponsor group and corporate arena, which we intend to leverage for loan origination and sourcing purposes.

OFS currently has 28 employees and is headquartered in Rolling Meadows, Illinois, a suburb of Chicago, with additional offices in New York, New York and Los Angeles, California.

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

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

OFS Advisor has entered into the Staffing Agreement with OFSC. OFSC employs all of OFS’s investment professionals. Under the Staffing Agreement, OFSC will make experienced investment professionals, including the SBIC subsidiary management personnel, available to OFS Advisor and provide access to the senior investment personnel of OFS and its affiliates. The Staffing Agreement provides OFS Advisor with access to deal flow generated by OFS and its affiliates in the ordinary course of their businesses and commits the members of OFS Advisor’s investment committee to serve in that capacity. As our investment advisor, OFS Advisor is obligated to allocate investment opportunities among us and any other clients fairly and equitably over time in accordance with its allocation policy.

OFS Advisor intends to capitalize on the significant deal origination and sourcing, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of OFS’s professionals. We currently expect that the senior management team of OFS, including Richard Ressler, Glenn Pittson, Bilal Rashid, Jeff Cerny, Kathi Inorio and Bob Palmer, will provide services to OFS Advisor. These managers have developed a broad network of contacts within the investment community from over 15 years of experience investing in debt and equity securities of middle-market companies. In addition, these managers have gained extensive experience investing in assets that will constitute our primary focus and have expertise in investing across all levels of the capital structure of middle-market companies.

In addition to their roles with OFS Advisor, Glenn Pittson and Bilal Rashid will serve as our interested directors. Mr. Pittson has over 25 years of experience in corporate finance, senior and mezzanine lending, structured finance, loan workouts and loan portfolio management, having spent the majority of his career at various capacities in CIBC, including as head of U.S. Credit Markets, where he was central to the development and execution of a fundamental restructuring of CIBC’s loan origination activities. During the mid-1980’s, Mr. Pittson was instrumental in establishing CIBC’s leveraged lending business. Mr. Rashid has approximately 15 years of experience in investment banking, debt capital markets and investing as it relates to corporate credit, structured credit and securitizations, including serving as a managing director in the global markets and investment banking division at Merrill Lynch. Over his career, Mr. Rashid has advised, arranged financing for and lent to several middle-market credit providers, including business development companies and their affiliates.

Among other members of OFS' senior management team, Jeff Cerny is experienced in credit evaluation, credit monitoring, troubled credit and loan administration, and negotiation and structuring of structured funding vehicles, having previously held positions at Sanwa Business Credit Corporation, American National Bank and Trust Company of Chicago and Charter Bank Group, a multi-bank holding company. Kathi Inorio's focus is on origination and underwriting, drawing on her experience as a vice president in the corporate finance group at Heller Financial, Inc., where she was responsible for portfolio management of middle-market senior cash flow loans. Bob Palmer, head of OFS's portfolio management and loan recovery group, has 26 years of experience in loan underwriting, distressed debt resolution and credit administration, including 16 years at First Maryland Bancorp (now M&T Bank) and NationsBank Corp. (now Bank of America).

Our Administrator

OFS Services, an affiliate of OFS Advisor, will provide the administrative services necessary for us to operate. OFS Services will furnish us with office facilities and equipment, necessary software licenses and subscriptions and clerical, bookkeeping and recordkeeping services. OFS Services will oversee our financial reporting as well as prepare our reports to stockholders and reports required to be filed with the SEC. OFS Services will also manage the determination and publication of our net asset value and the preparation and filing of our tax returns and will generally monitor the payment of our expenses and the performance of administrative and professional services rendered to us by others. OFS Services may retain third parties to assist in providing administrative services to us. To the extent that OFS Services outsources any of its functions, we will pay the fees associated with such functions on a direct basis without incremental profit to OFS Services.

Small Business Investment Company Subsidiary

We intend to pursue a portion of our investment strategy through SBIC LP, a newly formed limited partnership, and have received preliminary authorization from the SBA in the form of a "Green Light" letter, dated October 7, 2009, to begin the application process to become licensed as an SBIC. SBIC LP is our wholly-owned subsidiary. OFSC has employed three individuals who will be primarily responsible for the day-to-day management of the investment activities of our SBIC subsidiary, all of the cost of which will be borne by OFS Advisor through the Staffing Agreement. Additionally, we have amended our initial Management Assessment Questionnaire filed with the SBA to include Mr. Pittson as a member of our SBIC subsidiary's investment committee. We also own all the limited liability company interests of SBIC GP, a newly formed limited liability company that will serve as the general partner of SBIC LP. Because we will own, directly or indirectly, all of the equity interests in each of SBIC LP and SBIC GP, their financial condition and results of operations will be consolidated with those of OFS Capital for financial reporting purposes.

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

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses. If and when received, an SBIC license will allow our SBIC subsidiary to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse, interest-only debentures with interest payable semi-annually and have a ten-year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed at the time of issuance at a market-driven spread over U.S. Treasury Notes with ten-year maturities.

SBA regulations currently limit the amount that an SBIC may borrow to up to a maximum of $150 million when it has at least $75 million in regulatory capital, receives a capital commitment from the SBA and has been through an examination by the SBA subsequent to licensing. For two or more SBICs under common control, the maximum amount of outstanding SBA-provided leverage cannot exceed $225 million.

The investments of an SBIC are limited to loans to and equity securities of eligible small businesses. Under present SBA regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding $18 million and have average annual net income after U.S. federal income taxes not exceeding $6 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote 25% of its investment activity to "smaller" concerns, as defined by the SBA. A smaller concern generally includes businesses that have a tangible net worth not exceeding $6 million and have average annual net income after U.S. federal income taxes not exceeding $2 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years.

We expect to apply for exemptive relief from the SEC to permit us to exclude the debt of our SBIC subsidiary guaranteed by the SBA from our 200% asset coverage test under the 1940 Act. If we receive an exemption for this SBA debt, we would have increased capacity to fund investments with debt capital.

Notwithstanding that OFSC has employed the three individuals who will manage our SBIC subsidiary, we cannot assure you that Mr. Pittson will be approved by the SBA to be a member of our SBIC subsidiary's investment committee, that our SBIC subsidiary will receive an SBIC license, that our SBIC subsidiary will receive the capital commitment from the SBA necessary to begin issuing SBA-guaranteed debentures or that we will receive the exemptive relief from the SEC relating to excluding our SBIC subsidiary's debt from our 200% asset coverage test.

Market Opportunity

As of June 30, 2010, before giving effect to the Pro Forma Transactions, our investment portfolio consisted of outstanding loans of approximately $193.8 million in aggregate principal amount and we had debt of $75.5 million aggregate principal amount outstanding. After giving effect to the Pro Forma Transactions, as of June 30, 2010, our investment portfolio would have consisted of outstanding loans of approximately $7.1 million in aggregate principal amount and our equity investments in our portfolio companies (including our investment in OFS Capital WM) and we would have had no debt outstanding. Following this offering, we intend to continue to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. We expect that our investments will include asset classes in which our external manager has expertise, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. In particular, we believe that structured equity debt investments (i.e., unitranche loans, typically with significant warrant coverage, in companies with no financial sponsor) represent a significant growth opportunity offering the borrower the convenience of dealing with one lender, which may result in a higher blended rate of interest than a traditional multitranche structure. Initially, we expect that our senior loan investments will principally be made through on-balance sheet or off-balance sheet special purpose vehicles, such as the OFS Capital WM Transaction, while our unitranche, second lien and mezzanine-loans will be made by us directly or through our proposed SBIC subsidiary described below. We expect our investments in the equity securities of these companies, such as warrants, preferred stock, common stock, and other equity interests, will principally be made in conjunction with our debt investments, although we currently anticipate that no more than 5% of our portfolio will consist of equity investments in middle-market companies that do not pay a regular dividend. We believe that the economic recession and the recent dislocation in U.S. credit markets have provided excellent conditions for middle-market lending.

We find the middle-market attractive for the following reasons:

Large Target Market. According to the U.S. Census Bureau in its 2002 economic census, businesses in the United States with annual revenues between $10 million and $2.5 billion accounted for approximately 39.2% of all revenues generated by U.S. companies and generated more than $8 trillion in annual revenues. We believe that these middle-market companies represent a significant growth segment of the U.S. economy and often require substantial capital investments to grow. Middle-market companies have historically constituted the vast bulk of OFS's portfolio companies since its inception, and constituted the vast bulk of our portfolio as of June 30, 2010. We believe that this market segment will continue to produce significant investment opportunities for us.

Specialized Lending Requirements with High Barriers to Entry. We believe that several factors render many U.S. financial institutions ill-suited to lend to U.S. middle-market companies. For example, based on the experience of our management team, lending to private middle-market companies in the United States (1) is generally more labor-intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of information for such companies, (2) requires due diligence and underwriting practices consistent with the demands and economic limitations of the middle-market and (3) may also require more extensive ongoing monitoring by the lender. As a result, middle-market companies historically have been served by a limited segment of the lending community. As a result of the unique challenges facing lenders to middle-market companies, there are high barriers to entry that a new lender must overcome.

Reduction in Competition Due to Dislocation in the Capital Markets. We believe that the dislocation in the markets over the last 18 to 24 months has further reduced the amount of credit available to middle-market companies. Many participants in the mezzanine, second-lien and subordinated debt market over the past five years, such as hedge funds and managers of CLOs, have contracted or eliminated their origination and sourcing activities as investors' credit concerns have reduced available funding. In addition, we believe several existing business development companies are less active in the lending markets due to a lack of access to debt and equity financing. Moreover, many commercial banks face significant balance sheet constraints and increasing regulatory scrutiny, which we believe restricts their ability to lend. These balance sheet constraints are reflected in the results of the 2009 Shared National Credit review, which analyzed approximately $500 billion in loans formally identified as leveraged finance shared national credits. The 2009 Shared National Credit Review identified approximately 72% of the dollar volume of the 50 largest leveraged finance shared national credits as criticized assets.

Significant Refinancing Requirements. We believe that the debt associated with a large number of middle-market leveraged mergers and acquisitions completed from 2005 to 2008, which totals approximately $97.7 billion in the aggregate, should begin to mature in the 2010-2013 time period. In many cases, this debt will need to be refinanced as the existing debt facilities mature. When combined with the decreased availability of debt financing for middle-market companies generally, we believe these factors will increase lending opportunities for us.

Robust Demand for Debt Capital. Private equity firms reportedly raised more than $600 billion in each of 2007 and 2008, which we believe to be far in excess of the amount of equity they subsequently invested from this capital raised. We expect the large amount of unfunded buyout commitments will drive demand for leveraged buyouts over the next several years, which should, in turn, create leveraged lending opportunities for us.

Attractive Pricing. Reduced access to, and availability of, debt capital for our targeted middle-market borrowers typically increases the interest rates, or pricing, of loans. We believe that interest rates charged on mezzanine credit facilities were at or above 15% per annum in many instances in 2009, versus average rates of approximately 14% in 2006 and 2007. Based on what OFS has observed, recent mezzanine deals typically have included meaningful upfront fees, prepayment protections and, in many cases, warrants, all of which should enhance the profitability of new loans to lenders.

Conservative Deal Structures. As a result of the recent credit crisis, many lenders are requiring less senior and total leverage, more equity and more comprehensive loan covenants than was customary in the years leading

up to the credit crisis. Lower debt multiples on purchase prices suggest that the cash flow of borrowing companies should enable them to service their debt more easily, creating a greater buffer against a downturn. According to industry sources, leverage (defined as total debt to EBITDA) of middle-market companies has been at an historically low average level of approximately 3.4x for the five quarters ended March 31, 2010. Since 1997, the previous lowest average leverage level was approximately 3.6x in 2001, while the previous highest average leverage level was approximately 4.8x in both 1997 and 2007.

Competitive Strengths and Core Competencies

Deep Management Team Experienced in All Phases of Investment Cycle and Across All Levels of the Capital Structure. We will be managed by OFS Advisor, which will have access through the Staffing Agreement with OFSC to the resources and expertise of OFS investment professionals. As of June 30, 2010, OFS's credit and investment professionals (including all investment committee members but not including the recently hired SBIC subsidiary management personnel) employed by OFSC had an average of over 15 years of investment experience with strong institutional backgrounds, including General Electric Capital Corporation, Bank of America Business Credit, Merrill Lynch, Heller Financial Inc., NationsBank Corp., Sanwa Business Credit Corporation, Canadian Imperial Bank of Commerce and Drexel Burnham Lambert Inc. Moreover, OFS's investment professionals specialize in the acquisition, origination and sourcing, underwriting and asset management of our specific targeted class of portfolio companies and have experience in investing at all levels of the capital structure. OFS's senior managers have gained extensive workout experience during multiple business cycles. Recently, this staff of investment professionals has been augmented and diversified by the addition of the three individuals who will be primarily responsible for the day-to-day management of the investment activities of our SBIC subsidiary. OFS's credit and investment professionals including the SBIC subsidiary management personnel, are supported by additional administrative and back office personnel that focus on operations, finance, legal and compliance, accounting and reporting, marketing, information technology and office management. The expertise of OFS's senior managers extends beyond just loan origination and sourcing to significant experience with distressed debt and workouts. OFS also draws upon the significant experience of Richard Ressler, the Chairman of the executive committee of OFSAM and the Chairman of OFS Advisor's investment committee. Mr. Ressler has been actively involved in managing and investing in private middle-market companies for over 20 years. Mr. Ressler is the founder and President of Orchard Capital, co-founder and Principal of CIM Group, Inc., a real estate investor and manager, and Chairman of j2 Global Communications, Inc., in addition to serving on the boards of directors of various private companies. He has developed an expansive network of relationships in the sponsor group and corporate arena, which we intend to leverage for loan origination and sourcing purposes.

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

Significant Investment Capacity. Income from our investments, together with the net proceeds of this offering and any new debt we may incur, will provide us with a substantial amount of capital available for deployment into new investment opportunities in our targeted asset class. Additionally, we have submitted an application to the SBA to obtain a license for an SBIC subsidiary and have received preliminary approval from the SBA. Upon receipt of the SBIC license, we will be able to borrow additional funds through our SBIC subsidiary and take advantage of additional investment opportunities to meet our investment objectives.

Scalable Infrastructure Supporting the Entire Investment Cycle. We believe that our loan acquisition, origination and sourcing, underwriting, administration and management platform is highly scalable (that is, it can

be expanded on a cost efficient basis within a timeframe that meets the demands of business growth). We believe that with limited incremental investment in personnel and back-office functions, our existing loan platform could accommodate three times our current loan volume. Because OFS Advisor will be compensated in part on a fixed percentage of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts), it will have an incentive to leverage that platform and put our capital to work.

Our platform extends beyond origination and sourcing and includes a regimented credit monitoring system. We believe that our careful approach, which involves ongoing review and analysis by an experienced team of professionals, should enable us to identify problems early and to assist borrowers before they face difficult liquidity constraints. The expertise of OFS's senior managers extends beyond just loan origination and sourcing to significant experience with distressed debt and workouts, which the senior managers have managed together as a team through multiple business cycles. We believe that this experience enables us to prepare for possible negative contingencies in order to address them promptly should they arise.

Extensive Loan Sourcing Capabilities. OFS Advisor gives us access to the deal flow of OFS. We believe OFS's 15-year history as a middle-market lending platform and its market position makes it a leading lender to many sponsors and other deal sources, especially in the currently weak lending environment, and we have extensive relationships with potential borrowers and other lenders. Since its inception, OFS (together with its predecessor) has closed approximately 1,000 transactions with aggregate commitments of approximately $7.5 billion. We believe that because of its relationships and its reputation in the marketplace as a source of debt capital to the middle-market, OFS receives relationship-based "early looks" at many investment opportunities, allowing it to be selective in the transactions it pursues. Finally, we believe that the addition by OFSC to its staff of investment professionals of the three individuals who will be primarily responsible for the day-to-day management of the investment activities of our SBIC subsidiary, as well as the newly established relationship with the lenders to OFS Capital WM, will significantly expand the investment opportunities available to us.

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

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

Investment Criteria/Guidelines

Our investment objective is to generate current income and capital appreciation by investing primarily in investments in middle-market companies in the United States. We expect that our investments will include asset classes in which our external manager has expertise, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. In particular, we believe that structured equity debt investments (i.e., unitranche loans, typically with significant warrant coverage, in companies with no financial sponsor) represent a significant growth opportunity offering the borrower the convenience of dealing with one lender, which may result in a higher blended rate of interest than a traditional multitranche structure. Initially, we expect that our senior loan investments will principally be made through on-balance sheet or off-balance sheet special purpose vehicles, such as the OFS Capital WM Transaction, while our unitranche, one-stop, second lien and mezzanine-loans will be made by us directly or through our proposed SBIC subsidiary. We expect our investments in the equity securities of these companies, such as warrants, preferred stock, common stock and other equity interests, will principally be made in conjunction with our debt investments, although we currently anticipate that no more than 5% of our portfolio will consist of equity investments in middle-market companies that do not pay a regular dividend. We intend to generate strong risk-adjusted net returns by assembling a diversified portfolio of investments across a broad range of industries.

We plan to target U.S. middle-market companies by utilizing our proprietary database of borrowers developed over OFS's more than 15 years in lending to middle-market companies, as well as through OFS's access to a network of financial institutions, private equity sponsors, investment banks, consultants and attorneys. A typical targeted borrower may exhibit one or more of the following characteristics:

- number of employees between 150 and 2,000;
- revenues between $50 million and $300 million;
- annual EBITDA between $5 million and $50 million;
- generally, private companies owned by private equity firms or owners/operators;
- enterprise value between $25 million and $500 million;
- effective and experienced management teams;
- strong market share;
- solid historical financial performance, including a steady stream of cash flow;
- high degree of recurring revenue;
- diversity of customers, markets, products and geography; and
- differentiated products or services.

While we believe that the criteria listed above are important in identifying and investing in prospective portfolio companies, not all of these criteria will be met by each prospective portfolio company.

Investment Process Overview

OFS's historical investment process, the process that OFS Advisor will employ in the management of our business, consists of six distinct phases:

- Sourcing/Origination
- Pre-Screening
- Investment Committee Oversight
- Due Diligence/Underwriting

- Investment Committee
- Portfolio Review/Credit Monitoring

Each of the phases is described in more detail below.

Sourcing/Origination. OFS (together with its predecessor) has originated, sourced and closed approximately 1,000 transactions with aggregate commitments of approximately $7.5 billion. OFS Advisor will continue to source investment opportunities through access to a network of over 100 financial institutions, private equity sponsors, investment banks, turnaround consultants and bankruptcy attorneys with whom its investment personnel have relationships, as well as its proprietary database of borrowers developed over more than 15 years in lending to middle-market companies.

As part of its review of a potential loan opportunity, OFS Advisor will seek to ensure that:

- for all loans that we source or originate, the companies and their sponsors and management teams are reputable; and
- for club loans that we do not originate and syndicated loans in which we may participate, the agent or lead institutions in these transactions are known for high-quality credit analysis and due diligence based on both their institutional history and OFS Advisor's prior experience with them.

Pre-Screening. Together with qualifying the source of a potential loan opportunity, OFS Advisor will screen potential transactions before proceeding to the full due diligence phase of the underwriting process. This screening will emphasize:

- identification of a particular transaction's strengths and weaknesses;
- discussion of the prospective borrower's industry and competitive position;
- preliminary evaluation of the borrower's historical financial information and financial projections; and
- identification of elements upon which special attention will be focused during the full due diligence process.

During this process, OFS Advisor will evaluate the risk/reward characteristics of transactions to ensure pricing is appropriate to generate an appropriate risk-adjusted return.

Investment Committee Oversight. OFS Advisor's team for each proposed loan will include at least one member of OFS Advisor's investment committee or credit committee and will generally consist of a principal, director and associate. If, after the conclusion of the pre-screening process, the principal assigned to that deal team supports the investment, a screening memo will be prepared and presented to the investment committee to discuss issues, concerns and pre-conditions to making the investment. After consideration of the factors described in this prospectus, the investment committee will make a formal decision to either continue with the investment process or decline the potential investment.

Due Diligence/Underwriting. After receiving the preliminary approval of the investment committee, OFS Advisor will conduct appropriate due diligence on the proposed borrower. We expect OFS Advisor's deal team to continue the same systematic, consistent approach historically employed by OFS to determine the specific risks, issues and concerns associated with each investment. The due diligence review will take into account information OFS Advisor's team deems necessary to make an informed decision about the creditworthiness of the borrower and the risks of the investment, which includes but is not limited to inquiries into the borrower's customers, suppliers, products, services, management team, industry, competitors, equity sponsor, structure, enterprise value, collateral value and historical financial results. In addition, OFS Advisor's team will analyze the borrower's projections and the investment's risk/return and formulate an exit strategy.

For any investment, due diligence will involve a review of legal documentation for key terms, such as intercreditor agreement terms, voting rights, scheduled repayments, financial covenants, collateral and major amendments.

For new primary investments, the due diligence process will typically entail:

- on-site management meetings (for agent and club transactions) and due diligence performed on operations;
- background checks;
- review of material contracts;
- discussions with the customers and suppliers;
- comprehensive analysis of historical results and projections; and
- identification (and where possible quantification) of any pending litigation.

For secondary purchases, in addition to the typical due diligence and underwriting process, the review of legal documentation assists in ensuring appropriate contractual protections and control over the investment, in which OFS Advisor will consider:

- how much control over the investment in the portfolio company can be obtained through the original documentation and the size of the commitment;
- the composition of the broader creditor group;
- the benefits of investing at different levels of the capital structure; and
- for secondary distressed purchases, whether any restructuring will take place in court or out of court.

For secondary opportunistic purchases, in addition to the typical due diligence and underwriting process, OFS Advisor's review will focus on clearly identifying issues, such as an inappropriate capital structure, a suboptimal management team or operational issues that led to stressed performance, and establishing a clear, concise restructuring plan. OFS Advisor's process is expected to consist of:

- evaluating whether the restructuring plan is reasonable and achievable;
- assessing the management team and its ability to implement the plan;
- identifying internal and external risks of the plan;
- determining if the company has the personnel, processes and systems in place to properly run the business and implement its plan; and
- determining if OFS Advisor has the resources to assist in executing the plan.

Finally, OFS Advisor's diligence will include a thorough review of collateral and may include documents supporting the collateral's value, such as appraisals, field audit reports and accounts receivable agings. OFS Advisor expects to use discounted cash flow and multiples analysis to determine an approximate enterprise value and liquidation value in supporting its investment decisions. OFS Advisor will seek to achieve the targeted return on the investment through structuring the purchase price, OID, interest income and fees, the size of the investment and the level of investment in the borrower's capital structure. At the time of the investment, OFS Advisor will formulate an exit strategy that identifies the source and expected timing of the repayment of the loan.

Investment Committee. Upon the conclusion of the due diligence process and after considering the factors described above, OFS Advisor's team will make a formal recommendation to the investment committee for approval.

Portfolio Review/Credit Monitoring. OFS views active portfolio monitoring as a vital part of the investment process. As part of the monitoring process, OFS Advisor will regularly assess the risk profile of each of our investments and rate each of them on an internal ratings scale that has credit quality and trend indicators. Low-rated loans will receive more frequent monitoring, including assessment of potential loss exposure using discounted cash flow, sales multiples and collateral valuation analysis. In order to determine these ratings, OFS Advisor will conduct periodic monitoring activities. The monitoring takes into account items that may include changing industry characteristics, company and industry critical parameters, collateral and covenant protection, risks to obligor cash flows, benchmarking borrower performance to base and/or stress-case scenarios, the value of the collateral and enterprise and the feasibility of the exit strategy.

OFS conducts, and OFS Advisor will conduct, different monitoring activities at different frequencies. For a typical investment, OFS Advisor's review activities may be as follows:

Daily Activities:

- Interact with loan administration to ensure accurate and timely information for internal and external reporting, daily fundings and collections
- Obtain reports related to loan processing (i.e., payments, balances, unused revolver availability) to facilitate funding decisions
- Conduct ongoing internal dialogue and senior management oversight of the entire portfolio
- Maintain a dialogue with obligors, agent banks and sponsors in furtherance of credit strategy implementation
- Manage loans aggressively, with increased reporting and oversight for stressed and distressed obligors
- Analyze and maintain loan documentation and detailed loan obligor financial information

Weekly Activities:

- Obtain a weekly balance report including the obligor's loan activity
- Hold a credit committee meeting attended by all credit directors and a senior member of loan administration, augmented by ad hoc meetings throughout the week to:
  - Discuss any amendments or waivers in the portfolio
  - Review past due reports and upcoming loan payments
  - Discuss obligors whose deteriorating financial condition requires more frequent monitoring
  - Discuss all other noteworthy events in the portfolio (e.g., payoffs, key management changes, upcoming meetings and visits, industry events)
- Hold an investment committee meeting to preview prospective investments at an earlier stage and approve new investments upon completion of due diligence and underwriting activities

Monthly Activities:

- Review formal asset management report for the obligor
- Review a portfolio report of commitments, balances and availability of the obligor
- Periodically meet with obligor management on-site to review performance and plans
- Manage loans aggressively, with increased reporting and oversight for stressed and distressed obligors
- Modify and adapt collection strategies, as appropriate

Quarterly Activities:

- Conduct a formalized quantitative and qualitative review of investments, including:
  - Review of risk rating with credit quality and trend indicators
  - Financial analysis, including “actual versus plan” and “actual versus prior year” for the latest quarter and year-to-date
  - Review of recent developments specific to the obligor, as well as external factors affecting the obligor
  - Review of covenant compliance and loan documentation
  - Discussion of credit strategy and action plan and repayment sources
- Conduct credit loss exposure analysis, as appropriate

Investment Committee

The purpose of OFS Advisor’s investment committee, which will be comprised of Richard Ressler (Chairman), Glenn Pittson, Bilal Rashid, Jeffrey Cerny, Kathi Inorio and Robert Palmer and will be provided under the Investment Advisory Agreement, is to evaluate and approve all of our investments, subject at all times to the oversight of our board of directors. The investment committee process is intended to bring the diverse experience and perspectives of the committee’s members to the analysis and consideration of each investment. The investment committee will serve to provide investment consistency and adherence to our core investment philosophy and policies. The investment committee will also determine appropriate investment sizing and suggest ongoing monitoring requirements.

In addition to reviewing investments, investment committee meetings will serve as a forum to discuss credit views and outlooks. Potential transactions and deal flow will be reviewed on a regular basis. Members of the investment team will be encouraged to share information and views on credits with the investment committee early in their analysis. We believe this process will improve the quality of the analysis and assists the deal team members to work more efficiently.

As described above, each transaction is presented to the investment committee in a formal written report. All of our new investments must be approved by a consensus of the investment committee. Each member of OFS Advisor’s investment committee performs a similar role for other investments managed by OFS and its affiliates. In certain instances, our board of directors may also determine that its approval is required prior to the making of an investment.

In addition, OFSC has employed three individuals who will manage the investment activities of our SBIC subsidiary.

Structure of Investments

Once we have determined that a prospective portfolio company is suitable for investment, we will work with the management of that company and its other capital providers to structure an investment. We will negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company’s capital structure.

We anticipate that our loan portfolio will contain investments of the following types:

Senior Secured Loans. As of June 30, 2010, before giving effect to the Pro Forma Transactions, senior secured loans comprised substantially all of our investment portfolio and will remain part of our primary investment objective going forward. We will obtain security interests in specified assets of these portfolio companies that will serve as collateral in support of the repayment of these loans (in certain cases, subject to a payment waterfall). The collateral will take the form of first liens on specified assets of the portfolio company borrower. Our senior secured

loans may provide for moderate loan amortization in the early years of the loan, with the majority of the amortization deferred until loan maturity. Under market conditions as of the date of this prospectus, we expect that the interest rate on senior secured loans will range between 5% and 8% over applicable LIBOR. Generally, we believe that future investments in senior secured loans by us will be through special purpose vehicle or in anticipation of transferring those assets to a special purpose vehicle due to the lower returns resulting from such assets. For more detail on an example of such transaction, see the section below entitled "—Our Investment in OFS Capital WM."

Unitranche Loans. Unitranche loans are loans that combine both senior and subordinated debt into one loan under which the borrower pays a single blended interest rate that reflects the relative risk of the secured and unsecured components. We anticipate structuring our unitranche loans as senior secured loans. We will obtain security interests in the assets of these portfolio companies that will serve as collateral in support of the repayment of these loans. This collateral may take the form of first-priority liens on the assets of a portfolio company. We believe that unitranche lending represent a significant growth opportunity offering the borrower the convenience of dealing with one lender, which may result in a higher blended rate of interest than a traditional multitranche structure. Unitranche loans typically provide for moderate loan amortization in the initial years of the facility, with the majority of the amortization deferred until loan maturity. Unitranche loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. In many cases, we will be the sole lender, or we together with our affiliates will be the sole lender, of unitranche loans, which can afford us additional influence with a borrower in terms of monitoring and, if necessary, remediation in the event of underperformance. Based on our evaluation of market conditions as of the date of this prospectus, we expect that the interest rate on unitranche loans that involve financial sponsors will range between 6% and 10% (reflecting a blending of rates appropriate for the senior and junior debt exposures inherent in a unitranche loan) over applicable LIBOR. In the case of transactions originated by our SBIC subsidiary that are not backed by a financial sponsor, we expect the cash interest rate to range between 10% and 14% and to receive warrants (often above 10%) in connection with such loans. Such transactions generally occur in the lower-middle market, defined as businesses with annual revenues generally between $10 million and $100 million, and the lender typically has the right to designate at least one member of the borrower's board of directors.

Second-lien Loans. We anticipate structuring these investments as junior, secured loans. We intend to obtain security interests in the assets of these portfolio companies that will serve as collateral in support of the repayment of such loans. This collateral may take the form of second-priority liens on the assets of a portfolio company and we may enter into an intercreditor agreement with the holders of the portfolio company's senior secured debt. These loans typically provide for moderate loan amortization in the initial years of the facility, with the majority of the amortization deferred until loan maturity.

Mezzanine Loans. We anticipate structuring these investments as unsecured, subordinated loans that provide for relatively high, fixed interest rates that provide us with significant current interest income. These loans typically will have interest-only payments (often representing a combination of cash pay and PIK interest) in the early years, with amortization of principal deferred to maturity. Mezzanine loans generally allow the borrower to make a large lump sum payment of principal at the end of the loan term, and there is a risk of loss if the borrower is unable to pay the lump sum or refinance the amount owed at maturity. Mezzanine investments are generally more volatile than secured loans and may involve a greater risk of loss of principal. Mezzanine loans often include a PIK feature, which effectively operates as negative amortization of loan principal, thereby increasing credit risk exposure over the life of the loan.

Warrants and Minority Equity Securities. In some cases, we will also receive nominally priced warrants or options to buy a minority equity interest in the portfolio company in connection with such a loan. As a result, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure such warrants to include provisions protecting our rights as a minority-interest holder, as well as a "put," or right to sell such securities back to the issuer, upon the occurrence of specified events. In many

cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

As of June 30, 2010, before giving effect to the Pro Forma Transactions, approximately 85.4% of our loans were senior secured loans, while the remaining portion constituted second-lien loans and junior securities.

General Structuring Considerations. We intend to tailor the terms of each investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its operating results. We will seek to limit the downside potential of our investments by:

- requiring a total return on our investments (including both interest and potential equity appreciation) that we believe will compensate us appropriately for credit risk;
- negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with the preservation of our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or rights to a seat on the board of directors under some circumstances; and
- selecting investments that we believe have a very low probability of loss.

We expect to hold most of our investments to maturity or repayment, but we may sell some of our investments earlier if a liquidity event occurs, such as a sale, recapitalization or worsening of the credit quality of the portfolio company.

Investments

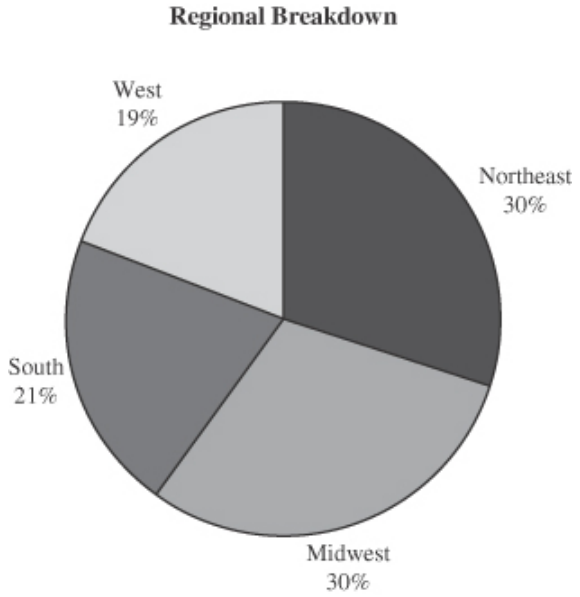
While, as of June 30, 2010, before giving effect to the Pro Forma Transactions, substantially all of our investment portfolio consisted of senior secured loans to middle-market companies in the United States, following this offering, we intend to expand into additional asset classes, including investments in unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and minority equity securities. We will seek to create a diverse portfolio by making investments in the securities of middle-market companies that we expect to range generally from $5.0 million to $25.0 million each, although we expect this investment size will vary proportionately with the size of our capital base. While a substantial amount of our assets was sold to OFS Capital WM as part of the OFS Capital WM Transaction (and additional assets distributed to OFSAM as part of the 2010 Distribution), we present detailed information below on our existing portfolio. We believe providing information on our current portfolio (rather than on a pro forma basis) is more meaningful to investors because it provides a more complete picture of our historical origination and investment activities. In addition, investors in OFS Capital will continue to benefit from, and be exposed to the risks associated with, that portion of our portfolio sold to OFS Capital WM as a result of our investment in OFS Capital WM.

As of June 30, 2010, before giving effect to the Pro Forma Transactions, our portfolio had a weighted average yield on income producing investments at fair value of approximately 7.2%. We characterized approximately 85.4% of our portfolio as of June 30, 2010 as senior secured.

Set forth in the table and charts below is selected additional information about our obligors as of June 30, 2010:

Current Loan Portfolio	Balance and Obligor Summary	Commitment	Outstanding(1)
		(dollars in thousands)	
	Balance: Term Loans	$ 176,741	$ 176,741
	Balance: Revolvers	49,253	17,056
	Total Balance	$ 225,994	$ 193,797
	Total # of Obligors	49	49

(1) The difference of approximately $637,000 between the aggregate amount of the above outstanding loan balances and the loan balances presented on our unaudited financial statements represented our net unamortized loan deferred fee, which was applied against our gross loan balance on our June 30, 2010 unaudited financial statements.



By Size of Exposure	Obligor Size (in millions)	Commitment (in thousands)	Number
	0 - 10	$ 143,231	43
	10 - 20	82,763	6
	20 - 30	—	—
	Total Balance	$ 225,994	49

OFS' loan portfolio is well-diversified, with limited exposure to subprime, commodities, real estate and lodging.

By Industry	Category	Commitment (in thousands)	Percent
	Automotive	36,338	16.1%
	Printing & Publishing	29,241	12.9%
	Chemicals, Plastics & Rubber	22.323	9.9%
	Machinery (non-agriculture, non-construction, non-electronic)	19,235	8.5%
	Diversified/Conglomerate Service	15,629	6.9%
	Home & Office Furnishings, Housewares & Durable Consumer Products	14,781	6.5%
	Healthcare, Education & Childcare	10,409	4.6%
	Retail Stores	9,700	4.3%
	Aerospace & Defense	9,195	4.1%
	Buildings & Real Estate	8,491	3.8%
	Ecological	6,608	2.9%
	Electronics	5.799	2.6%
	Diversified/Conglomerate Manufacturing	5,096	2.3%
	Mining, Steel, Iron & Nonprecious Metals	5,000	2.2%
	Cargo Transport	4,668	2.1%
	Beverage, Food & Tobacco	4,531	2.0%
	Personal & Nondurable Consumer Products (manufacturing only)	4,033	1.8%
	Finance	3,880	1.7%
	Broadcasting & Entertainment	3,276	1.4%
	Insurance	3,245	1.4%
	Personal, Food & Miscellaneous Services	2,000	0.9%
	Farming & Agriculture	1,250	0.6%
	Leisure, Amusement, Motion Pictures, Entertainment	923	0.4%
	Oil & Gas	343	0.1%
	Total	225,994	100%

Our Investment in OFS Capital WM

We have established OFS Capital WM, an entity that will be one of our portfolio companies upon consummation of the BDC Conversion and will acquire, manage and finance senior secured loan investments to middle-market companies in the United States. To finance its business, at the OFS Capital WM Closing, OFS Capital WM entered into the WM Credit Facility with Wells Fargo and Madison Capital. At the OFS Capital WM Closing, we sold approximately $96.9 million of loans or participations therein, transferred to us by OFS Funding, to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration. We transferred the OFS Capital WM Cash Consideration to OFS Funding, and OFS Funding used the OFS Capital WM Cash Consideration to repay a substantial portion of the outstanding loan balance under the Old Credit Facility. We also transferred the OFSAM Cash Contribution, made by our parent to us simultaneously with the OFS Capital WM Closing, to OFS Funding, and OFS Funding used the OFSAM Cash Contribution, together with cash on hand, to pay off the remaining balance under the Old Credit Facility in full. The balance under the Old Credit Facility had already been reduced prior to September 28, 2010 by OFS Funding's application of net proceeds from the sale of three loans to pay down a portion thereof.

Upon consummation of the BDC Conversion, OFS Capital WM will be one of our eligible portfolio companies, the assets of which are managed by an affiliate of Madison Capital, as loan manager, subject in certain circumstances to our consent, as administrative manager of OFS Capital WM. Accordingly, we will not consolidate OFS Capital WM in our financial statements in accordance with Article 6 of Regulation S-X under the Securities Act. Instead, our equity investment in OFS Capital WM will be reflected on our balance sheet. We expect that OFS Capital WM will be able to increase the rate of return on the senior secured assets sold to OFS Capital WM as a result of the more favorable financing terms under the WM Credit Facility, as compared to the

Old Credit Facility. We will continue to benefit from the loan assets sold to OFS Capital WM by virtue of our ownership of 100% of the equity interests in OFS Capital WM, as well as from increased management capacity at OFS Advisor resulting from the appointment of an unaffiliated loan manager for OFS Capital WM. In addition, the management fee payable to OFS Advisor will be reduced because we will pay that fee on the value of our equity investment in OFS Capital WM (which value takes into account the indebtedness of OFS Capital WM), as opposed to the value of the individual assets sold to OFS Capital WM (which would not reflect any indebtedness). We expect that, over the life of the WM Credit Facility, based on the cost of capital and the yield on the underlying assets, we will have positive cash flow on a quarterly basis from our investment in OFS Capital WM. In addition, we believe that our newly established relationship with Madison Capital will significantly expand the investment opportunities available to us.

The following is a summary of the terms and conditions of WM Credit Facility and related matters.

Availability; Borrowings. As noted above, OFS Capital WM has obtained a $180 million secured revolving credit facility from the class A lenders (including Wells Fargo) and the class B lenders (including Madison Capital). The class A lenders will provide up to $135 million in class A loans and the class B lenders will provide up to $45 million in class B loans to OFS Capital WM. The credit facility is secured by eligible loan assets or participations therein acquired by OFS Capital WM from us at the OFS Capital WM Closing and eligible loan assets thereafter acquired by OFS Capital WM from us or other sources during its reinvestment period. Eligible loan assets generally consist of first lien loans sold to OFS Capital WM by us at the OFS Capital WM Closing or by us or other sources during its reinvestment period.

Outstanding borrowings on the credit facility are limited to the lesser of (1) $180 million (the “maximum facility amount”) and (2) the “borrowing base.” Generally, during the reinvestment period, the borrowing base is equal to the value of the loan assets in OFS Capital WM’s portfolio multiplied by the advance rate of 65% with respect to the class A loans and 80% with respect to the class B loans. After the reinvestment period, the maximum facility amount will be limited to the then outstanding principal amount of class A loans and class B loans.

The controlling lender has significant input into assigning the value of OFS Capital WM loan assets for purposes of determining the borrowing base. Following certain events indicative of a deterioration in the assigned value of a loan asset, the controlling lender has the right to amend the assigned value of that loan for purposes of the borrowing base (provided that, other than for loans with an assigned value of zero, the amended and assigned value can be no less than the price quoted by a nationally recognized valuation firm selected by the controlling lender). If OFS Capital WM disagrees with that amended and assigned value, it may, at its expense, retain a nationally recognized valuation firm from an approved list or otherwise mutually agreeable to the class A lenders, the class B lenders and OFS Capital WM to determine the amended and assigned value of the applicable loan. If such valuation firm’s valuation is greater than that of the controlling lender, then the valuation firm’s valuation will become the amended and assigned value. In no event, however, will the amended and assigned value be greater than the value assigned the loan at the time it was acquired by OFS Capital WM without the consent of the majority of the class A lenders and the majority of the class B lenders, consenting separately by class.

A loan will have zero value for purposes of determining the borrowing base if (1) there is a payment default on the loan or the obligor becomes insolvent, (2) the loan is not an eligible loan asset under the facility, (3) a closing date participation interest with respect to a loan is not converted into a full assignment within 60 days after the OFS Capital WM Closing or (4) unless another value is assigned by the controlling lender, the principal on a loan has been reduced or waived.

If at any time the amount of class A loans or class B loans outstanding, as applicable, exceeds the relevant borrowing base, a borrowing base deficiency will exist. In that event, OFS Capital WM will have three business days to eliminate the deficiency by, among other things, (1) depositing additional cash into the relevant collection account, (2) repaying class A loans or class B loans, as applicable, (3) pledging additional eligible loan assets or (4) if a class A borrowing base deficiency occurs, borrowing on the class B portion of the credit facility provided

certain conditions are met. In the case of such a deficiency, we may determine it is in our best interests to make additional capital contributions to OFS Capital WM in the form of cash or additional eligible loan assets to protect the value of our equity investment in OFS Capital WM, and our additional contributions could be material.

The facility is subject to a reinvestment period during which time, assuming there is no event of default and certain other conditions are satisfied, class A loans and class B loans that would otherwise be subject to repayment may be borrowed or reborrowed by OFS Capital WM and reinvested in additional eligible loan assets. The reinvestment period is a two year period beginning on the date of the OFS Capital WM Closing, but will be earlier terminated upon an event of default under the facility or certain events of default with respect to the loan manager and may be extended by OFS Capital WM by one year with the consent of each lender.

Class A loans will mature on the fifth anniversary of the date of the OFS Capital WM Closing, while class B loans will mature on the sixth anniversary of the date of the OFS Capital WM Closing, which maturity dates will be extended by one year if the reinvestment period is extended by one year.

Upon the OFS Capital WM Closing, OFS Capital WM had secured class A loans in the aggregate principal amount of $29.9 million and class B loans in the aggregate principal amount of $20 million.

Payment Terms. OFS Capital WM is obligated to pay interest on outstanding class A loans and class B loans on each quarterly payment date. Outstanding class A loans accrue interest at a daily rate equal to LIBOR plus 3.00% (or 5.00% if an event of default has occurred). Outstanding class B loans accrue interest at a daily rate equal to LIBOR plus 4.00% (or 6.00% if an event of default has occurred). OFS Capital WM has the right to repay loans outstanding under the facility in part from time to time. OFS Capital WM also has the right to repay the facility in full at any time. However, in the event of a repayment of the facility in full in the first or second year of the facility, OFS Capital WM will have to pay a prepayment penalty of 2.0% and 1.0%, respectively, of the maximum facility amount.

OFS Capital WM is also required to pay (1) each of the lenders customary annual unused facility fees, (2) its loan manager its loan manager fees, (3) certain trustee and bank fees and (4) other expenses and indemnities associated with management of its assets and the WM Credit Facility.

Management of OFS Capital WM and its Assets. The facility imposes significant restrictions and limitations on the activities of OFS Capital WM. Among other things, under the terms of the facility, the activities of OFS Capital WM are limited to the acquisition, ownership and management of eligible loan assets, the sale and/or substitution of eligible loan assets when and as permitted by the terms of the facility and business incidental to these activities. Under the terms of the facility, an affiliate of Madison Capital acts as loan manager and, in that capacity, has the authority to service, administer and exercise rights and remedies in respect of the assets in OFS Capital WM's portfolio. The loan manager also has the authority to determine whether to cause assets to be sold or acquired by OFS Capital WM, subject in certain circumstances to the consent of OFS Capital, as administrative manager of OFS Capital WM, provided that OFS Capital WM retains authority to instruct the loan manager to sell the assets in its portfolio in order to repay the facility in full. Finally, while we are the sole owner of all equity interests in OFS Capital WM, the limited liability company managers of OFS Capital WM consist of us and two managers independent of OFS Capital WM and of us, and the approval of at least one independent manager is required for certain bankruptcy or insolvency transactions on the part of OFS Capital WM. Through our consent rights with respect to certain sales and acquisitions of assets by OFS Capital WM, we expect to be able to monitor and provide certain input in relation to the development of OFS Capital WM's portfolio.

Other. The facility contains additional representations and warranties, covenants and events of default customary for a transaction of this nature. Among other things, we are required to repurchase eligible loan assets or participations therein sold and contributed by us to OFS Capital WM in the event of certain breaches of representations and warranties with respect to those assets. We also pledge all of our interests in OFS Capital

WM to the lenders to secure the obligations of OFS Capital WM to the lenders until all obligations under the WM Credit Facility have been paid in full and the commitments thereunder terminated.

Managerial Assistance

As a business development company, we will offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. OFS Services or an affiliate of OFS Services will provide such managerial assistance on our behalf to portfolio companies that request this assistance. We may receive fees for these services and will reimburse OFS Services or an affiliate of OFS Services for its allocated costs in providing such assistance, subject to the review and approval by our board of directors, including our independent directors.

Competition

Our primary competitors in providing financing to middle-market companies include public and private funds, other business development companies, commercial and investment banks, commercial finance companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some competitors may have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company or to the distribution and other requirements we must satisfy to maintain our RIC status.

We expect to use the expertise of the investment professionals of OFS and its affiliates to which we will have access to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we expect that the relationships of the senior members of OFS and its affiliates will enable us to learn about, and compete effectively for, financing opportunities with attractive middle-market companies in the industries in which we seek to invest. For additional information concerning the competitive risks we face, see “Risk Factors—Risks Relating to our Business and Structure—We operate in a highly competitive market for investment opportunities, which could reduce returns and result in losses.”

Administration

We will not have any direct employees, and our day-to-day investment operations will be managed by OFS Advisor. We have a chief executive officer, chief financial officer and chief compliance officer and, to the extent necessary, our board of directors may elect to hire additional personnel going forward. Our officers will be employees of OFSC, an affiliate of OFS Advisor, and a portion of the compensation paid to our chief financial officer and chief compliance officer will be paid by us pursuant to the Administration Agreement. Some of our executive officers described under “Management” are also officers of OFS Advisor. See “Management and Other Agreements—Administration Agreement.”

Properties

We do not own or lease any real estate or other physical properties material to our operation. Our headquarters are located at 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008, and are provided by OFS Services pursuant to the Administration Agreement. Additional operations are conducted from offices in New York, New York and Los Angeles, California, which are also provided by OFS Services pursuant to the Administration Agreement. We believe that our office facilities are suitable and adequate for our business as we contemplate conducting it.

Legal Proceedings

OFS Capital Corporation, OFS Advisor and OFS Services are not currently subject to any material legal proceedings against them.

PORTFOLIO COMPANIES

The following tables set forth certain information as of June 30, 2010 for each portfolio company in which we had an investment. Other than these investments, our only formal relationships with our portfolio companies are the managerial assistance that we may provide upon request and any board observer or participation rights we may receive in connection with our investment. As of June 30, 2010, other than FCL Graphics, Inc. and Plainfield Tool and Engineering, Inc. (each of which were distributed to OFSAM as part of the 2010 Distribution), we did not "control" and are not an "affiliate" of any of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would "control" a portfolio company if we owned 25.0% or more of its voting securities and would be an "affiliate" of a portfolio company if we owned five percent or more of its voting securities. The loans in our current portfolio were either originated or purchased in the secondary market by OFSAM and its affiliates. There are no material differences in the underwriting standards that were used to originate or purchase in the secondary market our current portfolio securities and the underwriting standards described in this prospectus that we expect to implement.

As described elsewhere in this prospectus, in connection with the OFS Capital WM Transaction, we sold our interest in a majority of our portfolio companies to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration. Upon consummation of the BDC Conversion, OFS Capital WM will be one of our eligible portfolio companies, the assets of which are managed by an affiliate of Madison Capital, as loan manager. Additionally, in connection with the 2010 Distribution, we distributed our interest in certain other portfolio companies to OFSAM. Accordingly, the following pages provide a breakdown of our pro forma investments as of June 30, 2010, based on (1) the investments retained or to be retained by us following the OFS Capital WM Transaction and the 2010 Distribution, (2) the loans sold to OFS Capital WM in connection with the OFS Capital Transaction, and (3) the loans and certain of our equity investments distributed or to be distributed to OFSAM in connection with the 2010 Distribution, as well as the aggregate investments in our current portfolio before giving effect to the Pro Forma Transactions.

Pro Forma
OFS Capital, LLC
Investments Retained by OFS Capital Following the OFS Capital WM Transaction and the 2010 Distribution
As of June 30, 2010

Name and Address of Portfolio Company	Industry	Type of Investment	Interest(1)	Maturity	Commitment (par) (dollars in thousands)	Outstanding (par) (dollars in thousands)	Fair Value (dollars in thousands) (2)(3)	Percentage of Class Held
Airxcel, Inc. 3050 North Saint Francis Wichita, KS 67219	Machinery (non-agriculture, non-construction, non-electronic)	Series A Warrants in AHI Holdings, Inc.					$ 41	0.2056%(4)
Airxcel, Inc. 3050 North Saint Francis Wichita, KS 67220	Machinery (non-agriculture, non-construction, non-electronic)	Series B Warrants in AHI Holdings, Inc.					$ 39	0.2285%(4)
Arclin US Holdings Inc. c/o Arclin Canada Ltd. 5865 McLaughlin Road, Unit 3 Mississauga, ON, L5R 1B8 Canada	Chemicals, Plastics & Rubber	Unclassified Shares in Arclin Cayman Holdings Ltd.					$ 3,063	2.8371%
Blair Corporation, Haband Company, Inc., (5) Johnny Appleseed's, Inc., Norm Thompson Outfitters, Inc., and Draper's & Damon's, Inc. 30 Tozer Road Beverly, MA 01915	Retail Stores	Senior Secured Loan Term Loan	4.35% (LIBOR +4.00%) (Prime +3.00%)	4/30/2013	$ 9,700	$ 9,700	$ 8,391	
CEI Holdings Inc.(5) 2182 Routh 35 South Holmdel, NJ 07733	Personal & Nondurable Consumer Products (Manufacturing Only)	Senior Secured Loan Term Loan	8.06% (LIBOR +7.75%) (Prime +6.75%)	3/13/2013	$ 675	$ 675	$ 216	
EnviroSolutions, Inc. c/o EnviroSolutinos Holdings, Inc. 14500 Avion Parkway, Suite 310 Chantilly, VA 20151	Ecological	Senior Secured Loan Revolving Loan	10.50% (LIBOR +8.25%) (Prime +7.25%) (Unused Fee 1.00%) (LOC Fee 8.00%)	7/7/2011	$ 380	$ 380	$ 269	
EnviroSolutions, Inc. c/o EnviroSolutinos Holdings, Inc. 14500 Avion Parkway, Suite 310 Chantilly, VA 20152	Ecological	Senior Secured Loan Term Loan	12.00% (LIBOR +9.75%) (Prime +8.75%)	7/7/2012	$ 4,075	$ 4,075	$ 2,889	
Hilite Holdco Corporation, Inc. 4100 Key Tower 127 Public Square Cleveland, OH 44114	Automobile	Unsecured Class B PIK Loan	8.00%	11/5/2019	$ 2,632	$ 2,632	$ 1,146	
Hilite Holdco Corporation, Inc. 4100 Key Tower 127 Public Square Cleveland, OH 44114	Automobile	Class B Common Stock in Hilite Holdco Corporation, Inc.					$ —	0.1222%
Koosharem Corporation 3820 State Street Santa Barbara, CA 93105	Diversified/Conglomerate Service	2010 Term Loan Warrants					$ 104	0.0618%(4)
Koosharem Corporation 3820 State Street Santa Barbara, CA 93105	Diversified/Conglomerate Service	Consenting First Lien Lender Warrants					$ 30	0.2765%(4)
Koosharem Corporation 3820 State Street Santa Barbara, CA 93105	Diversified/Conglomerate Service	First Lien Lender Warrants					$ 6	3.5712%(4)
National Bedding Company, LLC(5) 5401 Trillium Blvd. Suite 250 Hoffman Estates, IL 60193	Home & Office Furnishings, Housewares & Durable Consumer Products	Second-lien Loan 2nd Lien Term Loan	5.31% (LIBOR +5.00%) (Prime +4.00%)	2/28/2014	$ 3,000	$ 3,000	$ 2,763	
					$ 20,462	**$ 20,462**	**$ 18,957**	
				Fair value as a percentage of outstanding			**92.6%**	

(1) The first rate provided in this column for each investment reflects the interest rate on all drawn amounts as of June 30, 2010. “N/A” represents revolving loans with no drawn amounts. Other values in this column represent borrower options.
(2) Fair value includes accrual of PIK interest on debt investments.
(3) In determining the fair value of revolving commitments, any discount with respect to that investment must be subtracted from the entire commitment (both funded and unfunded portions). When the discount is large enough relative to the unfunded portion of the commitment or when the entire facility is unfunded, this can result in a negative fair value.
(4) Percentages shown for warrants represent the percentage of outstanding common stock, assuming the exercise of such warrants.
(5) We sold these three loans subsequent to June 30, 2010. Accordingly, these loans were deemed retained by us at June 30, 2010 in this portfolio company pro forma table. For purposes of our pro forma condensed combined financial statements included elsewhere in this prospectus however, these three loans were deemed sold at June 30, 2010 and the net proceeds were deemed used to repay a portion of our outstanding loan balance under the Old Credit Facility at June 30, 2010.

Pro Forma
OFS Capital, LLC
Investments sold to OFS Capital WM
As of June 30, 2010

Name and Address of Portfolio Company	Industry	Type of Investment	Interest(1)	Maturity	Commitment (par) (dollars in thousands)	Outstanding (par) (dollars in thousands)	Fair Value (dollars in thousands) (2)(3)	Percentage of Class Held
Airxcel, Inc. 3050 North Saint Francis Wichita, KS 67220	Machinery (non-agriculture, non-construction, non-electronic)	Senior Secured Loan Revolving Loan	N/A (LIBOR +5.50%) (Prime +3.25%) (Unused Fee 1.00%) (LOC Fee 5.50%)	8/31/2012	$ 1,300	$ —	$ (21)	
Airxcel, Inc. 3050 North Saint Francis Wichita, KS 67219	Machinery (non-agriculture, non-construction, non-electronic)	Senior Secured Loan First Lien Term Loan	8.00% (LIBOR +5.50%) (Prime +3.25%)	8/31/2012	$ 2,025	$ 2,025	$ 1,993	
BBB Industries LLC 5640 Commerce Blvd. East Mobile, AL 36619	Automobile	Senior Secured Loan Term Loan	6.50% (LIBOR +4.50%) (Prime +3.25%)	6/29/2013	$ 5,000	$ 5,000	$ 4,680	
Cardinal Logistics Management Corporation 1000 Old Roswell Lakes Parkway, Suite 300, Roswell GA 30076	Cargo Transport	Senior Secured Loan Term Loan	12.50% (LIBOR +9.50%) (Prime +8.50%)	9/23/2013	$ 1,698	$ 1,698	$ 1,677	
Clarke American Corp. (5) 10931 Laureate Drive San Antonio, TX 78249	Printing & Publishing	Senior Secured Loan Tranche B Term Loan	2.87% (LIBOR +2.50%) (Prime +1.50%)	6/30/2014	$ 1,940	$ 1,940	$ 1,673	
CR Brands, Inc. 141 Venture Boulevard Spartanburg , SC 29306	Chemicals, Plastics & Rubber	Senior Secured Loan Term Loan	7.75% (LIBOR +5.50%) (Prime +4.50%)	12/31/2012	$ 665	$ 665	$ 647	
DEI Sales, Inc. (5) 1 Viper Way Vista, CA 92081	Electronics	Senior Secured Loan Revolving Loan	N/A (LIBOR +5.50%) (Prime +4.50%) (Unused Fee 0.38%) (LOC Fee 6.50%)	9/22/2012	$ 1,202	$ 2	$ 7	
DEI Sales, Inc. (5) 1 Viper Way Vista, CA 92084	Electronics	Senior Secured Loan Term Loan	7.51% (LIBOR +5.50%) (Prime +4.50%)	9/22/2013	$ 4,597	$ 4,597	$ 4,542	
Dura-Line Merger Sub, Inc. 835 Innovation Drive Knoxville, TN 37932	Chemicals, Plastics & Rubber	Senior Secured Loan Revolver	1.97% (LIBOR +4.00%) (Prime +3.00%) (Unused Fee 0.50%) (LOC Fee 4.00%)	3/22/2013	$ 2,000	$ 471	$ 364	
Dura-Line Merger Sub, Inc. 835 Innovation Drive Knoxville, TN 37933	Chemicals, Plastics & Rubber	Senior Secured Loan Term Loan A	6.75% (LIBOR +4.00%) (Prime +3.00%)	3/22/2014	$ 1,661	$ 1,661	$ 1,572	
Einstruction Corporation 308 North Carroll Blvd Denton TX 76201	Healthcare, Education & Childcare	Senior Secured Loan 1st Lien Term Loan	4.36% (LIBOR +4.00%) (Prime +2.75%)	7/2/2013	$ 5,480	$ 5,480	$ 5,075	

Name and Address of Portfolio Company	Industry	Type of Investment	Interest(1)	Maturity	Commitment (par) (dollars in thousands)	Outstanding (par) (dollars in thousands)	Fair Value (dollars in thousands) (2)(3)	Percentage of Class Held
Insight Pharmaceuticals 550 Township Line Rd. Suite 300 Blue Bell, PA 19422	Chemicals, Plastics & Rubber	Senior Secured Loan Revolving Loan	1.87% (LIBOR +4.00%) (Prime +2.75%) (Unused Fee 0.50%) (LOC Fee 2.75%)	3/31/2011	$ 895	$ 224	$ 201	
Industrial Container Services, LLC 1540 S. Greewood Ave Montebello, CA 90640	Diversified/Conglomerate Service	Senior Secured Loan Term Loan B	4.50% (LIBOR +4.00%) (Prime +2.50%)	9/30/2011	$ 702	$ 702	$ 686	
Industrial Container Services, LLC 1540 S. Greewood Ave Montebello, CA 90641	Diversified/Conglomerate Service	Senior Secured Loan Term Loan C	4.54% (LIBOR +4.00%) (Prime +2.50%)	9/30/2011	$ 1,083	$ 1,083	$ 1,058	
Insight Pharmaceuticals 550 Township Line Rd. Suite 300 Blue Bell, PA 19423	Chemicals, Plastics & Rubber	Senior Secured Loan Term Loan A	4.53% (LIBOR +4.00%) (Prime +2.75%)	3/31/2011	$ 757	$ 757	$ 737	
Insight Pharmaceuticals 550 Township Line Rd. Suite 300 Blue Bell, PA 19424	Chemicals, Plastics & Rubber	Senior Secured Loan Term Loan B	4.91% (LIBOR +4.38%) (Prime +3.13%)	3/31/2012	$ 3,338	$ 3,338	$ 3,252	
Intermedia Espanol, Inc. Televicentro De Puerto Rico, San Juan, Puerto Rico 00936-2050	Broadcasting & Entertainment	Senior Secured Loan Term Loan	3.28% (LIBOR +2.75%) (Prime +1.50%)	3/30/2012	$ 3,276	$ 3,276	$ 2,794	
Jonathan Holding Company 4100 Exchange Suite 200 Irvine, CA 92602	Machinery (non-agriculture, non-construction, non-electronic)	Senior Secured Loan Revolver	N/A (LIBOR +5.25%) (Prime +4.00%) (Unused Fee 0.50%) (LOC Fee 5.25%)	6/28/2013	$ 3,521	$ —	$ (252)	
Jonathan Holding Company 4100 Exchange Suite 200 Irvine, CA 92603	Machinery (non-agriculture, non-construction, non-electronic)	Senior Secured Loan Term Loan	7.25% (LIBOR +5.25%) (Prime +4.00%)	6/28/2013	$ 5,000	$ 5,000	$ 4,642	
Koosharem Corporation 3820 State Street Santa Barbara, CA 93105	Diversified/Conglomerate Service	Senior Secured Loan 2010 Term Loan	8.00% (LIBOR +14.00%) (Prime +13.00%)	8/1/2011	$ 1,100	$ 550	$ 578	
Koosharem Corporation 3820 State Street Santa Barbara, CA 93105	Diversified/Conglomerate Service	Senior Secured Loan Term Loan	10.25% (LIBOR +8.00%) (Prime +7.00%)	6/30/2014	$ 4,944	$ 4,944	$ 4,599	
McKenzie Sports Products P.O. Box 480 Granite Quarry, NC 28072	Personal & Nondurable Consumer Products (Manufacturing Only)	Senior Secured Loan Term Loan A	3.59% (LIBOR +3.25%) (Prime +2.25%)	8/31/2011	$ 3,358	$ 3,358	$ 3,251	
MetoKote Corporation 1340 Neubrecht Road Lima, OH 45801	Automobile	Senior Secured Loan Term Loan	9.00% (LIBOR +6.50%) (Prime +5.50%)	11/27/2011	$ 2,605	$ 2,605	$ 2,542	
National Bedding Company, LLC 5401 Trillium Blvd. Suite 250 Hoffman Estates, IL 60192	Home & Office Furnishings, Housewares & Durable Consumer Products	Senior Secured Loan 1st Lien Term Loan	2.32% (LIBOR +2.00%) (Prime +1.00%)	2/28/2013	$ 2,781	$ 2,781	$ 2,588	

Name and Address of Portfolio Company	Industry	Type of Investment	Interest(1)	Maturity	Commitment (par) (dollars in thousands)	Outstanding (par) (dollars in thousands)	Fair Value (dollars in thousands) (2)(3)	Percentage of Class Held
Pamarco Technologies, Inc.; Pamarco, Incorporated; Chicago Manifold Products Co.; Diamond Holding Corporation; Accel Graphic Systems, Inc.; Armotek Industries, Inc. 235 East 11th Avenue Roselle, NJ 07204	Printing & Publishing	Senior Secured Loan Revolving Loan	N/A (LIBOR +3.75%) (Prime +2.25%) (Unused Fee 0.50%) (LOC Fee 4.25%)	12/31/2014	$ 3,285	$ —	$ (389)	
Pamarco Technologies, Inc.; Pamarco, Incorporated; Chicago Manifold Products Co.; Diamond Holding Corporation; Accel Graphic Systems, Inc.; Armotek Industries, Inc. 235 East 11th Avenue Roselle, NJ 07205	Printing & Publishing	Senior Secured Loan Term Loan A	6.00% (LIBOR +3.75%) (Prime +2.25%)	12/31/2014	$ 5,152	$ 5,152	$ 4,542	
Panther II Transportation, Inc. 4940 Panther Parkway Seville, OH 44273	Cargo Transport	Senior Secured Loan Revolving Loan	N/A (LIBOR +6.25%) (Prime +5.00%) (Unused Fee 0.50%) (LOC Fee 6.25%)	12/31/2011	$ 478	$ —	$ (7)	
Panther II Transportation, Inc. 4940 Panther Parkway Seville, OH 44274	Cargo Transport	Senior Secured Loan Term Loan	9.25% (LIBOR +6.25%) (Prime +5.00%)	12/31/2011	$ 2,492	$ 2,492	$ 2,398	
PDM Bridge, LLC 2800 Melby Street Eau Claire, WI 54703	Buildings & Real Estate	Senior Secured Loan Term Loan	3.06% (LIBOR +2.75%) (Prime +1.75%)	12/31/2013	$ 1,830	$ 1,830	$ 1,657	
Plaze Inc. 105 Bolte Lane St. Clair, MO 63077	Chemicals, Plastics & Rubber	Senior Secured Loan Revolver	N/A (LIBOR +3.00%) (Prime +2.00%) (Unused Fee 0.50%) (LOC Fee 3.00%)	4/5/2013	$ 750	$ —	$ (75)	
Plaze Inc. 105 Bolte Lane St. Clair, MO 63078	Chemicals, Plastics & Rubber	Senior Secured Loan Term Loan	3.35% (LIBOR +3.00%) (Prime +2.00%)	10/5/2013	$ 7,588	$ 7,588	$ 6,826	
Radio Systems Corporation 10427 Electric Avenue Knoxville, TN 37932	Home & Office Furnishings, Housewares & Durable Consumer Products	Senior Secured Loan Revolver	2.31% (LIBOR +1.75%) (Prime +0.75%) (Unused Fee 0.25%) (LOC Fee 1.75%)	9/15/2011	$ 2,000	$ 1,436	$ 1,343	
Revere Industries, LLC 17005 Westfield Park Road Westfield, IN 46076	Diversified/Conglomerate Manufacturing	Senior Secured Loan Term Loan	9.00% (LIBOR +6.00%) (Prime +5.00%) (Unused Fee 0.50%)	6/30/2013	$ 999	$ 999	$ 1,013	
Revere Industries, LLC 17005 Westfield Park Road Westfield, IN 46077	Diversified/Conglomerate Manufacturing	Senior Secured Loan Rollover Loans	9.00% (LIBOR +6.00%) (Prime +5.00%)	6/30/2013	$ 1,998	$ 1,998	$ 2,005	
SMG 701 Market Street Suite 4400 Philadelphia, PA 19106	Diversified/Conglomerate Service	Senior Secured Loan Revolver	N/A (LIBOR +3.00%) (Prime +2.00%) (Unused Fee 0.50%) (LOC Fee 3.00%)	7/27/2012	$ 2,000	$ —	$ (133)	

Name and Address of Portfolio Company	Industry	Type of Investment	Interest(1)	Maturity	Commitment (par) (dollars in thousands)	Outstanding (par) (dollars in thousands)	Fair Value (dollars in thousands) (2)(3)	Percentage of Class Held
SMG 701 Market Street Suite 4400 Philadelphia, PA 19107	Diversified/Conglomerate Service	Senior Secured Loan Term Loan B	3.33% (LIBOR +3.00%) (Prime +2.00%)	7/27/2014	$ 5,013	$ 5,013	$ 4,432	
Sunrise Windows, LLC 200 Enterprise Drive Termperance, MI 48184	Buildings & Real Estate	Senior Secured Loan Term Loan B	5.00% (LIBOR +4.00%) (Prime +2.75%)	3/28/2011	$ 2,308	$ 2,308	$ 2,265	
TAP Automotive Holdings, LLC 801 West Artesia Boulevard Compton, CA 90220	Automobile	Senior Secured Loan Term Loan C	8.25% (LIBOR +4.25%) (Prime +4.25%)	11/30/2011	$ 1,545	$ 1,545	$ 1,511	
TAP Automotive Holdings, LLC 801 West Artesia Boulevard Compton, CA 90221	Automobile	Senior Secured Loan Term Loan D	10.25% (LIBOR +6.25%) (Prime +6.25%)	11/30/2011	$ 649	$ 649	$ 644	
Thermal Solutions LLC 94 Tide Mill Road Hampton, NH 03842	Aerospace & Defense	Senior Secured Loan Revolver	4.64% (LIBOR +4.75%) (Prime +3.75%) (Unused Fee 0.50%) (LOC Fee 4.00%)	3/21/2011	$ 2,000	$ 1,421	$ 1,373	
Thermal Solutions LLC 94 Tide Mill Road Hampton, NH 03843	Aerospace & Defense	Senior Secured Loan Term B Loan	6.50% (LIBOR +5.25%) (Prime +4.25%)	3/21/2012	$ 532	$ 532	$ 508	
Thermal Solutions LLC 94 Tide Mill Road Hampton, NH 03844	Aerospace & Defense	Senior Secured Loan Term C Loan	7.00% (LIBOR +5.75%) (Prime +4.75%)	3/21/2012	$ 1,663	$ 1,663	$ 1,597	
Thermo Fluids Inc. 8925 E Pima, Center Parkway Suite 105, Scottsdale, AZ 85258	Oil & Gas	Senior Secured Loan Tranche B Term Loan	5.33% (LIBOR +5.00%) (Prime +4.00%)	6/27/2013	$ 343	$ 343	$ 313	
Transfirst Holdings, Inc. 5950 Berkshire Lane, Suite 1100 Dallas, TX 75225	Finance	Senior Secured Loan Term Loan	3.10% (LIBOR +2.75%) (Prime +1.75%)	6/15/2014	$ 3,880	$ 3,880	$ 3,286	
Veyance Technologies, Inc. 1144 East Market Street Akron, OH 44316	Chemicals, Plastics & Rubber	Senior Secured Loan Delayed Draw	2.85% (LIBOR +2.50%) (Prime +1.50%) (Unused Fee 0.75%)	7/31/2014	$ 366	$ 366	$ 307	
Veyance Technologies, Inc. 1144 East Market Street Akron, OH 44317	Chemicals, Plastics & Rubber	Senior Secured Loan Initial Term Loan	2.85% (LIBOR +2.50%) (Prime +1.50%)	7/31/2014	$ 2,553	$ 2,553	$ 2,140	
Washington Inventory Service 9265 Sky Park Court, Suite 100 San Diego, CA 92123	Personal, Food & Misc. Services	Senior Secured Loan U.S. Revolving Facility	N/A (LIBOR +3.00%) (Prime +2.00%) (Unused Fee 0.50%)	5/20/2013	$ 2,000	$ —	$ (162)	
WCI Acquisition SUB(ABC), Inc. 790 Eubanks Drive Vacaville, CA 95690	Beverage, Food & Tobacco	Senior Secured Loan Term Loan B	8.25% (LIBOR +6.25%) (Prime +2.50%)	6/30/2011	$ 2,409	$ 2,409	$ 2,401	
WCI Acquisition SUB(ABC), Inc. 790 Eubanks Drive Vacaville, CA 95691	Beverage, Food & Tobacco	Senior Secured Loan Term Loan C	9.25% (LIBOR +7.25%) (Prime +6.00%)	12/31/2011	$ 2,121	$ 2,121	$ 2,132	

Name and Address of Portfolio Company	Industry	Type of Investment	Interest(1)	Maturity	Commitment (par) (dollars in thousands)	Outstanding (par) (dollars in thousands)	Fair Value (dollars in thousands) (2)(3)	Percentage of Class Held
Wesco Aircraft Hardware Corp. 27727 Avenue Scott Valencia, CA 91355	Aerospace & Defense	Senior Secured Loan Dollar Revolver	N/A (LIBOR +1.75%) (Prime +0.75%) (Unused Fee 0.38%) (LOC Fee 2.38%)	9/28/2012	$ 5,000	$ —	$ (304)	
					$ 121,884	**$ 98,458**	**$ 90,508**	
						Fair value as a percentage of outstanding		**91.9%**

(1) The first rate provided in this column for each investment reflects the interest rate on all drawn amounts as of June 30, 2010. “N/A” represents revolving loans with no drawn amounts. Other values in this column represent borrower options.
(2) Fair value includes accrual of PIK interest on debt investments.
(3) In determining the fair value of revolving commitments, any discount with respect to that investment must be subtracted from the entire commitment (both funded and unfunded portions). When the discount is large enough relative to the unfunded portion of the commitment or when the entire facility is unfunded, this can result in a negative fair value.
(4) Percentages shown for warrants represent the percentage of outstanding common stock, assuming the exercise of such warrants.
(5) Public company.

Pro Forma
OFS Capital, LLC
Investments distributed to OFSAM
As of June 30, 2010

	Commitment (par) (dollars in thousands)	Outstanding (par) (dollars in thousands)	Fair Value (dollars in thousands)
Subtotal for all 2010 Distribution portfolio companies	**$ 83,647**	**$ 74,877**	**$ 64,390**
Fair Value as a percentage of Outstanding			**86.0%**

OFS Capital, LLC
Aggregate Investments
As of June 30, 2010

	Commitment (par) (dollars in thousands)	Outstanding (par) (dollars in thousands)	Fair Value (dollars in thousands)
Grand Total for all Portfolio Companies	**$ 225,994**	**$ 193,797**	**$ 173,855**
Fair Value as a percentage of Outstanding			**89.7%**

MANAGEMENT

Our business and affairs will be managed under the direction of our board of directors. Upon completion of this offering, the board of directors is expected to consist of five members, three of whom are not "interested persons" of OFS Capital Corporation, OFS Advisor or their respective affiliates as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our "independent directors." Our board of directors elects our officers, who will serve at the discretion of the board of directors. The responsibilities of our board of directors include, among other things, oversight of our investment activities, quarterly valuation of our assets, oversight of our financing arrangements and corporate governance activities. Our board of directors has an audit committee and a nominating and corporate governance committee and may establish additional committees from time to time as necessary.

Glenn R. Pittson, the Chairman of our board of directors, also serves as President and Chief Investment Officer of OFSAM and is therefore an interested person as defined in Section 2(a)(19) of the 1940 Act. The board of directors believes that it is in the best interests of our investors for Mr. Pittson to lead the board of directors because of his extensive experience with the day-to-day management of investment funds and his broad financial industry experience, as described below. We have designated as lead independent director, who acts as a liaison between the independent directors and management between meetings of the board of directors and is involved in the preparation of agendas for board and committee meetings. The board of directors believes that its leadership structure is appropriate in light of the characteristics of the company because the structure allocates areas of responsibility among the individual directors and the committees in a manner that enhances effective oversight. The board of directors also believes that its size creates a highly efficient governance structure that provides significant opportunity for direct communication between OFS Advisor and the board of directors.

Oversight of our investment activities extends to oversight of the risk management processes employed by OFS Advisor as part of its day-to-day management of our investment activities. The board of directors anticipates reviewing risk management processes at both regular and special board meetings throughout the year, consulting with appropriate representatives of OFS Advisor as necessary and periodically requesting the production of risk management reports or presentations. The goal of the board of directors' risk oversight function is to ensure that the risks associated with our investment activities are accurately identified, thoroughly investigated and responsibly addressed. Investors should note, however, that the board of directors' oversight function cannot eliminate all risks or ensure that particular events do not adversely affect the value of investments.

Board of Directors

Each of our directors is elected to a one-year term of office. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualified.

Directors

Information regarding the board of directors is as follows:

Name	Age	Position	Director Since
Interested Directors			
Glenn R. Pittson	55	Chairman	2010
Bilal Rashid	39		2010
Independent Directors			
Marc Abrams	64	Director	
Robert J. Cresci	66	Director	
Elaine E. Healy	48	Director	

The address for each of our directors is c/o OFS Capital Corporation, 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008.

Executive Officers Who Are Not Directors

Information regarding our executive officers who are not directors is as follows:

Name	Age	Position
Eric P. Rubenfeld		Chief Financial Officer, Treasurer and Secretary Chief Compliance Officer

The address for each of our executive officers is c/o OFS Capital Corporation, 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008.

Biographical Information

For purposes of this presentation, our directors have been divided into two groups—independent directors and interested directors. Interested directors are "interested persons" as defined in the 1940 Act.

Independent Directors

Marc Abrams is the founder and leader of the public company business sector of SingerLewak LLP. He has over 35 years of public accounting experience. Mr. Abrams' expertise includes audits of publicly held companies, initial public offerings, private offerings, corporate reorganizations and acquisitions, evaluating business plans and litigation support. Additionally, Mr. Abrams' broad practice includes expertise in several industries including technology, life sciences, real estate, retail and franchise, hotels and casinos, and manufacturing.

Mr. Abrams graduated from American University in 1967 with a Bachelor of Science degree in Accounting. He is an active member of AICPA, the California Society of CPAs and the Los Angeles Venture Association. Mr. Abrams' brings to our board of directors extensive accounting experience and expertise, which will be invaluable to our company.

Robert J. Cresci has been a managing director of Pecks Management Partners Ltd., an investment management firm, since 1990. He currently serves on the boards of j2 Global Communications, Inc., Sepracor, Inc., Luminex Corporation, Accel Networks and Continucare Corporation.

Mr. Cresci holds an undergraduate degree in Engineering from the United States Military Academy at West Point and holds a M.B.A. in Finance from the Columbia University Graduate School of Business. By virtue of his time with Pecks Management Partners and the other business entities mentioned, Mr. Cresci brings to our board of directors his broad expertise and experience in investment strategies, accounting issues, and public company matters**.**

Elaine E. Healy is the co-founder, president, chief operating officer and a director of Accel Networks, LLC. She is a senior executive with a broad investment background in operating companies ranging from start-ups to emerging growth to publicly traded entities. Ms. Healy has more than 10 years of experience operating in an entrepreneurial environment and as a director of companies in a wide range of industries. Throughout her career, she has participated in or been responsible for the periodic valuation of both debt and equity portfolios.

Ms. Healy graduated from The Florida State University in 1984 with a Bachelor of Science Degree in Finance. Ms. Healy brings to our board an invaluable perspective on the building blocks for a successful enterprise and extensive experience with a wide range of investment vehicles, including, closed end funds, SBICs, BDCs and both limited and general partnerships.

Interested Directors

Glenn R. Pittson is the President and Chief Investment Officer of OFSAM, which he co-founded in 2001, and a Senior Managing Director of OFSC. Mr. Pittson has over 25 years of experience in corporate finance, senior and mezzanine lending, structured finance, loan workouts and loan portfolio management. Prior to founding OFSAM, Mr. Pittson spent the majority of his career at Canadian Imperial Bank of Commerce and its affiliates. During 1997 and 1998, Mr. Pittson managed CIBC's U.S. loan portfolio as the head of U.S. Credit Capital Markets, where he was central to the development and execution of a fundamental restructuring of CIBC's loan origination activities.

From 1997 through 1999, Mr. Pittson was also a member of various core operating committees at CIBC, including the U.S. Credit Committee, the New Initiatives Committee, the Global Finance Committee, the U.S.A. Management Committee and the U.S. Underwriting Committee. As a founding manager of CIBC's leveraged buyout business in the mid-1980s, Mr. Pittson focused on building the middle-market, agented transaction business. Mr. Pittson holds a B.S. in Economics and Finance from Rutgers University. Mr. Pittson's entrepreneurial and leadership experience with OFSAM and his previous experience in lending, loan origination and management are invaluable to our board of directors.

Bilal Rashid is a Senior Managing Director of OFSC and a member of the investment, credit and executive committees of the firm. In addition to his investment responsibilities, he is responsible for the capital markets-related activities of OFSC. Prior to joining OFSC in 2008, Mr. Rashid was a managing director in the global markets and investment banking division at Merrill Lynch. Mr. Rashid has approximately 15 years of experience in investment banking, debt capital markets and investing as it relates to securitizations, structured credit and corporate credit. Over the years, he has advised and arranged financing for investment management companies and commercial finance companies including business development companies. Before joining Merrill Lynch in 2005, he was a vice president at Natixis Capital Markets from 2003 to 2005. Mr. Rashid joined Natixis as part of a large team move from CIBC. He was a director at CIBC from 1999 to 2003. Prior to that, he worked as an investment analyst in the project finance area at the International Finance Corporation, which is part of the World Bank (1995-1997), and as a financial analyst at Lehman Brothers (1993-1995). Mr. Rashid has a B.S. in Electrical Engineering from Carnegie Mellon University (1989-1993) and an MBA from Columbia University (1997-1999). Mr. Rashid brings to our board of directors invaluable experience in investment banking, securitization and financing.

Executive Officers Who Are Not Directors

Eric P. Rubenfeld is the Chief Compliance Officer of OFS Capital, which he joined in 2010. Mr. Rubenfeld has over 15 years of experience in structuring complex financial transactions. Prior to joining OFS Capital, Mr. Rubenfeld spent four years at GSC Group, most recently serving as the General Counsel and Chief Compliance Officer. From 2004 to 2006, Mr. Rubenfeld was Director and Counsel at Assured Guaranty Corp, where he worked extensively with underwriters and risk managers in structured finance transactions. From 1995 to 2004, he worked as an attorney with a number of reputable law firms, including Proskauer Rose, Arnold & Porter and Fried, Frank, Harris, Shriver & Jacobson, culminating in his position as counsel with McKee Nelson LLP. Mr. Rubenfeld has a J.D., cum laude, from Harvard Law School and a B.A. in Economics and History, magna cum laude, from UCLA.

Board Committees

Audit Committee

The members of our audit committee are Mr. Abrams, Mr. Cresci and Ms. Healy, each of whom meets the independence standards established by the SEC and Nasdaq for audit committees and is independent for purposes of the 1940 Act. serves as chairman of the audit committee. Our board of directors has determined that is an "audit committee financial expert" as that term is defined under Item 407 of Regulation S-K of the Exchange Act. The audit committee is responsible for approving our independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services

provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. The audit committee is also responsible for aiding our board of directors in fair value pricing debt and equity securities that are not publicly traded or for which current market values are not readily available. The board of directors and audit committee will utilize the services of an independent valuation firm to help them determine the fair value of these securities.

Nominating and Corporate Governance Committee

The members of the nominating and corporate governance committee are and , each of whom is independent for purposes of the 1940 Act and the Nasdaq corporate governance regulations. serves as chairman of the nominating and corporate governance committee. The nominating and corporate governance committee is responsible for selecting, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on the board or a committee of the board, developing and recommending to the board a set of corporate governance principles and overseeing the evaluation of the board and our management.

The nominating and corporate governance committee will consider nominees to the board of directors recommended by a stockholder, if such stockholder complies with the advance notice provisions of our bylaws. Our bylaws provide that a stockholder who wishes to nominate a person for election as a director at a meeting of stockholders must deliver written notice to our corporate secretary. This notice must contain, as to each nominee, all of the information relating to such person as would be required to be disclosed in a proxy statement meeting the requirements of Regulation 14A under the Exchange Act, and certain other information set forth in the bylaws. In order to be eligible to be a nominee for election as a director by a stockholder, such potential nominee must deliver to our corporate secretary a written questionnaire providing the requested information about the background and qualifications of such person and a written representation and agreement that such person is not and will not become a party to any voting agreements, any agreement or understanding with any person with respect to any compensation or indemnification in connection with service on the board of directors, and would be in compliance with all of our publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines.

Compensation Committee

We do not have a compensation committee because our executive officers do not receive any direct compensation from us. Decisions regarding executive compensation are made by the independent directors on our board.

Compensation of Directors

The following table shows information regarding the compensation expected to be received by our independent directors for the calendar year ending December 31, 2010. No compensation is paid to directors who are “interested persons.”

Name	Aggregate Compensation from OFS Capital Corporation(1)	Pension or Retirement Benefits Accrued as Part of Our Expenses(2)	Total Compensation from OFS Capital Corporation Paid to Director
Independent Directors			
Marc Abrams			
Robert J. Cresci			
Elaine E. Healy			
Interested Director			
Glenn R. Pittson	—	—	—
Bilal Rashid	—	—	—

(1) We are newly organized, and the amounts listed are estimated for the calendar year ending December 31, 2010. For a discussion of the independent directors’ compensation, see below.

(2) We do not have a profit-sharing or retirement plan, and directors do not receive any pension or retirement benefits.

The independent directors will receive an annual fee of $. They will also receive $ plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board of directors meeting and will receive $ plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. The Chairman of the audit committee will receive an annual fee of $, and each chairman of any other committee will receive an annual fee of $ for his or her additional services in these capacities. We have obtained directors' and officers' liability insurance on behalf of our directors and officers. Independent directors will have the option of having their directors' fees paid in shares of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is paid to directors who are "interested persons."

Compensation of Executive Officers

None of our officers receives direct compensation from us. , our , and , our , are paid by OFS Services, subject to reimbursement by us pursuant to the Administration Agreement of the fees paid by OFS Services to OFSC pursuant to the Staffing Agreement for an allocable portion of such compensation for services rendered by such persons to us. To the extent that OFS Services outsources any of its functions under the Administration Agreement or OFSC under the Staffing Agreement, we will pay the fees associated with such functions on a direct basis without profit to OFS Services or OFSC.

Investment Committee

The investment committee of OFS Advisor responsible for our investments will meet regularly to consider our investments, direct our strategic initiatives and supervise the actions taken by OFS Advisor on our behalf. In addition, the investment committee will review and determine whether to make prospective investments identified by OFS Advisor and monitor the performance of our investment portfolio.

Information regarding members of the investment committee is as follows:

Name(1)	Age	Position
Richard S. Ressler	51	Chairman of OFSC's board of directors, Chairman of OFS Advisor's investment committee
Glenn R. Pittson	55	Senior Managing Director of OFSC
Bilal Rashid	39	Senior Managing Director of OFSC
Jeffrey A. Cerny	47	Senior Managing Director of OFSC
Kathi J. Inorio	46	Senior Managing Director of OFSC
Robert S. Palmer	50	Managing Director of OFSC

(1) The address for each member of the investment committee is c/o OFS Capital Corporation, 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008.

Members of the Investment Committee Who Are Not Our Directors or Officers

Richard S. Ressler is a Co-Founder and Chairman of the executive committee of OFSAM, serving as Chairman pursuant to a consulting agreement between OFSAM and Orchard Capital. Mr. Ressler is the founder and President of Orchard Capital, a firm that provides investment capital and advice to companies (including OFSAM) in which Orchard Capital or its affiliates invest. He has been President of Orchard Capital since 1994. Mr. Ressler is a Co-Founder and Principal of CIM Group, Inc., a real estate investment and management company. In addition, Mr. Ressler is Chairman of the Board of Directors of j2 Global Communications, Inc., a communications company. Mr. Ressler also serves as a board member for various private companies.

Prior to founding Orchard Capital, from 1988 until 1994 Mr. Ressler served as vice chairman of Brooke Group Limited, the predecessor of Vector Group Ltd. ("VGR"), and in various capacities at VGR and its

subsidiaries, including acting chief executive officer of Skybox, a leading trading card manufacturer, co-chief executive officer of Liggett & Myers Tobacco Company, chairman of Liggett Ducat, J.S.C. (VGR's cigarette manufacturing company in Russia), president of Brooke Overseas Limited (a real estate subsidiary of VGR in Russia) and director of New Valley Corporation (the holding company of Western Union). Prior to that, Mr. Ressler was with Drexel Burnham Lambert, Inc., where he focused on merger and acquisition transaction and the financing needs of middle-market companies. Mr. Ressler began his career in 1983 with Cravath, Swaine and Moore, working on public offerings, private placements, and merger and acquisition transactions. Mr. Ressler holds a B.A. from Brown University, and J.D. and MBA degrees from Columbia University.

Jeffrey A. Cerny is the Senior Managing Director of OFSC, where he serves as the Chairman of the credit committee and sits on the investment and executive committees. He is responsible for compliance with all credit policies as well as the oversight of the credit evaluation, credit monitoring, troubled credit and loan administration functions. He also manages the firm's liabilities and is responsible for negotiating and structuring OFSC's structured funding vehicles.

Prior to joining OFSC, Mr. Cerny held various positions at Sanwa Business Credit Corporation, American National Bank and Trust Company of Chicago and Charter Bank Group, a multi-bank holding company. Mr. Cerny holds a B.S. in Finance from Northern Illinois University, a Masters of Management in Finance and Economics from Northwestern University's J.L. Kellogg School of Management, and a J.D. from DePaul University's School of Law.

Kathi J. Inorio joined OFSC in 1998 and is the head of OFSC's origination and underwriting group. She is responsible for all origination and underwriting and sits on the credit, investment and executive committees.

Prior to joining OFSC, Ms. Inorio was a vice president in the corporate finance group at Heller Financial, Inc. Ms. Inorio was responsible for underwriting, negotiating and closing new business transactions as well as portfolio management of middle-market senior cash flow loans. Ms. Inorio began her career with KPMG, where she was responsible for supervising manufacturing company and real estate audits. Ms. Inorio holds a B.S. in Accounting with a minor in Business Administration from Illinois State University, and is a Certified Public Accountant.

Robert S. Palmer is the Managing Director of OFSC's portfolio management and loan recovery group, and he also is a member of OFSC's credit and investment committees.

Prior to joining OFSC in September 2000, Mr. Palmer spent 11 years at First Maryland Bancorp (now M&T Bank), where he was a vice president, and five years at NationsBank Corp. (now Bank of America), where he served as senior vice president/senior credit policy officer. Mr. Palmer holds a B.A. degree from Washington & Lee University and an M.A. from The John Hopkins University School of Advanced International Studies.

Portfolio Management

Each investment opportunity will require the approval of the investment committee. Follow-on investments in existing portfolio companies may require the investment committee's approval beyond that obtained when the initial investment in the company was made. The day-to-day management of investments approved by the investment committee will be overseen by and . Biographical information with respect to and is set out under "— Biographical Information."

Each of and has ownership and financial interests in, and may receive compensation and/or profit distributions from, OFS Advisor. Neither nor receives any direct compensation from us. As of the consummation of the offering, and will beneficially own and shares, respectively, of our common stock. and are also primarily responsible for the day-to-day management of other pooled investment vehicles and other accounts in which their affiliates receive incentive fees, with a total amount of $ assets under management. See "Control Persons and Principal Stockholders" for additional information about equity interests held by and .

MANAGEMENT AND OTHER AGREEMENTS

OFS Advisor is located at 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008. OFS Advisor will be registered as an investment adviser under the Advisers Act. OFS Advisor is a wholly owned subsidiary of OFSAM. Subject to the overall supervision of our board of directors and in accordance with the 1940 Act, OFS Advisor will manage our day-to-day operations and provide investment advisory services to us. Under the terms of the Investment Advisory Agreement, OFS Advisor will:

- determine the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- assist us in determining what securities we purchase, retain or sell;
- identify, evaluate and negotiate the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- execute, close, service and monitor the investments we make.

Certain personnel of OFS will conduct activities on our behalf directly through, and under the supervision of, OFS Advisor. OFS Advisor's services under the Investment Advisory Agreement are not exclusive. Pursuant to a Staffing Agreement between OFSC and OFS Advisor, OFSC has agreed to provide OFS Advisor with the resources to fulfill its obligations under the Investment Advisory Agreement. These resources include staffing by experienced investment professionals and access to the senior investment personnel of OFSC, pursuant to which each member of OFS Advisor's investment committee has committed to serve in such capacity (including Mr. Ressler, who is currently the Chairman of the investment committee). These personnel services will be provided under the Staffing Agreement on a direct cost reimbursement basis to OFS Advisor.

Investment Advisory Agreement

Management and Incentive Fee

Pursuant to the Investment Advisory Agreement with OFS Advisor and subject to the overall supervision of our board of directors, OFS Advisor provides investment advisory services to us. For providing these services, OFS Advisor receives a fee from us, consisting of two components—a base management fee and an incentive fee. The base management fee is calculated at an annual rate of % based on the average value of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts) at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears.

The incentive fee has two parts. One part is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination and sourcing, structuring, diligence and consulting fees or other fees that we receive from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement and any interest expense and dividends paid on any outstanding preferred stock, but excluding the incentive fee). In addition, the portion of such incentive fee that is attributable to deferred interest (such as PIK interest or OID) will be paid to OFS Advisor, together with interest thereon from the date of deferral to the date of payment, only if and to the extent we actually receive such interest in cash, and any accrual thereof will be reversed if and to the extent such interest is reversed in connection with any write-off or similar treatment of the investment giving rise to any deferred interest accrual. There is no accumulation of amounts on the hurdle rate from quarter to quarter and accordingly there is no clawback of amounts previously paid if subsequent quarters are below the quarterly hurdle rate and there is no delay of payment if prior quarters are below the quarterly hurdle rate.

Pre-incentive fee net investment income 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

we may pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, we will pay the applicable incentive fee even if we have incurred a loss in that quarter due to realized capital losses and unrealized capital depreciation.

Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets (defined as total assets less indebtedness and before taking into account any incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed "hurdle rate" of % per quarter. If market interest rates rise, we may be able to invest our funds in debt instruments that provide for a higher return, which would increase our pre-incentive fee net investment income and make it easier for OFS Advisor to surpass the fixed hurdle rate and receive an incentive fee based on such net investment income. Our pre-incentive fee net investment income used to calculate this part of the incentive fee is also included in the amount of our total assets (other than cash and cash equivalents but including assets purchased with borrowed amounts) used to calculate the % base management fee.

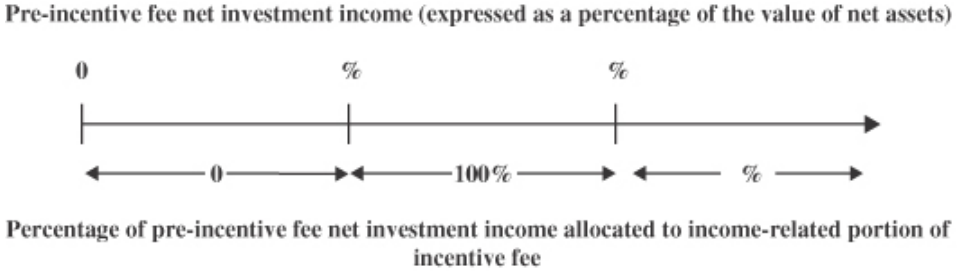
The foregoing incentive fee is subject to a cumulative total return requirement, which provides that no incentive fee in respect of our pre-incentive fee net investment income will be payable except to the extent % of the cumulative net increase in net assets resulting from operations over the then current and preceding quarters exceeds the cumulative income-related portion of our incentive fees accrued and/or paid for the preceding quarters. For the foregoing purpose, the "cumulative net increase in net assets resulting from operations" is the amount, if positive, of the sum of our pre-incentive fee net investment income, base management fees, realized gains, realized losses and unrealized capital depreciation for the then current and preceding calendar quarters.

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

- no incentive fee in any calendar quarter in which the pre-incentive fee net investment income does not exceed the hurdle rate;
- 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than % in any calendar quarter. We refer to this portion of our pre-incentive fee net investment income (which exceeds the hurdle rate but is less than %) as the "catch-up" provision. The catch-up is meant to provide OFS Advisor with % of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeds % in any calendar quarter; and
- % of the amount of our pre-incentive fee net investment income, if any, that exceeds % in any calendar quarter.

The following is a graphical representation of the calculation of the income-related portion of the incentive fee:

Quarterly Incentive Fee Based on Net Investment Income



These calculations will be appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee (the "Capital Gains Fee") is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (1) the sum of our cumulative aggregate realized capital losses and our aggregate unrealized capital depreciation from (2) our cumulative aggregate realized capital gains. If such amount is positive at the end of such year, then the Capital Gains Fee for such year is equal to % of such amount, less the aggregate amount of Capital Gains Fees paid in all prior years. If such amount is negative, then there is no Capital Gains Fee for such year.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (1) the net sales price of each investment in our portfolio when sold and (2) the accreted or amortized cost basis of such investment.

The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (1) the net sales price of each investment in our portfolio when sold is less than (2) the accreted or amortized cost basis of such investment.

The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (1) the valuation of each investment in our portfolio as of the applicable Capital Gains Fee calculation date and (2) the accreted or amortized cost basis of such investment.

Examples of Quarterly Incentive Fee Calculation

Example 1—Income Related Portion of Incentive Fee:

Assumptions

- Hurdle rate(1) = %
- Management fee(2) = %
- Other estimated expenses (legal, accounting, custodian, transfer agent, etc.)(3) = %

(1) Represents a quarter of the % annualized hurdle rate.

(2) Represents a quarter of the % annualized management fee.

(3) Excludes estimated offering expenses.

Alternative 1

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = %
- Pre-incentive fee net investment income (investment income - (management fee + other expenses)) = %

Pre-incentive fee net investment income does not exceed the hurdle rate, therefore there is no incentive fee.

Alternative 2

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = %

- Pre-incentive fee net investment income (investment income - (management fee + other expenses)) = %

Pre-incentive fee net investment income exceeds hurdle rate, therefore there is an incentive fee.

Incentive Fee = 100% × "Catch-Up" + the greater of 0% **AND** (% × (pre-incentive fee net investment income – %))
= (100% × (%) - %)) + 0%
= 100% × %
= %

Alternative 3

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = %
- Pre-incentive fee net investment income (investment income - (management fee + other expenses)) = %

Pre-incentive fee net investment income exceeds hurdle rate, therefore there is an incentive fee.

Incentive Fee = 100% × "Catch-Up" + the greater of 0% **AND** (% × (pre-incentive fee net investment income – %))
= (100% × (% - %)) + (% × (% - %))
= % + (% × %)
= % + %
= %

Example 2—Income-Related Portion of Incentive Fee with Total Return Requirement Calculation:

Assumptions

- Hurdle rate (1) = %
- Management fee (2) = %
- Other expenses (legal, accounting, transfer agent, etc.) (3) = %
- Cumulative income-related portion of incentive compensation accrued and/or paid for preceding calendar quarters =

(1) Represents a quarter of the % annualized hurdle rate.

(2) Represents a quarter of the % annualized management fee.

(3) Excludes estimated offering expenses.

Alternative 1

Additional Assumptions

- Investment income (including interest, dividends, fees, etc.) = %
- Pre-incentive fee net investment income (investment income – (management fee + other expenses)) = %
- % of cumulative net increase in net assets resulting from operations over current and preceding calendar quarters = $

Although the pre-incentive fee net investment income exceeds the hurdle rate of % (as shown in Alternative 3 of Example 1 above), no incentive fee is payable because % of the cumulative net increase in net assets resulting from operations over the then current and preceding calendar quarters did not exceed the cumulative income and capital gains incentive fees accrued and/or paid for the preceding calendar quarters.

Alternative 2

Additional Assumptions

- Investment Income (including interest, dividends, fees, etc.) = %
- Pre-incentive fee net investment income (investment income – (management fee + other expenses)) = %
- % of cumulative net increase in net assets resulting from operations over current and preceding calendar quarters =

Because the pre-incentive fee net investment income exceeds the hurdle rate of % and because % of the cumulative net increase in net assets resulting from operations over the then current and preceding calendar quarters exceeds the cumulative income and capital gains incentive fees accrued and/or paid for the preceding calendar quarters, an incentive fee would be payable, as shown in Alternative 3 of Example 1 above.

Example 3—Capital Gains Portion of Incentive Fee:

Alternative 1

Assumptions

- Year 1: $20 million investment made in Company A (“Investment A”), and $30 million investment made in Company B (“Investment B”)
- Year 2: Investment A is sold for $50 million and fair market value (“FMV”) of Investment B determined to be $32 million
- Year 3: FMV of Investment B determined to be $25 million
- Year 4: Investment B sold for $31 million

The capital gains portion of the incentive fee, if any, would be:

- Year 1: None (no sales transactions)
- Year 2: $ million (% multiplied by $30 million realized capital gains on sale of Investment A)
- Year 3: ; $ million (% multiplied by $30 million cumulative realized capital gains less $5 million cumulative unrealized capital depreciation) less $ million (Capital Gains Fee paid in Year 2)
- Year 4: $; $ million (% multiplied by $31 million cumulative realized capital gains) less $ million (Capital Gains Fee paid in Year 2)

Alternative 2

Assumptions

- Year 1: $20 million investment made in Company A (“Investment A”), $30 million investment made in Company B (“Investment B”) and $25 million investment made in Company C (“Investment C”)
- Year 2: Investment A sold for $50 million, FMV of Investment B determined to be $25 million and FMV of Investment C determined to be $25 million

- Year 3: FMV of Investment B determined to be $27 million and Investment C sold for $30 million
- Year 4: FMV of Investment B determined to be $35 million
- Year 5: Investment B sold for $20 million

The capital gains portion of the incentive fee, if any, would be:

- Year 1: None (no sales transactions)
- Year 2: $ million (% multiplied by $30 million realized capital gains on Investment A less $5 million unrealized capital depreciation on Investment B)
- Year 3: $ million; $ million (% multiplied by $32 million ($35 million cumulative realized capital gains on Investment A and Investment C less $3 million cumulative unrealized capital depreciation on Investment B)) less $ million (Capital Gains Fee paid in Year 2)
- Year 4: $ million; $ million (% multiplied by $35 million (cumulative realized capital gains on Investment A and Investment C)) less $ million (cumulative Capital Gains Fee paid in all prior years)
- Year 5: ; $ million (% multiplied by $25 million ($35 million cumulative realized capital gains on Investments A and B less $10 million realized capital losses on Investment B)) less $ million (cumulative Capital Gains Fee paid in all prior years))

Payment of Our Expenses

All investment professionals of OFS Advisor and/or its affiliates, when and to the extent engaged in providing investment advisory services to us, and the compensation and routine overhead expenses of personnel allocable to these services to us, will be provided and paid for by OFS Advisor and not by us. We will bear all other out-of-pocket costs and expenses of our operations and transactions, including, without limitation, those relating to:

- organization and offering;
- calculating our net asset value (including the cost and expenses of any independent valuation firm);
- fees and expenses incurred by OFS Advisor payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for us and in monitoring our investments and performing due diligence on our prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- distributions on shares;
- investment advisory fees;
- administration fees and expenses, if any, payable under the Administration Agreement (including payments under the Administration Agreement between us and OFS Services based upon our allocable portion of OFS Services' overhead in performing its obligations under the Administration Agreement, including rent, necessary software licenses and subscriptions and the allocable portion of the cost of our officers, including a chief compliance officer, chief financial officer, if any, and their respective staffs);
- the allocated costs incurred by OFS Services as administrator in providing managerial assistance to those portfolio companies that request it;
- transfer agent, dividend agent and custodial fees and expenses;
- federal and state registration fees;
- all costs of registration and listing our shares on any securities exchange;

- federal, state and local taxes;
- independent directors' fees and expenses;
- costs of preparing and filing reports or other documents required by the SEC or other regulators;
- costs of any reports, proxy statements or other notices to stockholders, including printing costs;
- our allocable portion of any fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;
- indemnification payments;
- direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs;
- proxy voting expenses; and
- all other expenses incurred by us or OFS Services in connection with administering our business.

Duration and Termination

Unless terminated earlier as described below, the Investment Advisory Agreement will continue in effect for a period of two years from its effective date. It will remain in effect from year to year thereafter if approved annually by our board of directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, and, in either case, if also approved by a majority of our directors who are not "interested persons." The Investment Advisory Agreement automatically terminates in the event of its assignment, as defined in the 1940 Act, by OFS Advisor and may be terminated by either party without penalty upon not less than 60 days' written notice to the other. The holders of a majority of our outstanding voting securities may also terminate the Investment Advisory Agreement without penalty upon not less than 60 days' written notice. See "Risk Factors—Risks Relating to our Business and Structure—We are dependent upon the OFS senior professionals for our future success and upon their access to the investment professionals and partners of OFS and its affiliates."

Indemnification

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, OFS Advisor and its and its affiliates' respective officers, directors, members, managers, stockholders and employees are entitled to indemnification from us from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Investment Advisory Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person's duties under the Investment Advisory Agreement.

Board Approval of the Investment Advisory Agreement

Our board approved the Investment Advisory Agreement at its first meeting, held on , 2010. A discussion regarding the basis for our board of directors' approval of our Investment Advisory Agreement will be included in our first periodic report under the Exchange Act filed subsequent to completion of this offering.

Administration Agreement

Pursuant to an Administration Agreement, OFS Services will furnish us with office facilities and equipment, necessary software licenses and subscriptions and clerical, bookkeeping and record keeping services at such facilities. Under the Administration Agreement, OFS Services will perform, or oversee the performance of, our required administrative services, which include being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, OFS Services will assist us in determining and publishing our net asset value, oversee the preparation and filing of our tax returns

and the printing and dissemination of reports to our stockholders, and generally oversee the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, OFS Services will also provide managerial assistance on our behalf to those portfolio companies that have accepted our offer to provide such assistance. Payments under the Administration Agreement will be equal to an amount based upon our allocable portion (subject to the review and approval of our board of directors) of OFS Services' overhead in performing its obligations under the Administration Agreement, including rent and our allocable portion of the cost of our officers, including our chief financial officer and chief compliance officer and their respective staffs. The Administration Agreement will have an initial term of two years and may be renewed with the approval of our board of directors. The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. To the extent that OFS Services outsources any of its functions we will pay the fees associated with such functions on a direct basis without profit to OFS Services.

Indemnification

The Administration Agreement provides that OFS Services and its affiliates' respective officers, directors, members, managers, stockholders and employees are entitled to indemnification from us from and against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with our business and operations or any action taken or omitted on our behalf pursuant to authority granted by the Administration Agreement, except where attributable to gross negligence, willful misconduct, bad faith or reckless disregard of such person's duties under the Administration Agreement.

License Agreement

We have entered into a license agreement with OFSAM under which OFSAM has agreed to grant us a non-exclusive, royalty-free license to use the name "OFS." Under this agreement, we will 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 will 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.

Staffing Agreement

We do not have any internal management capacity or employees. We will depend on the diligence, skill and network of business contacts of the OFS senior professionals to achieve our investment objective. OFS Advisor is a subsidiary of OFSAM and will depend upon access to the investment professionals and other resources of OFSAM and its affiliates to fulfill its obligations to us under the Investment Advisory Agreement. OFS Advisor will also depend upon OFSAM to obtain access to deal flow generated by the professionals of OFSAM and its affiliates. Under a Staffing Agreement between OFSC and OFS Advisor, OFSC has agreed to provide OFS Advisor with the resources necessary to fulfill these obligations. The Staffing Agreement provides that OFSC will make available to OFS Advisor experienced investment professionals and access to the senior investment personnel of OFSC for purposes of evaluating, negotiating, structuring, closing and monitoring our investments. The Staffing Agreement also includes a commitment that the members of OFS Advisor's investment committee will serve in such capacity (including Mr. Ressler, who is currently the Chairman of the investment committee). The Staffing Agreement will have an initial term of two years and will be renewable thereafter on an annual basis. Services under the Staffing Agreement will be provided to OFS Advisor on a direct cost reimbursement basis, and such fees will not be our obligation.

RELATED-PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS

We have entered into agreements with OFS Advisor in which our senior management and members of the investment committee have ownership and financial interests. Members of our senior management and members of the investment committee also serve as principals of other investment managers affiliated with OFSAM and its other affiliates that do and may in the future manage investment funds, accounts or other investment vehicles with investment objectives similar to ours. In addition, our executive officers and directors, the personnel of OFS Advisor and members of the investment committee serve or may serve as officers, directors or principals of entities that operate in the same, or related, line of business as we do or of investment funds, accounts or other investment vehicles managed by OFSAM or its other affiliates. These investment funds, accounts or other investment vehicles may have investment objectives similar to our investment objective. As a result, we may not be given the opportunity to participate in certain investments made by investment funds, accounts or other investment vehicles managed by OFSAM and its other affiliates or by members of the investment committee. However, in order to fulfill its fiduciary duties to each of its clients, OFS Advisor intends to allocate investment opportunities in a manner that is fair and equitable over time and is consistent with OFS Advisor's allocation policy, investment objective and strategies so that we are not disadvantaged in relation to any other client. See "Risk Factors—Risks Relating to Our Business and Structure—We have potential conflicts of interest related to obligations that OFS Advisor or its affiliates may have to other clients." OFS Advisor has agreed with our board of directors that allocations among us and other investment funds affiliated with OFS Advisor will be made based on capital available for investment in the asset class being allocated, and that our board of directors will determine the amount of capital we have available for investment by asset class. We expect that our available capital for investments will be determined based on the amount of cash on hand, existing commitments and reserves, if any, and the targeted leverage level and targeted asset mix as determined by our board of directors.

OFS Advisor and its other affiliates will have both subjective and objective procedures and policies in place and designed to manage the potential conflicts of interest between OFS Advisor's fiduciary obligations to us and its similar fiduciary obligations to other clients. For example, such policies and procedures will be designed to ensure that investment opportunities are allocated in a fair and equitable manner among us and OFS Advisor's other clients. An investment opportunity that is suitable for multiple clients of OFS Advisor and its other affiliates may not be capable of being shared among some or all of such clients and affiliates due to the limited scale of the opportunity or other factors, including regulatory restrictions imposed by the 1940 Act. There can be no assurance that OFS Advisor's or its other affiliates' efforts to allocate any particular investment opportunity fairly among all clients for whom such opportunity is appropriate will result in an allocation of all or part of such opportunity to us. Not all conflicts of interest can be expected to be resolved in our favor.

OFS Advisor may in the future manage investment vehicles with similar or overlapping investment strategies, will put in place a conflict-resolution policy that addresses the co-investment restrictions set forth under the 1940 Act and will seek to ensure the equitable allocation of investment opportunities when we are able to invest alongside other accounts managed by OFSAM and its other affiliates. When we invest alongside such other accounts as permitted, such investments will be made consistent with OFS Advisor's allocation policy. Under this allocation policy, a fixed percentage of each opportunity, which may vary based on asset class and from time to time, will be offered to us and similar eligible accounts, as periodically determined by OFS Advisor and approved by our board of directors, including all of our independent directors. The allocation policy will further provide that allocations among us and such other accounts will generally be made pro rata based on each account's capital available for investment, as determined, in our case, by our board of directors. It is our policy to base our determinations as to the amount of capital available for investment based on such factors as the amount of cash on hand, existing commitments and reserves, if any, the targeted leverage level, the targeted asset mix and diversification requirements and other investment restrictions set by our board of directors or imposed by applicable laws, rules, regulations or interpretations. We expect that these determinations will be made similarly for other accounts. In situations where co-investment with such other accounts is not permitted or appropriate, such as when there is an opportunity to invest in different securities of the same issuer, OFS Advisor will need to decide which account will proceed with the investment.

OFS Advisor will make these determinations based on its policies and procedures which generally require that such opportunities be offered to eligible accounts on a basis that will be fair and equitable over time, including, for example, through random or rotational methods.

We have in the past and expect in the future to co-invest on a concurrent basis with OFSAM and its other affiliates, unless doing so is impermissible with existing regulatory guidance, applicable regulations and OFS Advisor's allocation procedures. Certain types of negotiated co-investments may be made only if we receive an order from the SEC permitting us to do so. There can be no assurance that we will obtain any such order. See "Regulation." We and OFS Advisor intend to submit an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments if our board of directors determines that it would be advantageous for us to co-invest with other funds managed by OFSAM or its other affiliates in a manner consistent with our investment objectives, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors.

Our senior management, members of the investment committee and other investment professionals from OFSAM or its other affiliates may serve as directors of, or in a similar capacity with, companies in which we invest or in which we are considering making an investment. Through these and other relationships with a company, these individuals may obtain material non-public information that might restrict our ability to buy or sell the securities of such company under the policies of the company or applicable law.

We have entered into an Investment Advisory Agreement with OFS Advisor and will pay OFS Advisor a management fee and incentive fee. The incentive fee will be computed and paid on income that we may not have yet received in cash. This fee structure may create an incentive for OFS Advisor to invest in certain types of securities. Additionally, we rely on investment professionals from OFS Advisor to assist our board of directors with the valuation of our portfolio investments. OFS Advisor's management fee and incentive fee are based on the value of our investments and there may be a conflict of interest when personnel of OFS Advisor are involved in the valuation process for our portfolio investments.

We have entered into a license agreement with OFSAM under which OFSAM has agreed to grant us a non-exclusive, royalty-free license to use the name "OFS."

We have entered into an Administration Agreement, pursuant to which OFS Services furnishes us with office facilities, equipment, necessary software licenses and subscriptions and clerical, bookkeeping and record keeping services at such Facilities. Under our Administration Agreement, OFS Services performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain and preparing reports to our stockholders and reports filed with the SEC.

OFS Advisor is an affiliate of OFSC, with which it has entered into the Staffing Agreement. Under this agreement OFSC will make available to OFS Advisor experienced investment professionals and access to the senior investment personnel and other resources of OFSC and its affiliates. The Staffing Agreement should provide OFS Advisor with access to deal flow generated by the professionals of OFSC and its affiliates and commits the members of OFS Advisor's investment committee to serve in that capacity (including Mr. Ressler, who is currently the Chairman of the investment committee). OFS Advisor intends to capitalize on the significant deal origination and sourcing, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of OFSC's investment professionals.

On December 31, 2009, we distributed to OFSAM assets and operations that we determined were inconsistent with our strategy. Since December 31, 2009, we have undertaken or determined to undertake certain additional steps to further our strategy. At the OFS Capital WM Closing, we sold a substantial portion of our loan portfolio, transferred to us by OFS Funding, to OFS Capital WM in exchange for all the equity interests in OFS Capital WM and the OFS Capital WM Cash Consideration. Our transfer of the OFS Capital WM Cash

Consideration plus the OFSAM Cash Contribution to OFS Funding allowed OFS Funding to repay the outstanding loan balance under the Old Credit Facility after it had applied net proceeds from the sale of three loans to pay down a portion thereof. In addition, concurrently with the OFS Capital WM Transaction, we distributed to OFSAM a substantial portion of our remaining loan portfolio transferred to us by OFS Funding and, prior to the completion of this offering, we expect to distribute to OFSAM certain of our equity investments to be transferred to us by OFS Funding. We determined to make these distributions to eliminate potential conflicts of interest that might arise due to the fact that we and an affiliated fund both had or currently have investments in these portfolio companies.

CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

Immediately prior to the completion of this offering there will be shares of common stock issued and outstanding and one stockholder of record, OFSAM. The following table sets out certain ownership information with respect to our common stock for those persons who directly or indirectly own, control or hold with the power to vote 5% or more of our outstanding common stock and all officers and directors as a group.

		Percentage of Common Stock Outstanding			
		Immediately Prior to This Offering		Immediately After This Offering(1)	
Name and Address(1)	Type of Ownership	Shares Owned	Percentage	Shares Owned	Percentage
Orchard First Source Asset Management, LLC	Record and beneficial		100%		
Richard Ressler(2)	Beneficial				
Glenn Pittson(2)	Beneficial				
Jeffrey Cerny(2)	Beneficial				
Kathi Inorio(2)	Beneficial				
Bilal Rashid(2)	Beneficial				
All officers and directors as a group (persons)	Beneficial				

* Represents less than 0.1%.

(1) The address of each stockholder listed in the table below is c/o OFS Capital, LLC, 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008.

(2) Each such stockholder has a beneficial interest in shares of our common stock through his or her direct and/or indirect equity ownership in OFSAM, our parent company.

The following table sets out the dollar range of our equity securities beneficially owned by each of our directors following the completion of the offering. We are not part of a "family of investment companies," as that term is defined in the 1940 Act.

Name of Director	Dollar Range of Equity Securities in OFS Capital, LLC(1)
Independent Directors	
Marc Abrams	
Robert J. Cresci	
Elaine E. Healy	
Interested Directors	
Glenn R. Pittson	
Bilal Rashid	

(1) Dollar ranges are as follows: none, $1 – $10,000, $10,001 – $50,000, $50,001 – $100,000, or over $100,000.

DETERMINATION OF NET ASSET VALUE

The net asset value per share of our outstanding shares of common stock will be determined quarterly by dividing the value of total assets minus liabilities by the total number of shares outstanding. We will calculate the value of our total assets in accordance with the following procedures.

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

Prior to this offering, we were not required to apply fair value accounting in accordance with the principles of FAS 157 (ASC Topic 820). Accordingly, loans or other debt investments were carried at cost on our balance sheet. In conjunction with our election to be treated as a business development company, under FAS 157 (ASC Topic 820) we will report our investments at fair value with changes in value reported through our income statement under the caption “unrealized appreciation (depreciation) on investments.” FAS 157 (ASC Topic 820) requires us to assume that the portfolio investment is assumed to be sold in the principal market to market participants, or in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with FAS 157 (ASC Topic 820), the market in which we can exit portfolio investments with the greatest volume and level activity will be considered our principal market.

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

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

- For each such investment, a basic credit rating process will be completed. Every credit rating will be reviewed and either reaffirmed or revised by the investment committee. This process, along with comparisons to similar assets in the market based on, among other things, third-party credit ratings, will establish base information for the quarterly valuation process.
- As it relates to our equity investment in OFS Capital WM, we anticipate that a review of the credit rating, cash flow and maturity profile of the underlying assets owned by OFS Capital WM will be completed. In addition, we anticipate that the review will also consider the liability structure of OFS Capital WM, including the amount of leverage, financing costs and other expenses.
- Each portfolio company or investment will additionally be valued by the investment professionals responsible for the credit monitoring.
- Preliminary valuation conclusions will then be documented and discussed with individual members of the investment committee.
- The preliminary valuations will then be submitted to the investment committee for ratification.

- Third-party valuation firms engaged by, or on behalf of, our board of directors will conduct independent appraisals and review the investment committee's preliminary valuations and make their own independent assessment for all assets for which sufficient market quotations are not readily available. Each such asset will be valued at least once every 12 months.
- Our board of directors will discuss valuations and determine the fair value of each investment in the portfolio in good faith based on the input of OFS Advisor and, where appropriate, the respective independent valuation firms.

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

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

DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution.

No action is required on the part of a registered stockholder to have their cash dividend or other distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying , the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends and other distributions in cash by notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on The Nasdaq Global Market on the date for such distribution. Market price per share on that date will be the closing price for such shares on The Nasdaq Global Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend or other distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There will be no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees will be paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $ transaction fee plus a $ per share brokerage commissions from the proceeds.

Stockholders who receive dividends and other distributions in the form of stock are subject to the same U.S. federal tax consequences as are stockholders who elect to receive their distributions in cash; however, since their cash dividends will be reinvested, such stockholders will not receive cash with which to pay any applicable taxes on reinvested dividends. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend or other distribution from us will be equal to the total dollar amount of the distribution payable to the stockholder. Any stock received in a dividend or other distribution will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at , by filling out the transaction request form located at bottom of their statement and sending it to the plan administrator.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the plan should be directed to the plan administrator by mail at , or by the plan administrator's Interactive Voice Response System at .

If you withdraw or the plan is terminated, you will receive the number of whole shares in your account under the plan and a cash payment for any fraction of a share in your account.

If you hold your common stock with a brokerage firm that does not participate in the plan, you will not be able to participate in the plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in shares of our common stock. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described tax consequences that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, pension plans, trusts, and financial institutions. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service, or the IRS, regarding this offering. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax.

A "U.S. stockholder" is a beneficial owner of shares of our common stock that is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a U.S. court can exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust.

A "Non-U.S. stockholder" is a beneficial owner of shares of our common stock that is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A partner in a partnership that will hold shares of our common stock should consult his, her or its tax advisor with respect to the U.S. federal tax treatment of an investment in shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in shares of our common stock will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty, and the effect of any possible changes in the tax laws.

Election to Be Taxed as a RIC

As a business development company, we intend to elect to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we timely distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to be relieved of U.S. federal income taxes on income and gains distributed to our stockholders, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our net ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement").

Taxation as a RIC

If we:

- qualify as a RIC; and
- satisfy the Annual Distribution Requirement;

then we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (i.e. net long-term capital gains in excess of net short-term capital losses) we distribute to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any net income or net capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible federal excise tax on our undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98% of our capital gain net income (both long-term and short-term) for the one-year period ending October 31 in that calendar year (or, if we have a taxable year that ends on November 30 or December 31 and so elect, for our taxable year) and (3) any income realized, but not distributed, in the preceding years (the "Excise Tax Avoidance Requirement"). For this purpose, however, any ordinary income or capital gain net income retained by us that is subject to corporate income tax for the tax year ending in that calendar year will be considered to have been distributed by year end. We currently intend to make sufficient distributions each taxable year to satisfy the Excise Tax Avoidance Requirement.

In order to qualify as a RIC for federal income tax purposes, we must, among other things:

- qualify to be treated as a business development company under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, certain payments with respect to loans of stock and securities, gains from the sale or other disposition of stock, securities, or foreign currencies and other income (including but not limited to gains from options, futures or forward contracts) derived with respect to our business of investing in such stock, securities or currencies, and net income derived from interests in "qualified publicly traded partnerships," as such term is defined in the Code (the "90% Income Test"); and
- diversify our holdings so that at the end of each quarter of the taxable year:
    - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of our assets and 10% of the outstanding voting securities of such issuer; and
    - no more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, of one issuer, of two or more issuers that we control (as determined under applicable tax rules) and that are engaged in the same, similar or related trades or businesses or of one or more qualified publicly traded partnerships (the "Diversification Tests").

We may invest in partnerships, including qualified publicly traded partnerships, which may result in our being subject to state, local or foreign income, franchise or withholding liabilities.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable rules as having OID (such as debt instruments with PIK interest or, in certain cases, with increasing interest rates or issued with warrants), we must include in income each year a portion of the OID that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year.

Because any OID accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

We may make investments or engage in transactions that affect the character, amount and timing of gains or losses we realize. We may make investments that produce income that is not matched by a corresponding cash receipt by us. Any such income would be treated as income earned by us and therefore would be subject to the Annual Distribution Requirement. Such investments may require us to borrow money or dispose of other securities in order to comply with those requirements. We may also make investments that prevent or defer the recognition of losses or the deduction of expenses. These investments may likewise require us to borrow money or dispose of other securities in order to comply with the Annual Distribution Requirement. Additionally, we may make investments that result in the recognition of ordinary income rather than capital gain, or that prevent us from accruing a long-term holding period. These investments may prevent us from making capital gain distributions, as described below. We intend to monitor our transactions, will make the appropriate tax elections and will make the appropriate entries in our books and records when we make any such investments in order to mitigate the effects of these rules.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation—Senior Securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

Some of the income and fees that we may recognize will not satisfy the 90% Income Test. In order to ensure that such income and fees do not disqualify us as a RIC for a failure to satisfy the 90% Income Test, we may be required to recognize such income and fees directly or indirectly through one or more entities treated as corporations for U.S. federal income tax purposes. Such corporations will be required to pay U.S. corporate income tax on their earnings, which ultimately will reduce our return on such income and fees.

Failure to Qualify as a RIC

If for any year we do not qualify for treatment as a RIC, we will be subject to tax on all of our taxable income (including our net capital gain) at regular corporate rates. We will not be able to deduct distributions to stockholders, nor would we be required to make such distributions. Distributions, including distributions of net long-term capital gain, would generally be taxable to our stockholders as dividend income to the extent of our current and accumulated earnings and profits. For taxable years beginning before January 1, 2011, such dividend income generally would be taxable as qualified dividend income eligible for a maximum federal tax rate of 15% in the case of individual U.S. stockholders provided that the shares have been held for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as capital gain. If we fail to qualify as a RIC for a period greater than two taxable years, to qualify as a RIC in a subsequent year we may be subject to regular corporate tax on any net built-in gains with respect to certain of our assets (*i.e.*, the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if we had been liquidated) that we elect to recognize on requalification or when recognized over the next ten years.

The remainder of this discussion assumes that we qualify as a RIC and have satisfied the Annual Distribution Requirement.

Taxation of U.S. Stockholders

Distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our investment company taxable income will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional shares of our common stock. For taxable years beginning before January 1, 2011, to the extent such distributions paid by us to non-corporate stockholders are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions generally will be eligible for a maximum federal tax rate of 15%. In this regard, it is anticipated that distributions paid by us will generally not be attributable to such dividends and, therefore, generally will not qualify for the 15% maximum federal tax rate. Distributions of our net capital gain (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a U.S. stockholder as long-term capital gains in the case of individuals, trusts or estates, regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Long-term capital gain of an individual U.S. stockholder is generally taxed at preferential rates. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

Although we currently intend to distribute any net long-term capital gains at least annually, we may in the future decide to retain some or all of our net long-term capital gains but designate the retained amount as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid on the deemed distribution by us. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's tax basis for their common stock. Since we expect to pay tax on any retained capital gains at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder's other federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for federal income tax. A stockholder that is not subject to federal income tax or otherwise required to file a federal income tax return would be required to file a federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution."

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though it economically represents a return of his, her or its investment.

A stockholder generally will recognize taxable gain or loss if the stockholder sells or otherwise disposes of his, her or its shares of our common stock. Any gain arising from such sale or disposition generally will be treated as long-term capital gain or loss if the stockholder has held his, her or its shares for more than one year. Otherwise, it would be classified as short-term capital gain or loss. However, any capital loss arising from the

sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. In such a case, the basis of the common stock acquired will be increased to reflect the disallowed loss.

In general, individual U.S. stockholders currently are subject to a maximum federal income tax rate of 15% on their net capital gain recognized in taxable years beginning on or before December 31, 2010. After such date, the maximum federal income tax rate on long-term capital gains is scheduled to return to 20%. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the maximum 35% rate also applied to ordinary income. Non-corporate stockholders with net capital losses for a year (*i.e.*, net capital losses in excess of net capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of $3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carryback such losses for three years or carry forward such losses for five years.

We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation.

We will be required in certain cases to backup withhold and remit to the U.S. Treasury a portion of qualified dividend income, ordinary income dividends and capital gain dividends, and the proceeds of redemption of shares, paid to any shareholder (1) who has provided either an incorrect tax identification number or no number at all, (2) whom the IRS subjects to backup withholding for failure to report the receipt of interest or dividend income properly or (3) who has failed to certify to us that it is not subject to backup withholding or that it is a corporation or other "exempt recipient." Backup withholding is not an additional tax and any amounts withheld may be refunded or credited against a shareholder's federal income tax liability, provided the appropriate information is furnished to the IRS.

If a U.S. stockholder recognizes a loss with respect to shares of our common stock of $2 million or more for an individual stockholder or $10 million or more for a corporate stockholder, the stockholder generally must file with the IRS a disclosure statement on Form 8886. Direct stockholders of portfolio securities are in many cases exempted from this reporting requirement, but under current guidance, stockholders of a RIC are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. U.S. stockholders should consult their tax advisors to determine the applicability of these regulations in light of their specific circumstances.

For taxable years beginning after December 31, 2012, a U.S. stockholder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. stockholder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. stockholder's modified gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. stockholder's net investment income will generally include its gross dividend income and its net gains from the disposition of shares, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). U.S. stockholders that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to their income and gains in respect of their investment in shares of our common stock.

Taxation of Non-U.S. Stockholders

Whether an investment in the shares of our common stock is appropriate for a Non-U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares of our common stock by a Non-U.S. stockholder will likely have adverse tax consequences as compared to a direct investment in the assets in which we will invest. Non-U.S. stockholders should consult their tax advisors before investing in our common stock.

Distributions of our investment company taxable income to Non-U.S. stockholders will be subject to withholding of federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits unless the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder, and, if an income tax treaty applies, attributable to a permanent establishment in the United States, in which case the distributions will be subject to federal income tax at the rates applicable to U.S. persons. In that case, we will not be required to withhold federal tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisors.

Actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of our common stock, will not be subject to federal withholding tax and generally will not be subject to federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States or, in the case of an individual Non-U.S. stockholder, the stockholder is present in the United States for 183 days or more during the year of the sale or capital gain dividend and certain other conditions are met.

If we distribute our net capital gains in the form of deemed rather than actual distributions (which we may do in the future), a Non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a federal income tax return. For a corporate Non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable treaty). Accordingly, investment in the shares of our common stock may not be appropriate for a Non-U.S. stockholder.

A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal income tax, may be subject to information reporting and backup withholding of federal income tax on dividends unless the Non-U.S. stockholder provides us or the dividend paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Pursuant to recently enacted legislation, certain payments in respect of shares or made to corporate United States holders after December 31, 2011 may be subject to information reporting and backup withholding, notwithstanding the previous paragraph.

Under recently enacted legislation, certain foreign financial institutions, investment funds and other Non-U.S. persons are subject to information reporting requirements with respect to their direct and indirect U.S. stockholders and/or U.S. accountholders. A 30% withholding tax would be imposed on certain payments that are made after December 31, 2012 that are made to a Non-U.S. person that is subject to such requirements and fails to comply with them. Such payments would include U.S.-source dividends (which include dividends on our

common stock) and the gross proceeds from the sale or other disposition of stock that can produce U.S.-source dividends.

Non-U.S. stockholders should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares of our common stock.

DESCRIPTION OF OUR CAPITAL STOCK

The following description is based on relevant portions of the DGCL and on our certificate of incorporation and bylaws. This summary is not necessarily complete, and we refer you to the DGCL and our certificate of incorporation and bylaws for a more detailed description of the provisions summarized below.

Capital Stock

Our authorized stock consists of shares of common stock, par value $0.01 per share, and shares of preferred stock, par value $0.01 per share. There is currently no market for our common stock, and we can offer no assurances that a market for our shares of common stock will develop in the future. We intend to apply to have our common stock listed on The Nasdaq Global Market under the symbol "OFS." There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Delaware law, our stockholders generally are not personally liable for our debts or obligations. Immediately prior to this offering, our only securities outstanding were shares of our common stock, all of which were held by OFSAM.

Common Stock

All shares of our common stock have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, exchange, conversion or redemption rights and are freely transferable, except when their transfer is restricted by federal and state securities laws or by contract. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock can elect all of our directors, and holders of less than a majority of such shares will not be able to elect any directors.

Preferred Stock

Our certificate of incorporation authorizes our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the board of directors is required by Delaware law and by our certificate of incorporation to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires that (1) immediately after issuance and before any dividend or other distribution is made with respect to our common stock and before any purchase of common stock is made, our asset coverage ratio, as defined in the 1940 Act, must equal at least 200% of gross assets less all liabilities and indebtedness not represented by senior securities (which include all of our borrowings and any preferred stock), and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock are in arrears by two years or more. Some matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of

preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions, although we have no present intent to issue any shares of preferred stock within the 12 months following this offering.

Provisions of the DGCL and Our Certificate of Incorporation and Bylaws

Limitation on Liability of Directors and Officers; Indemnification and Advance of Expenses

The indemnification of our officers and directors is governed by Section 145 of the DGCL, our certificate of incorporation and bylaws. Subsection (a) of DGCL Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if (1) such person acted in good faith, (2) in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and (3) with respect to any criminal action or proceeding, such person had no reasonable cause to believe the person's conduct was unlawful.

Subsection (b) of DGCL Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the corporation, and except that no indemnification may be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court deems proper.

DGCL Section 145 further provides that to the extent that a present or former director or officer is successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145, or in defense of any claim, issue or matter therein, such person will be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with such action, suit or proceeding. In all cases in which indemnification is permitted under subsections (a) and (b) of Section 145 (unless ordered by a court), it will be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the applicable standard of conduct has been met by the party to be indemnified. Such determination must be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (4) by the stockholders. The statute authorizes the corporation to pay expenses incurred by an officer or director in advance of the final disposition of a proceeding upon receipt of an undertaking by or on behalf of the person to whom the advance will be made, to repay the advances if it is ultimately determined that he or she was not entitled to indemnification. DGCL Section 145 also provides that

indemnification and advancement of expenses permitted under such Section are not to be exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. DGCL Section 145 also authorizes the corporation to purchase and maintain liability insurance on behalf of its directors, officers, employees and agents regardless of whether the corporation would have the statutory power to indemnify such persons against the liabilities insured.

Our certificate of incorporation provides that our directors will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the current DGCL or as the DGCL may hereafter be amended. DGCL Section 102(b)(7) provides that the personal liability of a director to a corporation or its stockholders for breach of fiduciary duty as a director may be eliminated except for liability (1) for any breach of the director's duty of loyalty to the registrant or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the DGCL, relating to unlawful payment of dividends or unlawful stock purchases or redemption of stock or (4) for any transaction from which the director derives an improper personal benefit.

Our bylaws provide for the indemnification of any person to the full extent permitted, and in the manner provided, by the current DGCL or as the DGCL may hereafter be amended. In addition, we have entered into indemnification agreements with each of our directors and officers in order to effect the foregoing.

Delaware Anti-Takeover Law

The DGCL and our certificate of incorporation and bylaws contain provisions that could make it more difficult for a potential acquirer to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. These measures may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders. We believe, however, that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because the negotiation of such proposals may improve their terms.

We are subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, these provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- prior to such time, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after the date the business combination is approved by the board of directors and authorized at a meeting of stockholders, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition (in one transaction or a series of transactions) of 10% or more of either the aggregate market value of all the assets of the corporation or the aggregate market value of all the outstanding stock of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any of these entities or persons. Section 203 of the DGCL may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer.

Classified Board of Directors

Our board of directors is divided into three classes of directors serving staggered three-year terms, with the term of office of only one of the three classes expiring each year. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified board of directors helps to ensure the continuity and stability of our management and policies.

Number of Directors; Removal; Vacancies

Our certificate of incorporation provides that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than four nor more than eight. Under our certificate of incorporation and bylaws, any vacancy on the board of directors, including a vacancy resulting from an enlargement of the board of directors, may be filled only by vote of a majority of the directors then in office. The limitations on the ability of our stockholders to fill vacancies could make it more difficult for a third party to acquire, or discourage a third-party from seeking to acquire, control of us.

Our charter provides that a director may be removed only for cause, as defined in our charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) by or at the direction of the board of directors, (2) pursuant to our notice of meeting or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. Nominations of persons for election to the board of directors at a special meeting may be made only by or at the direction of the board of directors, and provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals

recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Action by Stockholders

Under the DGCL, stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous written consent in lieu of a meeting, unless the certificate of incorporation provides for stockholder action by less than unanimous written consent (which our certificate of incorporation does not). These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposed until the next annual meeting.

Stockholder Meetings

Our certificate of incorporation and bylaws provide that, except as otherwise required by law, special meetings of the stockholders can only be called by the chairman of the board, the vice chairman of the board, the president, the board of directors or stockholders who own of record a majority of the outstanding shares of each class of stock entitled to vote at the meeting. In addition, our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of candidates for election to the board of directors. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors, or by a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to the secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities.

Conflict with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the DGCL or any provision of our certificate of incorporation or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

REGULATION

We are a business development company under the 1940 Act and intend to elect to be treated as a RIC under the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an "underwriter" as that term is defined in the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investments. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any registered investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies is fundamental and may be changed without stockholder approval.

Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in section 55(a) of the 1940 Act, which are referred to as "qualifying assets," unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer that:

- is organized under the laws of, and has its principal place of business in, the United States;
- is not an investment company (other than a small business investment company wholly-owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and
- satisfies either of the following:
  - does not have any class of securities listed on a national securities exchange or has any class of securities listed on a national securities exchange subject to a $250 million market capitalization maximum; or
  - is controlled by a business development company or a group of companies including a business development company, the business development company actually exercises a controlling influence over the management or policies of the eligible portfolio company, and, as a result, the business development company has an affiliated person who is a director of the eligible portfolio company.

(2) Securities of any eligible portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident to such a private transaction, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities, was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. government securities or high-quality debt securities that mature in one year or less from the date of investment.

The regulations defining qualifying assets may change over time. We may adjust our investment focus as needed to comply with and/or take advantage of any regulatory, legislative, administrative or judicial actions in this area.

Managerial Assistance to Portfolio Companies

A business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities significant managerial assistance; except that, when the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company. OFSC will provide such managerial assistance on our behalf to portfolio companies that request this assistance.

Temporary Investments

Pending investment in other types of qualifying assets, as described above, our investments may consist of cash, cash equivalents, U.S. government securities, repurchase agreements and high-quality debt investments that mature in one year or less from the date of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets or temporary investments. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, so long as the agreements are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price that is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for federal income tax purposes. Accordingly, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. OFS Advisor will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors—Risks Relating to our Business and Structure—Regulations governing our operation as a business development company affect our ability to and the way in which we raise additional capital. As a business development company, we will need to raise additional capital, which will expose us to risks, including the typical risks associated with leverage."

Codes of Ethics

We and OFS Advisor have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. You may read and copy the code of ethics at the SEC's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, each code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part, and is available on the EDGAR Database on the SEC's website at *www.sec.gov*. You may also obtain copies of each code of ethics, after paying a duplicating fee, by electronic request at the following e-mail address: *publicinfo@sec.gov*, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to OFS Advisor. The proxy voting policies and procedures of OFS Advisor are set out below. The guidelines are reviewed periodically by OFS Advisor and our directors who are not "interested persons," and, accordingly, are subject to change. For purposes of these proxy voting policies and procedures described below, "we," "our" and "us" refer to OFS Advisor.

Introduction

As an investment adviser registered under the Advisers Act, we have a fiduciary duty to act solely in the best interests of our clients. As part of this duty, we recognize that we must vote client securities in a timely manner free of conflicts of interest and in the best interests of our clients.

These policies and procedures for voting proxies for our investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

We vote proxies relating to our portfolio securities in what we perceive to be the best interest of our clients' stockholders. We review on a case-by-case basis each proposal submitted to a stockholder vote to determine its effect on the portfolio securities held by our clients. In most cases we will vote in favor of proposals that we believe are likely to increase the value of the portfolio securities held by our clients. Although we will generally vote against proposals that may have a negative effect on our clients' portfolio securities, we may vote for such a proposal if there exist compelling long-term reasons to do so.

Our proxy voting decisions are made by those senior officers who are responsible for monitoring each of our clients' investments. To ensure that our vote is not the product of a conflict of interest, we require that (1) anyone involved in the decision-making process disclose to our chief compliance officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision-making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties. Where conflicts of interest may be present, we will disclose such conflicts to our client, including with respect to OFS Capital, those directors who are not interested persons and we may request guidance from such persons on how to vote such proxies for their account.

Proxy Voting Records

You may obtain information about how we voted proxies for OFS Capital by making a written request for proxy voting information to: OFS Capital Corporation, 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008, Attention: Investor Relations, or by calling OFS Capital Corporation at (847) 734-2060. The SEC also maintains a website at http://www.sec.gov that contains such information.

Privacy Principles

We are committed to maintaining the privacy of our stockholders and to safeguarding their nonpublic personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any nonpublic personal information relating to our stockholders, although certain nonpublic personal information of our stockholders may become available to us. We do not disclose any nonpublic personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third-party administrator).

We restrict access to nonpublic personal information about our stockholders to employees of OFS Advisor and its affiliates with a legitimate business need for the information. We will maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of our stockholders.

Other

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to OFS Capital or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We and OFS Advisor will each be required to adopt and implement written policies and procedures reasonably designed to prevent violation of relevant federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC. The SEC has interpreted the business development company prohibition on transactions with affiliates to prohibit all "joint transactions" between entities that share a common investment adviser. Historically, we have invested in a number of the same middle-market companies as a fund managed by

OFSAM or one of its affiliates. As of June 30, 2010, approximately 80% of our investments (measured by fair value) was in portfolio companies in which that fund is also invested. Most of these co-investments have been in securities of the same seniority. However, concurrently with the OFS Capital WM Transaction, we distributed to OFSAM a substantial portion of our loan portfolio and, prior to the completion of this offering, we expect to distribute to OFSAM certain of our equity investments. Upon assignment of all loans in which OFSAM was granted a participation and all such equity interests, we will have no remaining co-investments. In connection with our election to be regulated as a business development company, we will not be permitted to co-invest with other funds managed by OFSAM or one of its affiliates in certain types of negotiated investment transactions unless we receive exemptive relief from the SEC permitting us to do so. Moreover, we may be limited in our ability to make follow-on investments or liquidate our existing equity investments in such companies. Although we intend to apply to the SEC for exemptive relief to permit such co-investment and liquidity transactions, subject to certain conditions, we cannot be certain that our application for such relief will be granted or what conditions will be placed on such relief.

The staff of the SEC has granted no-action relief permitting purchases of a single class of privately placed securities provided that the adviser negotiates no term other than price and certain other conditions are met. As a result, we only expect to co-invest on a concurrent basis with other funds advised by OFS Advisor when each of us will own the same securities of the issuer and when no term is negotiated other than price. Any such investment would be made, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures. If opportunities arise that would otherwise be appropriate for us and for another fund advised by OFS Advisor to invest in different securities of the same issuer, OFS Advisor will need to decide which fund will proceed with the investment. Moreover, except in certain circumstances, we will be unable to invest in any issuer in which another fund advised by OFS Advisor has previously invested.

We and OFS Advisor intend to submit an exemptive application to the SEC to permit greater flexibility to negotiate the terms of co-investments because we believe that it will be advantageous for us to co-invest with funds managed by OFS Advisor where such investment is consistent with our investment objectives, investment positions, investment policies, investment strategies, investment restrictions, regulatory requirements and other pertinent factors. We believe that co-investment by us and funds managed by OFS Advisor may afford us additional investment opportunities and the ability to achieve greater diversification. Accordingly, any application would seek an exemptive order permitting us to negotiate more than price terms when investing with funds managed by OFS Advisor in the same portfolio companies.

Moreover, if we elect to seek exemptive relieve, it is expected that we would undertake that, in connection with any commitment to a co-investment, a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors would make certain conclusions, including that (1) the terms of the proposed transaction are reasonable and fair to us and our stockholders and do not involve overreaching 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 strategies and policies. We cannot assure you that this application for exemptive relief will be granted by the SEC or that, if granted, it will be on the terms set forth above.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act imposes a wide variety of regulatory requirements on publicly held companies and their insiders. Many of these requirements affect us. For example:

- pursuant to Rule 13a-14 under the Exchange Act, our principal executive officer and principal financial officer must certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 under Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 under the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm; and

- pursuant to Item 308 of Regulation S-K and Rule 13a-15 under the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated under such act. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance with that act.

Small Business Investment Company Regulations

As noted above under "The Company—Small Business Investment Company Subsidiary," we intend to pursue a portion of our investment strategy through our SBIC subsidiary. We also own SBIC GP, a newly formed limited liability company that will serve as the general partner of our SBIC subsidiary.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBA regulations, SBICs may make loans to eligible small businesses and invest in the equity securities of small businesses. If and when received, an SBIC license will allow our SBIC subsidiary to obtain leverage by issuing SBA-guaranteed debentures, subject to the issuance of a capital commitment by the SBA and other customary procedures. SBA-guaranteed debentures are non-recourse, interest only debentures with interest payable semi-annually and have a ten year maturity. The principal amount of SBA-guaranteed debentures is not required to be paid prior to maturity but may be prepaid at any time without penalty. The interest rate of SBA-guaranteed debentures is fixed at the time of issuance at a market-driven spread over U.S. Treasury Notes with 10-year maturities.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending or investing outside of the United States, and providing funds to businesses engaged in a few prohibited industries and to certain "passive" (i.e., non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC's regulatory capital in any one company and its affiliates.

The SBA restricts the ability of SBICs to repurchase their capital stock. SBA regulations also include restrictions on a "change of control" or transfer of an SBIC and require that SBICs invest idle funds in accordance with SBA regulations. In addition, our SBIC subsidiary may also be limited in its ability to make distributions to us if it does not have sufficient capital, in accordance with SBA regulations.

If our SBIC subsidiary receives a license, it will be subject to regulation and oversight by the SBA, including requirements with respect to maintaining certain minimum financial ratios and other covenants. Receipt of an SBIC license does not assure that our SBIC subsidiary will receive SBA guaranteed debenture funding, and such funding is dependent upon our SBIC subsidiary's continuing to be in compliance with SBA regulations and policies.

The SBA, as a creditor, will have a superior claim to our SBIC subsidiary's assets over our stockholders in the event we liquidate our SBIC subsidiary or the SBA exercises its remedies under the SBA debentures issued by our SBIC subsidiary in the event of a default.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, shares of our common stock will be outstanding, assuming no exercise of the underwriters' over-allotment option. The shares of common stock (assuming no exercise of the underwriters' over-allotment option) sold in the offering will be freely tradable without restriction or limitation under the Securities Act. Any shares purchased in this offering by our affiliates, as defined in the Securities Act, will be subject to the public information, manner of sale and volume limitations of Rule 144 under the Securities Act. The remaining shares of our common stock that will be outstanding upon the completion of this offering will be "restricted securities" under the meaning of Rule 144 promulgated under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144.

In general, under Rule 144 as currently in effect, if six months have elapsed since the date of acquisition of restricted securities from us or any of our affiliates and we are subject to the Exchange Act periodic reporting requirements for at least three months prior to the sale, the holder of such restricted securities can sell such securities. However, the number of securities sold by such person within any three-month period cannot exceed the greater of:

- 1% of the total number of securities then outstanding; or
- the average weekly trading volume of our securities during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 by our efforts also are subject to certain manners of sale provisions, notice requirements and the availability of current public information about us. No assurance can be given as to (1) the likelihood that an active market for our common stock will develop, (2) the liquidity of any such market, (3) the ability of our stockholders to sell our securities or (4) the prices that stockholders may obtain for any of our securities. No prediction can be made as to the effect, if any, that future sales of securities, or the availability of securities for future sales, will have on the market price prevailing from time to time. Sales of substantial amounts of our securities, or the perception that such sales could occur, may affect adversely prevailing market prices of our common stock. Immediately upon the expiration of the -day initial lock-up period described below, an aggregate of shares of common stock subject to the lock-up will be eligible for sale in the public market in accordance with Rule 144. See "Risk Factors—Risks Relating to This Offering."

Registration Rights

Prior to the consummation of this offering, we will enter into a registration rights agreement with OFSAM, our only current stockholder. This agreement will provide OFSAM with certain rights with respect to the registration of its shares under the Securities Act, including demand, piggyback and Form S-3 shelf registration rights when available.

CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Our securities are held by pursuant to a custody agreement. The principal business address of is , telephone: . will serve as our transfer agent, distribution paying agent and registrar. The principal business address of is , telephone: .

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we will acquire and dispose of many of our investments in privately negotiated transactions, many of the transactions that we engage in will not require the use of brokers or the payment of brokerage commissions. Subject to policies established by our board of directors, OFS Advisor will be primarily responsible for selecting brokers and dealers to execute transactions with respect to the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. OFS Advisor does not expect to execute transactions through any particular broker or dealer but will seek to obtain the best net results for us under the circumstances, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. OFS Advisor generally will seek reasonably competitive trade execution costs but will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements and consistent with Section 28(e) of the Exchange Act, OFS Advisor may select a broker based upon brokerage or research services provided to OFS Advisor and us and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if OFS Advisor determines in good faith that such commission is reasonable in relation to the services provided.

UNDERWRITING

FBR Capital Markets & Co. is acting as representative of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite that underwriter's name.

Underwriter	Number of Shares
FBR Capital Markets & Co.	
Total	

The underwriting agreement provides that the underwriters' obligations are several, which means that each underwriter is required to purchase a specific number of shares of our common stock, but it is not responsible for the commitment of any other underwriter. The underwriting agreement provides that the underwriters' several obligations to purchase our common stock are subject to approval of legal matters by counsel and the satisfaction of other conditions. These conditions include, among others, the continued accuracy of representations and warranties made by us in the underwriting agreement, delivery of legal opinions and the absence of material adverse changes in our assets, business or prospects after the date of this prospectus. The underwriters are obligated to purchase all of our shares of common stock, other than those covered by the over-allotment option described below, if they purchase any of our shares.

The representative of the underwriters has advised us that the underwriters propose to offer the common stock directly to the public at the public offering prices listed on the cover page of this prospectus and to selected dealers, who may include the underwriters, at the public offering price less a selling concession not in excess of $ per share for the common stock. The underwriters may allow, and the selected dealers may reallow, a concession not in excess of $ per share for the common stock to brokers and dealers. After the completion of the offering, the underwriters may change the offering price and other selling terms.

The following table summarizes the underwriting discounts and commissions that we will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares of common stock.

		Total	
	Price Per Share	Without Over-allotment	With Over-allotment
Public offering price	$	$	$
Underwriting discount	$	$	$

We estimate that the total expenses of the offering, including registration, filing and listing fees, printing fees, blue sky fees and legal, accounting and transfer agent expenses, and roadshow expenses, but excluding underwriting discounts and commissions, will be approximately $. The underwriters may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business.

We intend to apply to have our common stock listed on The Nasdaq Global Market under the symbol "OFS."

We, each of , and each of our officers and directors, including Messrs. has agreed, for a period of days after the date of this prospectus, not to, directly or indirectly: (1) offer, sell, agree to offer or sell, solicit offers to purchase, grant any call option or purchase any put option with respect to, pledge, borrow or otherwise dispose of any shares of, our common stock, or any securities convertible into, or exercisable or

exchangeable for our common stock, and (2) establish or increase any put equivalent position or liquidate or decrease any call equivalent position with respect to our common stock, or otherwise enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequences of ownership of our common stock, whether or not such transaction would be settled by delivery of common stock or other securities, in cash or otherwise, without, in each case, the prior written consent of FBR Capital Markets & Co., subject to certain specified exceptions.

The restricted period described above is subject to extension under limited circumstances. In the event either: (1) during the last 17 days of the applicable restricted period, we issue an earnings results or material news or a material event relating to us occurs; or (2) before the expiration of the applicable restricted period, we announce that we will release earnings results during the 16-day period following the last day of the applicable period, the "lock up" restrictions described above will, subject to limited exceptions, continue to apply until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of material news or a material event.

We have granted to the underwriters an option to purchase up to an aggregate of additional shares of common stock, exercisable at the public offering price less the underwriting discount and commissions. The underwriters may exercise this option solely to cover over-allotments, if any, in whole or in part at any time until 30 days after the date of the underwriting agreement. To the extent the option is exercised, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares proportionate to that underwriter's initial commitment as indicated in the table at the beginning of this section.

We have agreed to indemnify the underwriters against liabilities related to the offering, including liabilities under the Securities Act and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities.

The representative of the underwriters may engage in over-allotment transactions, stabilizing transactions, syndicate covering transactions, penalty bids and passive market making or purchases for the purpose of pegging, fixing or maintaining the price of our common stock in accordance with Regulation M under the Exchange Act.

- Over-allotment transactions involve sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by exercising their over-allotment option and/or purchasing shares in the open market.
- Stabilizing transactions permit bids to purchase the underlying security as long as the stabilizing bids do not exceed a specific maximum.
- Syndicate covering transactions involve purchases of our common stock in the open market after the distribution has been completed to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the prices of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to covers syndicate short positions.
- In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchase shares of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or hindering a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the prices that might otherwise exist in the open market. These transactions may be effected on The NASDAQ Global Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representations that the representative of the underwriters will engage in these stabilizing transactions or that any such transaction, once commenced, will not be discontinued without notice.

A prospectus in electronic format may be made available on the websites or through other online services maintained by one or more of the underwriters. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a number of shares for sale to online brokerage account holders. Any such allocations for online distributions will be made by the representative on the same basis as other allocations. Other than the prospectus in electronic format, the information on any underwriter’s website and any information contained in any other website maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter in its capacity as underwriter and should not be relied upon by investors.

The principal business address of FBR Capital Markets & Co. is 1001 Nineteenth Street North, Arlington, Virginia 22209.

VALIDITY OF COMMON STOCK

The validity of the common stock offered hereby will be passed upon for us by Sullivan & Cromwell LLP, Los Angeles, California. Sullivan & Cromwell LLP also represents OFS Advisor. Certain legal matters in connection with the offering will be passed upon for the underwriters by Nelson Mullins Riley & Scarborough LLP, Washington, D.C.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The financial statements of Old Orchard First Source Asset Management, LLC (f/k/a Orchard First Source Asset Management, LLC) and subsidiaries, as of December 31, 2009 and the related consolidated statement of income and cash flows for the year then ended and related consolidated statements of changes in members' equity for the years ended December 31, 2009 and 2008 included and appearing in this prospectus and registration statement have been audited by McGladrey & Pullen, LLP, an independent registered public accounting firm, as stated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock being offered by this prospectus.

Upon completion of this offering, we will file with or submit to the SEC periodic and current reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549-0102. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. We maintain a website at and intend to make all of our periodic and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. Information contained on our website is not incorporated into this prospectus, and you should not consider information on our website to be part of this prospectus. You may also obtain such information by contacting us in writing at 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008, Attention: Investor Relations. The SEC maintains a website that contains reports, proxy and information statements and other information we file with the SEC at www.sec.gov. Copies of these reports, proxy and information statements and other information may also be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549-0102.

INDEX TO FINANCIAL STATEMENTS

OFS CAPITAL, LLC AND SUBSIDIARIES
(f/k/a: Old Orchard First Source Asset Management, LLC and Subsidiaries)

Consolidated Financial Report
For the Six Months Ended June 30, 2010

Consolidated Financial Statements

OLD ORCHARD FIRST SOURCE ASSET MANAGEMENT, LLC AND SUBSIDIARIES

Consolidated Financial Report
December 31, 2009

OFS Capital, LLC and Subsidiaries
(f/k/a: Old Orchard First Source Asset Management, LLC and Subsidiaries)

Consolidated Balance Sheets
(Amounts in thousands)

	June 30, 2010 (unaudited)	December 31, 2009
Assets		
Cash and cash equivalents	$ 4,834	$ 7,373
Loans receivable, net of allowance for losses of $11,452 and $18,793, respectively	181,709	217,354
Loan held for sale	—	1,731
Interest receivable	651	538
Deferred financing closing costs, net of accumulated amortization of $2,878 and $2,449, respectively	1,072	1,500
Deferred offering costs	874	—
Equity investments	4,616	53
Total assets	$ 193,756	$ 228,549
Liabilities and Members' Equity		
Liabilities		
Revolving line of credit	$ 75,515	$ 113,208
Interest payable	607	21
Due to affiliated entities	3,665	3,914
Other liabilities	841	56
Total liabilities	80,628	117,199
Commitments and Contingencies		
Members' equity	113,128	111,350
Total liabilities and members' equity	$ 193,756	$ 228,549

See Notes to Unaudited Consolidated Financial Statements.

OFS Capital, LLC and Subsidiaries
(f/k/a: Old Orchard First Source Asset Management, LLC and Subsidiaries)

Consolidated Statements of Operations (unaudited)
(Amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Interest income:				
Interest and fees on loans	$ 2,743	$ 4,676	$ 5,934	$ 9,273
Interest and dividends on securities	—	53	—	245
Interest from related party	—	122	—	243
Total interest income	2,743	4,851	5,934	9,761
Interest expense:				
Interest on borrowed funds	711	1,845	1,559	3,890
Interest to related party	—	90	—	181
Total interest expense	711	1,935	1,559	4,071
Net interest income	2,032	2,916	4,375	5,690
Loan loss recovery	966	—	966	—
Net interest income after loan loss recovery	2,998	2,916	5,341	5,690
Non interest income:				
Gain on sale of equity investments	—	80	—	80
Gain (loss) on sale of loans, net	479	—	(130)	—
Gain on sale of Vidalia interest	—	4,918	—	4,918
Management fee income - related party	—	1,129	—	2,229
Income from Vidalia	—	522	—	522
Fee income	66	205	153	363
Other income	1	68	52	103
Unrealized gain on warrants	18	—	30	—
Total non interest income	564	6,922	105	8,215
Non interest expenses:				
Amortization of deferred financing closing costs	215	260	429	556
Write-off of unamortized deferred financing costs	—	—	—	2,008
Management fee - related party	501	—	1,043	—
Compensation and benefits	—	1,578	—	2,974
Professional fees	22	806	64	1,253
Consulting fees - related party	—	45	—	90
Other administrative expenses	63	326	102	637
Total non interest expense	801	3,015	1,638	7,518
Income before income tax expense (benefit)	2,761	6,823	3,808	6,387
Income tax benefit expense (benefit)	—	33	—	(25)
Net income	$ 2,761	$ 6,790	$ 3,808	$ 6,412

See Notes to Unaudited Consolidated Financial Statements.

OFS Capital, LLC and Subsidiaries
(f/k/a: Old Orchard First Source Asset Management, LLC and Subsidiaries)

Consolidated Statements of Changes in Members' Equity (unaudited)
(Amounts in thousands)

	Six Months Ended June 30,	
	2010	**2009**
Members' equity, January 1, 2010 and January 1, 2009, respectively	$ 111,350	$ 125,037
Net income	3,808	6,412
Distributions	(2,030)	(1,794)
Members' equity, June 30, 2010 and June 30, 2009, respectively	$ 113,128	$ 129,655

See Notes to Unaudited Consolidated Financial Statements.

OFS Capital, LLC and Subsidiaries
(f/k/a: Old Orchard First Source Asset Management, LLC and Subsidiaries)

Consolidated Statements of Cash Flows (unaudited)
(Amounts in thousands)

	Six Months Ended June 30,	
	2010	2009
Cash Flows From Operating Activities		
Net income	$ 3,808	$ 6,412
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and write-off of deferred financing closing costs	429	2,564
Depreciation	—	30
Amortization of loan premium	22	6
Amortization of deferred fee revenue	(344)	(423)
Amortization of deferred origination cost	53	56
Cash collection of deferred fee revenue	139	72
Reversal of paid-in-kind interest income on non-accrual loans	260	9
Loan loss recovery	(966)	—
Gain on sale of equity investments	—	(80)
Loss on sale of loans, net	130	—
Gain on sale of Vidalia interest	—	(4,918)
Income from Vidalia	—	(522)
Unrealized gain on warrants	(30)	—
Changes in operating assets and liabilities:		
Interest and fee receivable	(111)	27
Accrued paid-in-kind interest	(572)	(114)
Interest receivable due from members	—	(243)
Fee receivable from related party	—	(6)
Prepaid expenses and other receivables	—	(280)
Interest payable	586	1,768
Due to affiliated entities	1,154	45
Accounts payable and accrued expenses	(89)	(6)
Net cash provided by operating activities	4,469	4,397
Cash Flows From Investing Activities		
Loan receivable originations	(550)	—
Loan receivables collections and payoffs	19,192	13,272
Net advance on revolving lines of credit to borrowers	(1,338)	(3,915)
Change in restricted cash balance	—	(39,126)
Purchases of fixed and other assets	—	(11)
Purchases of structured securities	—	(735)
Payments received from Vidalia investment	—	2,040
Proceeds from sale of equity investments	—	80
Proceeds from sale of Vidalia interest, net of closing costs	—	33,579
Proceeds from sale of loans	16,816	—
Net cash provided by investing activities	34,120	5,184

OFS Capital, LLC and Subsidiaries
(f/k/a: Old Orchard First Source Asset Management, LLC and Subsidiaries)

Consolidated Statements of Cash Flows (unaudited) (Continued)
(Amounts in thousands)

	Six Months Ended June 30,	
	2010	2009
Cash Flows From Financing Activities		
Repayment of advance due to affiliated entities	(1,302)	—
Advance from affiliated entities	89	—
Distributions to members	(2,222)	(2,618)
Payments to former member	—	(500)
Proceeds from revolving line of credit from lender	10,753	—
Repayment of revolving line of credit to lender	(48,446)	—
Net cash used in financing activities	(41,128)	(3,118)
Net increase (decrease) in cash and cash equivalents	$ (2,539)	$ 6,463
Cash and cash equivalents - beginning of period	7,373	35,611
Cash and cash equivalents - end of period	$ 4,834	$42,074
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	$ 972	$ 2,093
Cash paid during the period for income taxes	—	14
Supplemental Disclosure of Noncash Financing and Investing Activities:		
Member distributions declared but not paid	$ 1,101	$ —
Loans in exchange for equity interests during loan restructurings	10,000	2,000
Reversal of loan loss reserve for loans exchanged for equity in loan restructurings	5,604	2,000

See Notes to Unaudited Consolidated Financial Statements.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 1. Nature of Business

Organization: OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) ("OFS Capital," the "Company," or "we") and affiliates, is a finance company and was a manager of a collateralized loan obligation (CLO). Prior to the December 31, 2009 corporate reorganization (see **Reorganization** section below for more information), it was the holding company for a group of wholly owned subsidiaries including OFS Finance, LLC (Finance), OFS Funding LLC (Funding), OFS Funding I, LLC (Funding I), Orchard Plainfield Investments, LLC (OPI), OFS Agency Services, LLC (Agency), and Orchard First Source Capital, Inc. (OFSC). In addition, it owned 5.65% of the income notes of OFSI Fund III, Ltd. (Fund III), which is a Passive Foreign Investment Corporation (PFIC).

Reorganization: On December 31, 2009, the Company completed reorganization (Reorganization) upon which:

- A new holding entity named New Orchard First Source Asset Management, LLC (subsequently renamed "Orchard First Source Asset Management, LLC") (OFSAM) was created;
- The Company was renamed to Old Orchard First Source Asset Management, LLC, and then to OFS Capital, LLC in March 2010 (OFS Capital);
- The members of OFS Capital contributed all their interests in OFS Capital to OFSAM and as of December 31, 2009, owned the same respective interests in OFSAM as they owned in OFS Capital;
- OFS Capital became a direct wholly owned subsidiary of OFSAM;
- OFS Capital and its wholly owned direct subsidiary, Finance, transferred substantially all of their assets to OFSAM, excluding OFS Capital's direct ownership interest in Finance and Finance's direct ownership interest in Funding, which were formed for the purpose of generating and holding middle market debt instruments.

The Reorganization was accounted for at historical cost since it represented transfers and exchanges among entities under common control. Accordingly, no gain or loss was recognized from the Reorganization.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 1. Nature of Business (Continued)

The following pro forma presentation assumes the Reorganization took place on January 1, 2009 and shows the pro forma effect on loss from operations:

	Three Months Ended June 30, 2009 (Unaudited)		Six Months Ended June 30, 2009 (Unaudited)	
	Historical	Pro Forma	Historical	Pro Forma
Interest income:				
Interest and fees on loans	$ 4,676	$ 3,948	$ 9,273	$ 8,106
Interest and dividends on securities	53	59	245	94
Interest from related party	122	—	243	—
Total interest income	4,851	4,007	9,761	8,200
Interest expense:				
Interest on borrowed funds	1,845	1,845	3,890	3,890
Interest to related party	90	—	181	—
Total interest expense	1,935	1,845	4,071	3,890
Net interest income	2,916	2,162	5,690	4,310
Non interest income:				
Gain on sale of equity investments	80	—	80	—
Gain on sale of Vidalia interest	4,918	4,918	4,918	4,918
Management fee income - related party	1,129	—	2,229	—
Income from Vidalia	522	522	522	522
Fee income	205	128	363	206
Other income (expense)	68	—	103	(86)
Total non interest income	6,922	5,568	8,215	5,560
Non interest expenses:				
Amortization of deferred financing closing costs	260	260	556	556
Write-off of unamortized deferred financing costs	—	—	2,008	2,008
Management fee - related party	—	718	—	1,454
Compensation and benefits	1,578	—	2,974	—
Professional fees	806	68	1,253	101
Consulting fees - related party	45	—	90	—
Other administrative expenses	326	70	637	106
Total non interest expense	3,015	1,116	7,518	4,225
Income before income tax expense (benefit)	6,823	6,614	6,387	5,645
Income tax expense (benefit)	33	—	(25)	—
Net income	$ 6,790	$ 6,614	$ 6,412	$ 5,645

From time to time, the term OFS Capital or the Company may be used herein to refer to OFS Capital, individually, or OFS Capital and/or one or more of its affiliates either collectively or individually.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies

Interim Financial Statements: The unaudited consolidated financial statements of the Company as of June 30, 2010 and for the three and six months ended June 30, 2010 and 2009, have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The information included reflects all adjustments (consisting only of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly state the operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. The notes to the unaudited consolidated financial statements should be read in conjunction with the notes to the Company's December 31, 2009 audited consolidated financial statements contained within this registration statement.

Reclassifications: Certain amounts previously reported have been reclassified where appropriate to conform to the current quarter's presentation. These reclassifications have no effect on the reported net income for 2009.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Finance and Funding. The Company consolidates an affiliated subsidiary if it owns more than 50 percent of the subsidiary's capital. All intercompany balances and transactions have been eliminated in consolidation.

Accounting policies: The Company follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Company follows to ensure consistent reporting of financial condition, results of operations and cash flows. In June 2009, the FASB issued *SFAS No. 168, FASB Accounting Standards Codification*™ ("Codification") and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162 ("SFAS 168") (ASC Topic 105), which is the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification does not change GAAP, but combines all authoritative standards into a comprehensive, topically organized online database. One level of authoritative GAAP exists, other than guidance issued by the SEC. All other accounting literature excluded from the Codification is considered non-authoritative. The Codification was made effective by the FASB for periods ending on or after September 15, 2009. These consolidated financial statements reflect the guidance in the Codification.

Use of estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant areas where the Company uses estimates are the determination of the allowance for loan losses and the fair value of financial instruments. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist of cash and highly liquid investments not held for resale with original maturities of three months or less. With the exception of periodic distributions to OFS Capital, the cash held in Funding is not freely available for OFS Capital's general operations. Such cash is primarily available to repay indebtedness under the Bank of America Amended and Restated Sale and Servicing Agreement (Amended SSA). The total amount of cash held by Funding was $4,741 and $5,933 as of June 30, 2010 and December 31, 2009, respectively.

Loans receivable: Loans receivable are recorded at cost.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Allowances for loan losses: The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolio as of the balance sheet date. When determining the adequacy of the allowance for loan losses, the following factors are considered: historical internal experience and current industry conditions, economic conditions and trends, credit quality trends and other factors deemed relevant. Additions to the allowance are charged to current period earnings through the provision for loan losses. Periodically, management may determine that it is appropriate to charge-off a portion of an existing loan. Upon the resolution of a loan that has remaining outstanding amounts that have been reserved for and are determined to be uncollectible, such amounts are charged off directly against the allowance for loan losses. To the extent that an amount was not reserved, then this amount is charged off through the provision for loan losses on the consolidated statement of operations.

A Company's allowance for loan losses consists of two components, a general reserve component and a specific reserve component.

The general component of the allowance for loan losses is determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies* (ASC Topic 450). The general component represents a company's estimate of losses inherent, but unidentified, in its portfolio as of the balance sheet date. The general component of the allowance for loan losses is estimated based upon a review of the loan portfolio's risk characteristics and analysis of the loans in the portfolio to arrive at an estimated probability of default and estimated severity of loss based, among other things, on loan type, internal risk rating, and overall consideration of general economic conditions and trends.

The specifically allocated component of a company's allowance for loan losses is generated from individual loans that are impaired and for which the estimated allowance for loan losses is determined in accordance with SFAS No. 114, *Accounting by Creditors for Impairment of a Loan* (ASC Topic 310). The Company considers a loan to be impaired when, based on current information and events, it believes it is probable that it will be unable to collect all contractual principal and interest amounts due on the loan.

Revenue Recognition:

Interest income: Interest on loans is credited to income as earned. Interest receivable is accrued only if deemed collectible. The Company accrues interest income until certain events take place, which may place a loan into a non-accrual status. For loans with contractual payment-in-kind interest, which represents contractual interest accrued and added to the principal balance that generally become due at maturity, the Company will not accrue payment-in-kind interest if the portfolio company valuation indicates that the payment-in-kind interest is not collectible.

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

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Loan origination fees and costs: Loan origination fees and costs are deferred, recorded as part of loans receivable and amortized over the life of the loan as an adjustment to the yield in interest income. At June 30, 2010 and December 31, 2009, unamortized loan origination fees and costs were $637 and $628, respectively. For the three months ended June 30, 2010 and 2009, the Company recognized net loan origination fee income of $99 and $88, respectively. For the six months ended June 30, 2010 and 2009, the Company recognized net loan origination fee income of $269 and $176, respectively.

Loans held for sale: Once the Company has made a decision to sell loans not previously classified as held for sale, such loans are transferred into held-for-sale classification and carried at the lower of cost or fair value. At the time of the transfer into the held-for-sale classification, any amount by which cost exceeds fair value is accounted for as a valuation allowance.

Deferred financing closing costs: Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings. These amounts are amortized and included in interest expense in the consolidated statement of operations over the estimated average life of the borrowings. For the three months ended June 30, 2010 and 2009, amortization expense amounted to $215 and $260, respectively. For the six months ended June 30, 2010 and 2009, amortization expense amounted to $429 and $556, respectively. In January 2009, in connection with its voluntary reduction of loan facility, the Company wrote off the then unamortized deferred financing closing costs in the amount of $2,008 in proportion to the reduction of its loan capacity. The remaining unamortized deferred financing costs relating to the original SSA is being amortized over the term of the Amended SSA (see Note 5 for more details).

Deferred Offering Costs: The Company defers costs related to its proposed public offering until completion of the offering. These costs included professional fees, registration costs, printing, and other miscellaneous offering costs. As of June 30, 2010, the Company has recorded $874 of deferred offering costs.

Equity investments: The Company has received various equity ownership interests from its borrowers as partial considerations for loan modifications or restructurings or from exercising its rights under various loan documents. The Company applies foreclosure accounting and records these equity interests at fair value at the time of the loan restructurings. The equity interests are reviewed subsequently for potential impairment. In January 2010, the Company received equity interests from borrowers during loan restructurings, which were valued at $4,396.

In connection with certain lending arrangements, the Company received warrants to purchase shares of stock from the borrowers. Because the warrant agreements contain net exercise or "cashless" exercise provisions, the warrants qualify as derivative instruments under ASC Topic 815. The warrants are considered loan fees and are recorded as unearned loan income on the grant date. The unearned income is recognized as interest income over the contractual life of the related loan in accordance with the Company's income recognition policy. As all the warrants held are deemed to be derivative, they are periodically measured at fair value. Any adjustment to fair value is recorded through earnings as net unrealized gain or loss on warrants. Gain from the disposition of the warrants or stock acquired from the exercise of warrants, are recognized as realized gains on warrants. As of June 30, 2010, the Company held five warrants issued by two borrowers valued at $220. At December 31, 2009, the Company held two warrants issued by one borrower valued at $53. These warrants were reported as part of equity investments in the accompanying consolidated balance sheets. For the three and six months ended June 30, 2010, the Company recorded an unrealized gain on warrants of $18 and $30, respectively.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Income taxes: OFS Capital does not record a provision for federal income taxes or deferred tax benefits because its income is taxable to its Members. The financial statements therefore, reflect OFS Capital's transactions without adjustments, if any, required for federal income tax purposes with the exception of appropriate federal and state income tax provisions for OFSC as this entity is a corporation and income taxes are accrued and paid based on this entity's taxable income. On December 31, 2009, as a result of the Reorganization, OFS Capital transferred its 100% stock ownership interest in OFSC to OFSAM.

The Company follows the guidance in FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, ("FIN 48")* (*ASC Topic 740*). FIN 48 (ASC Topic 740) clarifies the accounting for uncertainty in income taxes recognized in companies' financial statements in accordance with tax accounting standards. FIN 48 (ASC Topic 740) prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition: the Company determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company should presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 (ASC Topic 740) also provides guidance on derecognition of recognized tax benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition. In May 2007, the FASB issued FASB Staff Position No. FIN 48-1, *Definition of Settlement in FASB Interpretation No. 48* ("FSP FIN 48-1") (ASC Topic 740), which provides guidance on how a company should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The Company adopted FIN 48 (ASC Topic 740) at January 1, 2009 and has applied the provisions of FSP FIN 48-1. The application of FIN 48 (ASC Topic 740) did not have a significant effect on the Company's financial position or its results of operations and there were no material uncertain income tax positions at June 30, 2010 and for the three and six months ended June 30, 2010 and 2009. The Company is not subject to examination by U.S. federal or state tax authorities for tax years before 2007.

Reporting segments: In accordance with segment guidance set by Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information* (ASC Topic 280), the Company has determined that it has a single reporting segment and operating unit structure.

Subsequent Events: In February 2010, the FASB amended its authoritative guidance related to subsequent events to alleviate potential conflicts with current SEC guidance. Effective immediately, these amendments remove the requirement that an SEC filer disclose the date through which it has evaluated subsequent events. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: In January 2010, the FASB issued ASU No. 2010-06—*Fair Value Measurements and Disclosure (ASC* Topic 820*)—Improving Disclosures about Fair Value Measurements* ("ASU 2010-6"). ASU 2010-06 amends ASC Topic 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. ASU 2010-06 also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The adoption of this pronouncement did not have a material impact on the Company's financial position, results of operations or cash flows.

Note 3. Related Party Transactions and Subsequent Events

Due to OFSAM

OFS Capital was the servicer of the loan facility under the original and Amended SSA (see Note 5—Revolving Line of Credit with Bank of America for more information regarding the original and Amended SSA). Under the Amended SSA, OFS Capital did not receive any servicing fees, which were permitted under the SSA prior to the November 10, 2009 amendment. On December 31, 2009, as a result of the Reorganization, OFS Capital assigned its service rights under the Amended SSA to OFSAM. As of December 31, 2009, OFS Capital owed $1,236 to OFSAM, which represented accrued and unpaid servicing fees incurred by Funding, OFS Capital's wholly owned subsidiary, on Funding's loan facility with Bank of America. Such accrual and unpaid servicing fees represent amounts accrued under the original SSA as well as an intercompany fee accrual from November 10, 2009 through December 31, 2009, which was originally due from Funding to OFS Capital. This receivable was also assigned to OFSAM by OFS Capital as a result of the Reorganization. For the six months ended June 30, 2010, Funding accrued an additional amount of $1,043 of servicing fees, thus increasing total accrued and unpaid serving fees due to OFSAM to $2,279 at June 30, 2010.

As of December 31, 2009, OFS Capital also owed $1,360 to OFSAM, which represented OFS Capital's obligation to distribute its entire cash balance at December 31, 2009 to OFSAM as prescribed by the Reorganization agreement. For the six months ended June 30, 2010, OFS Capital distributed $1,288 to OFSAM.

In addition, OFS Capital owed $1,293 to OFSAM at December 31, 2009. This balance represented Funding's obligation to fund OFS Capital's 2009 fourth quarter tax distribution under the Amended SSA. On December 31, 2009, OFS Capital assigned this receivable to OFSAM as a result of the Reorganization. Funding made this tax distribution in January 2010. In April 2010, Funding made the 2010 first quarter tax distribution in the amount of $928 to OFSAM. As of June 30, 2010, Funding owed $1,101 to OFSAM, which represented its obligation to fund OFSAM's 2010 second quarter tax distribution under the Amended SSA. Funding made this distribution in July 2010.

At June 30, 2010, OFS Capital also owed $127 to OFSAM for funds advanced and certain operating costs paid by OFSAM during the second quarter of 2010.

Due to OFSC

As of June 30, 2010 and December 31, 2009, OFS Capital also owed a total of $86 and $25, respectively, to OFSC for operating expenses paid by OFSC for the benefit of OFS Capital.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 4. Loans Receivable

Loans receivable balances at June 30, 2010 and December 31, 2009, are summarized as follows:

	As of June 30, 2010		
	Performing	Impaired	Total
Loans receivable	$151,976	$ 41,144	$193,120
Fees receivable	41	—	41
Less allowance for loan losses	(4,309)	(7,143)	(11,452)
Loans receivable - net	$147,708	$ 34,001	$181,709

	As of December 31, 2009		
	Performing	Impaired	Total
Loans receivable	$177,811	$ 58,293	$236,104
Fees receivable	43	—	43
Less allowance for loan losses	(4,342)	(14,451)	(18,793)
Loans receivable - net	$173,512	$ 43,842	$217,354

Average impaired loans during the six months ended June 30, 2010 were $47,576. Average impaired loans, net of the allowance for loan loss during the six months ended June 30, 2010 were $37,772. Income recognized on impaired loans for the three and six months ended June 30, 2010, was $773 and $1,570, respectively . Average impaired loans during 2009 were $51,796. Average impaired loans, net of the allowance for loan loss during 2009 were $35,900. Income recognized on impaired loans for the year ended December 31, 2009, was $4,487.

Non-accrual loans as of June 30, 2010 and December 31, 2009, were $15,935 and $29,164, respectively. Included in the allowance for loan losses was $5,774 and $11,831, respectively as of June 30, 2010 and December 31, 2009 that was specifically provided for these non-accrual loans as they are also deemed to be impaired.

As of June 30, 2010 and December 31, 2009, OFS Capital had past due loans summarized as follows:

	As of June 30, 2010					
	Past Due Principal			Past Due Interest		
	> 30 day Past Due	> 60 day Past Due	> 90 day Past Due	> 30 day Past Due	> 60 day Past Due	> 90 day Past Due
Total	$ —	$ 1,876	$ 7,417	$ 18	$ 30	$ 246

	As of December 31, 2009					
	Past Due Principal			Past Due Interest		
	> 30 day Past Due	> 60 day Past Due	> 90 day Past Due	> 30 day Past Due	> 60 day Past Due	> 90 day Past Due
Total	$ —	$ —	$ 6,435	$ —	$ 12	$ 309

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 4. Loans Receivable (Continued)

The details of loan loss allowance for the three and six months ended June 30, 2010 and 2009 are summarized as follows:

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Beginning balance	$ 12,158	$ 18,793
Write-offs	—	(5,604)
Reclassification to loan held for sale	—	(1,031)
Paid-in-kind interest income reversed on non-accrual loans	260	260
Recoveries	(966)	(966)
Balance - June 30, 2010	$ 11,452	$ 11,452

The $5,604 of write-offs was related to loan loss reserves previously recognized on certain loans which were exchanged for equity interests in the borrowers during debt restructurings in the first quarter of 2010. Upon exchange of debt for equity, the loan balance and related loss reserve were written off. The $260 addition to loan allowance represented reversal of paid-in-kind interest on non-accrual loans which were not deemed collectible by OFS Capital at June 30, 2010. For the three and six months ended June 30, 2010, OFS Capital recorded loan loss recoveries in the amount of $966.

	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Beginning balance	$ 23,202	$ 25,202
Write-offs	—	(2,000)
Paid-in-kind interest income reversed on non-accrual loans	9	9
Balance - June 30, 2009	$ 23,211	$ 23,211

The $2,000 of write-offs was related to loan loss reserve previously recognized on a loan which was converted into an equity interest in the borrower during a debt restructuring in 2009. Upon the debt conversion, the loan balance and related loss reserve were written off. The $9 addition to loan allowance represented reversal of paid-in-kind interest on non-accrual loans which were not deemed collectible by OFS Capital at June 30, 2009.

Note 5. Revolving Line of Credit with Bank of America

Sale and Servicing Agreement ("SSA")

On April 9, 2008, OFS Capital and Funding entered into a SSA with Bank of America (B of A), which allowed Funding to borrow up to $400,000. The adjustable borrowing rate was the lender's cost of funds plus an applicable margin.

There were several covenants which OFS Capital and Funding were required to maintain to remain in compliance with the agreement. The facility had a three year tenor, which included a two year revolving line of credit structure followed by a one year amortization period. Interest was due quarterly but could be paid earlier at the discretion of Funding. The maturity date was April 9, 2011.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 5. Revolving Line of Credit with Bank of America (Continued)

On January 15, 2009, the total facility commitment was voluntarily reduced to $265,000. Accordingly, deferred financing closing costs were reduced by $2,008, which represented a write-off of the then unamortized costs in proportion to the reduction of the facility commitment.

On January 23, 2009, B of A purported to terminate the line of credit. OFS Capital and certain of its affiliates filed a lawsuit contending that B of A's purported termination was without contractual basis, constituted a material breach of SSA, and was invalid. B of A was not permitting any additional borrowings under the line of credit.

Amended and Restated Sale and Servicing Agreement ("Amended SSA")

On November 10, 2009, OFS Capital and Funding settled their lawsuit with B of A and entered into an Amended SSA with B of A. In connection with the Amended SSA, Funding paid down an aggregate of approximately $99,000 against the outstanding loan principal, leaving an unpaid principal balance of $115,000 as of the loan amendment date. The new facility totaled $162,000 as of November 10, 2009, matures on September 30, 2012, and carries an interest rate equal to 1) the three month LIBOR rate plus 3% for the period from November 10, 2009 through April 9, 2011; and 2) three month LIBOR rate plus 6% for the period from April 10, 2011 through September 30, 2012. The unused commitment fee is 0.5% per annum. The new facility is secured by all loans and related rights and interests in those loans owned by OFS Capital, reinvestments of loans and related income and cash proceeds generated. There were substantial changes to the covenants and termination events such that the Amended SSA no longer has material quantitative covenants to borrowing such as a borrowing base or market value tests and most quantitative termination events were eliminated.

The Company followed guidance from Emerging Issues Task Force 98-14, *Debtor's Accounting for Change in Line-of-Credit or Revolving-Debt Arrangements* (EITF 98-14) (ASC Topic 470) that addresses accounting for modification to or exchanges of line-of-credit or revolving-debt arrangements to account for the amendment of its loan facility with B of A. Since the borrowing capacity under the Amended SSA is greater than that under the original SSA, all the unamortized deferred costs as well as new fees incurred to third-parties were deemed associated with the Amended SSA, that is, deferred and amortized over the term of the new arrangement.

At June 30, 2010 and December 31, 2009, Funding had a maximum commitment under its line of credit from B of A in the amount of $109,111 and $159,184, respectively, of which $75,515 and $113,208 was outstanding and utilized.

Note 6. Commitments and Contingencies

At June 30, 2010 and December 31, 2009, Funding had $32,197 and $42,377, respectively, committed and unused lines of credit granted to borrowers.

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.

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

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 7. Fair Value of Financial Instruments

Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157) (ASC Topic 820) requires disclosure of the fair value reported for all financial instruments that are either impaired or available for sale securities, using the definitions provided in FASB 115 (ASC Topic 320). SFAS 157 (ASC Topic 820) defines fair value 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under SFAS 157 (ASC Topic 820) as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under SFAS 157 (ASC Topic 820) are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives. As required by SFAS 157 (ASC Topic 820), the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and liquid loans, thinly traded and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds, funds of hedge funds and distressed debt.

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.

Investments for which prices are not observable are generally private investments in the equity and debt securities of operating companies. Fair value of private investments is based on Level 3 inputs and is determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. In the absence of a principle market (public market) the Company determines the most advantageous market in which it would sell its investment. Typically the Company expects to exit their investment through a refinance or payoff of the underlying loans. Valuations of the underlying portfolio companies are completed to compute the fair value the Company will receive upon such a sale. Generally these valuations are derived by multiplying a key performance metric of the obligor company's assets or free cash flow (e.g., EBITDA) by the relevant percentage or valuation multiple observed for comparable companies or transactions, adjusted by management for differences between the investment and the referenced comparable. Private investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 7. Fair Value of Financial Instruments (Continued)

If the fair value of private investments held cannot be valued by reference to observable valuation measures for comparable companies, then the primary analytical method used to estimate the fair value of such private investments is the discounted cash flow method. A sensitivity analysis is applied to the estimated future cash flows using various factors depending on investment, including assumed growth rate (in cash flows), capitalization rates (for determining terminal values) and appropriate discount rates to determine a range of reasonable values. The valuation based on the inputs determined to be the most probable is used as the fair value of the investment. The determination of fair value using these methodologies takes into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisitions of the investment. These valuation methodologies involve a significant degree of judgment by management.

Assets Recorded at Fair Value on a Recurring Basis

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	June 30, 2010 (unaudited)			
		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Asset (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Unobservable Inputs (Level III)
Money market funds *	$ 12	$ 12	$ —	$ —
Warrants **	220	—	—	220
	$232	$ 12	$ —	$ 220

* included in cash and cash equivalents on the consolidated balance sheet

** included in equity investments on the consolidated balance sheet

	December 31, 2009			
		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Asset (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Unobservable Inputs (Level III)
Money market funds *	$ 12	$ 12	$ —	$ —
Warrants **	53	—	—	53
	$ 65	$ 12	$ —	$ 53

* included in cash and cash equivalents on the consolidated balance sheet

** included in equity investments on the consolidated balance sheet

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 7. Fair Value of Financial Instruments (Continued)

The following table presents additional information about assets measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs to determine fair value.

	Six Months Ended June 30, 2010 (unaudited)	Year Ended December 31, 2009
Level 3 assets, beginning of period	$ 53	$ —
Warrants received and classified as Level 3	137	53
Unrealized gain on warrants included in earnings	30	—
Level 3 assets, end of period	$ 220	$ 53

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at June 30, 2010 and December 31, 2009. As of June 30, 2010 and December 31, 2009, assets measured at fair value on a nonrecurring basis are included in the table below.

	June 30, 2010 (unaudited)			
		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Asset (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Unobservable Inputs (Level III)
Impaired loans	$34,001	$ —	$ —	$ 34,001
	$34,001	$ —	$ —	$ 34,001

	December 31, 2009			
		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Asset (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Unobservable Inputs (Level III)
Impaired loans	$43,842	$ —	$ —	$ 43,842
Loan held for sale	1,731	—	—	1,731
	$45,573	$ —	$ —	$ 45,573

The Company discloses fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The estimated fair value amounts for 2010 have been measured as of June 30, 2010, and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than amounts reported at June 30, 2010.

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 7. Fair Value of Financial Instruments (Continued)

The information presented should not be interpreted as an estimate of the fair value of the entire company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

As of June 30, 2010 and December 31, 2009, the recorded book balances and estimated fair values of the Company's financial instruments were as follows:

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 4,834	$ 4,834	$ 7,373	$ 7,373
Loan receivable, net	181,709	173,855	217,354	198,113
Loan held for sale	—	—	1,731	1,731
Warrants	220	220	53	53
Other equity interests	4,396	4,362	—	226
Interest receivable	651	651	538	538
Financial liabilities:				
Revolving line of credit	$ 75,515	$ 75,515	$ 113,208	$ 113,208
Interest payable	607	607	21	21

Note 8. Sale of Vidalia Interest

OFS Capital owned a 100% interest in a trust that owns a 9.93% interest in a hydroelectric power generating facility in Concordia Parish, Louisiana (Vidalia). The investment in Vidalia was carried at cost. Distributions from the investment in Vidalia were recorded as income to the extent the facility had generated income. Distributions in excess of income were recorded as a reduction in the cost basis as they reflected a return of capital.

In June 2009, OFS Capital sold its interest in Vidalia for $33,579 in cash, net of closing costs of $376. OFS Capital recognized a gain of $4,918 from the sale. For the six months ended June 30, 2009, the Company also recorded investment income from Vidalia in the amount of $522.

Note 9. Subsequent Events—Not Disclosed Elsewhere

In May 2009, the FASB issued guidance establishing principles and requirements for subsequent events accounting and disclosures, setting forth general principles of accounting for and disclosures of events that occur after the balance sheet date but before the date the financial statements are either issued or available to be issued. In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure. Except as disclosed under other footnote sections, there are no additional subsequent events to disclose.

In the event that we issue shares of common stock in an initial public offering as a business development company, we intend to pursue a portion of our investment strategy through a newly formed limited partnership that we intend to be licensed as a small business investment company ("SBIC, L.P.") and, in connection with

OFS Capital, LLC (f/k/a: Old Orchard First Source Asset Management, LLC) and Subsidiaries

Notes to Unaudited Consolidated Financial Statements
(Amounts in thousands)

Note 9. Subsequent Events—Not Disclosed Elsewhere (Continued)

that, Orchard First Source Capital, Inc. ("OFSC"), an affiliated entity of ours, has employed three individuals who will be primarily responsible for the day-to-day management of the SBIC, L.P. In that event, we will also own all of the limited liability company interests in a newly formed limited liability company that will serve as the general partner of the SBIC, L.P. ("SBIC, G.P."). As an alternative to the foregoing transaction in the event that we do not issue shares of common stock in an initial public offering as a business development company, we entered into a Subscription Agreement on July 21, 2010 with respect to an investment in the SBIC, L.P. (the "Subscription Agreement"). Our subscription under the Subscription Agreement is contingent upon, among other things, entering into a mutually satisfactory partnership agreement with SBIC, G.P., the SBIC L.P. raising aggregate commitments from all limited partners of at least $25.0 million and the SBIC, L.P. obtaining a license to operate as a small business investment company. Our investment in the SBIC, L.P. will be 1/3 of the aggregate commitments from all limited partners not to exceed $25.0 million.

We have established an entity that will be one of our portfolio companies upon our election to be a business development company and will acquire, manage and finance senior secured loans to middle-market companies in the United States. This entity, OFS Capital WM, LLC ("OFS Capital WM"), is a newly formed Delaware limited liability company and our wholly-owned subsidiary. To finance its business, on September 28, 2010, OFS Capital WM entered into a new $180 million secured revolving credit facility with Wells Fargo Bank, N.A. and Madison Capital Funding LLC, which is secured by certain eligible loans as defined by the facility documentation ("Eligible Loans") or participations therein. On September 28, 2010, we sold approximately $96.9 million of Eligible Loans or participations therein, transferred to us by OFS Funding, to OFS Capital WM in exchange for cash in the amount of $36.2 million and 100% ownership interest in OFS Capital WM ("OFS Capital WM Transaction"). We transferred the cash received from OFS Capital WM to OFS Funding, and OFS Funding used that cash to repay a substantial portion of the outstanding loan balance under the Bank of America facility. We also transferred cash in the amount of $19.5 million, contributed by our parent, OFSAM, to us simultaneously with the closing of the OFS Capital WM Transaction (the "OFSAM Cash Contribution"), to OFS Funding, and OFS Funding used the OFSAM Cash Contribution, together with cash on hand, to pay off the remaining balance under the Bank of America facility. Accordingly, OFS Funding repaid the outstanding balance under the Bank of America facility on September 28, 2010 in the aggregate principal amount of $56.1 million, plus accrued and unpaid interest, in full and terminated the Bank of America facility in connection with the OFS Capital WM Transaction and the OFSAM Cash Contribution. OFS Funding further paid OFSAM all the accrued and unpaid servicing fees due to OFSAM in the amount of $2.7 million through September 28, 2010. In addition, on September 28, 2010, OFS Funding distributed to us and we in turn distributed to OFSAM approximately $67.2 million of loans or participations therein.

Effective September 22, 2010, OFS Finance, a wholly owned subsidiary of OFS Capital, was merged into OFS Capital and all membership interest in OFS Finance was canceled. Accordingly, OFS Finance transferred its 100% membership interest in OFS Funding to OFS Capital.

Report of Independent Registered Public Accounting Firm

To the Executive Committee
Old Orchard First Source Asset Management, LLC
Rolling Meadows, Illinois

We have audited the accompanying consolidated balance sheet of Old Orchard First Source Asset Management, LLC (f/k/a: Orchard First Source Asset Management, LLC) and Subsidiaries (collectively, the "Company") as of December 31, 2009, and the related consolidated statements of income and cash flows for the year then ended and related consolidated statements of changes in members' equity for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Old Orchard First Source Asset Management, LLC and Subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year then ended and related consolidated statements of changes in members' equity for the years ended December 31, 2009 and 2008, in conformity with U.S. generally accepted accounting principles.

/s/ McGladrey & Pullen, LLP
Chicago, Illinois
April 21, 2010

Old Orchard First Source Asset Management, LLC and Subsidiaries

Consolidated Balance Sheet
December 31, 2009
(Amounts in thousands)

Assets	
Cash and cash equivalents	$ 7,373
Loans receivable, net of allowance for losses of $18,793	217,354
Loan held for sale	1,731
Interest receivable	538
Deferred financing closing costs, net of accumulated amortization of $2,449	1,500
Other assets	53
Total assets	$ 228,549
Liabilities and Members' Equity	
Liabilities	
Revolving line of credit	$ 113,208
Interest payable	21
Due to affiliated entities	3,914
Other liabilities	56
Total liabilities	117,199
Commitments and Contingencies	
Members' equity	111,350
Total liabilities and members' equity	$ 228,549

See Notes to Consolidated Financial Statements.

Old Orchard First Source Asset Management, LLC and Subsidiaries

Consolidated Statement of Income
For the Year Ended December 31, 2009
(Amounts in thousands)

Interest income:	
Interest and fees on loans	$16,812
Interest and dividends on securities	244
Interest from related party	467
Total interest income	17,523
Interest expense:	
Interest on borrowed funds	6,772
Interest to related party	359
Total interest expense	7,131
Net interest income	10,392
Provision for loan losses	6,886
Net interest income after provision for loan losses	3,506
Non interest income:	
Gain on sale of equity investments	188
Gain on sale of loans, net	924
Gain on sale of Vidalia interest	4,918
Writedown of affiliated structured security	(346)
Impairment of other equity interests	(473)
Management fee income - related party	4,575
Income from Vidalia	522
Fee income	1,069
Other income	203
Total non-interest income	11,580
Non-interest expenses:	
Amortization of deferred financing closing costs	1,050
Write-off of unamortized deferred financing closing cost	2,008
Compensation and benefits	5,211
Professional fees	2,182
Consulting fees - related party	180
Other administrative expenses	1,233
Total non-interest expense	11,864
Income before income tax expense	3,222
Income tax benefit	(36)
Net income	$ 3,258

See Notes to Consolidated Financial Statements.

Old Orchard First Source Asset Management, LLC and Subsidiaries

Consolidated Statements of Changes in Members' Equity
For the Years Ended December 31, 2009 and 2008
(Amounts in thousands)

	Members' Interest	Note Receivables Due from Members	Accumulated Earnings	Total
Balance - January 1, 2008	$ 363	$ (297)	$ (21,892)	$ (21,826)
Net income	—	—	163,314	163,314
Member buyout	(10)	—	(10,738)	(10,748)
Member contributions	10,415	(10,415)	—	—
Distributions	—	—	(5,703)	(5,703)
Balance - December 31, 2008	$ 10,768	$ (10,712)	$ 124,981	$ 125,037
Net income	$ —	$ —	$ 3,258	$ 3,258
Corporate reorganization distribution	(10,768)	10,712	(13,249)	(13,305)
Distributions	—	—	(3,640)	(3,640)
Balance - December 31, 2009	$ —	$ —	$ 111,350	$ 111,350

See Notes to Consolidated Financial Statements.

Old Orchard First Source Asset Management, LLC and Subsidiaries

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2009
(Amounts in thousands)

Cash Flows from Operating Activities	
Net income	$ 3,258
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization and write-off of deferred financing closing costs	3,058
Depreciation	59
Amortization of loan premium	13
Amortization of deferred fee revenue	(856)
Amortization of deferred origination cost	112
Cash collection of deferred fee revenue	685
Provision for loan losses	6,886
Reversal of paid-in-kind interest income on impaired loan	458
Gain on sale of equity investments	(188)
Gain on sale of loans, net	(924)
Gain on sale of Vidalia interest	(4,918)
Income from Vidalia	(522)
Writedown of affiliated structured security	346
Impairment of other equity interests	473
Equity interest received in debt restructuring	(53)
Deferred tax asset	(126)
Changes in assets and liabilities:	
Interest and fee receivable	807
Accrued paid-in-kind interest	(969)
Interest receivable due from members	(467)
Fee receivable from related party	(492)
Other assets	(28)
Interest payable	(28)
Other liabilities	58
Net cash provided by operating activities	6,642
Cash Flows from Investing Activities	
Loan receivables collections and payoffs	26,462
Change in restricted cash balance	1,910
Purchases of fixed and other assets	(14)
Purchases of structured securities	(735)
Return of capital from investment in affiliated structured security	22
Payments received from Vidalia investment	2,040
Proceeds from sales of equity investments	188
Proceeds from sales of Vidalia interest, net of closing costs	33,579
Proceeds from sale of structured securities and loans	9,425
Net cash provided by investing activities	72,877
Cash Flows from Financing Activities	
Distributions to members	(3,365)
Payments for member interest buyout	(500)
Proceeds from revolving line of credit	4,687
Repayment of revolving line of credit	(106,329)
Payment of financing closing costs	(147)
Cash transferred in corporate reorganization	(2,103)
Net cash used in financing activities	(107,757)

Old Orchard First Source Asset Management, LLC and Subsidiaries

Consolidated Statement of Cash Flows (Continued)
For the Year Ended December 31, 2009
(Amounts in thousands)

Net decrease in cash and cash equivalents	$ (28,238)
Cash and cash equivalents - beginning of year	35,611
Cash and cash equivalents - end of year	$ 7,373
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	$ 7,159
Cash paid during the year for income taxes	3
Supplemental Schedule of Noncash Financing and Investing Activities	
Member distributions declared but not paid	1,100
Reversal of loan loss reserve upon debt to equity conversion in loan restructuring	2,690
Corporate reorganization distribution	
Interest and fee receivable	98
Interest and fee receivable due from members	627
Fee receivable due from related party	635
Other receivable	697
Due from affiliated entities	3,914
Loans receivable, net of allowances for losses of $5,531	5,851
Investment in structured securities	9,000
Investment in affiliated structured security	1,973
Other assets	729
Note payable due to former member	(9,173)
Interest payable due to former member	(61)
Member distributions declared but not paid	(1,100)
Accounts payable and accrued expenses	(1,988)
	$ 11,202

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 1. Nature of Business

Organization: Old Orchard First Source Asset Management, LLC (f/k/a: Orchard First Source Asset Management, LLC) and affiliates, is a finance company and was a manager of a collateralized loan obligation (CLO). Prior to the December 31, 2009 corporate reorganization (see **2009 Reorganization** section below for more information), it was the holding company for a group of wholly owned subsidiaries including OFS Finance, LLC (Finance), OFS Funding LLC (Funding), OFS Funding I, LLC (Funding I), Orchard Plainfield Investments, LLC (OPI), OFS Agency Services, LLC (Agency), and Orchard First Source Capital, Inc. (OFSC). In addition, it owned 5.65% of the income notes of OFSI Fund III, Ltd. (Fund III) which is a Passive Foreign Investment Corporation (PFIC).

2009 Reorganization: On December 31, 2009, Old Orchard First Source Asset Management, LLC completed reorganization (2009 Reorganization) upon which:

- A new holding entity named New Orchard First Source Asset Management, LLC (subsequently renamed "Orchard First Source Asset Management, LLC") (OFSAM) was created;
- The Company was renamed to Old Orchard First Source Asset Management, LLC (subsequently renamed to OFS Capital, LLC in March 2010) (Old OFSAM);
- The members of Old OFSAM contributed all their interests in Old OFSAM to OFSAM and as of December 31, 2009, own the same respective interests in OFSAM as they owned in Old OFSAM;
- Old OFSAM became a direct wholly owned subsidiary of OFSAM;
- Old OFSAM and its wholly owned direct subsidiary, Finance, transferred substantially all of their assets to OFSAM, excluding Old OFSAM's direct ownership interest in Finance and Finance's direct ownership interest in Funding, which were formed for the purpose of generating and holding middle- market debt instruments.

The 2009 Reorganization was accounted for at historical cost since it represented transfers and exchanges among entities under common control. Accordingly, no gain or loss was recognized from the 2009 Reorganization. Total net assets transferred to OFSAM by Old OFSAM and Finance amounted to $13,305 on December 31, 2009.

From time to time, the term Old OFSAM or the Company may be used herein to refer to Old OFSAM, individually, or Old OFSAM and/or one or more of its affiliates either collectively or individually.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Finance and Funding. The Company consolidates an affiliated subsidiary if it owns more than 50 percent of the subsidiary's capital. All intercompany balances and transactions have been eliminated in consolidation.

Accounting policies: The Company follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Company follows to ensure consistent reporting of financial condition, results of operations and cash flows. In June 2009, the FASB issued SFAS No. 168, FASB Accounting Standards Codification™ (Codification) and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162 ("SFAS 168") (ASC Topic 105), which is the single source of authoritative GAAP recognized by the FASB to be applied

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

by nongovernmental entities. The Codification does not change GAAP, but combines all authoritative standards into a comprehensive, topically organized online database. One level of authoritative GAAP exists, other than guidance issued by the SEC. All other accounting literature excluded from the Codification is considered non-authoritative. The Codification was made effective by the FASB for periods ending on or after September 15, 2009. This annual report reflects the guidance in the Codification.

Use of estimates: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant areas where the Company uses estimates are the determination of the allowance for loan losses and the fair value of financial instruments. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist of cash and highly liquid investments not held for resale with original maturities of three months or less. With the exception of periodic distributions to Old OFSAM, the cash held in Funding is not freely available for Old OFSAM's general operations. Such cash is primarily available to repay indebtedness under the Bank of America Amended and Restated Sale and Servicing Agreement (Amended SSA). The total amount of cash held by Funding is $5,933 as of December 31, 2009.

Loans receivable: Loans receivable are recorded at cost.

Allowances for loan losses: The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolio as of the balance sheet date. When determining the adequacy of the allowance for loan losses, the following factors are considered: historical internal experience and current industry conditions, economic conditions and trends, credit quality trends and other factors deemed relevant. Additions to the allowance are charged to current period earnings through the provision for loan losses. Periodically, management may determine that it is appropriate to charge-off a portion of an existing loan. Upon the resolution of a loan that has remaining outstanding amounts that have been reserved for and are determined to be uncollectible, such amounts are charged off directly against the allowance for loan losses. To the extent that an amount was not reserved, then this amount is charged off through the provision for loan losses on the consolidated income statement.

A Company's allowance for loan losses consists of two components, a general reserve component and a specific reserve component.

The general component of the allowance for loan losses is determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies* (ASC Topic 450). The general component represents a company's estimate of losses inherent, but unidentified, in its portfolio as of the balance sheet date. The general component of the allowance for loan losses is estimated based upon a review of the loan portfolio's risk characteristics and analysis of the loans in the portfolio to arrive at an estimated probability of default and estimated severity of loss based, among other things, on loan type, internal risk rating, and overall consideration of general economic conditions and trends.

The specifically allocated component of a company's allowance for loan losses is generated from individual loans that are impaired and for which the estimated allowance for loan losses is determined in accordance with

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

SFAS No. 114, *Accounting by Creditors for Impairment of a Loan* (ASC Topic 310). The Company considers a loan to be impaired when, based on current information and events, it believes it is probable that it will be unable to collect all contractual principal and interest amounts due on the loan.

Interest income: Interest on loans is credited to income as earned. Interest receivable is accrued only if deemed collectible. The Company accrues interest income until certain events take place, which may place a loan into a non-accrual status.

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

Loan origination fees and costs: Loan origination fees and costs are deferred, recorded as part of loans receivable and amortized over the life of the loan as an adjustment to the yield in interest income.

Loans held for sale: Once the Company has made a decision to sell loans not previously classified as held for sale, such loans are transferred into held-for-sale classification and carried at the lower of cost or fair value. At the time of the transfer into the held-for-sale classification, any amount by which cost exceeds fair value is accounted for as a valuation allowance.

Deferred financing closing costs: Deferred financing costs represent fees and other direct incremental costs incurred in connection with the Company's borrowings. These amounts are amortized and included in interest expense in the consolidated statement of income over the estimated average life of the borrowings. For the year ended December 31, 2009, amortization expense amounted to $1,050. In January 2009, in connection with its voluntary reduction of loan facility, the Company wrote off the then unamortized deferred financing closing costs in the amount of $2,008 in proportion to the reduction of its loan capacity. The remaining unamortized deferred financing costs relating to the original SSA is being amortized over the term of the Amended SSA (see Note 5 for more details).

Investment in affiliated structured security: Prior to the 2009 Reorganization, Old OFSAM held an investment in affiliated structured security, which represented its investment in Fund III. The investment was recorded at initial cost of $3,000 less subsequent returns of capital of $681. For the year ended December 31, 2009, the Company recorded an impairment charge of $346 in this investment under FASB 115 (ASC Topic 320). On December 31, 2009, as a result of the 2009 Reorganization, Old OFSAM transferred this investment to OFSAM in the amount of $1,973.

Investments in structured securities: Prior to the 2009 Reorganization, Old OFSAM held investments in structured securities, which were classified as Held to Maturity Investments using the definition found in FASB 115, in the amount of $9,000. During 2009, the Company did not recognize any other than temporary impairment

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

in these investments under FASB 115 (ASC Topic 320). On December 31, 2009, as a result of the 2009 Reorganization, Old OFSAM transferred all its investments in structured securities to OFSAM.

Equity investments: The Company has received various equity interests from its borrowers as partial considerations for loan modifications or restructurings. The Company applies foreclosure accounting and records these equity interests at fair value at the time of the loan restructurings. The equity interests are reviewed subsequently for potential impairment. On December 31, 2009, as a result of the 2009 Reorganization, Old OFSAM transferred certain equity investments to OFSAM in the amount of $289. As of December 31, 2009, equity interests are carried at $53 and reported as part of other assets in the accompanying consolidated balance sheet.

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

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

Income taxes: Old OFSAM does not record a provision for federal income taxes or deferred tax benefits because its income is taxable to its Members. The financial statements therefore, reflect Old OFSAM's transactions without adjustments, if any, required for federal income tax purposes with the exception of appropriate federal and state income tax provisions for OFSC as this entity is a corporation and income taxes are accrued and paid based on this entity's taxable income. On December 31, 2009, as a result of the 2009 Reorganization, Old OFSAM transferred its 100% stock ownership interest in OFSC to OFSAM.

The Company follows the guidance in FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, ("FIN 48") (ASC Topic 740)*. FIN 48 (ASC Topic 740) clarifies the accounting for uncertainty in income taxes recognized in companies' financial statements in accordance with tax accounting standards. FIN 48 (ASC Topic 740) prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition: the Company determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company should presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 (ASC Topic 740) also provides guidance on derecognition of recognized tax benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition. In May 2007, the FASB issued FASB Staff Position No. FIN 48-1, *Definition of Settlement in FASB Interpretation No. 48* ("FSP FIN 48-1") (ASC Topic 740), which provides guidance on how a company should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The Company adopted FIN 48 (ASC Topic 740) at January 1, 2009 and has applied the provisions of FSP FIN 48-1. The application of FIN 48 (ASC Topic 740) did not have a significant effect on the Company's financial position or its results of operations and there are no material uncertain income tax positions at December 31, 2009. The Company is not subject to examination by U.S. federal or state tax authorities for tax years before 2007.

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 2. Summary of Significant Accounting Policies (Continued)

Reporting segments: In accordance with segment guidance set by Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information* (ASC Topic 280), the Company has determined that it has a single reporting segment and operating unit structure.

Current accounting pronouncements: Effective January 1, 2009, the Company adopted SFAS 157 (ASC Topic 820) for nonfinancial assets and nonfinancial liabilities such as real estate owned and repossessed assets. As of December 31, 2009, the Company does not believe any nonfinancial assets or liabilities existed. SFAS 157 (ASC Topic 820) applies to all assets and liabilities that are measured and reported on a fair value basis.

On April 9, 2009, the FASB issued FASB Staff Position No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ("FSP No. 157-4") (ASC Topic 820). FSP No. 157-4 (ASC Topic 820) requires entities to consider whether events and circumstances indicate whether the transaction is or is not orderly as opposed to a forced or distressed transaction. Entities would place more weight on observable transactions determined to be orderly and less weight on transactions for which there is insufficient information to determine whether the transaction is orderly. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities. FSP No. 157-4 (ASC Topic 820) provides additional guidance for making fair value measurements more consistent with the principles presented in SFAS No. 157 (ASC Topic 820). SFAS 157-4 (ASC Topic 820) is effective for interim and annual periods ending after June 15, 2009. The adoption of this pronouncement did not have a material impact on the Company's financial position, results of operations or cash flows.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* ("SFAS 165") (ASC Topic 855), which addresses accounting and disclosure requirements related to subsequent events. SFAS 165 (ASC Topic 855) requires management to evaluate subsequent events through the date the financial statements are either issued or available to be issued, depending on the company's expectation of whether it will widely distribute its financial statements to its shareholders and other financial statement users. Companies are required to disclose the date through which subsequent events have been evaluated. SFAS 165 (ASC Topic 855) is effective for interim or annual financial periods ending after June 15, 2009 and should be applied prospectively. The adoption of SFAS 165 (ASC Topic 855) did not have a material effect on the Company's financial condition, results of operations or cash flows.

Note 3. Related Party Transactions and Subsequent Events

Old OFSAM had entered into a Collateral Management Agreement with Fund III to provide the services associated with management of their portfolio assets. The revenue from these agreements was recognized on the accrual basis and recorded as management fee income from related party on the consolidated statement of income. On December 31, 2009, as a result of the Reorganization, Old OFSAM assigned its service rights under the Collateral Management Agreement as well as its fee receivable due from Fund III in the amount of $635 to OFSAM.

For the year ended December 31, 2009, Old OFSAM recorded interest income of $467 on notes receivable due from certain of its members. On December 31, 2009, as a result of the Reorganization, Old OFSAM transferred its notes receivable together with accrued interest on the notes receivable to OFSAM.

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 3. Related Party Transactions and Subsequent Events (Continued)

In April 2008, Old OFSAM purchased the interests of one of its members. The consideration consisted of a cash payment plus a ten year unsecured promissory note in the amount of $9,673. The first payment of $500 of the principal was made on April 30, 2009. On December 31, 2009, as a result of the Reorganization, Old OFSAM transferred its entire obligation under this note with accrued interest to OFSAM.

Due to OFSAM

Old OFSAM was the servicer of the loan facility under the original and Amended SSA (see Note 5—Revolving Line of Credit with Bank of America for more information regarding the original and Amended SSA). Under the Amended SSA, Old OFSAM did not receive any servicing fees, which were permitted under the SSA prior to the November 10, 2009 amendment. On December 31, 2009, as a result of the Reorganization, Old OFSAM assigned its service rights under the Amended SSA to OFSAM. As of December 31, 2009, Old OFSAM owed $1,236 to OFSAM, which represented accrued and unpaid servicing fees incurred by Funding, Old OFSAM's wholly owned subsidiary, on Funding's loan facility with Bank of America. Such accrual and unpaid servicing fees represent amounts accrued under the original SSA as well as an intercompany fee accrual from November 10, 2009 through December 31, 2009, which was originally due from Funding to Old OFSAM. This receivable was also assigned to OFSAM by Old OFSAM as a result of the Reorganization.

As of December 31, 2009, Old OFSAM also owed $1,360 to OFSAM, which represented Old OFSAM's obligation to distribute its entire cash balance at December 31, 2009 to OFSAM as prescribed by the Reorganization agreement. Subsequently, in February 2010, Old OFSAM distributed the cash to OFSAM.

In addition, Old OFSAM owed $1,293 to OFSAM at December 31, 2009. This balance represented Funding's obligation to fund Old OFSAM's 2009 4th quarter tax distribution under the Amended SSA. On December 31, 2009, Old OFSAM assigned this receivable to OFSAM as a result of the Reorganization. Funding made this tax distribution in January 2010.

Note 4. Loans Receivable

Loans receivable balance at December 31, 2009, is summarized as follows:

	Performing	Impaired	Total
Loans receivable	$177,811	$ 58,293	$236,104
Fees receivable	43	—	43
Less allowance for loan losses	(4,342)	(14,451)	(18,793)
Loans receivable - net	$173,512	$ 43,842	$217,354

Average impaired loans during 2009 were approximately $51,796. Average impaired loans, net of the allowance for loan loss during 2009 were approximately $35,900. Income recognized on impaired loans for the year ended December 31, 2009, was approximately $4,487.

Non-accrual loans as of December 31, 2009, were $29,164. Included in the allowance for loan losses is $11,831 that is specifically provided for these non-accrual loans as they are also deemed to be impaired.

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 4. Loans Receivable (Continued)

As of December 31, 2009, Old OFSAM has two past due loans summarized as follows:

	Past Due Principal			Past Due Interest		
	> 30 Day Past Due	> 60 Days Past Due	> 90 Days Past Due	> 30 Days Past Due	> 60 Days Past Due	> 90 Days Past Due
Past due loan A	$ —	$ —	$ 5,965	$ —	$ —	$ 244
Past due loan B	—	—	470	—	12	65
	$ —	$ —	$ 6,435	$ —	$ 12	$ 309

During 2009, Old OFSAM recorded a $6,886 provision for loan losses net of recoveries, and recorded write-offs amounting to $5,532. The details of which are summarized as follows:

Balance - beginning of year	$25,202
Provision charged to expense	6,886
Paid-in-kind interest income reversed on impaired loans	458
Write-offs	(5,532)
Reversed upon debt to equity conversion in loan restructurings	(2,690)
Transferred to affiliate during corporate reorganization	(5,531)
Balance - end of year	$18,793

The $458 addition to loan allowance represented reversal of paid-in-kind interest on impaired loans which were not deemed collectible by OFSAM at December 31, 2009. The $2,690 reduction in loan allowance represented loan loss reserve previously recognized on certain loans which were converted into equity interests in the borrowers during debt restructurings in 2009. Upon the debt conversion, the loan balance and related loss reserve were reversed.

On December 31, 2009, as a result of the Reorganization, Old OFSAM transferred loans receivable to OFSAM in the amount of $5,851, net of allowance for losses in the amount of $5,531.

Note 5. Revolving Line of Credit with Bank of America

Sale and Servicing Agreement ("SSA")

On April 9, 2008, Old OFSAM and Funding entered into a SSA with Bank of America (B of A), which allowed Funding to borrow up to $400,000. The adjustable borrowing rate was the lender's cost of funds plus an applicable margin. There were several covenants which Old OFSAM and Funding were required to maintain to remain in compliance with the agreement. The facility had a three year tenor, which included a two year revolving line of credit structure followed by a one year amortization period. Interest was due quarterly but could be paid earlier at the discretion of Funding. The maturity date was April 9, 2011.

On January 15, 2009, the total facility commitment was voluntarily reduced to $265,000. Accordingly, deferred financing closing costs were reduced by $2,008, which represented a write-off of the then unamortized costs in proportion to the reduction of the facility commitment.

On January 23, 2009, B of A purported to terminate the line of credit. Old OFSAM and certain of its affiliates filed a lawsuit contending that B of A's purported termination was without contractual basis, constituted a material breach of SSA, and was invalid. B of A was not permitting any additional borrowings under the line of credit.

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 5. Revolving Line of Credit with Bank of America (Continued)

Amended and Restated Sale and Servicing Agreement ("Amended SSA")

On November 10, 2009, Old OFSAM and Funding settled their lawsuit with B of A and entered into an Amended SSA with B of A. In connection with the Amended SSA, Funding paid down an aggregate of approximately $99,000 against the outstanding loan principal, leaving an unpaid principal balance of $115,000 as of the loan amendment date. The new facility totaled $162,000 as of November 10, 2009, matures on September 30, 2012, and carries an interest rate equal to 1) the three month LIBOR rate plus 3% for the period from November 10, 2009 through April 9, 2011; and 2) three month LIBOR rate plus 6% for the period from April 10, 2011 through September 30, 2012. The unused commitment fee is 0.5% per annum. The new facility is secured by all loans and related rights and interests in those loans owned by Old OFSAM, reinvestments of loans and related income and cash proceeds generated. There were substantial changes to the covenants and termination events such that the Amended SSA no longer has material quantitative covenants to borrowing such as a borrowing base or market value tests and most quantitative termination events were eliminated.

The Company followed guidance from the *Line-of-Credit or Revolving-Debt Arrangements* accounting standard that addresses accounting for modification to or exchanges of line-of-credit or revolving-debt arrangements to account for the amendment of its loan facility with B of A. Since the borrowing capacity under the Amended SSA is greater than that under the original SSA, all the unamortized deferred costs as well as new fees incurred to third-parties were deemed associated with the Amended SSA, that is, deferred and amortized over the term of the new arrangement.

At December 31, 2009, Funding has a maximum commitment under its line of credit from B of A in the amount of $159,184, of which $113,208 was outstanding and utilized.

Note 6. Sale of Vidalia Interest

Old OFSAM owned a 100% interest in a trust that owns a 9.93% interest in a hydroelectric power generating facility in Concordia Parish, Louisiana (Vidalia). The investment in Vidalia was carried at cost. Distributions from the investment in Vidalia were recorded as income to the extent the facility had generated income. Distributions in excess of income were recorded as a reduction in the cost basis as they reflected a return of capital.

In June 2009, Old OFSAM sold its interest in Vidalia for $33,579 in cash, net of closing costs of $376. Old OFSAM recognized a gain of $4,918 from the sale. For the year ended December 31, 2009, the Company also recorded investment income from Vidalia in the amount of $522.

Note 7. Commitments and Contingencies

At December 31, 2009, Funding has $42,377 committed and unused lines of credit granted to borrowers.

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.

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide general indemnifications. The Company's maximum exposure under

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 7. Commitments and Contingencies (Continued)

these arrangements is unknown, as this would involve future claims that may be made against the Company that have not occurred. The Company expects the risk of any future obligation under these indemnifications to be remote.

Note 8. Fair Value of Financial Instruments

Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157) (ASC Topic 820) requires disclosure of the fair value reported for all financial instruments that are either impaired or available for sale securities, using the definitions provided in FASB 115 (ASC Topic 320). SFAS 157 (ASC Topic 820) (ASC Topic 820) defines fair value 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under SFAS 157 (ASC Topic 820) as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under SFAS 157 (ASC Topic 820) are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives. As required by SFAS 157 (ASC Topic 820), the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and liquid loans, thinly traded and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds, funds of hedge funds and distressed debt.

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.

Investments for which prices are not observable are generally private investments in the equity and debt securities of operating companies. Fair value of private investments is based on Level 3 inputs and is determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. In the absence of a principle market (public market) the

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 8. Fair Value of Financial Instruments (Continued)

Company determines the most advantageous market in which it would sell its investment. Typically the Company expects to exit their investment through a refinance or payoff of the underlying loans. Valuations of the underlying portfolio companies are completed to compute the fair value the Company will receive upon such a sale. Generally these valuations are derived by multiplying a key performance metric of the obligor company's assets or free cash flow (e.g., EBITDA) by the relevant percentage or valuation multiple observed for comparable companies or transactions, adjusted by management for differences between the investment and the referenced comparable. Private investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value.

If the fair value of private investments held cannot be valued by reference to observable valuation measures for comparable companies, then the primary analytical method used to estimate the fair value of such private investments is the discounted cash flow method. A sensitivity analysis is applied to the estimated future cash flows using various factors depending on investment, including assumed growth rate (in cash flows), capitalization rates (for determining terminal values) and appropriate discount rates to determine a range of reasonable values. The valuation based on the inputs determined to be the most probable is used as the fair value of the investment. The determination of fair value using these methodologies takes into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisitions of the investment. These valuation methodologies involve a significant degree of judgment by management.

Assets Recorded at Fair Value on a Recurring Basis

The following table summarizes assets measured at fair value on a recurring basis as of December 31, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Asset (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Unobservable Inputs (Level III)
Money market funds*	$ 12	$ 12	$ —	$ —
Warrants**	53	—	—	53
	$ 65	$ 12	$ —	$ 53

* Included in cash and cash equivalents

** Included in other assets

The following table presents additional information about assets measured at fair value on a recurring basis for which the Company has utilized Level 3 inputs to determine fair value.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Warrants
Beginning balance, January 1, 2009	$ —
Received and classified as Level 3	53
Ending balance, December 31, 2009	$ 53

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 8. Fair Value of Financial Institutions (Continued)

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the year. Assets measured at fair value on a nonrecurring basis are included in the table below.

		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Asset (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Unobservable Inputs (Level III)
Impaired loans	$43,842	$ —	$ —	$ 43,842
Loan held for sale	1,731	—	—	1,731
	$45,573	$ —	$ —	$ 45,573

The Company discloses fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The estimated fair value amounts for 2009 have been measured as of the year-end date, and have not been reevaluated or updated for purposes of these financial statements subsequent to that date. As such, the estimated fair values of these financial instruments subsequent to the reporting date may be different than amounts reported at year end.

The information presented should not be interpreted as an estimate of the fair value of the entire company since a fair value calculation is only required for a limited portion of the Company's assets and liabilities. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful.

The recorded book balances and estimated fair values of the Company's financial instruments were as follows:

	2009	
	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$ 7,373	$ 7,373
Loans receivable, net	217,354	198,113
Loans held for sale	1,731	1,731
Warrants	53	53
Other equity interest	0	226
Interest receivable	538	538
Financial liabilities:		
Revolving line of credit	$ 113,208	$ 113,208
Interest payable	21	21

Old Orchard First Source Asset Management, LLC

Notes to Consolidated Financial Statements
(Amounts in thousands)

Note 9. Subsequent Events—Not Disclosed Elsewhere

The Company has evaluated subsequent events through April 21, 2010, the date these financial statements were available to be issued. Except as disclosed under other footnote sections, there are no additional subsequent events to disclose.

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Shares

OFS CAPITAL CORPORATION

Common Stock

PROSPECTUS

, 2010

FBR CAPITAL MARKETS

Through and including , 2010 (25 days after the date of the prospectus), all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

OFS CAPITAL CORPORATION

PART C
Other Information

Item 25. Financial Statements and Exhibits

(1) Financial Statements

The following financial statements of OFS Capital, LLC and Subsidiaries are provided in Part A of the Registration Statement:

The following financial statements of Old Orchard First Source Asset Management, LLC and Subsidiaries are provided in Part A of this Registration Statement:

(2) Exhibits

(a)(1)	Certificate of Formation of OFS Capital, LLC(1)
(a)(2)	Certificate of Incorporation of OFS Capital Corporation(1)
(b)(1)	Limited Liability Company Agreement of OFS Capital, LLC(1)
(b)(2)	Bylaws of OFS Capital Corporation(1)
(c)	Not applicable
(d)	Form of Stock Certificate of OFS Capital Corporation(1)
(e)	Dividend Reinvestment Plan(1)
(f)	Not applicable
(g)	Investment Advisory Agreement between OFS Capital Corporation and OFS Capital Management, LLC(1)
(h)	Form of Underwriting Agreement(1)
(i)	Not applicable
(j)	Form of Custodian Agreement(1)

(k)(1)	Administration Agreement between OFS Capital Corporation and OFS Capital Services, LLC(1)
(k)(2)	License Agreement between the OFS Capital Corporation and Orchard First Source Asset Management, LLC(1)
(k)(3)	Loan and Security Agreement by and among MCF Capital Management LLC, OFS Capital WM, LLC, each of the Class A Lenders from time to time party thereto, each of the Class B lenders from time to time party thereto, Wells Fargo Securities, LLC, and Wells Fargo Delaware Trust Company, N.A., dated as of September 28, 2010(2)
(k)(4)	Pledge Agreement made by OFS Capital, LLC, OFS Capital WM, LLC and OFS Funding, LLC in favor of Wells Fargo Delaware Trust Company, N.A., as Trustee, for the benefit of the Secured Parties, dated as of September 28, 2010(2)
(k)(5)	Account Control Agreement by and among OFS Capital WM, LLC, Wells Fargo Delaware Trust Company, N.A., Wells Fargo Securities, LLC and Wells Fargo Bank, National Association, dated as of September 28, 2010(2)
(k)(6)	Participation Agreement dated as of September 28, 2010, by and between OFS Funding, LLC and OFS Capital, LLC(2)
(k)(7)	Loan Sale Agreement by and between OFS Capital, LLC, and OFS Capital WM, LLC, dated as of September 28, 2010(2)
(l)	Opinion and Consent of Sullivan & Cromwell LLP(1)
(m)	Not applicable
(n)(1)	Consent of McGladrey & Pullen, LLP(2)
(n)(2)	Consent of Marc Abrams(3)
(n)(3)	Consent of Robert J. Cresci(3)
(n)(4)	Consent of Elaine E. Healy(2)
(o)	Not applicable
(p)	Not applicable
(q)	Not applicable
(r)(1)	Code of Ethics of OFS Capital Corporation(1)
(r)(2)	Code of Ethics of OFS Advisor(1)

(1) To be filed by amendment.

(2) Filed herewith.

(3) Previously filed.

Item 26. Marketing Arrangements

The information contained under the heading “Underwriting” on this Registration Statement is incorporated herein by reference.

Item 27. Other Expenses of Issuance and Distribution

Securities and Exchange Commission registration fee	$10,695
FINRA filing fee	15,500
Nasdaq Global Market listing fees	
Printing expenses	(1)
Legal fees and expenses	(1)
Accounting fees and expenses	(1)
Miscellaneous	(1)
Total	$ (1)

(1) These amounts are estimates.

All of the expenses set forth above shall be borne by the Company.

Item 28. Persons Controlled by or Under Common Control

To be provided by amendment.

Item 29. Number of Holders of Securities

The following table sets forth the approximate number of record holders of our common stock as of , 2010.

Title of Class	Number of Record Holders
Common Stock, $0.01 par value	1

Item 30. Indemnification

As permitted by Section 102 of the DGCL, we have adopted provisions in our certificate of incorporation, that limit or eliminate the personal liability of its directors for a breach of their fiduciary duty of care as a director. The duty of care generally requires that, when acting on behalf of the corporation, directors exercise an informed business judgment based on all material information reasonably available to them. Consequently, a director will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for: any breach of the director's duty of loyalty to us or our stockholders; any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law; any act related to unlawful stock repurchases, redemptions or other distributions or payment of dividends; or any transaction from which the director derived an improper personal benefit. These limitations of liability do not affect the availability of equitable remedies such as injunctive relief or rescission.

Our certificate of incorporation and bylaws provide that all directors, officers, employees and agents of the registrant shall be entitled to be indemnified by us to the fullest extent permitted by the DGCL, subject to the requirements of the 1940 Act. Under Section 145 of the DGCL, we are permitted to offer indemnification to our directors, officers, employees and agents.

Section 145(a) of the DGCL provides, in general, that a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), because the person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of any other enterprise. Such indemnity may be against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if

the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and if, with respect to any criminal action or proceeding, the person did not have reasonable cause to believe the person's conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of any other enterprise, against any expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 145(g) of the DGCL provides, in general, that a corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of any other enterprise, against any liability asserted against the person in any such capacity, or arising out of the person's status as such, regardless of whether the corporation would have the power to indemnify the person against such liability under the provisions of the law. We have obtained liability insurance for the benefit of our directors and officers.

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, OFS Advisor and its and its affiliates' officers, directors, members, managers, stockholders and employees are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and other amounts reasonably incurred) arising from the rendering of OFS Advisor's services under the Investment Advisory Agreement.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, OFS Services and its and its affiliates' officers, directors, members, managers, stockholders and employees are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of OFS Services' services under the Administration Agreement or otherwise as our administrator.

Insofar as indemnification for liability arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 31. Business and Other Connections of Investment Advisor.

A description of any other business, profession, vocation or employment of a substantial nature in which OFS Advisor, and each managing director, director or executive officer of OFS Advisor, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled "Management." Additional information regarding the OFS Advisor and its officers and directors is set forth in its Form ADV, as filed with the SEC (File No. 801-71366), and is incorporated herein by reference.

Item 32. Location of Accounts and Records.

All accounts, books and other documents required to be maintained by Section 31(a) of the 1940 Act, and the rules thereunder are maintained at the offices of:

(1) OFS Capital Corporation, 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008;

(2) the Transfer Agent;

(3) the Custodian; and

(4) OFS Capital Management, LLC, 2850 West Golf Road, 5th Floor, Rolling Meadows, Illinois 60008.

Item 33. Management Services

Not Applicable.

Item 34. Undertakings

(1) We undertake to suspend the offering of shares until the prospectus is amended if (1) subsequent to the effective date of its registration statement, the net asset value declines more than 10% from its net asset value as of the effective date of the registration statement; or (2) the net asset value increases to an amount greater than the net proceeds as stated in the prospectus.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) We undertake that:

(a) For the purpose of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by us pursuant to Rule 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(6) Not applicable.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in Rolling Meadows, Illinois, on the 5th day of October, 2010.

OFS CAPITAL, LLC

By: /S/ GLENN R. PITTSON
Name: Glenn R. Pittson
Title: Director

Pursuant to the requirements of the Securities Act of 1933, this Pre-Effective Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/S/ GLENN R. PITTSON Glenn R. Pittson	Director (Principal Executive Officer)	October 5, 2010
/S/ BILAL RASHID Bilal Rashid	Director (Principal Financial and Accounting Officer)	October 5, 2010

EXHIBIT INDEX

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(a)(2)	Certificate of Incorporation of OFS Capital Corporation(1)
(b)(1)	Limited Liability Company Agreement of OFS Capital, LLC(1)
(b)(2)	Bylaws of OFS Capital Corporation(1)
(c)	Not applicable
(d)	Form of Stock Certificate of OFS Capital Corporation(1)
(e)	Dividend Reinvestment Plan(1)
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(n)(2)	Consent of Marc Abrams(3)
(n)(3)	Consent of Robert J. Cresci(3)
(n)(4)	Consent of Elaine E. Healy(2)
(o)	Not applicable

(p) Not applicable

(q) Not applicable

(r)(1) Code of Ethics of OFS Capital Corporation(1)

(r)(2) Code of Ethics of OFS Advisor(1)

(1) To be filed by amendment.

(2) Filed herewith.

(3) Previously filed.

Exhibit (k)(3)

EXECUTION VERSION

$135,000,000 Class A Advances

$45,000,000 Class B Advances

LOAN AND SECURITY AGREEMENT

by and among

MCF CAPITAL MANAGEMENT LLC,
(Loan Manager)

OFS CAPITAL WM, LLC,
(Borrower)

EACH OF THE CLASS A LENDERS FROM TIME TO TIME PARTY HERETO,
(Class A Lenders)

EACH OF THE CLASS B LENDERS FROM TIME TO TIME PARTY HERETO,
(Class B Lenders)

WELLS FARGO SECURITIES, LLC,
(Administrative Agent)

and

WELLS FARGO DELAWARE TRUST COMPANY, N.A.
(Trustee)

Dated as of September 28, 2010

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ARTICLE XII

INTERCREDITOR PROVISIONS

ARTICLE XIII

MISCELLANEOUS

EXHIBITS

SCHEDULES

ANNEXES

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (as amended, modified, waived, supplemented, restated or replaced from time to time, this "Agreement") is made as of September 28, 2010, by and among:

(1) **MCF CAPITAL MANAGEMENT LLC**, a Delaware limited liability company, as loan manager (the "Loan Manager");

(2) **OFS CAPITAL WM, LLC**, a bankruptcy remote, special purpose Delaware limited liability company, as borrower (the "Borrower");

(3) **EACH OF THE CLASS A LENDERS FROM TIME TO TIME PARTY HERETO** (together with its respective successors and assigns in such capacity, each a "Class A Lender," collectively, the "Class A Lenders");

(4) **EACH OF THE CLASS B LENDERS FROM TIME TO TIME PARTY HERETO** (together with its respective successors and assigns in such capacity, each a "Class B Lender," collectively, the "Class B Lenders") and, together with the Class A Lenders, the "Lenders");

(5) **WELLS FARGO SECURITIES, LLC**, a Delaware limited liability company (together with its successors and assigns, "WFS"), as the administrative agent hereunder (together with its successors and assigns in such capacity, the "Administrative Agent"); and

(6) **WELLS FARGO DELAWARE TRUST COMPANY, N.A.**, a national banking association ("Wells Fargo"), not in its individual capacity but as the custodian and Trustee (together with its successors and assigns in such capacities, the "Trustee").

RECITALS

WHEREAS, the Borrower has requested that the Class A Lenders purchase the Class A Variable Funding Notes (as defined below) and extend credit thereunder by providing Class A Commitments and making Class A Advances (each as defined below) under the Class A Variable Funding Notes from time to time prior to the Reinvestment Period End Date (as defined below) for the general business purposes of the Borrower;

WHEREAS, the Borrower has requested that the Class B Lenders extend credit hereunder by providing the Class B Commitments and making Class B Advances (each as defined below) from time to time prior to the Reinvestment Period End Date (as defined below) for the general business purposes of the Borrower;

WHEREAS, the Borrower has requested that the Loan Manager act as the collateral manager of the Borrower and manage the Collateral (as defined below);

WHEREAS, the Borrower and the Lenders have requested the Trustee to act as Trustee hereunder and all covenants and agreements made by the Borrower herein are for the benefit and security of the Secured Parties; and the Borrower and the Lenders are entering into this Agreement, and the Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged; and

WHEREAS, the Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, based upon the foregoing Recitals, the mutual premises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Certain Defined Terms.

Certain capitalized terms used throughout this Agreement are defined in this Section 1.1. As used in this Agreement and its schedules, exhibits and other attachments, unless the context requires a different meaning, the following terms shall have the following meanings:

"1940 Act": The Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

"Account": Any of the Collateral Account, the General Collection Account, the Principal Collection Account, the Interest Collection Account, the Unfunded Exposure Account and any sub-accounts thereof deemed appropriate or necessary by the Trustee or Securities Intermediary for convenience in administering such accounts.

"Accreted Interest": Interest accrued on a Loan that is added to the principal amount of such Loan instead of being paid as it accrues.

"Accrual Period: With respect to (a) the first Payment Date, the period from and including the Closing Date to and including the Determination Date preceding the first Payment Date, and (b) any subsequent Payment Date, the period from but excluding the Determination Date preceding the previous Payment Date to and including the Determination Date preceding the current Payment Date (or, in the case of the final Payment Date, to and including such Payment Date).

"Accrued Loan Manager Fee": The fee that accrues for each Accrual Period from and after the Closing Date and that is payable to the Loan Manager in arrears on each Payment Date on and after the Reinvestment Period End Date in respect of each Accrual Period pursuant to Sections 2.7(a)(11) and (b)(14) or Section 2.8(11), as applicable, which fee shall be equal to

the aggregate sum for each Payment Date occurring after the Closing Date of the positive difference, if any, between (i) 0.50% of the Outstanding Balance of all Loans included in the Collateral as of such date and (ii) the sum of the Senior Loan Management Fee and the Subordinated Loan Management Fee due and payable on such date in accordance with the priority of payments set forth in Section 2.7 or 2.8, as applicable.

"Additional Loans": All Loans that become part of the Collateral after the Closing Date.

"Adjusted Borrowing Value": For any Eligible Loan, on any date, an amount equal to the Assigned Value for such Eligible Loan on such date *multiplied by* the funded principal balance of such Loan (exclusive of Accreted Interest); provided that, the parties hereby agree that the Adjusted Borrowing Value of any Loan that is no longer an Eligible Loan shall be zero.

"Administrative Agent": WFS, in its capacity as administrative agent, together with its successors and assigns, including any successor appointed pursuant to Section 11.6.

"Administrative Expenses": All amounts (including indemnification payments) due or accrued and payable by the Borrower to any Person pursuant to any Transaction Document, including, but not limited to, Loan Manager Reimbursable Expenses, any amounts owing by the Borrower to any Borrower Indemnified Party under Section 10.4, any third party service provider to the Borrower, the Loan Manager, any Lender or the Trustee, any Approved Valuation Firm, accountants, agents and counsel of any of the foregoing for fees and expenses or any other Person in respect of any other fees, expenses, or other payments (including indemnification payments).

"Advance": Each Class A Advance and/or Class B Advance, as the context so requires.

"Advance Date": With respect to any Advance, the date on which such Advance is made.

"Advance Rate": The Class A Advance Rate and/or the Class B Advance Rate, as the context so requires.

"Advances Outstanding": As of any date of determination, the sum of the Class A Advances Outstanding and the Class B Advances Outstanding.

"Affected Party": The Administrative Agent, the Lenders and each of their respective assigns.

"Affiliate": With respect to a Person, means any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person, or is a director or officer of such Person; provided that for purposes of determining whether any Loan is an Eligible Loan or any Obligor is an Eligible Obligor, the term Affiliate shall not include any Affiliate relationship which may exist solely as a result of direct or indirect ownership of, or control by, a common Financial Sponsor. For purposes of this definition, "control," when used

with respect to any specified Person means the possession, directly or indirectly, of the power to vote 20% or more of the voting securities of such Person or to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding anything to the contrary herein or in any other Transaction Document, in no event shall Madison or any of Madison's direct or indirect parent entities be deemed an Affiliate of the Borrower for purposes of the Transaction Documents.

"Agented Loan": Any Loan originated as part of a syndicated loan transaction that has one (1) or more administrative, paying and/or collateral agents who receive payments and hold the collateral pledged by the related Obligor on behalf of all lenders with respect to the related credit facility.

"Agreement": The meaning specified in the Preamble.

"Aggregate Unfunded Exposure Amount": On any date of determination, the sum of the Unfunded Exposure Amounts of all Loans included in the Collateral.

"Aggregate Unfunded Exposure Equity Amount": On any date of determination, the sum of the Unfunded Exposure Equity Amounts of all Loans included in the Collateral.

"Applicable Law": For any Person or property of such Person, all existing and future laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any Governmental Authority which are applicable to such Person or property (including, without limitation, predatory lending laws, usury laws, the Federal Truth in Lending Act, and Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System), and applicable judgments, decrees, injunctions, writs, awards or orders of any court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.

"Approved Valuation Firm": Each valuation firm listed on Schedule II hereto or otherwise mutually agreeable to the Borrower and the Lenders.

"Assigned Value": With respect to each Loan:

(a) on the date upon which such Loan is acquired by the Borrower, the value of such Loan (expressed as a percentage of par) as determined by the Controlling Lender in its sole discretion;

(b) on any date following the occurrence of an Assigned Value Adjustment Event, the value of such Loan (expressed as a percentage of par) as determined by the Controlling Lender in its sole discretion; provided that, other than as set forth in clauses (d), (e), (f), (g) and (h) below, the Assigned Value of any Priced Loan shall not be less than the price quoted by a pricing service selected by the Controlling Lender in accordance with the definition of Priced Loan or, unless otherwise consented to in writing by the Controlling Lender and the Majority Class B Lenders, greater than the Assigned Value for such Loan on the date such Loan was added to the Collateral; provided, further, that in the event the Borrower disagrees with the Controlling Lender's determination of the Assigned Value of a Loan in connection with an

Assigned Value Adjustment Event, the Borrower may, at its expense, retain any Approved Valuation Firm to value such Loan and if such Approved Valuation Firm provides a valuation within twenty (20) days after Borrower's receipt of the related Assigned Value Notice, which valuation (expressed as a percentage of par) is greater than the Controlling Lender's Assigned Value, such Approved Valuation Firm's valuation shall then become the Assigned Value of such Eligible Loan; provided, further, that in no event may an Assigned Value determination by such Approved Valuation Firm result in an Assigned Value that exceeds the Assigned Value determined by the Controlling Lender pursuant to clause (a) above or clause (c) below (as applicable) without the prior written approval of the Controlling Lender and the Majority Class B Lenders, in their respective sole discretion;

(c) on any date, following a written request from the Borrower, such higher Assigned Value as determined by the Controlling Lender in its sole discretion, subject to the consent of the Majority Class B Lenders;

(d) the Assigned Value shall automatically be deemed to be zero following the occurrence of an Assigned Value Adjustment Event described in clause (c) or (f) of the definition thereof;

(e) the Assigned Value shall be zero for any Principal Reduced Loan unless and until such Principal Reduced Loan is given a new Assigned Value by the Controlling Lender in its sole discretion, which new Assigned Value shall not be subject to challenge by the Borrower for any reason;

(f) the Assigned Value shall be zero for any Loan that is not an Eligible Loan;

(g) the Assigned Value shall be zero for any Closing Date Participation Interest which is not converted to a full assignment within sixty (60) days after the Closing Date; and

(h) the Assigned Value shall be zero for any Loan subject to mandatory repurchase by the applicable Seller under the related Sale Agreement.

Any Assigned Value determined hereunder with respect to any Loan on any date after the date such Loan is transferred to the Borrower shall be communicated by the Controlling Lender to the Borrower, the Loan Manager, the Administrative Agent, the Trustee and all other Lenders pursuant to an Assigned Value Notice.

"Assigned Value Adjustment Event": With respect to any Eligible Loan, the occurrence of any one or more of the following events after the related Funding Date:

(a) the Net Senior Leverage Ratio for any Relevant Test Period of the related Obligor with respect to such Loan is both (i) greater than 3.50 and (ii) greater than 0.50 higher than the Original Net Senior Leverage Ratio;

(b) the Cash Interest Coverage Ratio for any Relevant Test Period of the related Obligor with respect to such Loan is (i) less than 1.50 and (ii) less than 85% of the Original Cash Interest Coverage Ratio;

(c) an Obligor payment default under such Loan;

(d) an Obligor default under such Loan, together with the election by any agent or lender (including, without limitation, the Borrower) to enforce any of their respective rights or remedies (including acceleration of the Loan) pursuant to the applicable Underlying Instruments;

(e) the occurrence of a Material Modification with respect to such Loan;

(f) the occurrence of an Insolvency Event with respect to the related Obligor;

(g) the failure to deliver (i) with respect to quarterly reports, any financial statements (including unaudited financial statements) to the Administrative Agent sufficient to calculate the Net Senior Leverage Ratio or the Cash Interest Coverage Ratio of the related Obligor by the date that is no later than sixty (60) days after the end of the first, second or third quarter of any fiscal year and (ii) with respect to annual reports, any audited financial statements to the Administrative Agent sufficient to calculate either the Net Senior Leverage Ratio or the Cash Interest Coverage Ratio of the related Obligor by the date that is no later than one hundred thirty (130) days after the end of any fiscal year; or

(h) the Borrower delivers a written notice to the Controlling Lender requesting that the Assigned Value with respect to such Loan be re-determined.

For the avoidance of doubt, an Eligible Loan shall not cease to be an Eligible Loan solely as a result of a change in Assigned Value pursuant to an Assigned Value Adjustment Event, but will remain an Eligible Loan at the new Assigned Value.

"Assigned Value Notice": A notice (which may be sent by e-mail) which shall be delivered by the Administrative Agent to the Borrower, the Lenders, the Loan Manager and the Trustee following any re-determination of an Assigned Value under this Agreement, specifying the value of a Loan determined in accordance with terms of the definition of "Assigned Value" in this Section 1.1.

"Assignment of Mortgage": An assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form sufficient under the laws of the jurisdiction wherein the related mortgaged property is located to effect the assignment of the Mortgage to the Trustee, which assignment, notice of transfer or equivalent instrument may be in the form of one or more blanket assignments covering the Loans secured by mortgaged properties located in the same jurisdiction, if permitted by Applicable Law.

"Available Funds": With respect to any Payment Date, all amounts on deposit in the Collection Account (including, without limitation, any Collections).

"Bankruptcy Code": The United States Bankruptcy Reform Act of 1978 (11 U.S.C. § 101, *et seq.*), as amended from time to time.

"Base Rate": For any day, the rate *per annum* (rounded upward, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Federal Funds Rate in effect on such day *plus* 1/2 of 1% and (b) the Prime Rate in effect on such day.

"BDC Change of Control": Prior to any initial public offering of equity securities in the OFS Parent, any change of control required in order for OFS Parent to register as a Business Development Company under the 1940 Act.

"BOA Facility": The Amended and Restated Sale and Servicing Agreement, dated as of November 10, 2009, among Orchard First Source Asset Management, LLC, as the servicer and as OFSAM (as defined therein), OFS Funding, LLC, as the borrower, and Bank of America, N.A., in its respective capacities as the lender, the administrative agent and the trustee thereunder and the Transaction Documents (as defined therein) entered into in connection therewith.

"Borrower": The meaning specified in the Preamble.

"Borrower Indemnified Party": The meaning given in Section 10.4(a).

"Borrower's Notice": Any (a) Funding Notice or (b) Reinvestment Notice.

"Borrowing Base": The Class A Borrowing Base and/or the Class B Borrowing Base, as the context may require.

"Borrowing Base Certificate": A certificate setting forth the calculation of each Borrowing Base as of each Measurement Date, in the form of Exhibit A-4, prepared by the Loan Manager.

"Borrowing Base Deficiency": The existence of a Class A Borrowing Base Deficiency or a Class B Borrowing Base Deficiency.

"Breakage Costs": With respect to any Lender and to the extent requested by such Lender in writing (which writing shall set forth in reasonable detail the basis for requesting any such amounts), any amount or amounts as shall compensate such Lender for any loss (excluding loss of anticipated profits), cost or expense actually incurred by such Lender as a result of the liquidation or re-employment of deposits or other funds required by the Lender if any payment by the Borrower of Advances Outstanding or Interest occurs on a date other than a Payment Date (for avoidance of doubt, the Breakage Costs in respect of any such payment by the Borrower on any Payment Date shall be deemed to be zero). All Breakage Costs shall be due and payable hereunder on each Payment Date in accordance with Section 2.7 and Section 2.8. The determination by the applicable Lender of the amount of any such loss, cost or expense shall be conclusive absent manifest error.

"Business Day": Any day (other than a Saturday or a Sunday) on which banks are not required or authorized to be closed in New York, New York; Charlotte, North Carolina; Chicago, Illinois or the location of the Trustee's Corporate Trust Office; provided that, if any determination of a Business Day shall relate to an Advance bearing interest at LIBOR, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar

deposits in the London interbank market. For avoidance of doubt, if the offices of the Trustee are authorized by applicable law, regulation or executive order to close on any day but such offices remain open on such day, such day shall not be a "Business Day."

"Capital Stock": Any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all similar ownership interests in a Person (other than a corporation), and any and all warrants, rights or options to purchase any of the foregoing.

"Cash": Cash or legal currency of the United States of America as at the time shall be legal tender for payment of all public and private debts.

"Cash Interest Coverage Ratio": With respect to any Loan for any Relevant Test Period, either (a) the meaning of "Cash Interest Coverage Ratio" or comparable definition set forth in the Underlying Instruments for such Loan, or (b) in the case of any Loan with respect to which the related Underlying Instruments do not include a definition of "Cash Interest Coverage Ratio" or comparable definition, the ratio of (i) EBITDA to (ii) Cash Interest Expense of such Obligor as of such Relevant Test Period, as calculated by the Loan Manager (on behalf of the Borrower) in good faith.

"Cash Interest Expense": With respect to any Obligor for any period, the amount which, in conformity with GAAP, would be set forth opposite the caption "interest expense" (exclusive of any Accreted Interest that, according to the term of the Underlying Instruments, can never be converted to cash interest that is due and payable prior to maturity) or any like caption reflected on the most recent financial statements delivered by such Obligor to the Borrower for such period.

"Certificated Security": The meaning specified in Section 8-102(a)(4) of the UCC.

"Change of Control": The occurrence of any of the following events with respect to the OFS Parent, the Borrower or the Loan Manager, as applicable: (a) with respect to the OFS Parent, prior to an initial public offering by the OFS Parent, any "person" or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of a percentage of the total voting power of all classes of Capital Stock of the OFS Parent entitled to vote generally in the election of directors of 20% or more, other than pursuant to a BDC Change of Control; (b) with respect to the Borrower, the OFS Parent ceases to own and control, of record, beneficially and directly, 100% of the equity interest of the Borrower free and clear of all Liens (other than the Lien of the Trustee pursuant to the Pledge Agreement); or (c) with respect to the Loan Manager, Madison or any Affiliates thereof cease to own and control, of record and beneficially, directly 100% of the equity interests of the Loan Manager.

"Class A Advance": The meaning specified in Section 2.1(a)(ii).

"Class A Advance Rate": For each Eligible Loan, unless otherwise set forth on Schedule III with respect to such Eligible Loan, 65%.

"Class A Advances Outstanding": On any date of determination, the aggregate principal amount of all Class A Advances outstanding on such day, after giving effect to all repayments of Class A Advances and the making of new Class A Advances on such day.

"Class A Applicable Spread": The rate *per annum* set forth in the Fee Letter.

"Class A Borrowing Base": As of any Measurement Date, an amount equal to the lesser of:

(a) the aggregate sum of (i) for each Eligible Loan as of such date, the aggregate sum of the products of (A) the Class A Advance Rate for each such Eligible Loan as of such date and (B) the Adjusted Borrowing Value of each such Eligible Loan as of such date, *plus* (ii) the amount on deposit in the Principal Collection Account as of such date;

(b) (i) the aggregate Adjusted Borrowing Value of all Eligible Loans as of such date *minus* (ii) the Minimum Equity Amount *minus* (iii) $20,000,000, *plus* (iv) the amount on deposit in the Principal Collection Account as of such date, *plus* (v) the Aggregate Unfunded Exposure Equity Amount as of such date; or

(c) the Class A Facility Amount *minus* (ii) the Aggregate Unfunded Exposure Amount *plus* (iii) the amount on deposit in the Unfunded Exposure Account as of such date;

provided that, for the avoidance of doubt, any Loan which at any time is no longer an Eligible Loan shall not be included in the calculation of "Class A Borrowing Base."

"Class A Borrowing Base Deficiency": A condition occurring on any Measurement Date with respect to which either (a) the Class A Advances Outstanding exceeds the Class A Borrowing Base or (b) the amounts on deposit in the Unfunded Exposure Account are less than the Aggregate Unfunded Exposure Equity Amount.

"Class A Commitment": With respect to each Class A Lender, the commitment of such Class A Lender to make Class A Advances in accordance herewith prior to the Reinvestment Period End Date, in an amount not to exceed the Class A Facility Amount and, for each Class A Lender, the amount opposite such Class A Lender's name in the designated Class set forth on Annex B hereto or on Schedule I to the Joinder Supplement relating to each such Class A Lender.

"Class A Facility Amount": Initially the Maximum Facility Amount applicable to the Class A Advances, as such amount may vary from time to time pursuant to Section 2.3 hereof; provided that on or after the Reinvestment Period End Date, the Class A Facility Amount shall mean the Class A Advances Outstanding.

"Class A Facility Maturity Date": The day that is the fifth anniversary of the Closing Date; which date may be extended for one (1) calendar year by the Borrower pursuant to Section 2.3(e).

"Class A Interest": For each Accrual Period and the Class A Advances Outstanding, the sum of the products (for each day during such Accrual Period) of:

IR x P x 1/D

where:

IR = the Class A Interest Rate applicable on such day;

P = the Class A Advances Outstanding on such day;

D = 360 days (or, to the extent the Class A Interest Rate is the Base Rate, 365 or 366 days, as applicable).

provided that, (i) no provision of this Agreement shall require the payment or permit the collection of Class A Interest in excess of the maximum permitted by Applicable Law, and (ii) Class A Interest shall not be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

"Class A Interest Rate": (a) The LIBOR Rate *plus* (b) the Class A Applicable Spread; provided that, upon and during the occurrence of a Eurodollar Disruption Event, with respect to the Class A Advances affected by such Eurodollar Disruption Event, "Class A Interest Rate" shall mean the Base Rate *plus* the Class A Applicable Spread; provided further that, following the occurrence and during the continuation of an Event of Default, 2.00% shall be added to the otherwise applicable Class A Interest Rate.

"Class A Lenders": The meaning specified in the Preamble, including Wells Fargo Bank, National Association and each financial institution which may from time to time become a Class A Lender hereunder by executing and delivering a Joinder Supplement to the Administrative Agent, the Trustee, the Loan Manager and the Borrower as contemplated by Section 2.1(a)(iv) (and for purposes of Section 2.12 and Section 2.13 of this Agreement any successor, assignee or participant).

"Class A Non-Usage Fee": The meaning set forth in the Fee Letter.

"Class A Obligations": All Obligations owing to the Class A Lenders.

"Class A Structuring Fee": The meaning specified in the Fee Letter.

"Class A Variable Funding Note" or "AVFN": The meaning specified in Section 2.1(a)(i).

"Class B Advance": The meaning specified in Section 2.1(b).

"Class B Advance Rate": For each Eligible Loan, unless otherwise set forth on Schedule III with respect to such Eligible Loan, 80%.

"Class B Advances Outstanding": On any date of determination, the aggregate principal amount of all Class B Advances outstanding on such day, after giving effect to all repayments of Class B Advances and the making of new Class B Advances on such day.

"Class B Applicable Spread": The rate *per annum* set forth in the Fee Letter.

"Class B Borrowing Base": As of any Measurement Date, an amount equal to the lesser of:

(a) the aggregate sum of (i) for each Eligible Loan as of such date, the aggregate sum of the products of (A) the Class B Advance Rate for each such Eligible Loan as of such date and (B) the Adjusted Borrowing Value of each such Eligible Loan as of such date, *plus* (ii) the amount on deposit in the Principal Collection Account as of such date *minus* (iii) the Class A Advances Outstanding;

(b) (i) the aggregate Adjusted Borrowing Value of all Eligible Loans as of such date *minus* (ii) the Minimum Equity Amount, *plus* (iii) the amount on deposit in the Principal Collection Account as of such date, *plus* (iv) the Aggregate Unfunded Exposure Equity Amount as of such date, *minus* (v) the Class A Advances Outstanding as of such date; or

(c) (i) so long as any Class A Advances are outstanding and the commitments thereunder have not terminated, the Class B Facility Amount or (ii) after all amounts owing with respect to the Class A Advances have been paid in full and the Class A Commitments have been terminated, (x) the Class B Facility Amount *minus* (y) the Aggregate Unfunded Exposure Amount *plus* (z) the amount on deposit in the Unfunded Exposure Account as of such date;

minus, in each case, the Class B Minimum Reserve Amount, except that such amount shall not be deducted from the Class B Borrowing Base to the extent that either (a) the Parent Unencumbered Equity Amount is greater than or equal to $10,000,000 or (b) a Class A Borrowing Base Deficiency exists;

provided that, if on such date the Class A Advances Outstanding are greater than zero, the Class B Borrowing Base on such date shall not be less than $20,000,000;

provided, further that, for the avoidance of doubt, any Loan which at any time is no longer an Eligible Loan shall not be included in the calculation of "Class B Borrowing Base."

"Class B Borrowing Base Deficiency": A condition occurring on any Measurement Date with respect to which either (a) the Advances Outstanding exceeds the Class B Borrowing Base or (b) the amounts on deposit in the Unfunded Exposure Account are less than the Aggregate Unfunded Exposure Equity Amount.

"Class B Commitment": With respect to each Class B Lender, the commitment of such Class B Lender to make Class B Advances in accordance herewith prior to the Reinvestment Period End Date, in an amount not to exceed the Class B Facility Amount and, for each Class B Lender, the amount opposite such Class B Lender's name in the designated Class set forth on Annex B hereto or on Schedule I to the Joinder Supplement relating to each such Class B Lender.

"Class B Facility Amount": Initially the Maximum Facility Amount applicable to the Class B Advances, as such amount may vary from time to time pursuant to Section 2.3 hereof; provided that on or after the Reinvestment Period End Date, the Class B Facility Amount shall mean the Class B Advances Outstanding.

"Class B Facility Maturity Date": The day that is the sixth anniversary of the Closing Date; which date may be extended for one (1) calendar year by the Borrower pursuant to Section 2.3(e).

"Class B Interest": For each Accrual Period and the Class B Advances Outstanding, the sum of the products (for each day during such Accrual Period) of:

$$IR \times P \times 1/D$$

where:

IR = the Class B Interest Rate applicable on such day;

P = the Class B Advances Outstanding on such day;

D = 360 days (or, to the extent the Class B Interest Rate is the Base Rate, 365 or 366 days, as applicable).

provided that, (i) no provision of this Agreement shall require the payment or permit the collection of Class B Interest in excess of the maximum permitted by Applicable Law, and (ii) Class B Interest shall not be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

"Class B Interest Rate": (a) The LIBOR Rate *plus* (b) the Class B Applicable Spread; provided that, upon and during the occurrence of a Eurodollar Disruption Event, with respect to the Class B Advances affected by such Eurodollar Disruption Event, "Class B Interest Rate" shall mean the Base Rate plus the Class B Applicable Spread; provided further that, following the occurrence and during the continuation of an Event of Default, 2.00% shall be added to the otherwise applicable Class B Interest Rate.

"Class B Lenders": The meaning specified in the Preamble, including Madison and each financial institution which may from time to time become a Class B Lender hereunder

by executing and delivering a Joinder Supplement to the Administrative Agent, the Loan Manager, the Trustee and the Borrower as contemplated by Section 2.1(b)(iv) (and for purposes of Section 2.12 and Section 2.13 of this Agreement any successor, assignee or participant).

"Class B Minimum Reserve Amount": An amount equal to $7,500,000.

"Class B Non-Usage Fee": The meaning set forth in the Fee Letter.

"Class B Obligations": All Obligations owing to the Class B Lenders.

"Class B Structuring Fee": The meaning specified in the Fee Letter.

"Class B Variable Funding Note" or "BVFN": The meaning specified in Section 2.1(b)(i).

"Clearing Agency": An organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"Clearing Corporation": The meaning specified in Section 8-102(a)(5) of the UCC.

"Closing Date": September 28, 2010.

"Closing Date Loan": Each Loan released from the pledge created by the BOA Facility and participated in full by OFS Funding to OFS Parent and assigned by OFS Parent to the Borrower on the Closing Date pursuant to the Closing Date Agreements and pledged to the Trustee hereunder.

"Closing Date Agreements": Each of (i) the Closing Date Participation Agreement and (ii) the OFS Parent Sale Agreement.

"Closing Date Participation Agreement": The Participation Agreement, dated as of the date hereof, from OFS Funding to the OFS Parent relating to the Closing Date Participation Interest.

"Closing Date Participation Interest": An undivided 100% participation interest granted by OFS Funding to the OFS Parent, which participation interest has been assigned by OFS Parent to the Borrower, in and to each Loan identified on the schedule attached to the Closing Date Agreements and in which a Lien is granted therein by the Borrower to the Trustee. pursuant to this Agreement.

"Code": The Internal Revenue Code of 1986, as amended from time to time.

"Collateral":

(a) All of the Borrower's right, title and interest in, to and under (in each case, whether now owned or existing, or hereafter acquired or arising) all Accounts, General

Intangibles, Instruments and Investment Property and any and all other property of any type or nature owned by it, including but not limited to:

(i) all Loans, Permitted Investments and Equity Securities, all payments thereon or with respect thereto and all contracts to purchase, commitment letters, confirmations and due bills relating to any Loans, Permitted Investments or Equity Securities;

(ii) the Accounts and all Cash and Financial Assets credited thereto and all income from the investment of funds therein;

(iii) all Transaction Documents;

(iv) the Closing Date Agreements;

(v) all funds delivered to the Trustee (directly or through an Intermediary or bailee) (other than funds determined by the Controlling Lender in their sole discretion to be Excluded Amounts); and

(vi) all accounts, accessions, profits, income benefits, proceeds, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Borrower described in the preceding clauses; and

(b) All of the OFS Parent's ownership interest in each of the Borrower and OFS Funding, pledged pursuant to the Pledge Agreement.

"Collateral Account": A Securities Account created and maintained on the books and records of the Securities Intermediary entitled "Collateral Account" in the name of the Borrower and subject to the prior Lien of the Trustee for the benefit of the Secured Parties.

"Collection Account": Collectively, the General Collection Account, the Interest Collection Account and the Principal Collection Account.

"Collection Date": The date on which the Obligations have been irrevocably paid in full in accordance with Section 2.3(b) and Section 2.7 or 2.8, as applicable, and the Commitments have been irrevocably terminated in full pursuant to Section 2.3(a) or as a result of the end of the Reinvestment Period.

"Collections": (a) All cash collections and other cash proceeds of any Loan, including, without limitation or duplication, any Interest Collections, Principal Collections, amendment fees, late fees, prepayment fees, waiver fees or other amounts received in respect thereof (but excluding any Excluded Amounts) and (b) interest earnings on Permitted Investments or otherwise in any Account.

"Commitment": The Class A Commitments and/or the Class B Commitments, as the context may require.

"Commitment Reduction Fee": With respect to any reduction of the Facility Amount pursuant to Section 2.3(a), an amount equal to the product of (a) the amount of such reduction *multiplied by* (b) the applicable Commitment Reduction Percentage.

"Commitment Reduction Percentage": (a) On or prior to September 28, 2011, a rate *per annum* equal to 2.00%, (b) after September 28, 2011, and on or prior to September 28, 2012, a rate *per annum* equal to 1.00%, and (c) after September 28, 2012, zero.

"Consent Procedures Letter": The Consent Procedures Letter, dated as of the date hereof, among the OFS Parent, the Borrower, the Madison Seller and the Loan Manager, substantially in the form attached hereto as Exhibit L.

"Contractual Obligation": With respect to any Person, any provision of any securities issued by such Person or any mortgage, deed of trust, contract, undertaking, agreement, instrument or other document to which such Person is a party or by which it or any of its property is bound or to which either is subject.

"Controlling Lender": The Class A Lender(s) holding a majority of the aggregate outstanding amount of the Class A Commitments (or, if the Class A Commitments have been terminated, the Class A Advances) until all amounts payable hereunder with respect to the Class A Advances are paid in full (other than contingent indemnification and reimbursement obligations for which no claim giving rise thereto has been asserted) and the Class A Commitments have terminated; and then, the Class B Lender(s) holding a majority of the aggregate outstanding amount of the Class B Commitments (or, if the Class B Commitments have been terminated, the Class B Advances) until the Class B Advances are paid in full and the Class B Commitments have terminated.

"Corporate Trust Office": The applicable designated corporate trust office of the Trustee specified on Annex A hereto, or such other address within the United States as the Trustee may designate from time to time by notice to the Administrative Agent.

"Covenant Compliance Period": The period beginning on the Closing Date and ending on the date on which all Commitments have been terminated and the Obligations have been paid in full (other than contingent indemnification and reimbursement obligations for which no claim giving rise thereto has been asserted).

"Credit and Collection Policy": The written credit policies and procedures of the Loan Manager (or its Affiliate) with respect to secured loans as disclosed to the Administrative Agent and the Borrower, as such credit and collection policy may be amended or supplemented from time to time in accordance with Section 5.3(f).

"Default": Any event that, with the giving of notice or the lapse of time, or both, would become an Event of Default.

"Delayed Draw Loan": A Loan that requires one or more future advances to be made by the Borrower and which does not permit the re-borrowing of any amount previously repaid by the related Obligor; provided that such loan shall only be considered a Delayed Draw

Loan for so long as any future funding obligations remain in effect and only with respect to any portion which constitutes a future funding obligation.

"Determination Date": With respect to each Payment Date, the last Business Day in the month immediately prior to such Payment Date.

"DIP Loan": Any Loan (i) with respect to which the related Obligor is a debtor-in-possession as defined under the Bankruptcy Code, (ii) which has the priority allowed pursuant to Section 364 of the Bankruptcy Code and (iii) the terms of which have been approved by a court of competent jurisdiction (the enforceability of which is not subject to any pending contested matter or proceeding).

"Discretionary Sale": The meaning specified in Section 2.14(c).

"Dollars": Means, and the conventional "$" signifies, the lawful currency of the United States.

"EBITDA": With respect to the Relevant Test Period with respect to the related Loan, the meaning of "EBITDA," "Adjusted EBITDA" or any comparable definition in the Underlying Instruments for each such Loan, and in any case that "EBITDA," "Adjusted EBITDA" or such comparable definition is not defined in such Underlying Instruments, an amount, for the Obligors on such Loan (determined on a consolidated basis without duplication in accordance with GAAP) equal to earnings from continuing operations for such period *plus* (a) interest expense, (b) income taxes, (c) depreciation and amortization for such Relevant Test Period (to the extent deducted in determining earnings from continuing operations for such period), (d) amortization of intangibles (including, but not limited to, goodwill, financing fees and other capitalized costs), other non-cash charges and organization costs, (e) extraordinary losses in accordance with GAAP, (f) one-time, non-recurring non-cash charges consistent with the compliance statements and financial reporting packages provided by the Obligors, and (g) any other item the Borrower and the Administrative Agent mutually deem to be appropriate.

"Eligible Loan": Each Loan (A) for which the Administrative Agent and the Trustee have received (or, in accordance with the definition of "Required Loan Documents," will receive) the related Required Loan Documents; (B) that has been approved by the Administrative Agent and the Majority Class B Lenders, in their respective sole discretion, prior to the applicable Transaction date; and (C) that satisfies each of the following eligibility requirements (unless the Administrative Agent and the Majority Class B Lenders in their respective sole discretion agree to waive any such eligibility requirement with respect to such Loan); provided that, the eligibility requirements set forth in clauses (A) and (B) above and clauses (a), (h), (i), (k), (bb) and (ee) below with respect to any Loan Asset shall only be tested on the date such Loan Asset is transferred to the Borrower:

(a) such Loan is a First Lien Loan or a Closing Date Participation Interest therein;

(b) such Loan is payable in Dollars and does not permit the currency in which such Loan is payable to be changed;

(c) the acquisition (including the manner of acquisition, ownership, enforcement and disposition) of such Loan did not and will not subject the Borrower, the Loan Manager or any other Person to any tax, fee or governmental charge;

(d) the acquisition of such Loan will not cause the Borrower or the pool of Collateral to be required to register as an investment company under the 1940 Act;

(e) such Loan does not constitute a DIP Loan;

(f) the primary Underlying Asset for such Loan is not real property;

(g) such Loan is in the form of and is treated as indebtedness of the related Obligor for U.S. federal income tax purposes;

(h) as of the date such Loan is first included as part of the Collateral, such Loan is not delinquent in payment of either principal or interest;

(i) such Loan and any Underlying Assets (or, with respect to clause (iii), the acquisition thereof) (i) comply in all material respects with all Applicable Laws, (ii) have not, and will not, be used by the related Obligor in any manner or for any purpose that would result in any material risk of liability being imposed upon the Borrower or any Secured Party under any Applicable Law, and (iii) will not violate any Applicable Law or cause any Lender (in its commercially reasonable judgment) to fail to comply with any request or directive from any Governmental Authority having jurisdiction over such Lender;

(j) such Loan is eligible under its Underlying Instruments (giving effect to the provisions of Sections 9-406 and 9-408 of the UCC) to be sold to the Borrower and to have a security interest therein granted to the Trustee, as agent for the Secured Parties;

(k) (A) the Obligor with respect to such Loan had full legal capacity to execute and deliver the related Underlying Instruments and (B) such Loan, together with the Underlying Instruments related thereto, (i) is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor and each guarantor thereof, enforceable against such Obligor and each such guarantor in accordance with its terms, subject to customary bankruptcy, insolvency and equity limitations, (ii) is not subject to, or the subject of any assertions in respect of, any litigation, dispute or offset, and (iii) contains provisions substantially to the effect that the Obligor's and each guarantor's payment obligations thereunder are absolute and unconditional without any right of rescission, setoff, counterclaim or defense for any reason against the applicable Seller, the Borrower or any assignee;

(l) if such Loan is an Additional Loan, such Loan was originated and underwritten or purchased and underwritten by the Madison Seller in accordance with the Credit and Collection Policy (unless disclosed as an exception in the related credit approval memorandum delivered to the Administrative Agent and the Borrower in connection with the approval of such Loan hereunder);

(m) the Borrower has good and marketable title to, and is the sole owner of, such Loan, and the Borrower has granted to the Trustee for the benefit of the Secured Parties a valid and perfected first priority (subject to Permitted Liens) security interest in the Loan and Underlying Instruments;

(n) such Loan, and any payment made with respect to such Loan, is not subject to any withholding tax unless the Obligor thereon is required under the terms of the related Underlying Instrument to make "gross-up" payments that cover the full amount of such withholding tax on an after-tax basis;

(o) to the extent required by Applicable Law, for any Loan originated by any Seller or its Affiliates, such Seller or its applicable Affiliate had all necessary licenses and permits to originate such Loan in the State where the related Obligor is located and the Borrower has all necessary licenses and permits to purchase and own such Loan and enter into the applicable Underlying Instruments as a lender in the State where such Obligor is located;

(p) such Loan and the Underlying Instruments related thereto, are eligible to be sold, assigned or transferred to the Borrower, and neither the sale, transfer or assignment of such Loan to the Borrower, nor the granting of a security interest hereunder to the Trustee, violates, conflicts with or contravenes any Applicable Law or any contractual or other restriction, limitation or encumbrance;

(q) such Loan requires the related Obligor to maintain the Related Property for such Loan in good repair and to maintain adequate insurance with respect thereto;

(r) as of the related Advance Date, such Loan has a remaining term to stated maturity that does not exceed six (6) years;

(s) the Underlying Instruments for such Loan do not contain a confidentiality provision that would prohibit the Trustee, the Administrative Agent or any Lender from accessing all necessary information with regard to such Loan, so long as the Administrative Agent, the Trustee or such Lender, as applicable, has agreed to maintain the confidentiality of such information in accordance with the provisions of such Underlying Instruments;

(t) such Loan provides for (i) periodic payments of accrued and unpaid interest in cash on a current basis at a rate of at least 1.50% per annum, no less frequently than quarterly and (ii) a fixed amount of principal payable in cash no later than its stated maturity;

(u) the Obligor with respect to such Loan is an Eligible Obligor;

(v) such Loan is either not a "registration required obligation" within the meaning of Section 163(f)(2) of the Code, or is Registered;

(w) other than with respect to any Closing Date Participation Interest, such Loan is not a participation interest;

(x) all information provided by either the Borrower or the Loan Manager with respect to such Loan is true, correct and complete in all material respects; provided that, to the extent any such information was furnished to the Borrower or the Loan Manager, as applicable, by a related Obligor or any other third party, such information is true, correct and complete to the best of the knowledge of the Borrower or of the Loan Manager, as applicable;

(y) such Loan (A) is not an Equity Security and (B) does not provide by its terms for the conversion or exchange into an Equity Security at any time on or after the date it is included as part of the Collateral;

(z) such Loan does not constitute Margin Stock;

(aa) [reserved];

(bb) on the date of acquisition of such Loan by the Borrower, the aggregate Assigned Value of Loans to the related Obligor is not greater than $15,000,000;

(cc) neither the related Obligor, any other party obligated with respect to such Loan nor any Governmental Authority has alleged that such Loan or any related Underlying Instrument is illegal or unenforceable;

(dd) such Loan qualifies as an "Eligible Asset" as defined in Rule 3-a7 of the 1940 Act;

(ee) if such Loan is acquired by the Borrower from the applicable Seller, (i) such Loan was sourced or originated by such Seller or its Affiliates in the ordinary course of business, and (ii) such Seller has caused its master computer records to be clearly and unambiguously marked to indicate that such Loan has been sold to the Borrower;

(ff) such Loan satisfies such other eligibility criteria as may be mutually agreed upon by the Administrative Agent and the Borrower prior to the applicable Advance Date; and

(gg) other than with respect to Loans included in the Collateral on the Closing Date, such Loan is not a Revolving Loan.

For purposes of determining compliance with clause (B) of the definition of "Eligible Loan," each Loan included in the Loan List set forth on Schedule III hereto as of the Closing Date shall be deemed approved by the Administrative Agent and the Majority Class B Lenders.

"Eligible Obligor": On any date of determination, any Obligor that:

(a) is a business organization (and not a natural person) duly organized and validly existing under the laws of its jurisdiction of organization;

(b) is not a Governmental Authority;

(c) is not controlled by the Borrower, any Seller, the Loan Manager or an Affiliate of any such Person;

(d) is organized and incorporated in the United States or any State thereof; and

(e) (x) is not the subject of and, to the best of the Borrower's knowledge is not threatened with any proceeding which would result in, an Insolvency Event with respect to such Obligor and (y) as of the date on which such Loan becomes part of the Collateral, such Obligor is not in financial distress or experiencing a material adverse change in its condition, financial or otherwise, which requirement in this clause (y) shall be deemed to be satisfied if the related Loan is approved by the Administrative Agent and the Majority Class B Lenders, pursuant to clause (B) of this definition of Eligible Loan.

"Eligible Repurchase Obligations": Repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States, in either case entered into with a depository institution or trust company (acting as principal) described in clause (b) of the definition of Permitted Investments.

"Enforcement Action": In each case on or after the occurrence of an Event of Default (a) any action by the Administrative Agent or any Lender (or group of Lenders) to instruct the Trustee to enforce any Lien in respect of any Collateral, including any foreclosure proceeding, any public or private sale, or any other Disposition pursuant to Article 9 of the UCC, (b) the exercise of any other right or remedy provided to the Trustee, the Administrative Agent or any Lender (or any group of Lenders) under this Agreement or any other Transaction Document or applicable law with respect to the Collateral, including the taking of control, retention or possession of, or the exercise of any right of setoff with respect to, any Collateral, (c) any action by the Trustee, the Administrative Agent or any Lender (or any group of Lenders) to retain or cause the Borrower (or the Loan Manager on behalf of the Borrower) to retain a broker or investment banker, to prepare for and consummate the sale of any material portion of Collateral, so long as such actions are diligently pursued in good faith, (d) the disposition of Collateral by the Trustee after the occurrence and during the continuation of an Event of Default, or (e) the commencement by the Trustee, the Administrative Agent or any Lender (or any group of Lenders) of any legal proceedings or actions against or with respect to any Seller, the Borrower or the Loan Manager or any of such Person's property or assets or any Collateral to facilitate any of the actions described in clauses (a), (b), (c) and (d) above.

"Equity Capital": That portion of the Cash, Permitted Investments (valued at par) and Eligible Loans (valued at par) owned by the Borrower and not funded with the proceeds of Advances.

"Equity Security": (i) Any equity security or any other security that is not eligible for purchase by the Borrower as a Loan, or (ii) any security purchased as part of a "unit" with a Loan and that itself is not eligible for purchase by the Borrower as a Loan.

"ERISA": The United States Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated or issued thereunder.

"ERISA Affiliate": (a) Any corporation that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Borrower, (b) a trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with the Borrower, or (c) a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Borrower.

"Eurodollar Disruption Event": The occurrence of any of the following: (a) any Lender shall have notified the Administrative Agent, the Trustee, the Loan Manager and the Borrower of a determination by such Lender that it would be contrary to law or to the directive of any central bank or other Governmental Authority (whether or not having the force of law) to obtain Dollars in the London interbank market to fund any Advance, (b) any Lender shall have notified the Administrative Agent, the Trustee, the Loan Manager and the Borrower of a determination by such Lender that the rate at which deposits of Dollars are being offered to such Lender in the London interbank market does not accurately reflect the cost to such Lender of making, funding or maintaining any Advance or (c) any Lender shall have notified the Administrative Agent, the Trustee, the Loan Manager and the Borrower of the inability of such Lender, as applicable, to obtain Dollars in the London interbank market to make, fund or maintain any Advance.

"Events of Default": The meaning specified in Section 9.1.

"Excepted Persons": The meaning specified in Section 13.13(a).

"Exchange Act": The United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Excluded Amounts": (i) Any amount received in the Collection Account with respect to any Loan included as part of the Collateral, which amount is attributable to the reimbursement of payment by the Borrower of any Tax, fee or other charge imposed by any Governmental Authority on such Loan or on any Underlying Assets, (ii) any interest or fees (including origination, agency, structuring, management or other up-front fees) that are for the account of the applicable Seller or any other Person from whom the Borrower purchased such Loan (including, without limitation, interest accruing prior to the Closing Date), (iii) any reimbursement of insurance premiums, (iv) any escrows relating to Taxes, insurance and other amounts in connection with Loans which are held in an escrow account for the benefit of the Obligor and the secured party pursuant to escrow arrangements under Underlying Instruments or (v) any amount deposited into the Collection Account in error.

"Excluded Taxes": With respect to any Secured Party or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located, or in the case of any Lender, in which its applicable lending office is located, unless such Taxes are imposed as a result of such Secured Party having executed, delivered or performed its

obligations or received payments under, or enforced, this Agreement or any of the other Transaction Documents (in which case such Taxes will be treated as Non-Excluded Taxes); (b) any tax imposed as a result of a Secured Party's failure to comply with the requirements of Sections 1471 through 1474 of the Code and any regulations promulgated thereunder, as in effect on the Closing Date, to establish an exemption from withholding thereunder; and (c) any withholding tax imposed by the Unites States on a Class A Non-Usage Fee or a Class B Non-Usage Fee under the law as in effect on the date hereof.

"Expense Reserve Account": A Securities Account created and maintained on the books and records of the Securities Intermediary entitled "Expense Reserve Account" in the name of the Borrower and subject to the prior Lien of the Trustee for the benefit of the Secured Parties.

"Expense Reserve Account Amount": At any time, an amount equal to $50,000 *minus* the available balance of the Expense Reserve Account at such time.

"Facility Amount": The sum of the Class A Facility Amount and the Class B Facility Amount.

"Facility Maturity Date": The Class A Facility Maturity Date and/or the Class B Facility Maturity Date, as the context may require.

"FDIC": The Federal Deposit Insurance Corporation, and any successor thereto.

"Federal Funds Rate": For any period, a fluctuating interest *per annum* rate equal, for each day during such period, to the weighted average of the overnight federal funds rates as in Federal Reserve Board Statistical Release H.15(519) or any successor or substitute publication selected by the Administrative Agent (or, if such day is not a Business Day, for the next preceding Business Day), or, if for any reason such rate is not available on any day, the rate determined, in the sole discretion of the Administrative Agent, to be the rate at which overnight federal funds are being offered in the national federal funds market at 9:00 a.m. (Charlotte, North Carolina time) on such day.

"Fee Letter": The Fee Letter, dated as of the date hereof, from the Administrative Agent and the Lenders to the Borrower, and acknowledged by the Loan Manager, as the same may be amended, restated, modified or supplemented from time to time.

"Fees": The Structuring Fees and Non-Usage Fees.

"Financial Asset": The meaning specified in Section 8-102(a)(9) of the UCC.

"Financial Sponsor": Any Person, including any Subsidiary of such Person, whose principal business activity is acquiring, holding, and selling investments (including controlling interests) in otherwise unrelated companies that each are distinct legal entities with separate management, books and records and bank accounts, whose operations are not integrated with one another and whose financial condition and creditworthiness are independent of the other companies so owned by such Person.

"First Lien Loan": A Loan (i) that is not (and cannot by its terms become) subordinate in right of payment to any obligation of the Obligor in any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, (ii) that is secured by a pledge of collateral, which security interest is validly perfected and first priority under Applicable Law (but subject to any other Liens permitted under the related Underlying Instruments that are reasonable and customary for similar loans, and Liens accorded priority by law in favor of the United States or any state or agency thereof), and (iii) the Loan Manager determines in good faith that the value of the collateral or enterprise value securing the Loan on or about the time of origination equals or exceeds the outstanding principal balance of the Loan *plus* the aggregate outstanding balances of all other loans of equal or higher seniority secured by the same collateral.

"Fitch": Fitch, Inc. or any successor thereto.

"Funding Date": With respect to any Advance, the Business Day of receipt by the Administrative Agent and Trustee of a Funding Notice and other required deliveries in accordance with Section 2.2.

"Funding Indemnity Letter": That certain Side Letter, dated as of the date hereof, from the OFS Capital, LLC, acknowledged and agreed to by Wells Fargo Securities, LLC.

"Funding Notice": A notice in the form of Exhibit A-1 requesting an Advance, including the items required by Section 2.2.

"GAAP": Generally accepted accounting principles as in effect from time to time in the United States.

"General Collection Account": A Securities Account created and maintained on the books and records of the Securities Intermediary entitled "General Collection Account" in the name of the Borrower and subject to the prior Lien of the Trustee for the benefit of the Secured Parties.

"General Intangible": The meaning specified in Section 9-102(a)(42) of the UCC.

"Governing Documents": (a) With respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction), (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement, and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and, if applicable, any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"Governmental Authority": With respect to any Person, any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative,

judicial, regulatory or administrative functions of or pertaining to government and any court or arbitrator having jurisdiction over such Person.

"Guarantee Obligation": As to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term "Guarantee Obligation" shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The terms "Guarantee" and "Guaranteed" used as a verb shall have a correlative meaning. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Highest Required Investment Category": (i) With respect to ratings assigned by Moody's, "Aa2" or "P-1" for one-month instruments, "Aa2" and "P-1" for three-month instruments, "Aa3" and "P-1" for six-month instruments and "Aa2" and "P-1" for instruments with a term in excess of six months, (ii) with respect to rating assigned by S&P, "A-1" for short-term instruments and "A" for long-term instruments, and (iii) with respect to rating assigned by Fitch (if such investment is rated by Fitch), "F-1+" for short-term instruments and "AAA" for long-term instruments.

"Increased Costs": Any amounts required to be paid by the Borrower to an Indemnified Party pursuant to Section 2.12.

"Indebtedness": With respect to any Person at any date without duplication, (a) all indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase price of Property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all obligations of such Person in respect of letters of credit, acceptances or similar instruments issued or created for the account of such Person,

(d) all liabilities secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Lien on any Property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, and (e) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (d) above. The amount of any Indebtedness under clause (d) shall be equal to the lesser of (A) the stated amount of the relevant obligations and (B) the fair market value of the Property subject to the relevant Lien. The amount of any Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

"Indemnified Amounts": The meaning specified in Section 10.1(a).

"Indemnified Parties": The meaning specified in Section 10.1(a).

"Independent Manager": The meaning specified in Section 4.1(u)(xxvi).

"Indorsement": The meaning specified in Section 8-102(a)(11) of the UCC, and "Indorsed" has a corresponding meaning.

"Initial Advance": All Advances made on the Closing Date hereunder.

"Insolvency Event": With respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction over such Person or any substantial part of its property in an involuntary case under any applicable Insolvency Law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such decree, order or appointment shall remain unstayed and in effect for a period of sixty (60) consecutive days, (b) the commencement by such Person of a voluntary case under any applicable Insolvency Law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, (c) the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or (d) the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

"Insolvency Laws": The Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, or similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

"Insolvency Proceeding": Any case, action or proceeding before any court or other Governmental Authority relating to any Insolvency Event.

"Instrument": The meaning specified in Section 9-102(a)(47) of the UCC.

"Insurance Policy": With respect to any Loan, an insurance policy covering liability and physical damages to, or loss of, the related Underlying Assets.

"Interest Collection Account": A Securities Account created and maintained on the books and records of the Securities Intermediary entitled "Interest Collection Account" in the name of the Borrower and subject to the prior Lien of the Trustee for the benefit of the Secured Parties.

"Interest Collections": All payments of interest on Loans and Permitted Investments, including any payments of accrued interest received on the sale of Loans or Permitted Investments and all payments of principal (including principal prepayments) on Permitted Investments purchased with the proceeds described in this definition, in each case, received in cash by or on behalf of the Borrower or Trustee; provided that Interest Collections shall not include (x) Sale Proceeds representing accrued interest that are applied toward payment for accrued interest on the purchase of an Additional Loan (including in connection with a Substitution) and (y) interest received in respect of a Loan (including in connection with any sale thereof), which interest was purchased with Principal Collections.

"Interest Coverage Trigger": A trigger that will be breached with respect to any Payment Date, after giving effect to the payments to be made on such Payment Date, if the ratio of (i) the aggregate amount of Interest Collections received with respect to the related Accrual Period *minus* all amounts owed by the Borrower on such Payment Date pursuant to Sections 2.7(a)(1) and (2) to (ii) the aggregate amount of Class A Interest and Class B Interest owed by the Borrower on such Payment Date, is less than 1.20x at any time after the earlier to occur of (x) the date that both (A) the Class A Advances Outstanding is equal to the Class A Facility Amount and (b) the Class B Advances Outstanding is equal to $37,500,000 and (y) the date that is six (6) months after the Closing Date.

"Interest Rate": The Class A Interest Rate and/or Class B Interest Rate, as applicable.

"Intermediary": (a) A Clearing Corporation or (b) a Person, including a bank or broker, that in the ordinary course of its business maintains Securities Accounts for others and is acting in that capacity, which in each case is not an Affiliate of the Borrower or the Loan Manager.

"Investment": With respect to any Person, any direct or indirect loan, advance or investment by such Person in any other Person, whether by means of share purchase, capital contribution, loan or otherwise, excluding the acquisition of Loans and the acquisition of Equity Securities otherwise permitted by the terms hereof which are related to such Loans.

"Investment Property": The meaning specified in Section 9-102(a)(49) of the UCC.

"Joinder Supplement": An agreement among the Borrower, a Lender and the Administrative Agent in the form of Exhibit H to this Agreement (appropriately completed) delivered in connection with a Person becoming a Lender hereunder after the Closing Date, as

contemplated by Section 2.1(a)(iv) or Section 2.1(b)(iv), as applicable, a copy of which shall be delivered to the Trustee and the Loan Manager.

"Key People": The meaning specified in the Fee Letter.

"Lender": Each of the Class A Lenders and Class B Lenders, as applicable in the context used.

"LIBOR Rate": For any day during the applicable Accrual Period with respect to each Advance, (a) the rate *per annum* appearing on Reuters Screen LIBOR01 Page (or any successor or substitute page) as the London interbank offered rate for deposits in dollars at approximately 11:00 a.m., London time, for such day; provided that, if such day is not a Business Day, the immediately preceding Business Day, for a three-month maturity; and (b) if no rate specified in clause (a) of this definition so appears on Reuters Screen LIBOR01 Page (or any successor or substitute page), the interest rate *per annum* at which dollar deposits of $5,000,000 and for a three-month maturity are offered by the principal London office of Wells Fargo in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, for such day.

"Lien": Any mortgage, lien, pledge, charge, right, claim, security interest or encumbrance of any kind of or on any Person's assets or properties in favor of any other Person.

"Loan": Any commercial loan or note which is sourced or originated by a Seller or any of their respective Affiliates or which the Borrower acquires from a third party in the ordinary course of its business and each Closing Date Participation Interest.

"Loan Checklist": An electronic or hard copy, as applicable, of a checklist delivered by or on behalf of the Borrower to the Trustee, for each Loan, of all Required Loan Documents to be included within the respective Loan File, which shall specify whether such document is an original or a copy.

"Loan File": With respect to each Loan, a file containing (a) each of the documents and items as set forth on the Loan Checklist with respect to such Loan and (b) duly executed originals (to the extent required by the Credit and Collection Policy) and copies of any other relevant records relating to such Loans and the Underlying Assets pertaining thereto.

"Loan Management Fee": The Senior Loan Management Fee, the Subordinated Loan Management Fee and the Accrued Loan Manager Fee.

"Loan Manager": The meaning specified in the Preamble.

"Loan Manager LLC Agreement": The Limited Liability Company Agreement of the Loan Manager, dated as August 18, 2009, as the same may be amended, restated, modified or supplemented from time to time.

"Loan Manager Indemnified Party": The meaning specified in the Section 10.2.

"Loan Manager Reimbursable Expenses": The meaning specified in Section 6.7.

"Loan Manager Standard": The standard of care set forth in Section 6.2(e).

"Loan Manager Termination Event": The occurrence of any one of the following:

(a) any failure by the Loan Manager to pay, transfer or deposit into the Collection Account any funds received in error with respect to the Loans, as required by this Agreement, which failure continues unremedied for a period of five (5) Business Days;

(b) any failure on the part of the Loan Manager to duly observe or perform in any material respect the covenants or agreements of the Loan Manager set forth in any Transaction Document to which the Loan Manager is a party (including, without limitation, any material delegation of the Loan Manager's duties not permitted by this Agreement) and the same continues unremedied for a period of forty-five (45) days after the earlier to occur of (i) the date on which written notice of such failure shall have been delivered to the Loan Manager by any Lender or the Borrower, and (ii) the date on which a Responsible Officer of the Loan Manager acquires knowledge thereof;

(c) an Insolvency Event shall occur with respect to the Loan Manager;

(d) so long as the Madison Seller is an affiliate of the Loan Manager, the occurrence of an Event of Default described in Sections 9.1 (a), (c), (i) or (g), in each case, with respect to the Madison Seller;

(e) the occurrence or existence of any change with respect to the Loan Manager that has a Material Adverse Effect;

(f) so long as Madison is an Affiliate of the Loan Manager, the occurrence of any Change of Control with respect to the Loan Manager;

(g) any failure by the Loan Manager to deliver any Required Reports required to be delivered by the Loan Manager hereunder on or before the date occurring five (5) Business Days after the date such report is required to be delivered under the terms of this Agreement;

(h) any representation, warranty or certification made by the Loan Manager in any Transaction Document or in any certificate delivered pursuant to any Transaction Document shall prove to have been incorrect when made, which inaccuracy has a Material Adverse Effect on the Lenders and which continues to be unremedied for a period of thirty (30) days after the earlier to occur of (i) the date on which written notice of such inaccuracy shall have been given to the Loan Manager by any Lender or the Borrower and (ii) the date on which a Responsible Officer of the Loan Manager acquires knowledge thereof;

(i) the rendering against the Loan Manager of one or more final judgments, decrees or orders for the payment of money in excess of $5,000,000 (net of amounts covered by any insurance as to which the insurer does not dispute coverage), individually or aggregate, and Loan Manager shall not have either (i) discharged or provided for the

discharge of any such judgment, decree or order in accordance with its terms or (ii) perfected a timely appeal of such judgment, decree or order and caused the execution of such judgment, decree or order to be stayed during the pendency of the appeal or the Loan Manager shall have made payments of amounts in excess of $5,000,000 in settlement of any litigation claim or dispute (excluding payments made from insurance proceeds);

(j) [Intentionally Omitted];

(k) so long as Madison or an Affiliate of Madison acts as Loan Manager hereunder, Madison shall fail to have assets on a net book value basis of at least 75% of the amount outstanding as of the most recently completed fiscal quarter preceding the Closing Date (for the avoidance of doubt, net book value depreciation based solely on ordinary course loan asset runoff shall not count as part of this test);

(l) the occurrence or existence of any change in the Credit and Collection Policy not permitted under Section 5.3(f); or

(m) any three (3) Key People (or any approved replacement therefor) shall (i) not be employees of the Loan Manager (or an Affiliate of the Loan Manager which is acting on behalf of the Loan Manager) or (ii) not be actively involved in the management of the Loan Manager or an Affiliate thereof for any continuous 60-day .period, other than due to temporary absences for family leave, and such persons are not replaced with other individuals reasonably acceptable to the Controlling Lender within 30 days

"Loan Manager Termination Notice": The meaning specified in Section 6.11.

"Loan Register": The meaning specified in Section 5.3(n).

"Loan Schedule": The schedule listing each Loan owned or scheduled to be acquired by the Borrower and each Underlying Instrument in respect of each such Loan, along with a notation as to whether each such Underlying Instrument has been delivered by the Borrower to the Trustee and the Administrative Agent or, if any such Underlying Instrument has not been delivered and is a Required Loan Document, the anticipated delivery date of each such Underlying Instrument.

"Madison": Madison Capital Funding LLC, a Delaware limited liability company.

"Madison Sale Agreement": The Loan Sale Agreement, dated as of the date hereof by and between the Madison Seller and the Borrower.

"Madison Seller": Madison, in its capacity as the "Seller" under the Madison Sale Agreement and not in any other capacity.

"Majority Class B Lenders": The Class B Lenders representing more than 50% of the aggregate Class B Commitments (or, if all the Class B Commitments have been terminated, the Class B Advances Outstanding).

"Margin Stock": "Margin Stock" as defined under Regulation U.

"Material Adverse Effect": With respect to any event or circumstance, a material adverse effect on (a) the business, assets, financial condition, management conditions (financial or otherwise), operations, performance, properties or prospects of the Borrower or the Loan Manager, as applicable in the context used, (b) the validity, enforceability or collectability of this Agreement or any other Transaction Document or the validity, enforceability or collectability of the Loans generally or any material portion of the Loans, (c) the rights and remedies of the Trustee, the Administrative Agent and the Lenders with respect to matters arising under this Agreement or any other Transaction Document, (d) the ability of each of the Borrower or the Loan Manager, as applicable, to perform its respective obligations under any Transaction Document to which it is a party, or (e) the status, existence, perfection, priority or enforceability of the Trustee's Lien on the Collateral.

"Material Modification": Any amendment or waiver of, or modification or supplement to, an Underlying Instrument governing an Eligible Loan executed or effected on or after the date on which such Loan is transferred to the Borrower, that:

(a) extends the due date for payment of outstanding amounts (other than principal amounts) of such Loan;

(b) waives one or more interest payments, reduces the amount of interest due with respect to such Loan or permits any interest due in cash to be deferred or capitalized and added to the principal amount of such Loan (other than any deferral or capitalization already allowed by the terms of its Underlying Instruments);

(c) contractually or structurally subordinates such Loan by operation of a priority of payments, turnover provisions, the transfer of assets in order to limit recourse to the related Obligor or the granting of Liens (other than Permitted Liens described in clause (a) of the definition thereof) on any of the Underlying Assets securing such Loan;

(d) substitutes, alters or releases (other than as permitted by such Underlying Instruments) the Underlying Assets securing such Loan, and each such substitution, alteration or release, as determined in the sole reasonable discretion of the Administrative Agent, materially and adversely affects the value of such Loan; or

(e) amends, waives, forbears, supplements or otherwise modifies in any way the definition of "Net Senior Leverage Ratio" or "Cash Interest Coverage Ratio" (or any respective comparable definitions in its Underlying Instruments) or the definition of any component thereof in a manner that, in the sole discretion of the Administrative Agent, is materially adverse to the Lenders.

"Maximum Facility Amount": With respect to the Class A Advances, $135,000,000 and with respect to the Class B Advances, $45,000,000.

"MCF Purchase Price": The meaning specified in Section 9.2(c).

"Measurement Date": Each of (i) the Closing Date; (ii) the date of any Borrower's Notice; (iii) the date that a Responsible Officer of the Loan Manager has actual knowledge of the occurrence of any Assigned Value Adjustment Event; (iv) the date that the Assigned Value of any Loan is adjusted; (v) the date that is two (2) days prior to each Payment Date; (vi) unless such date is two (2) or fewer days prior to the next Payment Date, the Business Day prior to the date any Principal Collections are to be released pursuant to Section 2.7(b); (vii) the date on which any Loan included in the latest calculation of the Borrowing Base fails to meet one or more of the criteria listed in the definition of "Eligible Loan" (other than any criteria thereof waived by the Administrative Agent and the Majority Class B Lenders, on or prior to the date of acquisition of such Loan by the Borrower); (viii) on or prior to each Reinvestment, Discretionary Sale, Substitution or Optional Sale pursuant to Section 2.14 and Section 3.2, as applicable; (ix) each Reporting Date; and (x) each other date requested by the Controlling Lender.

"Minimum Equity Amount": $45,000,000.

"Moody's": Moody's Investors Service, Inc., and any successor thereto.

"Mortgage": The mortgage, deed of trust or other instrument creating a Lien on an interest in real property securing a Loan, including the assignment of leases and rents, if any, related thereto.

"Multiemployer Plan": A "multiemployer plan" as defined in Section 4001(a)(3) of ERISA that is or was at any time during the current year or the preceding five (5) years contributed to by the Borrower or any ERISA Affiliate on behalf of its employees.

"Net Senior Leverage Ratio": With respect to any Loan for any Relevant Test Period, either (a) the meaning of "Net Senior Leverage Ratio" or comparable definition set forth in the Underlying Instruments for such Loan, or (b) in the case of any Loan with respect to which the related Underlying Instruments do not include a definition of "Net Senior Leverage Ratio" or comparable definition, the ratio of (i) the senior Indebtedness (including, without limitation, such Loan) of the applicable Obligor as of the date of determination *minus* the Unrestricted Cash of such Obligor as of such date to (ii) EBITDA of such Obligor with respect to the applicable Relevant Test Period, as calculated by the Borrower or the Loan Manager in good faith.

"Non-Excluded Taxes": The meaning specified in Section 2.13(a).

"Non-Exempt Lender": The meaning specified in Section 2.13(e).

"Non-Usage Fees": The meaning set forth in the Fee Letter.

"Noteless Loan": A Loan with respect to which the Underlying Instruments either (i) do not require the Obligor to execute and deliver a promissory note to evidence the indebtedness created under such Loan or (ii) require execution and delivery of such a promissory note only upon the request of any holder of the indebtedness created under such Loan, and as to which the Borrower has not requested a promissory note from the related Obligor.

"Notice of Exclusive Control": The meaning specified in the Securities Account Control Agreement.

"Obligations": The unpaid principal amount of, and interest (including, without limitation, interest accruing after the maturity of the Advances and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) on the Advances and all other obligations and liabilities of the Borrower to the Secured Parties, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, or out of or in connection with any Transaction Document, and any other document made, delivered or given in connection therewith or herewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Administrative Agent, the Trustee or to the Lenders that are required to be paid by the Borrower pursuant to the terms of the Transaction Documents) or otherwise.

"Obligor": With respect to any Loan, any Person or Persons obligated to make payments pursuant to or with respect to such Loan, including any guarantor thereof.

"Officer's Certificate": A certificate signed by a Responsible Officer of the Person providing the applicable certification, as the case may be.

"OFS Funding": OFS Funding, LLC, a Delaware limited liability company.

"OFS Parent": OFS Capital, LLC, a Delaware limited liability company, together with any corporation succeeding thereto that results from a conversion into a Business Development Company in accordance with the 1940 Act.

"OFS Parent Organizational Agreement": The Amended and Restated Limited Liability Company Agreement of the OFS Parent (formerly known as Old Orchard First Source Asset Management, LLC), dated as of December 31, 2009, as the same may be amended, restated, modified or supplemented from time to time.

"OFS Parent Sale Agreement": The Loan Sale Agreement, dated as of the date hereof, between OFS Parent and the Borrower.

"OFS Parent Valuation Procedures": If a Loan is to be sold to the OFS Parent (or an Affiliate thereof) other than pursuant to Section 7.2 of the OFS Parent Sale Agreement, the Borrower (or the Loan Manager on behalf of the Borrower) shall value the Loan by obtaining either (a) first, bids for such Loan from three (3) unaffiliated loan market participants (or, if the Borrower (or the Loan Manager on behalf of the Borrower) is unable to obtain bids from three (3) such participants, then bids from at least two (2) such unaffiliated loan market participants from which the Borrower (or the Loan Manager on behalf of the Borrower) can obtain bids using efforts consistent with the Loan Manager Standard) and the value of such Loan shall be the average of such three (3) (or two (2), as applicable) bids or (b) second, if the Borrower (or the Loan Manager on behalf of the Borrower) is unable to obtain bids for such Loan from unaffiliated loan market participants as required by clause (a), the most recent valuation

(provided that the "most recent" valuation is a recent valuation as determined by the Borrower (or the Loan Manager on behalf of the Borrower) in its commercially reasonable business judgment in accordance with the Loan Manager Standard) of the fair market value of such Loan established by reference to the "bid side" price (with a depth based on at least three (3) quotes) listed on a third-party pricing service such as LoanX, Inc., Mark-It Partners or Loan Pricing Corp. or other service selected by the Borrower (or the Loan Manager on behalf of the Borrower) in accordance with the Loan Manager Standard; *provided* that if a fair market value is available from more than one pricing service, the highest such "bid side" value so obtained shall be used, or (c) third, if data for such Loan is not available from such a pricing service, an analysis performed by an Approved Valuation Firm selected by the Borrower (or the Loan Manager on behalf of the Borrower) to establish a fair market value of such Loan which reflects the "bid side" price that would be paid by a willing buyer to a willing seller of such Loan in a sale on an arm's-length basis, and either the OFS Parent or such Affiliate acquires such Loan for a price equal to the price established by such OFS Parent Valuation Procedure.

"OFS Purchase Price": The meaning specified in Section 9.2(c).

"OFS Seller": OFS Parent, as a Seller under the OFS Parent Sale Agreement.

"Opinion of Counsel": A written opinion of counsel, which opinion and counsel are acceptable to the Administrative Agent in its sole discretion.

"Optional Sale": The meaning specified in Section 2.14(d).

"Original Cash Interest Coverage Ratio": With respect to any Loan, the Cash Interest Coverage Ratio for such Loan on the date such Loan was acquired by the Borrower.

"Original Net Senior Leverage Ratio": With respect to any Loan, the Net Senior Leverage Ratio for such Loan on the date such Loan was acquired by the Borrower.

"Other Taxes": The meaning specified in Section 2.13(b).

"Outstanding Balance" means, with respect to any Loan as of any date of determination, the outstanding principal balance of any advances or loans (including funded and unfunded commitments) made by the Borrower to the related Obligor pursuant to the related Underlying Instruments as of such date of determination (exclusive of any interest and Accreted Interest).

"Parent Unencumbered Equity": The unencumbered cash then available as shown on OFS Parent's balance sheet and/or undrawn capital commitments then available to OFS Parent as OFS Parent is able to demonstrate to the Lenders, as determined by the Lenders in their sole discretion.

"Payment Date": Quarterly on the 20th day of each January, April, July and October, or, if such day is not a Business Day, the next succeeding Business Day, commencing on January 20, 2011.

"Payment Date Statement": A statement prepared by the Trustee and verified by the Loan Manager prior to each Payment Date setting forth the calculation of each amount payable out of available Collections on such Payment Date pursuant to either Section 2.7 or 2.8, as applicable, together with the payment information for each recipient of such amounts.

"Payment Duties": The meaning specified in Section 7.2(b)(iv).

"Pension Plans": The meaning specified in Section 4.1(v).

"Permitted Investments": Negotiable instruments or securities or other investments (which may include obligations or securities of issuers for which the Trustee or an Affiliate of the Trustee provides services or receives compensation) that (i) except in the case of demand or time deposits, investments in money market funds and Eligible Repurchase Obligations, are represented by instruments in registered form or ownership of which is represented by book entries by a Clearing Agency or by a Federal Reserve Bank in favor of depository institutions eligible to have an account with such Federal Reserve Bank who hold such investments on behalf of their customers, (ii) as of any date of determination, mature by their terms on or prior to the Business Day preceding the next Payment Date, (iii) are in the form of and are treated as indebtedness of the related Obligor for U.S. federal income tax purposes, (iv) are not subject to any withholding tax unless the Obligor thereon is required under the terms of the related Underlying Instrument to make "gross-up" payments that cover the full amount of such withholding tax on an after-tax basis, and (v) evidence:

(a) direct obligations of, and obligations fully guaranteed as to full and timely payment by, the United States (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States);

(b) demand deposits, time deposits or certificates of deposit of depository institutions or trust companies incorporated under the laws of the United States or any state thereof and subject to supervision and examination by federal or state banking or depository institution authorities; provided that at the time of the Borrower's investment or contractual commitment to invest therein, the commercial paper, if any, and short-term unsecured debt obligations (other than such obligation whose rating is based on the credit of a Person other than such institution or trust company) of such depository institution or trust company shall have a credit rating from Fitch and each Rating Agency in the Highest Required Investment Category granted by Fitch and such Rating Agency;

(c) commercial paper, or other short-term obligations, having, at the time of the Borrower's investment or contractual commitment to invest therein, a rating in the Highest Required Investment Category granted by each Rating Agency and Fitch;

(d) demand deposits, time deposits or certificates of deposit that are fully insured by the FDIC and either have a rating on their certificates of deposit or short-term deposits from Moody's and S&P of "P-1" and "A-1", respectively, and if rated by Fitch, from Fitch of "F-1+";

(e) notes that are payable on demand or bankers' acceptances issued by any depository institution or trust company referred to in clause (b) above;

(f) investments in taxable money market funds or other regulated investment companies having, at the time of the Borrower's investment or contractual commitment to invest therein, a rating of the Highest Required Investment Category from each Rating Agency and Fitch (if rated by Fitch);

(g) time deposits (having maturities of not more than 90 days) by an entity the commercial paper of which has, at the time of the Borrower's investment or contractual commitment to invest therein, a rating of the Highest Required Investment Category granted by each Rating Agency and Fitch; or

(h) Eligible Repurchase Obligations with a rating acceptable to the Rating Agencies and Fitch, which in the case of S&P, shall be "A-1" and in the case of Fitch shall be "F-1+".

The Trustee may, pursuant to the direction of the Loan Manager or the Administrative Agent, as applicable, purchase or sell to itself or an Affiliate, as principal or agent, the Permitted Investments described above.

"Permitted Liens":

(a) with respect to the OFS Parent's ownership interests in OFS Funding and the Borrower: Liens in favor of the Trustee created pursuant to the Pledge Agreement;

(b) with respect to the interest of any Seller or the Borrower in the Loans included in the Collateral: (i) Liens in favor of the Borrower created pursuant to the related Sale Agreement and (ii) Liens in favor of the Trustee created pursuant to this Agreement; and

(c) with respect to the interest of any Seller or the Borrower in the other Collateral (including any Underlying Assets): (i) materialmen's, warehousemen's, mechanics' and other Liens arising by operation of law in the ordinary course of business for sums not due or sums that are being contested in good faith, (ii) purchase money security interests in certain items of equipment, (iii) Liens for Taxes that are not material Taxes if such Taxes shall not at the time be due and payable or if a Person shall currently be contesting the validity thereof in good faith by appropriate proceedings and with respect to which reserves in accordance with GAAP have been provided on the books of such Person, (iv) other customary Liens permitted with respect thereto consistent with the Credit and Collection Policy or the Loan Manager Standard, (v) Liens in favor of the Borrower created by the related Seller under the related Sale Agreement and transferred by the Borrower pursuant to this Agreement, (vi) Liens in favor of the Trustee created pursuant to this Agreement, (vii) with respect to Agented Loans, Liens in favor of the lead agent, the collateral agent or the paying agent for the benefit of all holders of Indebtedness of such Obligor, (viii) with respect to any Equity Security, any Liens granted on such Equity Security to secure Indebtedness of the related Obligor and/or any Liens granted under any governing documents or other agreement between or among or binding upon the Borrower as the holder of equity in such Obligor (provided that, in each case, to the extent such Equity Securities comprise part of the collateral securing the Loan made to such Obligor, such Liens rank junior in priority to the security interest of the lenders under such Loan) and (ix) with respect to any Underlying Assets, Liens permitted by the applicable Underlying Instruments.

"Permitted Securitization": Any private or public term or conduit securitization transaction undertaken by the Borrower that is secured, directly or indirectly, by any Loan currently or formerly included in the Collateral or any portion thereof or any interest therein released from the Lien of this Agreement, including, without limitation, any collateralized loan obligation or collateralized debt obligation offering or other asset securitization or term facility.

"Person": An individual, partnership, corporation, limited liability company, joint stock company, trust (including a statutory or business trust), unincorporated association, sole proprietorship, joint venture, government (or any agency or political subdivision thereof) or other entity.

"Pledge Agreement": The Pledge Agreement, dated as of the date hereof, provided by the OFS Parent to the Trustee pledging 100% of the Capital Stock of each of the Borrower and OFS Funding to the Trustee for the benefit of the Secured Parties.

"Portfolio Acquisition and Disposition Requirements": With respect to any acquisition (whether by purchase or substitution) or disposition of a Loan, each of the following conditions, which shall be certified to in writing in the form of Exhibit J hereto by the Loan Manager of behalf of the Borrower to the Trustee: (a) such Loan, if being acquired by the Borrower, meets the requirements set forth in clause (dd) of the definition of Eligible Loan in this Section 1.1; (b) such Loan is being acquired or disposed of in accordance with the terms and conditions set forth herein; and (c) such Loan is not being acquired or disposed of for the primary purpose of recognizing gains or decreasing losses resulting from market value changes.

"Potential Replacement Loan Manager": The meaning specified in Section 6.11.

"Priced Loan": Any Loan for which a quoted price is available from LoanX, Inc., Mark-It Partners or Loan Pricing Corp.

"Prime Rate": The rate announced by Wells Fargo from time to time as its prime rate in the United States, such rate to change as and when such designated rate changes. The Prime Rate is not intended to be the lowest rate of interest charged by Wells Fargo or any other specified financial institution in connection with extensions of credit to debtors.

"Principal Collection Account": A Securities Account created and maintained on the books and records of the Securities Intermediary entitled "Principal Collection Account" in the name of the Borrower and subject to the prior Lien of the Trustee for the benefit of the Secured Parties.

"Principal Collections": All amounts received by the Borrower or the Trustee that are not Interest Collections to the extent received in cash by or on behalf of the Borrower or the Trustee.

"Principal Reduced Loan": Any Loan where any or all of the principal amount due thereunder is reduced, waived or forgiven or any lenders' rights to payment of principal as and when due thereunder has been waived or delayed or lenders thereunder have agreed to forbear from enforcing their rights to such payment.

"Proceeds": With respect to any Collateral, all property that is receivable or received when such Collateral is collected, sold, liquidated, foreclosed, exchanged, or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes all rights to payment with respect to any insurance relating to such Collateral.

"Property": Any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

"Pro Rata Share": With respect to (i) any Class A Lender, the percentage obtained by dividing the Commitment of such Class A Lender (as determined pursuant to the definition of Commitment) by the aggregate Commitments of all the Class A Lenders (as determined pursuant to the definition of Commitment) or, if the Class A Commitments have been terminated, based on the Class A Advances Outstanding, and (ii) any Class B Lender, the percentage obtained by dividing the Commitment of such Class B Lender (as determined pursuant to the definition of Commitment) by the aggregate Commitments of all the Class B Lenders (as determined pursuant to the definition of Commitment) or, if the Class B Commitments have been terminated, based on the Class B Advances Outstanding.

"Purchase Notice": The meaning specified in Section 12.3(a).

"Purchase Price": With respect to any Loan, an amount (expressed as a percentage of par) equal to (i) the purchase price (or, if different principal amounts of such Loan were purchased at different purchase prices, the weighted average of such purchase prices) paid by the Borrower for such Loan (exclusive of any interest, Accreted Interest, original issue discount and upfront fees) divided by (ii) the principal balance of the portion of such Loan purchased by the Borrower outstanding as of the date of such purchase (exclusive of any interest, Accreted Interest, original issue discount and upfront fees).

"Qualified Institution": A depository institution or trust company organized under the laws of the United States of America or any one of the States thereof or the District of Columbia (or any domestic branch of a foreign bank), (i)(a) that has either (1) a long-term unsecured debt rating of "A" or better by S&P and "A2" or better by Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating of "A-1" or better by S&P or "P-1" or better by Moody's, (b) the parent corporation of which has either (1) a long-term unsecured debt rating of "A" or better by S&P and "A2" or better by Moody's or (2) a short-term unsecured debt rating or certificate of deposit rating of "A-1" or better by S&P and "P-1" or better by Moody's or (c) is otherwise acceptable to the Administrative Agent and (ii) the deposits of which are insured by the FDIC.

"Rating Agencies": Each of S&P and Moody's.

"Register": The meaning specified in Section 13.16(b).

"Registered": With respect to any registration-required obligation within the meaning of Section 163(f)(2) of the Code, a debt obligation that was issued after July 18, 1984 and that is in registered form within the meaning of Section 5f.103-1(c) of the Treasury Regulations.

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 221, or any successor regulation.

"Reinvestment": The meaning specified in Section 2.14(a)(i).

"Reinvestment Notice": Each notice required to be delivered by the Loan Manager in respect of any Reinvestment of Principal Collections pursuant to Section 3.2(c) in the form of Exhibit A-3.

"Reinvestment Period": The period commencing on the Closing Date and ending on the day preceding the Reinvestment Period End Date.

"Reinvestment Period End Date": The earliest to occur of (a) the date of the declaration of the Reinvestment Period End Date pursuant to Section 9.2(a), (b) the Termination Date pursuant to Section 9.2(a), (c) the date of the termination of all of the Commitments pursuant to Section 2.3(a), or (d) the date that is the second anniversary of the Closing Date; provided the Borrower may, pursuant to Section 2.3(e), extend the Reinvestment Period End Date.

"Relevant Test Period": With respect to any Loan, the relevant test period for the calculation of Net Senior Leverage Ratio, Cash Interest Coverage Ratio or EBITDA as applicable, for such Loan in accordance with the related Underlying Instruments or, if no such period is provided for therein, (i) for Obligors delivering monthly financing statements, each period of the last twelve (12) consecutive reported calendar months, and (ii) for Obligors delivering quarterly financing statements, each period of the last four (4) consecutive reported fiscal quarters of the principal Obligor on such Loan; provided that with respect to any Loan for which the relevant test period is not provided for in the related Underlying Instruments, if an Obligor is a newly-formed entity as to which twelve (12) consecutive calendar months have not yet elapsed, "Relevant Test Period" shall initially include the period from the date of formation of such Obligor to the end of the twelfth (12^{th}) calendar month or fourth (4^{th}) fiscal quarter (as the case may be) from the date of formation, and shall subsequently include each period of the last twelve (12) consecutive reported calendar months or four (4) consecutive reported fiscal quarters (as the case may be) of such Obligor.

"Remediation Plan": The meaning specified in Section 12.2(a).

"Repayment Notice": Each notice required to be delivered by the Borrower in respect of any reduction of the Commitments or by the Borrower or the Loan Manager (on behalf of the Borrower) in respect of any repayment of Advances Outstanding, in the form of Exhibit A-2.

"Reportable Event": The meaning specified in Section 4.1(x).

"Reporting Date": The date that is two (2) Business Days prior to the 15th of each calendar month, with the first Reporting Date occurring in October 2010.

"Required Funding Amount": If (i) (A) no Event of Default has occurred and is continuing, and (B) the Reinvestment Period End Date has not occurred, in each case as of the

date of determination and after giving effect to any withdrawal from the Unfunded Exposure Account on such date of determination, the Unfunded Exposure Equity Amount, and (ii) (A) an Event of Default has occurred and is continuing, or (B) the Reinvestment Period End Date has occurred, in either case as of the date of determination and after giving effect to any withdrawal from the Unfunded Exposure Account on such date of determination, the Unfunded Exposure Amount.

"Required Lenders": The Lenders representing an aggregate of more than 50% of the aggregate Commitments (or, if the applicable Commitments have been terminated, Class A Advances Outstanding and/or Class B Advances Outstanding, as the case may be); provided that for the purposes of determining the Required Lenders, in the event that a Lender fails to provide funding for an Advance hereunder for which all conditions precedent have been satisfied, such Lender, as applicable, shall not constitute a Required Lender hereunder (and the Commitment of such Lender, as applicable, shall be disregarded for purposes of determining whether the consent of the Required Lenders has been obtained).

"Required Loan Documents": For each Loan, originals (except as otherwise indicated) of the following documents or instruments, all as specified on the related Loan Checklist:

(a) (i) other than in the case of a Noteless Loan, the original or, if accompanied by an original "lost note" affidavit and indemnity, a copy of, the underlying promissory note, endorsed by the Borrower or the prior holder of record (that may be in the form of an allonge or note power attached thereto) either in blank or to the Trustee as required under the related Underlying Instruments (and evidencing an unbroken chain of endorsements from each prior holder thereof evidenced in the chain of endorsements either in blank or to the Trustee), with any endorsement to the Trustee to be in the following form: "Wells Fargo Delaware Trust Company, N.A, its successors and assigns, as Trustee for the Secured Parties" and an undated transfer or assignment document or instrument relating to such Loan, signed by the Borrower, as assignor, and the administrative agent of such Loan (only in the event such administrative agent is an Affiliate of the Borrower) but not dated and specifying the Trustee as assignee, and delivered to the Trustee, and (ii) in the case of a Noteless Loan (x) subject to clause (e) with respect to any Closing Date Loan, a copy of each transfer document or instrument relating to such Noteless Loan evidencing the assignment of such Noteless Loan to the Borrower and an undated transfer or assignment document or instrument relating to such Noteless Loan, signed by the Borrower, as assignor, and the administrative agent of such Loan (only in the event such administrative agent is an Affiliate of the Borrower) but not dated and specifying the Trustee as assignee, and delivered to the Trustee, and (y) a copy of the Loan Register with respect to such Noteless Loan, as described in Section 5.03(n) (provided that, in the case of a Closing Date Loan, the original promissory note may be delivered up to three (3) Business Days after the Closing Date or, if any such promissory note is being transferred and exchanged, a commercially reasonable time, but in no event later than sixty (60) days or such longer period to which the Administrative Agent may agree in its sole discretion;

(b) originals or copies of each of the following, to the extent applicable to the related Loan; any related loan agreement, credit agreement, note purchase agreement, security agreement (if separate from any Mortgage), sale and servicing agreement, acquisition agreement, subordination agreement, intercreditor agreement or similar instruments, guarantee, certificates of insurance with respect to each Insurance Policy, assumption or substitution agreement or similar material operative document, in each case together with any amendment or modification thereto, as set forth on the Loan Checklist;

(c) if any Loan is secured by a Mortgage, in each case as set forth in the Loan Checklist:

(i) other than with respect to an Agented Loan, either (i) the original Mortgage, the original assignment of leases and rents, if any, and the originals of all intervening assignments, if any, of the Mortgage and assignments of leases and rents with evidence of recording thereon, (ii) copies thereof certified by closing counsel or by a title company or escrow company to be true and complete copies thereof where the originals have been transmitted for recording until such time as the originals are returned by the public recording office; provided that, solely for purposes of the Review Criteria, the Trustee shall have no duty to ascertain whether any certification set forth in this subsection (c)(i) has been received, or (iii) copies certified by the public recording offices where such documents were recorded to be true and complete copies thereof in those instances where the public recording offices retain the original or where the original recorded documents are lost; and

(ii) other than with respect to any Agented Loan, to the extent the Borrower is the sole lender under the Underlying Instruments, an Assignment of Mortgage and of any other material recorded security documents (including any assignment of leases and rents) in recordable form, executed by the Borrower or the prior holder of record, in blank or to the Trustee (and evidencing an unbroken chain of assignments from the prior holder of record to the Trustee), with any assignment to the Trustee to be in the following form: “Wells Fargo Delaware Trust Company, N.A., its successors and assigns, as Trustee for the Secured Parties”;

(d) promptly following the related Advance Date using commercially reasonable efforts (but in no event later than the date that is thirty (30) days after of the acquisition of such Loan by the Borrower), copies of the UCC-1 financing statements, if any, and any related continuation statements, each showing the Obligor as debtor and such Seller (or the applicable administrative or collateral agent in respect of such Loan) as secured party and each with evidence of filing thereon as set forth in the Loan Checklist; and

(e) for any Closing Date Loan, the fully executed Closing Date Agreements. Pursuant to the Closing Date Participation Agreement, OFS Funding shall sell a 100% participation interest in each such Closing Date Loan to OFS Parent and shall

acknowledge the assignment thereof by the OFS Parent to the Borrower and by the Borrower to the Trustee on behalf of the Secured Parties and shall be in form and substance acceptable to the Class A Lender. As soon as practicable, but in no event later than the date that is sixty (60) days after the Closing Date (or such longer period to which the Administrative Agent may agree in its sole discretion), the Borrower shall deliver to the Trustee a fully executed assignment agreement assigning such Closing Date Loan directly to the Borrower and written evidence satisfactory to the Controlling Lender that the Borrower is recognized as the owner of record by the administrative agent in respect of the underlying loan or credit agreement evidencing such Closing Date Loan.

"Required Reports": Collectively, the Borrowing Base Certificate, the Payment Date Statement, financial statements of each Obligor, Madison and the Borrower required to be delivered under the Transaction Documents (including, without limitation, pursuant to Section 5.1(s), 5.3(h) and 6.8(c) hereof), the annual statements as to compliance and the annual independent public accountant's report pursuant to Section 5.1(s).

"Responsible Officer": With respect to any Person, any duly authorized officer of such Person or of the general partner, administrative manager or managing member of such Person with direct responsibility for the administration of this Agreement and also, with respect to a particular matter, any other duly authorized officer of such Person or of the general partner, administrative manager or managing member of such Person to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Restricted Payment": (i) Any dividend or other distribution, direct or indirect, on account of any class of membership interests of the Borrower now or hereafter outstanding, except a dividend or distribution paid solely in interests of that class of membership interests or in any junior class of membership interests of the Borrower; (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any class of membership interests of the Borrower now or hereafter outstanding, and (iii) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire membership interests of the Borrower now or hereafter outstanding.

"Review Criteria": The meaning specified in Section 7.2(b)(i).

"Revolving Loan": Any Loan (other than a Delayed Draw Loan) that is a senior secured obligation (including funded and unfunded portions of revolving credit lines and letter of credit facilities, unfunded commitments under specific facilities and other similar loans and investments) that under the Underlying Instruments relating thereto may require one or more future advances to be made to the Obligor by the Borrower; provided that, any such Loan will be a Revolving Loan only until all commitments by the Borrower to make advances to the Obligor thereof expire, or are terminated, or are irrevocably reduced to zero.

"ROFR Purchase Period": The meaning specified in Section 9.2(c).

"S&P": Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Sale Agreement": Each of the OFS Parent Sale Agreement and the Madison Sale Agreement.

"Sale Proceeds": With respect to any Loan, all proceeds received as a result of the sale of such Loan, net of all out-of-pocket expenses of the Borrower, the Loan Manager and the Trustee incurred in connection with any such sale.

"Scheduled Payment": Each scheduled payment of principal and/or interest required to be made by an Obligor on the related Loan, as adjusted pursuant to the terms of the related Underlying Instruments, if applicable.

"Scheduled Reinvestment Period End Date": The date that is the second anniversary of the Closing Date; provided that, if the Reinvestment Period is extended pursuant to Section 2.3(e), the "Scheduled Reinvestment Period End Date" shall be the date that is the third anniversary of the Closing Date .

"SEC": The Securities and Exchange Commission or any successor Governmental Agency.

"Section 2.13 Certificate": The meaning specified in Section 2.13(e).

"Section 2.13(e) Excluded Taxes": The meaning specified in Section 2.13(e).

"Section 28(e)": The meaning specified in Section 6.2(l).

"Secured Party": (i) Each Lender, (ii) the Administrative Agent, (iii) the Trustee, (iv) the Securities Intermediary and (v) solely with respect to the right to receive amounts credited to the Expense Reserve Account, the Loan Manager.

"Securities Account": The meaning specified in Section 8-501(a) of the UCC.

"Securities Account Control Agreement": The Account Control Agreement, dated as of the date hereof, among the Borrower, the Trustee and Wells Fargo as the Securities Intermediary, as the same may be amended, modified, waived, supplemented or restated from time to time.

"Securities Act": The U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Securities Intermediary": Wells Fargo, or any subsequent (i) Clearing Corporation; or (ii) Person, including a bank or broker, that in the ordinary course of its business maintains Securities Accounts for others and is acting in that capacity, agreeing to act in such capacity pursuant to the Securities Account Control Agreement.

"Security Certificate": The meaning specified in Section 8-102(a)(16) of the UCC.

"Security Entitlement": The meaning specified in Section 8-102(a)(17) of the UCC.

"Seller": Each of the Madison Seller and the OFS Seller, as applicable, as seller or transferor of Loans to the Borrower pursuant to the related Sale Agreement.

"Senior Loan Management Fee": The fee payable to the Loan Manager on each Payment Date in arrears in respect of each Accrual Period pursuant to Sections 2.7(a)(2) and (b)(2) or Section 2.8(2), as applicable, which fee shall be equal to (i) the Adjusted Borrowing Value as of the Measurement Date immediately preceding such Payment Date *multiplied by* (ii) a rate equal to 0.25% *per annum*.

"Solvent": As to any Person at any time, having a state of affairs such that all of the following conditions are met: (a) the fair value of the property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code; (b) the present fair saleable value of the property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts and other liabilities as they become absolute and matured; (c) such Person is able to realize upon its property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in a business or a transaction, and does not propose to engage in a business or a transaction, for which such Person's property assets would constitute unreasonably small capital.

"Standstill Period": The period commencing on the date on which an Event of Default occurs (other than an Event of Default described in Section 9.1(d)) and ending on the earlier of (a) the date on which such Event of Default is waived in accordance with the terms hereof, and (b) the date that is forty-five (45) days after the occurrence of such Event of Default; provided that, if (i) so long as any Class B Lender is an Affiliate of the Loan Manager, the Loan Manager and the Madison Seller are in compliance with their respective certification and notice obligations under the Transaction Documents with respect to the occurrence of Events of Default, (ii) an Event of Default occurs, (iii) as of the date on which such Event of Default occurred, so long as any Class B Lender is an Affiliate of the Loan Manager, neither the Loan Manager nor the Madison Seller has received notice or otherwise determined that such Event of Default has occurred, and (iv) following the date on which such Event of Default occurred, (A) the Loan Manager, the Madison Seller or the Administrative Agent receive notice or otherwise determine that such Event of Default has occurred (each of whom agree to promptly notify the other parties under this Agreement thereof), and (B) notice of such occurrence is delivered to the other parties under this Agreement (the date on which such notice is delivered is referred to as the "Notice Delivery Date"), then the period set forth in clause (b) above shall be the greater of (1) the positive excess of (x) forty-five (45) days minus (y) the number of days elapsed since the date on which such Event of Default occurred, and (2) ten (10) days following the Notice Delivery Date.

"Structuring Fees": The Class A Structuring Fee and the Class B Structuring Fee.

"Subordinated Loan Management Fee": The fee payable to the Loan Manager on each Payment Date in arrears in respect of each Accrual Period pursuant to Sections 2.7(a)(11) and (b)(14) or Section 2.8(12), as applicable, which fee shall be equal to (i) the Adjusted Borrowing Value as of the Measurement Date immediately preceding such Payment Date *multiplied by* (ii) a rate equal to 0.25% *per annum*.

"Subsidiary": As to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person.

"Substitution": The meaning specified in Section 2.14(b).

"Taxes": The meaning specified in Section 2.13(a).

"Termination Date": The earliest of (a) the date of the termination of all the Commitments pursuant to Section 2.3(a), (b) the Class B Facility Maturity Date, or (c) the date of the declaration of the Termination Date or the date of the automatic occurrence of the Termination Date pursuant to Section 9.2(a).

"Transaction": The meaning specified in Section 3.2.

"Transaction Documents": This Agreement, the Sale Agreements, the Pledge Agreement, the Fee Letter, the Funding Indemnity Letter, the Securities Account Control Agreement, each Variable Funding Note, any Joinder Supplement, any Transferee Letter and the Trustee Fee Letter.

"Transferee Letter": The meaning specified in Section 13.16.

"Trustee": Wells Fargo Delaware Trust Company, N.A., not in its individual capacity, but solely as Trustee, its successor in interest pursuant to Section 7.3 or such Person as shall have been appointed Trustee pursuant to Section 7.5.

"Trustee Fee": The fees, expenses and indemnities set forth as such in the Trustee Fee Letter and as provided for in this Agreement or any other Transaction Document.

"Trustee Fee Letter": The Fee Schedule as acknowledged by the Borrower as of September 28, 2010.

"Trustee Termination Notice": The meaning specified in Section 7.5.

"UCC": The Uniform Commercial Code as from time to time in effect in the applicable jurisdiction or jurisdictions.

"Uncertificated Security": The meaning specified in Section 8-102(a)(l8) of the UCC.

"Underlying Assets": With respect to a Loan, any property or other assets designated and pledged as collateral to secure repayment of such Loan, including, without limitation, to the extent provided for in the relevant Underlying Instruments, a pledge of the stock, membership or other ownership interests in the related Obligor and all Proceeds from any sale or other disposition of such property or other assets.

"Underlying Instruments": The loan agreement, credit agreement or other agreement pursuant to which a Loan or Permitted Investment has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Loan or Permitted Investment or of which the holders of such Loan or Permitted Investment are the beneficiaries.

"Unfunded Exposure Account": A Securities Account created and maintained on the books and records of the Securities Intermediary entitled "Unfunded Exposure Account" in the name of the Borrower and subject to the prior Lien of the Trustee for the benefit of the Secured Parties.

"Unfunded Exposure Amount": On any date of determination, with respect to any Loan, the aggregate amount (without duplication) of all (i) unfunded commitments and (ii) all contingent commitments associated with such Loan.

"Unfunded Exposure Equity Amount": On any date of determination, with respect to any Loan, an amount equal to the sum of (i) the product of (a) the Unfunded Exposure Amount with respect to such Loan, *multiplied* by (b) the difference of 100% minus the Class A Advance Rate for such Loan *plus* (ii) the sum of the products of (x) any Assigned Value reductions (expressed in Dollars) associated with the Unfunded Exposure Amount with respect to such Loan, *multiplied* by (y) the Class A Advance Rate for such Loan.

"Unfunded Exposure Shortfall": The meaning specified in Section 2.9(e)(iii).

"United States" or "U.S.": The United States of America.

"Unrestricted Cash": The meaning of "Unrestricted Cash" or any comparable definition in the Underlying Instruments for each Loan, and in any case that "Unrestricted Cash" or such comparable definition is not defined in such Underlying Instruments, all cash available for use for general corporate purposes and not held in any reserve account or legally or contractually restricted for any particular purposes or subject to any lien (other than blanket liens permitted under or granted in accordance with such Underlying Instruments), as reflected on the most recent financial statements of the relevant Obligor that have been delivered to the Borrower.

"Unused Class A Facility Amount": At any time, (a) the Class A Facility Amount *minus* (b) the Class A Advances Outstanding at such time.

"Unused Class B Facility Amount": At any time, (a) the Class B Facility Amount *minus* (b) the Class B Advances Outstanding at such time.

"USA Patriot Act": The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56.

"Variable Funding Note" or "VFN": The collective reference to the Class A Variable Funding Notes (or AVFNs) and the Class B Variable Funding Notes (or BVFNs).

"Wells Fargo": Wells Fargo Bank, National Association, a national banking association and its successors and assigns.

"WFS": The meaning specified in the Preamble.

"Withdrawal Conditions": The meaning specified in Section 2.9(e)(i).

Section 1.2 Other Terms.

All accounting terms used but not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and used but not specifically defined herein, are used herein as defined in such Article 9.

Section 1.3 Computation of Time Periods.

Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.4 Interpretation.

In each Transaction Document, unless a contrary intention appears:

(a) the singular number includes the plural number and vice versa;

(b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by the Transaction Documents;

(c) reference to any gender includes each other gender;

(d) reference to day or days without further qualification means calendar days;

(e) reference to any time means Charlotte, North Carolina time;

(f) the word "including" is not limiting and means "including without limitation;"

(g) the word "any" is not limiting and means "any and all" unless the context clearly requires or the language provides otherwise;

(h) reference to any agreement (including any Transaction Document), document or instrument means such agreement, document or instrument as amended, modified, waived, supplemented, restated or replaced and in effect from time to time in accordance with the terms thereof and, if applicable, the terms of the other Transaction Documents, and reference to any promissory note includes any promissory note that is an extension or renewal thereof or a substitute or replacement therefor;

(i) reference to any Applicable Law means such Applicable Law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder and reference to any Section or other provision of any Applicable Law means that provision of such Applicable Law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such Section or other provision;

(j) reference to any delivery or transfer to the Trustee with respect to the Collateral means delivery or transfer to the Trustee on behalf of the Secured Parties; and

(k) if any date for compliance with the terms or conditions of any Transaction Document falls due on a day which is not a Business Day, then such due date shall be deemed to be the immediately following Business Day.

ARTICLE II

THE VARIABLE FUNDING NOTE

Section 2.1 The Variable Funding Notes.

(a) The Class A Variable Funding Notes.

(i) On the terms and conditions hereinafter set forth, the Borrower shall deliver (i) on the Closing Date, to each Class A Lender at the applicable address set forth on Annex A to this Agreement, and (ii) on the effective date of any Joinder Supplement, to each additional Class A Lender, at the address set forth in the applicable Joinder Supplement, a duly executed variable funding note in substantially the form of Exhibit B (each a "Class A Variable Funding Note" or "AVFN"), dated as of the date of this Agreement, each in a face amount equal to the applicable Class A Lender's Class A Commitment as of the Closing Date or the effective date of any Joinder Supplement, as applicable, and otherwise duly completed. Each Variable Funding Note shall evidence obligations in an amount equal, at any time, to the outstanding Advances by such Class A Lender under the applicable AVFN on such day.

(ii) During the Reinvestment Period, the Borrower (or the Loan Manager on the Borrower's behalf) may, at its option, request the Class A Lenders to make advances of funds (each, a "Class A Advance") under the AVFNs pursuant to a Funding Notice; provided, however, that no Class A Lender shall be obligated to make any Class A Advance on or after the date that is two (2) Business Days prior to the Reinvestment Period End Date, unless the Borrower (or the Loan Manager on behalf of

the Borrower) has entered into a binding commitment to purchase an Eligible Loan prior to the declaration of the Termination Date or the Reinvestment Period End Date pursuant to Section 9.2(a) and the related Advance Date is not more than thirty (30) days after such declaration.

(iii) Following the receipt of a Funding Notice during the Reinvestment Period and subject to the terms and conditions hereinafter set forth, the Class A Lenders shall fund such Class A Advance. Notwithstanding anything to the contrary herein, no Class A Lender shall make any Class A Advance if, after giving effect to such Class A Advance and the addition to the Collateral of the Eligible Loans to be acquired by the Borrower with the proceeds of such Class A Advance, (i) in the sole discretion of any such Class A Lender, a Default or Event of Default would or could reasonably be expected to result therefrom or (ii) the aggregate Class A Advances Outstanding would exceed the Class A Borrowing Base.

(iv) The Borrower may, with the written consent of the Administrative Agent, add additional Persons as Class A Lenders and increase the Class A Commitments hereunder; provided that the Class A Commitment of any Class A Lender may only be increased with the prior written consent of such Class A Lender and the Administrative Agent. Each additional Class A Lender shall become a party hereto by executing and delivering to the Administrative Agent, the Trustee, the Loan Manager and the Borrower a Joinder Supplement and a representation letter in the form of Exhibit H.

(b) The Class B Variable Funding Notes.

(i) On the terms and conditions hereinafter set forth, the Borrower shall deliver (i) on the Closing Date, to each Class B Lender at the applicable address set forth on Annex A to this Agreement, and (ii) on the effective date of any Joinder Supplement, to each additional Class B Lender, at the address set forth in the applicable Joinder Supplement, a duly executed variable funding note in substantially the form of Exhibit B (each a "Class B Variable Funding Note" or "BVFN"), dated as of the date of this Agreement, each in a face amount equal to the applicable Class B Lender's Class B Commitment as of the Closing Date or the effective date of any Joinder Supplement, as applicable, and otherwise duly completed. Each Variable Funding Note shall evidence obligations in an amount equal, at any time, to the outstanding Advances by such Class B Lender under the applicable BVFN on such day.

(ii) During the Reinvestment Period, the Borrower (or the Loan Manager on the Borrower's behalf) may, at its option, request the Class B Lenders to make advances of funds (each, a "Class B Advance") under the BVFNs pursuant to a Funding Notice; provided, however, that no Class B Lender shall be obligated to make any Class B Advance on or after the date that is two (2) Business Days prior to the Reinvestment Period End Date, unless the Borrower (or the Loan Manager on behalf of the Borrower) has entered into a binding commitment to purchase an Eligible Loan prior to the declaration of the Termination Date or the Reinvestment Period End Date pursuant to Section 9.2(a) and the related Advance Date is not more than thirty (30) days after such declaration.

(iii) Following the receipt of a Funding Notice during the Reinvestment Period and subject to the terms and conditions hereinafter set forth, the Class B Lenders shall fund such Class B Advance. Notwithstanding anything to the contrary herein, no Class B Lender shall make any Class B Advance if, after giving effect to such Class B Advance and the addition to the Collateral of the Eligible Loans to be acquired by the Borrower with the proceeds of such Class B Advance, (i) in the sole discretion of any such Class B Lender, a Default or Event of Default would or could reasonably be expected to result therefrom or (ii) the aggregate Class B Advances Outstanding would exceed the Class B Borrowing Base.

(iv) The Borrower may, with the written consent of the Administrative Agent and each Class B Lender, add additional Persons as Class B Lenders and increase the Class B Commitments hereunder; provided that the Class B Commitment of any Class B Lender may only be increased with the prior written consent of such Class B Lender and the Administrative Agent. Each additional Class B Lender shall become a party hereto by executing and delivering to the Administrative Agent, the Trustee, the Loan Manager and the Borrower a Joinder Supplement and a representation letter in the form of Exhibit H.

Section 2.2 Procedures for Advances by the Lenders.

(a) Subject to the limitations set forth in Sections 2.1(a)(ii) and (b)(ii), the Borrower (or the Loan Manager on the Borrower's behalf) may request an Advance from the Lenders by delivering to the Lenders at certain times the information and documents set forth in this Section 2.2.

(b) With respect to all Advances, no later than 2:00 p.m. (Charlotte, North Carolina time) on the proposed Funding Date, the Borrower (or the Loan Manager on its behalf) shall deliver:

(i) to the Administrative Agent and the Trustee a wire disbursement and authorization form, to the extent not previously delivered; and

(ii) to the Administrative Agent, each Lender and the Trustee a duly completed Funding Notice (including a duly completed Borrowing Base Certificate updated to the date such Advance is requested and giving *pro forma* effect to the Advance requested and the use of the proceeds thereof) which shall (i) specify the desired amount of such Advance, which amount shall not cause the Advances Outstanding to exceed the Borrowing Base and must be at least equal to $500,000 (or, in the case of any Advance to be applied to fund any draw under a Revolving Loan or Delayed Draw Loan, such lesser amount as may be required to fund such draw), to be allocated to each Lender in accordance with its Pro Rata Share, (ii) whether such Advance is to be a Class A Advance or a Class B Advance or both (and, if so, the respective amounts of each), (iii) specify the proposed Funding Date of such Advance, (iv) specify the Loan(s) to be financed on such Funding Date (including the appropriate file number, Obligor, Outstanding Balance, Assigned Value and Purchase Price for each Loan and, with respect to any Revolving Loan or Delayed Draw Loan, the amount to be deposited in the

Unfunded Exposure Account in connection with the acquisition of such Loan(s) pursuant to Section 2.9(e), and (v) include a representation that all conditions precedent for an Advance described in Article III hereof have been met. Each Funding Notice shall be irrevocable. If any Funding Notice is received by the Administrative Agent, the Trustee and each Lender after 2:00 p.m. (Charlotte, North Carolina time) on the proposed Funding Date or on a day that is not a Business Day, such Funding Notice shall be deemed to be received by the Administrative Agent, the Trustee and each Lender at 9:00 a.m. (Charlotte, North Carolina time) on the next Business Day.

(c) On the proposed Funding Date, subject to the limitations set forth in Sections 2.1(a)(ii) and (b)(ii) and upon satisfaction of the applicable conditions set forth in Article III, each Lender shall make available to the Borrower in same day funds, by wire transfer to the account designated by Borrower (or the Loan Manager on the Borrower's behalf) in the Funding Notice given pursuant to this Section 2.2, an amount equal to such Lender's Pro Rata Share of the least of (i) the amount requested by the Borrower (or the Loan Manager on the Borrower's behalf) for such Advance, (ii) the aggregate unused Commitments then in effect and (iii) the maximum amount that, after taking into account the proposed use of the proceeds of such Advance, could be advanced to the Borrower hereunder without causing either (x) the Class A Advances Outstanding to exceed the Class A Borrowing Base or (y) the Class B Advances Outstanding to exceed the Class B Borrowing Base; provided that, for the avoidance of doubt, the Class B Advances may be advanced to the Borrower to cure a Class A Borrowing Base Deficiency subject to the provisions of Section 3.2.

(d) On each Funding Date, the obligation of each Lender to remit its Pro Rata Share of any such Advance shall be several from that of each other Lender and the failure of any Lender to so make such amount available to the Borrower shall not relieve any other Lender of its obligation hereunder.

Section 2.3 Reduction of the Facility Amount; Principal Repayments.

(a) The Borrower shall be entitled at its option, at any time prior to the occurrence of an Event of Default:

(i) to irrevocably terminate the Class A Commitments in whole or irrevocably reduce in part the portion of the Class A Commitments that exceed the sum of the Class A Advances Outstanding, and accrued Class A Interest and Breakage Costs; provided that (i) the Borrower shall give at least one (1) Business Day's prior written notice to the Administrative Agent (with a copy to the Loan Manager) of such termination or reduction in the form of Exhibit A-2; (ii) any partial reduction of the Class A Commitments shall be in an amount equal to $5,000,000 and in integral multiples of $500,000 in excess thereof, and (iii) in the case of such termination or reduction on or prior to the Scheduled Reinvestment Period End Date, the Borrower shall pay to the Administrative Agent for distribution to the Class A Lenders the applicable Commitment Reduction Fee. Any request for a reduction or termination pursuant to this Section 2.3(a) shall be irrevocable. The applicable Class A Commitment of each Class A Lender shall be reduced by an amount equal to its Pro Rata Share (prior to giving effect to any reduction of the Class A Commitments hereunder) of the aggregate amount of any

reduction under this Section 2.3(a); and

(ii) to irrevocably terminate the Class B Commitments in whole or irrevocably reduce in part the portion of the Class B Commitments that exceed the sum of the Class B Advances Outstanding, and accrued Class B Interest and Breakage Costs; provided that (i) the Borrower shall give at least one (1) Business Day's prior written notice to the Administrative Agent (with a copy to the Loan Manager) of such termination or reduction in the form of Exhibit A-2; (ii) any partial reduction of the Class B Commitments shall be in an amount equal to $5,000,000 and in integral multiples of $500,000 in excess thereof, and (iii) in the case of such termination or reduction on or prior to the Scheduled Reinvestment Period End Date, the Borrower shall pay to the Administrative Agent for distribution to the Class B Lenders the applicable Commitment Reduction Fee; provided that, so long as any Class A Commitments or Class A Obligations are outstanding, the prior written consent of each Class A Lender shall be required to reduce or terminate the Class B Commitments. Any request for a reduction or termination pursuant to this Section 2.3(a) shall be irrevocable. The applicable Class B Commitment of each Class B Lender shall be reduced by an amount equal to its Pro Rata Share (prior to giving effect to any reduction of the Class B Commitments hereunder) of the aggregate amount of any reduction under this Section 2.3(a).

(iii) For the avoidance of doubt and notwithstanding any other provision of this Agreement, if the Borrower elects to terminate the Commitments in whole pursuant to this Section 2.3(a), then once the Obligations outstanding are reduced to zero the Collection Date shall occur and the Collateral shall be released in accordance with Section 8.2(b).

(b) The Borrower shall be entitled at its option or the option of the Loan Manager, at any time, to reduce Advances Outstanding; provided that (i) the Borrower (or the Loan Manager on behalf of the Borrower) shall give at least one (1) Business Day's prior written notice of such reduction in the form of Exhibit A-2 to the Administrative Agent, the Trustee and the Lenders of such Advances (provided that same day notice may be given with respect to curing any Borrowing Base Deficiency) and (ii) any reduction of Advances Outstanding (other than with respect to repayments of Advances Outstanding made by the Borrower to reduce Advances Outstanding such that no Borrowing Base Deficiency exists) shall be in a minimum amount of $500,000 and in integral multiples of $100,000 in excess thereof. In connection with any such reduction of Advances Outstanding, the Borrower (or, in the case of clause (1) below, the Loan Manager on behalf of the Borrower) shall deliver (1) to the Administrative Agent, the Trustee and each Lender of such Advances, instructions to reduce such Advances Outstanding in the form of Exhibit A-2, (2) funds to the Trustee for payment to the Lenders of such Advances sufficient to repay such Advances Outstanding and any Breakage Costs which may include instructions to the Trustee to use funds from the Principal Collection Account with respect thereto or funds otherwise provided by the Borrower or an Affiliate thereof to the Trustee with respect thereto and (3) solely with respect to any Advance being repaid in connection with an Optional Sale pursuant to Section 2.14, funds to the Trustee for payment to the Lenders of such Advances sufficient to repay all accrued Class A Interest and Class B Interest in respect of such Advance which may include instructions to the Trustee to use funds from the Interest Collection Account with respect thereto or funds otherwise provided by the Borrower or an Affiliate thereof

to the Trustee with respect thereto; provided that, the Advances Outstanding will not be reduced unless sufficient funds have been remitted to pay all such amounts in the succeeding sentence in full. The Trustee shall apply amounts received from the Borrower (or the Loan Manager on behalf of the Borrower) pursuant to this Section 2.3(b) (a) in respect of Class A Advances, to the *pro rata* reduction of the Class A Advances Outstanding (and, if applicable pursuant to clause (2) above, to the payment of accrued Class A Interest), (b) in respect of the Class B Advances, to the *pro rata* reduction of the Class B Advances Outstanding (and, if applicable pursuant to clause (2) above, to the payment of accrued Class B Interest), and (c) to the payment of any Breakage Costs. Any Advance so repaid may, subject to the terms and conditions hereof, be reborrowed during the Reinvestment Period. Any Repayment Notice relating to any repayment pursuant to this Section 2.3(b) shall be irrevocable.

(c) Unless sooner prepaid pursuant to the terms hereof, the Class A Advances Outstanding shall be repaid in full on earlier to occur of (i) the Class A Facility Maturity Date and (ii) the Termination Date or on such later date as is agreed to in writing by the Borrower, the Loan Manager, the Administrative Agent and the Class A Lenders.

(d) Unless sooner prepaid pursuant to the terms hereof, the Class B Advances Outstanding shall be repaid in full on the Termination Date or on such later date as is agreed to in writing by the Borrower, the Loan Manager and the Class B Lenders.

(e) If none of an Event of Default, Loan Manager Termination Event or the Reinvestment Period End Date shall have occurred, the Borrower may by written notice to the Administrative Agent and the Lenders delivered no later than ninety (90) days prior to the second anniversary of the Closing Date, request that the Reinvestment Period and each Facility Maturity Date both be extended by one year, which extension shall be granted by the Administrative Agent only upon the written consent of each Class A Lender and each Class B Lender. Upon written notice from the Administrative Agent to the Borrower agreeing to such extension, the Reinvestment Period End Date and each Facility Termination Date shall be extended by one calendar year for all purposes hereof.

(f) For the avoidance of doubt and notwithstanding any other provision of this Agreement, the Borrower may, in its sole discretion, contemporaneously effect a prepayment or refinancing of the Advances Outstanding in full pursuant to Section 2.3(b), a reduction of the Commitments to zero pursuant to Section 2.3(a) and the occurrence of the Collection Date by paying all other outstanding Obligations (including, without limitation, any applicable Commitment Reduction Fee) by instructing the Trustee to apply funds in any Account or funds otherwise provided by the Borrower to the Trustee.

Section 2.4 Determination of Interest.

(a) The Trustee shall determine the Class A Interest (including unpaid Class A Interest related thereto, if any, due and payable on a prior Payment Date) and the Class B Interest (including unpaid Class B Interest related thereto, if any, due and payable on a prior Payment Date) to be paid by the Borrower on each Payment Date for the related Accrual Period and shall advise the Loan Manager thereof on the third Business Day prior to such Payment Date.

(b) No provision of this Agreement shall require the payment or permit the collection of Class A Interest or Class B Interest in excess of the maximum permitted by Applicable Law.

(c) No Class A Interest or Class B Interest shall be considered paid by any distribution if at any time such distribution is rescinded or must otherwise be returned for any reason.

Section 2.5 Notations on Variable Funding Notes.

Each Lender is hereby authorized to enter on a schedule attached to the VFN with respect to such Lender, as applicable, a notation (which may be computer generated) or to otherwise record in its internal books and records or computer system with respect to each Advance under the VFN made by the applicable Lender of (a) the date and principal amount thereof and (b) each payment and repayment of principal thereof. Any such recordation shall, absent manifest error, constitute *prima facie* evidence of the outstanding Advances, as applicable, under each VFN. The failure of any Lender to make any such notation on the schedule attached to the applicable VFN shall not limit or otherwise affect the obligation of the Borrower to repay the Advances in accordance with the terms set forth herein.

Section 2.6 Borrowing Base Deficiency Cures.

Any Borrowing Base Deficiency may be cured by the Borrower taking one or more of the following actions:

(i) crediting Cash into the Principal Collection Account;

(ii) repaying the applicable Advances Outstanding in accordance with Section 2.3(b);

(iii) solely with respect to a Class A Borrowing Base Deficiency, drawing a Class B Advance in accordance with Sections 2.1(b) and 2.2; or

(iv) posting additional Eligible Loans and/or Permitted Investments as Collateral; provided that the amount of any reduction pursuant to any such additional Eligible Loans shall be the Adjusted Borrowing Value of such Eligible Loans.

For the avoidance of doubt, the Borrower may cure a Class A Borrowing Base Deficiency by any combination of (i), (ii), (iii) or (iv) of this Section 2.6 (or by any other action with the prior written consent of the Controlling Lender) and the Borrower may cure a Class B Borrowing Base Deficiency by any combination of (i), (ii) or (iv) of this Section 2.6 (or by any other action with the prior written consent of the Class B Lenders holding a majority of the Class B Commitments or, if the Class B Commitments are terminated, the Class B Advances Outstanding). Notwithstanding any other provisions of this Agreement, if the Borrower has eliminated a Borrowing Base Deficiency pursuant to clause (i) of this Section 2.6, upon written request of the Borrower to the Trustee to release such funds from the Principal Collection Account and certification by the Borrower that immediately after giving effect to the return of any such Cash, no Borrowing Base Deficiency will exist, the Borrower shall be permitted the

return of all or a portion of the Cash so deposited in the Principal Collection Account and the Trustee shall pay the amount so requested to the Borrower.

Section 2.7 Settlement Procedures.

(a) On each Payment Date, so long as no Event of Default has occurred and is continuing, the Loan Manager shall direct the Trustee to pay pursuant to the related Payment Date Statement (and the Trustee shall make payment from the Interest Collection Account to the extent of Available Funds, in reliance on the information set forth in such Payment Date Statement) to the following Persons, the following amounts in the following order of priority:

(1) *pro rata* to (i) the Trustee, in an amount equal to any accrued and unpaid Trustee Fees and (ii) the Securities Intermediary, in an amount equal to any amounts payable to the Securities Intermediary under the Securities Account Control Agreement;

(2) to the Loan Manager, in an amount equal to the sum of (A) any accrued and unpaid Senior Loan Management Fee and (B) all reasonable and documented Loan Manager Reimbursable Expenses (not to exceed $30,000 for such Payment Date);

(3) *pro rata* to each Class A Lender, in an amount equal to any accrued and unpaid Class A Interest and Class A Non-Usage Fee;

(4) *pro rata* to each Class B Lender, in an amount equal to any accrued and unpaid Class B Interest and Class B Non-Usage Fee;

(5) *pro rata* to (a) each Lender, in an amount equal to any accrued and unpaid Breakage Costs, and (b) to the Administrative Agent, any applicable Lender, the Trustee, the Indemnified Parties, or the Secured Parties, as applicable, all Fees and other amounts, including, without limitation, any Increased Costs and fees or expenses of counsel, but other than the principal of Advances Outstanding and any Commitment Reduction Fee then due under this Agreement;

(6) *pro rata* to each Class A Lender, (a) if a Class A Borrowing Base Deficiency exists, in an amount necessary to cure such Class A Borrowing Base Deficiency, *pro rata* in accordance with the amount of Class A Advances Outstanding hereunder, and (b) if an Interest Coverage Trigger has occurred and is continuing, in an amount necessary to cure such Interest Coverage Trigger, *pro rata*, in accordance with the amount of Class A Advances Outstanding hereunder;

(7) *pro rata* to each Class B Lender, (a) if a Class B Borrowing Base Deficiency exists, in an amount necessary to cure such Class B Borrowing Base Deficiency, *pro rata* in accordance with the amount of Class B Advances Outstanding hereunder, including any replenishment of the Class B Minimum Reserve Amount to the extent then required to be deducted from the Class B

Borrowing Base and (b) if an Interest Coverage Trigger has occurred and is continuing, in an amount necessary to cure such Interest Coverage Trigger, *pro rata*, in accordance with the amount of Class B Advances Outstanding hereunder;

(8) *pro rata* to each Class A Lender, in an amount equal to (a) any accrued and unpaid Commitment Reduction Fee owing to the Class A Lenders, and (b) if the Class A Facility Amount has been terminated in whole pursuant to Section 2.3(a), the Class A Advances Outstanding;

(9) *pro rata* to each Class B Lender, in an amount equal to (a) any accrued and unpaid Commitment Reduction Fee owing to the Class B Lenders, and (b) if the Class B Facility Amount has been terminated in whole pursuant to Section 2.3(a), the Class B Advances Outstanding;

(10) to the Expense Reserve Account, in an amount equal to the Expense Reserve Account Amount;

(11) to the Loan Manager, in an amount equal to any accrued and unpaid Subordinated Loan Management Fee;

(12) after the end of the Reinvestment Period, to the Loan Manager in an amount equal to the Accrued Loan Manager Fee;

(13) *pro rata* to each applicable party to pay all other Administrative Expenses;

(14) to the applicable Governmental Authority, any Tax or withholding Tax which, if not paid, could result in a Lien on any of the Collateral; and

(15) so long as no Default has occurred and is continuing, any remaining amounts shall be deemed released from the Lien of the Trustee hereunder and distributed to the Borrower or any nominee thereof;

provided that, notwithstanding the above, if a Class B Lender is an Affiliate of the Loan Manager and the Loan Manager has committed gross negligence or willful misconduct with respect to its obligations under this Agreement, no amounts shall be paid to such Class B Lender in respect of any unpaid Class B Interest or Class B Non-Usage Fee until all Class A Advances Outstanding, Class A Interest and Class A Non-Usage Fees have been repaid in full; provided, however, the failure to make any payment to any Class B Lender in accordance with the preceding proviso shall not constitute either a Default or an Event of Default hereunder.

(b) On each Payment Date, so long as no Event of Default has occurred and is continuing, the Loan Manager shall direct the Trustee to pay pursuant to the related Payment Date Statement (and the Trustee shall make payment from the Principal Collection Account to the extent of Available Funds, in reliance on the information set forth in such Payment Date Statement) to the following Persons, the following amounts in the following order of priority:

(1) to the extent not paid pursuant to Section 2.7(a)(1), *pro rata* to (i) the Trustee, in an amount equal to any accrued and unpaid Trustee Fees or (ii) the Securities Intermediary, in an amount equal to any amounts payable to the Securities Intermediary under the Securities Account Control Agreement;

(2) to the extent not paid pursuant to Section 2.7(a)(2), to the Loan Manager, in an amount equal to the sum of (A) any accrued and unpaid Senior Loan Management Fee, and (B) all reasonable and documented Loan Manager Reimbursable Expenses (not to exceed $30,000 for such Payment Date);

(3) to the extent not paid pursuant to Section 2.7(a)(3), *pro rata* to each Class A Lender, in an amount equal to any accrued and unpaid Class A Interest and Class A Non-Usage Fee;

(4) to the extent not paid pursuant to Section 2.7(a)(4), *pro rata* to each Class B Lender, in an amount equal to any accrued and unpaid Class B Interest and Class B Non-Usage Fee;

(5) to the extent not paid pursuant to Section 2.7(a)(5), *pro rata* to (a) each Lender, in an amount equal to any accrued and unpaid Breakage Costs, and (b) to the Administrative Agent, any applicable Lender, the Trustee, the Indemnified Parties, or the Secured Parties, as applicable, all Fees and other amounts, including, without limitation, any Increased Costs and fees or expenses of counsel, but other than the principal of Advances Outstanding and any Commitment Reduction Fee then due under this Agreement;

(6) to the extent not paid pursuant to Section 2.7(a)(6), *pro rata* to each Class A Lender, (a) if a Class A Borrowing Base Deficiency exists, in an amount necessary to cure such Class A Borrowing Base Deficiency, *pro rata*, in accordance with the amount of Class A Advances Outstanding hereunder, and (b) if an Interest Coverage Trigger has occurred and is continuing, in an amount necessary to cure such Interest Coverage Trigger, *pro rata* in accordance with the amount of Class A Advances Outstanding hereunder;

(7) to the extent not paid pursuant to Section 2.7(a)(7), *pro rata* to each Class B Lender, (a) if a Class B Borrowing Base Deficiency exists, in an amount necessary to cure such Class B Borrowing Base Deficiency, *pro rata*, in accordance with the amount of Class B Advances Outstanding hereunder, including any replenishment of the Class B Minimum Reserve Amount to the extent then required to be deducted from the Class B Borrowing Base, and (b) if an Interest Coverage Trigger has occurred and is continuing, in an amount necessary to cure such Interest Coverage Trigger, *pro rata* in accordance with the amount of Class B Advances Outstanding hereunder;

(8) after the end of the Reinvestment Period, to the Unfunded Exposure Account in an amount equal to the Aggregate Unfunded Exposure Amount *minus* the amount in the Unfunded Exposure Account as of the related

Determination Date;

(9) *pro rata* to each Class A Lender, in an amount equal to any accrued and unpaid Commitment Reduction Fee owing to the Class A Lenders;

(10) *pro rata* to each Class B Lender, in an amount equal to any accrued and unpaid Commitment Reduction Fee owing to the Class B Lenders;

(11) after the end of the Reinvestment Period, *pro rata* to each Class A Lenders to pay the Class A Advances Outstanding;

(12) after the end of the Reinvestment Period, *pro rata* to each Class B Lenders to pay the Class B Advances Outstanding;

(13) to the Expense Reserve Account, in an amount equal to the Expense Reserve Account Amount;

(14) to the Loan Manager, in an amount equal to any accrued and unpaid Subordinated Loan Management Fee;

(15) after the end of the Reinvestment Period, to the Loan Manager in an amount equal to the Accrued Loan Manager Fee;

(16) to the extent not paid pursuant to Section 2.7(a), *pro rata* to each applicable party to pay all other Administrative Expenses;

(17) to the applicable Governmental Authority, any Tax or withholding Tax which, if not paid, could result in a Lien on any of the Collateral; and

(18) so long as no Default has occurred and is continuing, any remaining amounts shall be deemed released from the Lien of the Trustee hereunder and distributed to the Borrower or any nominee thereof;

provided that, notwithstanding the above, if a Class B Lender is an Affiliate of the Loan Manager and the Loan Manager has committed gross negligence or willful misconduct with respect to its obligations under this Agreement, no amounts shall be paid to such Class B Lender in respect of any unpaid Class B Interest or Class B Non-Usage Fee until all Class A Advances Outstanding, Class A Interest and Class A Non-Usage Fees have been repaid in full. provided, however, the failure to make any payment to any Class B Lender in accordance with the preceding proviso shall not constitute either a Default or an Event of Default hereunder.

Section 2.8 Alternate Settlement Procedures.

On each Business Day (a) following the occurrence of and during the continuation of an Event of Default or (b) following the declaration of the occurrence, or the deemed occurrence, as applicable, of the Termination Date pursuant to Section 9.2(a), the Loan Manager (or, after delivery of a Notice of Exclusive Control, the Administrative Agent) shall direct the

Trustee to pay pursuant to the related Payment Date Statement (and the Trustee shall make payment from the Collection Account to the extent of Available Funds, in reliance on the information set forth in such Payment Date Statement) to the following Persons, the following amounts in the following order of priority:

(1) *pro rata* to (i) the Trustee, in an amount equal to any accrued and unpaid Trustee Fees and (ii) the Securities Intermediary, in an amount equal to any amounts payable to the Securities Intermediary under the Securities Account Control Agreement;

(2) to the Loan Manager, in an amount equal to the sum of (A) any accrued and unpaid Senior Loan Management Fee and (B) all reasonable and documented Loan Manager Reimbursable Expenses (not to exceed $30,000 for such Payment Date);

(3) *pro rata* to each Class A Lender, in an amount equal to any accrued and unpaid Class A Interest and Class A Non-Usage Fee;

(4) *pro rata* to each Class B Lender, in an amount equal to any accrued and unpaid Class B Interest and Class B Non-Usage Fee;

(5) *pro rata* to (a) each Lender, in an amount equal to any accrued and unpaid Breakage Costs, and (b) to the Administrative Agent, any applicable Lender, the Trustee, the Indemnified Parties, or the Secured Parties, as applicable, all Fees and other amounts, including, without limitation, any Increased Costs and fees or expenses of counsel, but other than the principal of Advances Outstanding and any Commitment Reduction Fee then due under this Agreement;

(6) to the Unfunded Exposure Account in an amount equal to the Aggregate Unfunded Exposure Amount *minus* the amount in the Unfunded Exposure Account as of the related Determination Date;

(7) *pro rata* to the Class A Lenders to pay the Class A Advances Outstanding;

(8) *pro rata* to the Class B Lenders to pay the Class B Advances Outstanding;

(9) *pro rata* to each Class A Lender, in an amount equal to any accrued and unpaid Commitment Reduction Fee owing to the Class A Lenders;

(10) *pro rata* to each Class B Lender, in an amount equal to any accrued and unpaid Commitment Reduction Fee owing to the Class B Lenders;

(11) to the Expense Reserve Account, in an amount equal to the Expense Reserve Account Amount;

(12) to the Loan Manager, in an amount equal to the sum of (A) any accrued and unpaid Subordinated Loan Management Fee, and (B) the Accrued Loan Manager Fee;

(13) *pro rata* to each applicable party to pay all other Administrative Expenses;

(14) to the applicable Governmental Authority, any Tax or withholding Tax which, if not paid, could result in a Lien on any of the Collateral; and

(15) any remaining amounts shall be deemed released from the Lien of the Trustee hereunder and distributed to the Borrower or any nominee thereof;

provided that, notwithstanding the above, if a Class B Lender is an Affiliate of the Loan Manager and the Loan Manager has committed gross negligence or willful misconduct with respect to its obligations under this Agreement, no amounts shall be paid to such Class B Lender in respect of any unpaid Class B Interest or Class B Non-Usage Fee until all Class A Advances Outstanding, Class A Interest and Class A Non-Usage Fees have been repaid in full; provided, however, the failure to make any payment to any Class B Lender in accordance with the preceding proviso shall not constitute either a Default or an Event of Default hereunder.

Section 2.9 Collections and Allocations.

(a) Collections. The Loan Manager shall promptly identify any collections received directly by it as being on account of Interest Collections or Principal Collections and shall transfer, or cause to be transferred, all Collections received directly by it to the appropriate Collection Account by the close of business within two (2) Business Days after such Collections are received. Upon the receipt of Collections in the Collection Account, the Loan Manager shall identify Principal Collections and Interest Collections and direct the Trustee and Securities Intermediary to transfer the same to the Principal Collection Account and the Interest Collection Account, respectively (or into the Unfunded Exposure Account pursuant to Section 2.9(e)(iii), if applicable). The Loan Manager shall further include a statement as to the amount of Principal Collections and Interest Collections on deposit in the Principal Collection Account and the Interest Collection Account on each Reporting Date in the Borrowing Base Certificate delivered pursuant to Section 6.8(e).

(b) Excluded Amounts. With the prior written consent of the Administrative Agent, the Loan Manager may direct the Trustee and the Securities Intermediary to withdraw from the Collection Account or the Unfunded Exposure Account and pay to the Person entitled thereto any amounts credited thereto constituting Excluded Amounts if the Loan Manager has, prior to such withdrawal and consent, delivered to the Administrative Agent, the Trustee, the Borrower and each Lender a report setting forth the calculation of such Excluded Amounts in form and substance reasonably satisfactory to the Administrative Agent and each Lender.

(c) Initial Deposits. On the initial Funding Date with respect to any Loan or Additional Loan, the Loan Manager will deposit or cause to be deposited into the Collection

Account all Collections received in respect of such Loan on such initial Funding Date.

(d) Investment of Funds. Until the occurrence of an Event of Default, to the extent there are uninvested amounts deposited in the Collection Account, the Expense Reserve Account or the Unfunded Exposure Account, all such amounts shall be invested in Permitted Investments selected by the Borrower or the Loan Manager on behalf of the Borrower on each Payment Date (or pursuant to standing instructions provided by the Loan Manager on behalf of the Borrower); provided that, if no Permitted Investments are selected by the Borrower or the Loan Manager on behalf of the Borrower, uninvested amounts deposited in (i) the Collection Account and the Expense Reserve Account shall be invested in the fund identified on Schedule V and (ii) the Unfunded Exposure Account shall be invested in the fund identified on Schedule VI; provided further that, from and after the occurrence of an Event of Default, to the extent there are uninvested amounts in the Collection Account, the Expense Reserve Account or the Unfunded Exposure Account, all such amounts may be invested in Permitted Investments selected by the Administrative Agent (which may be standing instructions). All earnings (net of losses and investment expenses) thereon shall be retained or deposited into the Collection Account, the Expense Reserve Account or the Unfunded Exposure Account, as applicable, and shall be applied on each Payment Date pursuant to the provisions of Section 2.7 or Section 2.8 (as applicable). Notwithstanding anything herein to the contrary, the Loan Manager will not select any permitted investment described in clauses (a), (c), (e), (f), (g) or (h) of the definition of Permitted Investments in Section 1.1.

(e) Unfunded Exposure Account.

(i) Neither the Borrower nor the Loan Manager on behalf of the Borrower shall acquire any Delayed Draw Loan or Revolving Loan other than on the Closing Date. With respect to each Delayed Draw Loan and Revolving Loan acquired by the Borrower on the Closing Date, immediately after giving effect to such acquisition or issuance, the Borrower shall deposit an amount equal to the Required Funding Amount with respect to such Delayed Draw Loan or Revolving Loan, as applicable, into the Unfunded Exposure Account. Subject to the satisfaction of the Withdrawal Conditions, amounts on deposit in the Unfunded Exposure Account may be withdrawn by (i) the Borrower (or the Loan Manager on behalf of the Borrower) to fund any draw requests of the relevant Obligors under any Revolving Loan or Delayed Draw Loan, or (ii) by the Borrower (or by the Loan Manager on behalf of the Borrower) to make a deposit into the Principal Collection Account. Any such withdrawal shall be subject to the following conditions (the "Withdrawal Conditions"):

(1) after giving effect to such withdrawal, no Borrowing Base Deficiency exists; and

(2) after giving effect to such withdrawal, the aggregate amount on deposit in the Unfunded Exposure Account is equal to or greater than the aggregate Required Funding Amount with respect to all Loans included in the Collateral.

(ii) Any draw request made by an Obligor under a Revolving Loan or

Delayed Draw Loan, along with wiring instructions for the applicable Obligor, shall be forwarded by the Loan Manager on behalf of the Borrower to the Trustee (with a copy to the Administrative Agent and the Borrower) along with either (A) an instruction to the Trustee to withdraw the applicable amount from the Unfunded Exposure Account and a certification that the Withdrawal Conditions are satisfied or (B) an instruction to the Trustee to withdraw the applicable amount from the Principal Collection Account, and the Trustee shall fund such draw request in accordance with such instructions from the Loan Manager on behalf of the Borrower.

(iii) If the Borrower (or the Loan Manager on behalf of the Borrower) shall receive any Principal Collections from an Obligor with respect to a Revolving Loan and, as of the date of such receipt (and after taking into account such repayment), the aggregate amount on deposit in the Unfunded Exposure Account is less than the aggregate Required Funding Amount with respect to all Loans included in the Collateral (the amount of such shortfall, in each case, the "Unfunded Exposure Shortfall"), the Loan Manager (on behalf of the Borrower) shall direct the Trustee to deposit into the Unfunded Exposure Account an amount of such Principal Collections equal to the lesser of (a) the aggregate amount of such Principal Collections and (b) the Unfunded Exposure Shortfall.

(f) Expense Reserve Account. At any time, the Loan Manager may direct the Trustee and the Securities Intermediary to withdraw from the Expense Reserve Account and pay to the Loan Manager an amount equal to any Loan Manager Reimbursable Expenses.

Section 2.10 Payments, Computations, etc.

(a) Unless otherwise expressly provided herein, all amounts to be paid or deposited by the Borrower hereunder shall be paid or deposited in accordance with the terms hereof no later than 3:00 p.m. (Charlotte, North Carolina time) on the day when due in lawful money of the United States in immediately available funds and any amount not received before such time shall be deemed received on the next Business Day. The Borrower shall, to the extent permitted by law, pay to the Secured Parties interest on all amounts not paid or deposited when due hereunder at 4.00% *per annum* above the Prime Rate, payable on demand; provided that such interest rate shall not at any time exceed the maximum rate permitted by Applicable Law. Such interest shall be for the account of the applicable Secured Party. All computations of interest and other fees hereunder shall be made on the basis of a year consisting of 360 days (other than calculations with respect to the Base Rate, which shall be based on a year consisting of 365 or 366 days, as applicable) for the actual number of days elapsed.

(b) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of Interest or any fee payable hereunder, as the case may be. For avoidance of doubt, to the extent that Available Funds are insufficient on any Payment Date to satisfy the full amount of any Increased Costs pursuant to Section 2.12, such unpaid amounts shall remain due and owing and shall accrue interest as provided in Section 2.10(a) until repaid in full.

(c) If any Advance requested by the Borrower (or the Loan Manager on

behalf of the Borrower) is not effectuated as a result of the Loan Manager's or the Borrower's actions or failure to fulfill any condition under Section 3.2, (which, in the case of the Loan Manager, is solely within the control of the Loan Manager) as the case may be, on the date specified therefor, whichever of the Loan Manager or the Borrower is at fault, such Person shall indemnify the applicable Lender against any reasonable loss, cost or expense incurred by the applicable Lender, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by the applicable Lender to fund or maintain such Advance.

Section 2.11 Fees.

(a) The Trustee shall be entitled to receive the Trustee Fee in accordance with Sections 2.7(a)(1), (b)(1) and 2.8(1), as applicable.

(b) The Borrower shall pay to each of Cadwalader, Wickersham & Taft LLP as counsel to the Administrative Agent and the Class A Lenders and Winston & Strawn LLP as counsel to the Class B Lenders, within two (2) Business Days following an invoice therefor, their reasonable estimated fees and out-of-pocket expenses through the Closing Date, and shall pay all additional reasonable fees and out-of-pocket expenses of Cadwalader, Wickersham & Taft LLP and Winston & Strawn LLP required to be paid by the Borrower hereunder within two (2) Business Days after receiving an invoice for such amounts.

Section 2.12 Increased Costs; Capital Adequacy; Illegality.

(a) If either (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation of any Applicable Law or (ii) the compliance by an Affected Party with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), shall (A) change the basis of taxation of payments to any Affected Party in respect thereof with respect to its interest in the Collateral, or any right or obligation to make Advances hereunder, or on any payment made hereunder (except for any Taxes as to which an additional amount is payable pursuant to Section 2.13), (B) impose, modify or deem applicable any reserve requirement (including, without limitation, any reserve requirement imposed by the Board of Governors of the Federal Reserve System, but excluding any reserve requirement, if any, included in the determination of either Class A Interest or Class B Interest), special deposit or similar requirement against assets of, deposits with or for the amount of, or credit extended by, any Affected Party or (C) impose any other condition affecting any Affected Party's rights hereunder or under any other Transaction Document, the result of which is to increase the cost to any Affected Party or to reduce the amount of any sum received or receivable by an Affected Party under this Agreement or under any other Transaction Document, then on the Payment Date following demand by such Affected Party (which demand shall be accompanied by a statement setting forth the basis for such demand), the Borrower shall pay directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such additional or increased cost incurred or such reduction suffered.

(b) If either (i) the introduction of or any change in or in the interpretation of any law, guideline, rule, regulation, directive or request or (ii) compliance by any Affected Party

with any law, guideline, rule, regulation, directive or request from any central bank or other Governmental Authority or agency (whether or not having the force of law), including, without limitation, compliance by an Affected Party with any request or directive regarding capital adequacy, but excluding Taxes for which an amount is payable pursuant to Section 2.13, has or would have the effect of reducing the rate of return on the capital of any Affected Party as a consequence of its obligations hereunder or arising in connection herewith to a level below that which any such Affected Party could have achieved but for such introduction, change or compliance (taking into consideration the policies of such Affected Party with respect to capital adequacy) by an amount deemed by such Affected Party to be material, then from time to time, on the Payment Date following demand by such Affected Party (which demand shall be accompanied by a statement setting forth the basis for such demand), the Borrower shall pay directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such reduction. For the avoidance of doubt, if the issuance of any amendment or supplement to Interpretation No. 46 or to Statement of Financial Accounting Standards No. 140 by the Financial Accounting Standards Board or any other change in accounting standards or the issuance of any other pronouncement, release or interpretation, causes or requires the consolidation of all or a portion of the assets and liabilities of the Sellers, the Borrower or any Affected Party with the assets and liabilities of the Administrative Agent or any Lender or shall otherwise impose any loss, cost, expense, reduction of return on capital or other loss, such event shall constitute a circumstance on which such Affected Party may base a claim for reimbursement under this Section 2.12. Notwithstanding the foregoing, but subject to Section 6.7, the provisions of this Section 2.12(b) shall not apply to the consolidation of the Borrower for accounting purposes as required by GAAP with the Loan Manager or any Affiliate thereof, whether or not an Affected Party.

(c) If as a result of any event or circumstance similar to those described in clause (a) or (b) of this Section 2.12, any Affected Party is required to compensate a bank or other financial institution providing liquidity support, credit enhancement or other similar support to such Affected Party in connection with this Agreement or the funding or maintenance of Advances hereunder, then within ten (10) days after demand by such Affected Party, the Borrower shall pay to such Affected Party such additional amount or amounts as may be necessary to reimburse such Affected Party for any amounts payable or paid by it.

(d) In determining any amount provided for in this Section 2.12, the Affected Party may use any reasonable averaging and attribution methods. Any Affected Party making a claim under this Section 2.12 shall submit to the Borrower and the Loan Manager a written description as to such additional or increased cost or reduction and the calculation thereof, which written description shall be conclusive absent manifest error.

(e) If a Eurodollar Disruption Event as described in clause (a) of the definition of “Eurodollar Disruption Event” with respect to any Lender occurred, such Lender shall in turn so notify the Borrower, whereupon all Advances Outstanding of the affected Lender in respect of which either Class A Interest or Class B Interest accrues at the LIBOR Rate shall immediately be converted into Advances Outstanding in respect of which such Class A Interest or Class B Interest accrues at the Base Rate.

(f) Failure or delay on the part of any Affected Party to demand compensation

pursuant to this Section 2.12 shall not constitute a waiver of such Affected Party's right to demand or receive such compensation. Notwithstanding anything to the contrary in this Section 2.12, the Borrower shall not be required to compensate an Affected Party pursuant to this Section 2.12 for any amounts incurred more than six (6) months prior to the date that such Affected Party notifies the Borrower of such Affected Party's intention to claim compensation therefor; provided that, if the circumstances giving rise to such claim have a retroactive effect, then such six (6) month period shall be extended to include the period of such retroactive effect.

(g) Each Lender agrees that it will take such commercially reasonable actions as the Borrower may reasonably request that will avoid the need to pay, or reduce the amount of, any increased amounts referred to in this Section 2.12 or Section 2.13; provided that no Lender shall be obligated to take any actions that would, in the reasonable opinion of such Lender, be disadvantageous to such Lender. In no event will Borrower be responsible for increased amounts referred to in this Section 2.12, which relates to any other entities to which Lenders provide financing.

(h) The payment of amounts under this Section 2.12 shall be on an after-Tax basis.

Section 2.13 Taxes.

(a) Any and all payments by or on behalf of the Borrower under or in respect of this Agreement or any other Transaction Documents to which the Borrower is a party shall be made free and clear of, and without deduction or withholding for or on account of, any and all present or future taxes, levies, imposts, deductions, charges or withholding, and all liabilities (including penalties, interest and additions to tax) with respect thereto, whether now or hereafter imposed, levied, collected, withheld or assessed by any taxation authority or other Governmental Authority (collectively, "Taxes"), unless required by law. If the Borrower shall be required under any applicable requirement of law to deduct or withhold any Taxes from or in respect of any sum payable under or in respect of this Agreement or any of the other Transaction Documents to any Secured Party (including for purposes of Section 2.12 and this Section 2.13, any assignee, successor, or participant), (i) such Person shall make all such deductions and withholdings in respect of Taxes, (ii) such Person shall pay the full amount deducted or withheld in respect of Taxes to the relevant taxation authority or other Governmental Authority in accordance with any requirement of law, and (iii) the sum payable by such Person shall be increased as may be necessary so that after such Person has made all required deductions and withholdings (including deductions and withholdings applicable to additional amounts payable under this Section 2.13(a)), such Secured Party receives an amount equal to the sum it would have received had no such deductions or withholdings been made in respect of Non-Excluded Taxes. For purposes of this Agreement "Non-Excluded Taxes" are Taxes other than Excluded Taxes.

(b) In addition, the Borrower hereby agrees to pay or, at the option of a Secured Party, timely reimburse it for the payment of, any present or future stamp, recording, documentary, excise, property or value-added taxes, or similar taxes, charges or levies that arise from any payment made under or in respect of this Agreement or any other Transaction Document or from the execution, delivery, enforcement or registration of, any performance,

receipt or perfection of a security interest under, or otherwise with respect to, this Agreement or any other Transaction Document (collectively, "Other Taxes").

(c) The Borrower hereby agrees to indemnify each Secured Party (including its direct or indirect beneficial owners) for, and to hold it harmless against, the full amount of Non-Excluded Taxes and Other Taxes, and the full amount of Taxes of any kind imposed by any jurisdiction on amounts payable under this Section 2.13(c) imposed on or paid by such Secured Party or any direct, beneficial or indirect owner thereof and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. The indemnity by the Borrower provided for in this Section 2.13(c) shall apply and be made whether or not the Non-Excluded Taxes or Other Taxes for which indemnification hereunder is sought have been correctly or legally asserted. Amounts payable by the Borrower under the indemnity set forth in this Section 2.13(c) shall be paid within ten (10) days from the date on which a Secured Party makes written demand therefor, which demand shall be conclusive as to the amount of such indemnity absent manifest error.

(d) Within thirty (30) days after the date of any payment of Taxes, the Borrower (or any Person making such payment on behalf of such Person) shall furnish to the applicable Secured Party a receipt or other tax forms otherwise evidencing payment thereof.

(e) For purposes of this Section 2.13(e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Code (or any successor sections). Each Lender (including for avoidance of doubt any assignee, successor or participant and, in the case of a limited liability company that is treated as a pass-through entity for U.S. federal income tax purposes, its beneficial owners) that either (i) is not incorporated under the laws of the United States, any State thereof, or the District of Columbia or (ii) whose name does not include "Incorporated," "Inc.," "Corporation," "Corp.," "P.C.," "insurance company," or "assurance company" (a "Non-Exempt Lender") shall deliver or cause to be delivered to Borrower the following properly completed and duly executed documents:

(i) in the case of a Non-Exempt Lender that is not a United States person or is a disregarded entity for U.S. federal income tax purposes that is owned by a non-U.S. Person and is entitled to provide such form, a complete and executed (x) U.S. Internal Revenue Service Form W-8BEN with Part II completed in which Lender claims the benefits of a tax treaty with the United States providing for a zero or reduced rate of withholding (or any successor forms thereto), including all appropriate attachments or (y) a U.S. Internal Revenue Service Form W-8ECI (or any successor forms thereto); or

(ii) in the case of a Non-Exempt Lender that is an individual, (x) for non-U.S. Persons, a complete and executed U.S. Internal Revenue Service Form W-8BEN (or any successor forms thereto) and a certificate substantially in the form of Exhibit I (a "Section 2.13 Certificate") or (y) for U.S. Persons, a complete and executed U.S. Internal Revenue Service Form W-9 (or any successor forms thereto); or

(iii) in the case of a Non-Exempt Lender that is organized under the laws of the United States, any State thereof, or the District of Columbia and that is not a disregarded entity owned by a non-U.S. Person, a complete and executed U.S. Internal

Revenue Service Form W-9 (or any successor forms thereto); or

(iv) in the case of a Non-Exempt Lender that (x) is not organized under the laws of the United States, any State thereof, or the District of Columbia and (y) is treated as a corporation for U.S. federal income tax purposes, a complete and executed U.S. Internal Revenue Service Form W-8BEN (or any successor forms thereto) and a Section 2.13 Certificate; or

(v) in the case of a Non-Exempt Lender that (A) is treated as a partnership or other non-corporate entity, and (B) is not organized under the laws of the United States, any State thereof, or the District of Columbia, (x)(i) a complete and executed U.S. Internal Revenue Service Form W-8IMY (or any successor forms thereto) (including all required documents and attachments) and (ii) a Section 2.13 Certificate, and (y) in the case of a non-withholding foreign partnership or trust, without duplication, with respect to each of its beneficial owners and the beneficial owners of such beneficial owners looking through chains of owners to individuals or entities that are treated as corporations for U.S. federal income tax purposes (all such owners, "beneficial owners"), the documents that would be provided by each such beneficial owner pursuant to this Section 2.13(e) if such beneficial owner were a Lender, provided, however, that no such documents will be required with respect to a beneficial owner to the extent the actual Lender is determined to be in compliance with the requirements for certification on behalf of its beneficial owner as may be provided in applicable U.S. Treasury regulations, or the requirements of this clause (v) are otherwise determined to be unnecessary, all such determinations under this clause (v) to be made in the sole discretion of Borrower, provided, however, that Lender shall be provided an opportunity to establish such compliance as reasonable; or

(vi) in the case of a Non-Exempt Lender that is disregarded for U.S. federal income tax purposes, the document that would be required by clauses (i), (ii), (iii), (iv), (v), (vii) and/or this clause (vi) of this Section 2.13(e) with respect to its beneficial owner if such beneficial owner were the Lender; or

(vii) in the case of a Non-Exempt Lender that (A) is not a United States person and (B) is acting in the capacity of an "intermediary" (as defined in U.S. Treasury Regulations), (x)(i) a U.S. Internal Revenue Service Form W-8IMY (or any successor form thereto) (including all required documents and attachments) and (ii) a Section 2.13 Certificate, and (y) if the intermediary is a "non-qualified intermediary" (as defined in U.S. Treasury Regulations), from each person upon whose behalf the "non-qualified intermediary" is acting the documents that would be required by clauses (i), (ii), (iii), (iv), (v), (vi), and/or this clause (vii) with respect to each such person if each such person were a Lender.

Each Lender shall (and, in the case of a pass-through entity for the applicable Tax purposes shall cause any of its beneficial owners to), upon written request from the Borrower, deliver to the Borrower any new certificates, documents or other evidence as described in this Section 2.13(e) as will permit payments under this Agreement to be made without withholding or at a reduced rate; provided, however, that the Lender (or, in the case of a pass-through entity, the beneficial

owners) shall not be required to deliver any certificates, documents or other evidence if, in the sole judgment of such Lender (or, in the case of a pass-through entity, the beneficial owners), such delivery would be legally inadvisable, or commercially disadvantageous to such Lender (or beneficial owners).

If the Lender provides a form pursuant to clause (i)(x) and the form provided by the Lender at the time such Lender first becomes a party to this Agreement or, with respect to a grant of a participation, the effective date thereof, indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be treated as Taxes other than "Non-Excluded Taxes" ("Section 2.13(e) Excluded Taxes") and shall not qualify as Non-Excluded Taxes unless and until such Lender provides the appropriate form certifying that a lesser rate applies, whereupon withholding tax at such lesser rate shall be considered Section 2.13(e) Excluded Taxes solely for the periods governed by such form. If, however, on the date a Person becomes an assignee, successor or participant to this Agreement, a Lender transferor was entitled to indemnification or additional amounts under this Section 2.13, then the Lender assignee, successor or participant shall be entitled to indemnification or additional amounts to the extent (and only to the extent), that the Lender transferor was entitled to such indemnification or additional amounts for Non-Excluded Taxes, and the Lender assignee, successor or participant shall be entitled to additional indemnification or additional amounts for any other or additional Non-Excluded Taxes.

(f) For any period with respect to which a Lender has failed to provide Borrower with the appropriate form, certificate or other document described in subsection (e) of this Section 2.13 (other than if, in the sole judgment of such Lender, the provision of such form, certificate or document would have been legally inadvisable or commercially or otherwise disadvantageous to such Lender in any respect), such Lender shall not be entitled to indemnification or additional amounts under subsection (a) or (c) of this Section 2.13 with respect to Non-Excluded Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender become subject to Non-Excluded Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Borrower shall take such steps as such Lender shall reasonably request, to assist such Lender in recovering such Non-Excluded Taxes.

(g) If a Secured Party determines, in its sole discretion, that it has received a refund in respect of any amounts as to which it has been indemnified by the Borrower under this Section 2.13 or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.13, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid by the Borrower under this Section 2.13 with respect to Non-Excluded Taxes and Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Secured Party and without interest (other than interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Secured Party, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Secured Party in the event the Secured Party is required to repay such refund to such Governmental Authority. This Section 2.13(g) shall not be construed to require the Secured Party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

(h) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.13 shall survive the termination of this Agreement and the other Transaction Documents. Nothing contained in Section 2.12 or this Section 2.13 shall require any Secured Party to complete, execute or make available any of its tax returns or any other information that it deems to be confidential or proprietary or whose completion, execution or submission would, in such Secured Party's judgment, materially prejudice such Secured Party's legal or commercial position.

Section 2.14 Reinvestment; Discretionary Sales, Substitution and Optional Sales of Loans.

(a) Reinvestment. On the terms and conditions hereinafter set forth as certified in writing to the Administrative Agent and the Trustee, prior to the Facility Maturity Date, the Borrower (or the Loan Manager on behalf of the Borrower) may withdraw funds on deposit in the Principal Collection Account for the following purposes:

(i) to reinvest such funds in Additional Loans to be pledged hereunder (a "Reinvestment"), so long as (1) all conditions precedent set forth in Section 3.2 have been satisfied and (2) each Additional Loan acquired by the Borrower in connection with such reinvestment shall be an Eligible Loan; or

(ii) to make payments in respect of the Advances Outstanding at such time in accordance with and subject to the terms of Section 2.3(b); or

(iii) during the Reinvestment Period, to fund Revolving Loans and Delayed Draw Loans.

Upon the satisfaction of the applicable conditions set forth in this Section 2.14(a) (as certified by the Borrower (or the Loan Manager on behalf of the Borrower) to the Administrative Agent and the Trustee), the Trustee will release funds from the Principal Collection Account to the Borrower (or as the Loan Manager on behalf of the Borrower may direct) in an amount not to exceed the lesser of (A) the amount requested by the Borrower (or the Loan Manager on behalf of the Borrower) and (B) the amount on deposit in the Principal Collection Account on such day.

(b) Substitutions. Subject to Sections 2.14(e) and (f), the Borrower (or the Loan Manager on behalf of the Borrower) may, or to the extent a Substitution is required under a Sale Agreement, shall, sell any Loan and replace such Loan with an Additional Loan (each such sale and replacement, a "Substitution") so long as (i) no Event of Default has occurred and is continuing and, immediately after giving effect to such Substitution, no Default or Event of Default shall have occurred, (ii) each substitute Additional Loan acquired by the Borrower in connection with a Substitution shall be an Eligible Loan, (iii) 100% of the proceeds from the sale of the Loan(s) to be replaced in connection with such Substitution are either applied by the Borrower to acquire the substitute Additional Loan(s) or deposited in the Collection Account, (iv) all conditions precedent set forth in Section 3.2 have been satisfied with respect to each Additional Loan to be acquired by the Borrower in connection with such Substitution and (v) immediately after giving effect to such Substitution, no Borrowing Base Deficiency exists;

provided that, notwithstanding anything to the contrary set forth in Section 3.2, in the event a Borrowing Base Deficiency shall have existed immediately prior to giving effect to such Substitution, the Borrower may effect a Substitution so long as, immediately after giving effect to such Substitution and any other sale or transfer substantially contemporaneous therewith, such Borrowing Base Deficiency is reduced or cured.

(c) Discretionary Sales. Upon not less than one (1) Business Day's prior written notice to the Administrative Agent (with a copy to the Trustee and the Lenders), the Borrower (or the Loan Manager on behalf of the Borrower) shall be permitted, subject to clauses (e) and (f) below, to sell Loans (each, a "Discretionary Sale") so long as (i) no Event of Default has occurred and is continuing and, immediately after giving effect to such Discretionary Sale, no Default or Event of Default shall have occurred, (ii) unless the Administrative Agent and Majority Class B Lenders shall have each provided prior written consent, the sale price of any such Loan sold pursuant to a Discretionary Sale shall be equal to or greater than its Adjusted Borrowing Value, and (iii) immediately after giving effect to such Discretionary Sale, no Borrowing Base Deficiency exists; provided that, in the event a Borrowing Base Deficiency shall have existed immediately prior to giving effect to such Discretionary Sale, the Borrower (or the Loan Manager on behalf of the Borrower) may, with the prior consent of the Administrative Agent and the Majority Class B Lenders in their respective sole discretion, effect a Discretionary Sale so long as, immediately after giving effect to such Discretionary Sale and any other sale or transfer substantially contemporaneous therewith, such Borrowing Base Deficiency is reduced or cured.

(d) Optional Sale. On any Business Day the Borrower (or the Loan Manager on behalf of the Borrower as instructed by the Borrower) shall have the right to sell all of the Loans included in the Collateral (an "Optional Sale"), subject to the following terms and conditions:

(i) not later than ten (10) Business Days prior to the date of the Optional Sale, the Borrower (or the Loan Manager on behalf of the Borrower as instructed by the Borrower) shall deliver to the Administrative Agent and each Lender a certificate and evidence to the reasonable satisfaction of such parties (which satisfaction shall be confirmed in writing by the Administrative Agent and each Lender) that the Borrower (A) shall have sufficient funds on or prior to the date of such Optional Sale to pay the outstanding Obligations in full in accordance with this Agreement (with respect to the Advances Outstanding, pursuant to Section 2.3(b)) and (B) shall terminate the Commitments in full on the date of such Optional Sale; and

(ii) on the date of the Optional Sale, the Borrower shall cause the Collection Date to occur.

(e) Conditions to Sales, Substitutions and Repurchases. Any Discretionary Sale, sale pursuant to a Substitution, or Optional Sale effected pursuant to Sections 2.14(b), (c), or (d) shall be subject to the satisfaction of the following conditions:

(i) except in connection with an Optional Sale, the Borrower (or the Loan Manager on behalf of the Borrower) shall deliver a Borrowing Base Certificate to

the Administrative Agent;

(ii) the Borrower (or the Loan Manager on behalf of the Borrower) shall deliver a list of all Loans to be sold or substituted to the Administrative Agent and the Trustee;

(iii) except in connection with an Optional Sale, as certified in writing to the Administrative Agent by the Borrower (or the Loan Manager on behalf of the Borrower), no selection procedures adverse to the interests of the Administrative Agent or the Lenders were utilized by the Borrower or the Loan Manager, as applicable, in the selection of the Loans to be sold or substituted;

(iv) the Borrower (or the Loan Manager on behalf of the Borrower) shall notify the Administrative Agent and Trustee of any amount to be deposited into the Collection Account in connection with any sale or substitution;

(v) each such Discretionary Sale and sale pursuant to a Substitution and Optional Sale complies with the Portfolio Acquisition and Disposition Requirements;

(vi) the Borrower shall be deemed to have certified to the Administrative Agent that the representations and warranties contained in Section 4.1 and 4.2 hereof shall continue to be correct in all material respects following any sale or substitution, except to the extent any such representation or warranty relates to an earlier date;

(vii) any repayment of Advances Outstanding in connection with any sale or substitution of Loans hereunder shall comply with the requirements set forth in Section 2.3;

(viii) as certified in writing to the Administrative Agent by the Borrower (or the Loan Manager on behalf of the Borrower), any Discretionary Sale or sale in connection with a Substitution shall be made by the Borrower (or the Loan Manager on behalf of the Borrower) to an unaffiliated third-party purchaser in a transaction (1) reflecting arm's-length market terms and (2) in which the Borrower makes no representations, warranties or covenants and provides no indemnification for the benefit of any other party to such sale (other than that the Borrower has good title thereto, free and clear of all Liens and has the right to sell the related Loan), provided that the Borrower (or the Loan Manager on behalf of the Borrower) may make a Discretionary Sale or sale in connection with a Substitution to (A) an Affiliate of the Borrower, (B) an Affiliate of the Loan Manager, and (C) an Affiliate of any Class B Lender with the prior written consent of the Administrative Agent (and, solely with respect to clause (A), each Class B Lender) in its sole discretion (except that, so long as no Event of Default has occurred and is continuing, no such consent shall be required in connection with a Discretionary Sale or Substitution to a Seller pursuant to either (i) such Seller's mandatory repurchase or Substitution obligation, if any, under Section 7.4 of the related Sale Agreement or (2) such Seller's right to optionally repurchase or substitute Loans pursuant to either Section 7.1 or Section 2.5 of the related Sale Agreement); provided,

further, that after the occurrence and during the continuance of an Event of Default, the Borrower (or the Loan Manager on behalf of the Borrower) may only make Discretionary Sales, sales pursuant to a Substitution, or Optional Sales with the prior written consent of the Controlling Lender in its sole discretion, but such sales shall otherwise be subject to the provisions of such Sections; and

(ix) the Borrower shall pay an amount equal to all Breakage Costs and other accrued and unpaid costs and expenses (including, without limitation, reasonable legal fees) of the Administrative Agent, the Lenders and the Trustee in connection with any such sale, substitution or repurchase (including, but not limited to, expenses incurred in connection with the release of the Lien of the Trustee on behalf of the Secured Parties and any other party having an interest in the Loan in connection with such sale, substitution or repurchase).

(f) Limitations on Sales, Substitutions and Repurchases.

(i) The aggregate Outstanding Balance of all Loans which are sold or intended to be sold by the Borrower in connection with a Substitution during any 12-month rolling period shall not exceed 20% of the sum of the Class A Facility Amount and the Class B Facility Amount as of the start of such 12-month period (or such lesser number of months as shall have elapsed as of such date); provided that, the limitation set forth in this clause (i) shall not apply with respect to any Substitution of Revolving Loans occurring on or immediately prior to the Reinvestment Period End Date, or any sale of a Loan with an Assigned Value of zero.

(ii) The aggregate Outstanding Balance of all Loans which are sold or intended to be sold by the Borrower (or the Loan Manager on behalf of the Borrower) in connection with a Discretionary Sale during any 12-month rolling period shall not exceed (A) with respect to Discretionary Sales in connection with a Permitted Securitization, an amount necessary to effect such Permitted Securitization that is approved by both the Administrative Agent and the Majority Class B Lenders and (B) with respect to all other Discretionary Sales, 15% of the Class A Facility Amount and the Class B Facility Amount as of the start of such 12-month period (or such lesser number of months as shall have elapsed as of such date); provided that, the limitation set forth in this clause (ii) shall not apply with respect to any Discretionary Sale of Revolving Loans occurring on or immediately prior to the Reinvestment Period End Date, or any sale of a Loan with an Assigned Value of zero.

(g) Sales of Loans with an Assigned Value of Zero and Sales of Equity Securities. The Borrower (or the Loan Manager on behalf of the Borrower) may, or shall, if such sale is the result of the exercise by a Seller of a right to purchase under the related Sale Agreement, sell any Loan with an Assigned Value of zero or any Equity Security to any Person; provided, that (i) any such sale shall be made on an arm's-length basis at fair market value, (ii) if such sale is to the OFS Parent, shall be subject to the OFS Parent Valuation Procedures, and (iii) any such sale shall comply with the Portfolio Acquisition and Disposition Requirements.

Section 2.15 Assignment of the Sale Agreements.

The Borrower hereby assigns to the Trustee, for the benefit of the Secured Parties, all of the Borrower's right, title and interest in and to, but none of its obligations under, the Sale Agreements and any UCC financing statements filed under or in connection therewith. In furtherance and not in limitation of the foregoing, the Borrower hereby assigns to the Trustee for the benefit of the Secured Parties its right to indemnification under the Sale Agreements. The Borrower confirms that the Trustee, on behalf of the Secured Parties, shall have the right to enforce the Borrower's rights and remedies under the Sale Agreements and any UCC financing statements filed under or in connection therewith for the benefit of the Trustee for the benefit of the Secured Parties.

Section 2.16 Capital Contributions. Any direct or indirect owner of the Borrower may, but shall not be obligated to, make a capital contribution to the Borrower at any time.

ARTICLE III

CONDITIONS TO CLOSING AND ADVANCES

Section 3.1 Conditions to Closing and Initial Advance.

No Lender shall be obligated to make any Advance hereunder on the occasion of the Initial Advance, nor shall any Lender, the Administrative Agent or the Trustee be obligated to take, fulfill or perform any other action hereunder, until the following conditions have been satisfied, in the sole discretion of, or waived in writing by the Administrative Agent and the Class B Lenders:

(a) Each Transaction Document shall have been duly executed by, and delivered to, the parties thereto, and the Administrative Agent shall have received such other documents, instruments, agreements and legal opinions as the Administrative Agent or the Class B Lenders shall reasonably request in connection with the transactions contemplated by this Agreement, each in form and substance satisfactory to the Administrative Agent and the Class B Lenders;

(b) The Administrative Agent and the Class B Lenders shall have received satisfactory evidence that each Seller, the Borrower and the Loan Manager has obtained all required consents and approvals of all Persons to the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby or thereby;

(c) [Intentionally Omitted];

(d) Each Seller, the Loan Manager and the Borrower shall each have delivered to the Administrative Agent a certificate as to whether such Person is Solvent in the form of Exhibit C;

(e) (i) The Borrower shall have delivered to the Administrative Agent a certification that no Default, Event of Default or Change of Control with respect to the Borrower has occurred and is continuing and (ii) the Loan Manager shall have delivered to the Administrative Agent a certification that no Default, Event of Default or Change of Control with respect to the Loan Manager or Loan Manager Termination Event has occurred and is continuing;

(f) The Administrative Agent shall have received, with a counterpart for each Lender, the executed legal opinion or opinions of Dechert LLP, counsel to the Borrower, covering (i) enforceability, grant and perfection of the security interests on the Collateral and non-consolidation of the Borrower and OFS Funding with the OFS Parent and (ii) true sale of the Loans from the OFS Parent to the Borrower, in each case, in form and substance acceptable to the Administrative Agent in its reasonable discretion;

(g) The Borrower and the Administrative Agent shall have received the executed legal opinion or opinions of Winston & Strawn LLP, counsel to the Madison Seller and to the Loan Manager, covering (i) enforceability of the Transaction Documents to which the Madison Seller or the Loan Manager is a party and (ii) to the extent any Loans in connection with such Advances are being sold to the Borrower from the Madison Seller and, prior to such sale, any such Loan was registered in the name of the Madison Seller or an Affiliate thereof, a true sale opinion with respect to such Loans, in each case, in form and substance acceptable to the Administrative Agent in its reasonable discretion;

(h) The Borrower, the Administrative Agent and each Lender shall have received copies of the Credit and Collection Policy;

(i) The Administrative Agent and the Lenders shall have received the fees (including fees, disbursements and other charges of counsel to the Administrative Agent and the Class B Lenders) to be received on the Closing Date referred to herein;

(j) The Administrative Agent and the Lenders shall have received, sufficiently in advance of the Closing Date, all documentation and other information required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56;

(k) All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement and the other Transaction Documents shall be reasonably satisfactory in form and substance to the Administrative Agent and the Class B Lenders, and the Administrative Agent and the Class B Lenders shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as it shall reasonably request;

(l) On or prior to the date of the Initial Advance, each applicable Lender shall have received a duly executed copy of its Variable Funding Note, in a principal amount equal to the Commitment of such Lender;

(m) The UCC-1 financing statement is in proper form for filing in the filing office of the appropriate jurisdiction and, when filed, together with the Securities Account Control Agreement, is effective to perfect the Trustee's security interest in the Collateral such that the Trustee's security interest in the Collateral ranks senior to that of any other creditors of the Borrower (whether now existing or hereafter acquired);

(n) The Administrative Agent and the Class B Lenders shall have received a secretary's certificate of each Seller, the Loan Manager, and the Borrower, with a counterpart for each Lender, that includes a copy of the resolutions (or other authorizing instruments, if applicable), in form and substance satisfactory to the Administrative Agent, of the Board of Directors (or similar governing or managing body) of such Person authorizing (i) the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party, (ii) in the case of the Borrower, the borrowings contemplated hereunder, and (iii) in the case of the Borrower and the Sellers, the granting by it of the Liens created pursuant to the Transaction Documents, certified by the Secretary or an Assistant Secretary (or other authorized Person) of such Person as of the Closing Date, which certification shall be in form and substance satisfactory to the Administrative Agent and the Class B Lenders and shall state that the resolutions, or other authorizing instruments, if applicable, thereby certified have not been amended, modified, revoked or rescinded;

(o) The Administrative Agent and the Class B Lenders shall have received, with a counterpart for each Lender, a certificate of each Seller, the Loan Manager and the Borrower, dated the Closing Date, as to the incumbency and signature of the officers of such Person executing any Transaction Document, which certificate shall be which certification shall be included in the certificate delivered in respect of such Person pursuant to Section 3.1(n) and satisfactory in form and substance to the Administrative Agent and the Class B Lenders, and shall be executed by a Responsible Officer (or other authorized Person) of such Person;

(p) The Administrative Agent and the Class B Lenders shall have received, with a counterpart for each Lender, true and complete copies of the Governing Documents of each Seller, the Loan Manager and the Borrower, certified as of the Closing Date as complete and correct copies thereof by the Secretary or an Assistant Secretary (or other authorized Person) of such Person, which certification shall be included in the certificate delivered in respect of such Person pursuant to Section 3.1(n) and shall be in form and substance satisfactory to the Administrative Agent and the Class B Lenders;

(q) The Administrative Agent and the Class B Lenders shall have received, with a copy for each Lender, certificates dated as of a recent date from the Secretary of State or other appropriate authority, evidencing the good standing of each Seller, the Loan Manager and the Borrower (i) in the jurisdiction of its organization and (ii) in each other jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires it to qualify as a foreign Person except, as to this subclause (ii), where the failure to so qualify could not be reasonably expected to have a Material Adverse Effect;

(r) Each Lender shall have received the Structuring Fee payable to it on the Closing Date referred to in the Fee Letter;

(s) The Borrower shall have deposited, or caused to be deposited, $50,000 into the Expense Reserve Account;

(t) The Borrower shall have delivered an acknowledgement of and consent to the Pledge Agreement, executed by a duly authorized officer of such Person, in substantially the form appended to the Pledge Agreement;

(u) The Administrative Agent shall have received evidence in form and substance satisfactory to it that all filings, recordings, registrations and other actions, including, without limitation, the filing of duly executed financing statements on form UCC-1 necessary or, in the opinion of the Administrative Agent, desirable to perfect the Liens created, or purported to be created, by the Transaction Documents shall have been completed;

(v) The Administrative Agent and the Class B Lenders shall have received the results of a recent search by a Person satisfactory to the Administrative Agent, of the UCC, judgment and tax lien filings which may have been filed with respect to personal property of the Borrower, and bankruptcy and pending lawsuits with respect to the Borrower and the results of such search shall be satisfactory to the Administrative Agent and the Class B Lenders;

(w) Immediately after giving effect to the making of the Initial Advance and to the use of the proceeds thereof substantially contemporaneously therewith (or, in any event, on the same day as), (i) all amounts owing to each lender under the BOA Facility shall have been, or shall be concurrently with the making of the Initial Advance, repaid in full, and any Liens created pursuant to the BOA Facility shall have been or shall, concurrently with the making of the Initial Advance, be released, and all Transaction Documents (as defined in the BOA Facility) shall terminate and be of no further force and effect upon such repayment (other than provisions expressly specified in the payoff letter or any other provisions of any such Transaction Documents that by their express terms survive termination of the BOA Facility; and

(x) The Borrower shall have received the executed legal opinion or opinions of Locke, Lord, Bissell & Liddell LLP, counsel to the Trustee, covering enforceability of the Transaction Documents to which the Trustee is a party.

Section 3.2 Conditions Precedent to All Advances and Acquisitions of Additional Loans.

Each Advance under this Agreement, each Reinvestment of Principal Collections pursuant to Section 2.14(a)(i) and each acquisition of Additional Loans in connection with a Substitution pursuant to Section 2.14(b) (each, a "Transaction") shall be subject to the further conditions precedent that:

(a) With respect to any Advance (other than the Initial Advance), the Loan Manager shall have delivered to the Administrative Agent (with a copy to the Trustee and each Lender) no later than 2:00 p.m. (Charlotte, North Carolina time), on the related Funding Date:

(i) a Funding Notice in the form of Exhibit A-1, a Borrowing Base Certificate and a Loan Schedule with respect to each Loan, if any, proposed to be acquired by the Borrower in connection with such Transaction; and

(ii) if a Loan is being acquired with such Advance, a Certificate of Assignment in the form of Exhibit F (including Exhibit A thereto) and containing such additional information as may be reasonably requested by the Administrative Agent and each Lender;

(b) With respect to the Initial Advance, the Borrower shall have delivered to the Administrative Agent (with a copy to the Trustee and each Lender) no later than 2:00 p.m. (Charlotte, North Carolina time), on the related Funding Date:

(i) a Funding Notice in the form of Exhibit A-1, a Borrowing Base Certificate and a Loan Schedule with respect to each Loan proposed to be acquired by the Borrower in connection with the Initial Advance; and

(ii) the Closing Date Agreements with respect to each Loan proposed to be acquired by the Borrower in connection with the Initial Advance;

(c) With respect to any Reinvestment of Principal Collections permitted by Section 2.14(a)(i) and each acquisition of Additional Loans in connection with a Substitution pursuant to Section 2.14(b), the Loan Manager shall have delivered to the Administrative Agent, no later than 2:00 p.m. on the Business Day prior to any such reinvestment, a Reinvestment Notice in the form of Exhibit A-3 and a Borrowing Base Certificate, executed by the Loan Manager on behalf of the Borrower;

(d) On the date of such Transaction (A) the Borrower shall be deemed to have certified that each of the following statements shall be true and correct as of such date and (B) if the related Borrower's Notice is executed by the Borrower, the Borrower shall have certified in such notice that (other than with respect to the Loan Manager's certifications in clauses (e) and, with respect to reports required to be delivered by the Loan Manager under the Transaction Documents, (h) and the conditions precedent in clauses (g), (i) and (j) of this Section 3.2) all conditions precedent to the requested Transaction have been satisfied:

(i) The representations and warranties contained in Section 4.1 and Section 4.2 are true and correct in all respects on and as of such day as though made on and as of such day and shall be deemed to have been made on such day (other than any representation and warranty that is made as of a specific date);

(ii) With respect to the Borrower and the OFS Seller, no event has occurred, or would result from such Transaction or from the application of proceeds thereof, that constitutes an Event of Default or, unless such Transaction is a Class B Advance being requested to cure a Class A Borrowing Base Deficiency, a Default;

(iii) On and as of such day, immediately after giving effect to such Transaction, the Class A Advances Outstanding do not exceed the Class A Borrowing Base (or, to the extent permitted under Section 2.14(b), any Class A Borrowing Base Deficiency is reduced);

(iv) On and as of such day, immediately after giving effect to such Transaction, the Class B Advances Outstanding do not exceed the Class B Borrowing

Base (or, to the extent permitted under Section 2.14(b), any Class B Borrowing Base Deficiency is reduced);

(v) To the extent applicable to the requested Transaction and with respect to the Borrower, no Applicable Law shall prohibit or enjoin the proposed Reinvestment of Principal Collections or acquisition of Additional Loans; and

(vi) (A) the Class A Advances Outstanding do not exceed the Class A Facility Amount and (B) the Class B Advances Outstanding do not exceed the Class B Facility Amount.

(e) On the date of such Transaction (A) the Loan Manager shall be deemed to have certified that each of the following statements shall be true and correct as of such date and (B) the Loan Manager shall have certified in the related Borrower's Notice that (other than with respect to the Borrower's certifications in clauses (d) and, with respect to reports required to be delivered by the Borrower under the Transaction Documents, (h) and the conditions precedent in clauses (g), (i) and (j) of this Section 3.2) all conditions precedent to the requested Transaction have been satisfied:

(i) With respect to the Loan Manager and the Madison Seller, no event has occurred, or would result from such Transaction or from the application of proceeds thereof, that constitutes an Event of Default, unless such Transaction is a Class B Advance being requested to cure a Class A Borrowing Base Deficiency, a Default or a Loan Manager Termination Event;

(ii) On and as of such day, immediately after giving effect to such Transaction, the Class A Advances Outstanding do not exceed the Class A Borrowing Base (or, to the extent permitted under Section 2.14(b), any Class A Borrowing Base Deficiency is reduced);

(iii) On and as of such day, immediately after giving effect to such Transaction, the Class B Advances Outstanding do not exceed the Class B Borrowing Base (or, to the extent permitted under Section 2.14(b), any Class B Borrowing Base Deficiency is reduced);

(iv) (A) the Class A Advances Outstanding do not exceed the Class A Facility Amount and (B) the Class B Advances Outstanding do not exceed the Class B Facility Amount.

(f)(i) With respect to any Advance under this Agreement or any Reinvestment of Principal Collections pursuant to Section 2.14(a)(i), the Reinvestment Period End Date shall not have occurred, and (ii) with respect to any Transaction, the Termination Date shall not have occurred;

(g) On the date of such Transaction, unless such Transaction is a Class B Advance being requested to cure a Class A Borrowing Base Deficiency, the Administrative Agent shall have received such other approvals, opinions or documents as the Administrative Agent may reasonably require;

(h) Unless such Transaction is a Class B Advance being requested to cure a Class A Borrowing Base Deficiency, the Borrower and Loan Manager shall have delivered to the Administrative Agent all reports required to be delivered by either thereof as of the date of such Transaction including, without limitation, all deliveries required by Section 2.2;

(i) Unless such Transaction is a Class B Advance being requested to cure a Class A Borrowing Base Deficiency, the Borrower shall have paid all fees then required to be paid and, without duplication of Section 2.11, shall have reimbursed the Lenders, the Trustee and the Administrative Agent for all fees, costs and expenses then required to be paid in connection with the closing of the transactions contemplated hereunder and under the other Transaction Documents, including the reasonable attorney fees and any other legal and document preparation costs incurred by the Lenders, the Trustee and the Administrative Agent;

(j) Other than in connection with the Initial Advance, the Borrower and the Loan Manager shall have received a copy of a notice substantially in the form of Exhibit A-5 attached hereto, executed by the Administrative Agent and the Majority Class B Lenders, evidencing the approval of the Administrative Agent and the Majority Class B Lenders, in their respective sole discretion in accordance with clause (B) of the definition of "Eligible Loan," of the Loans to be added to the Collateral;

(k) In connection with the initial Advance with respect to any Loan after the Closing Date, the Borrower (or the Loan Manager on behalf of the Borrower) shall have delivered to the Trustee (with a copy to the Administrative Agent), no later than 12:00 p.m. on the related Advance Date, a faxed or emailed copy of the duly executed original promissory notes for each such Loan in respect of which a promissory note is issued (and, in the case of any Noteless Loan, a fully executed assignment agreement), and if any Loans are closed in escrow, a certificate (in the form of Exhibit K) from the closing attorneys of such Loan certifying the possession of the Required Loan Documents; provided that, notwithstanding the foregoing, the Borrower (or the Loan Manager on behalf of the Borrower) shall cause the Loan Checklist and the Required Loan Documents to be in the possession of the Trustee within five (5) Business Days (or such longer period as otherwise permitted by the definition of Required Loan Documents) of any related Advance Date with respect to any Loan; and

(l) To the extent any Loans in connection with any such Advance are being sold to the Borrower from the Madison Seller and, prior to such sale, any such Loan was registered in the name of the Madison Seller or an Affiliate thereof, a true sale opinion with respect to such Loans, in each case, in form and substance acceptable to the Administrative Agent in its reasonable discretion (it being acknowledged and agreed that the opinion delivered by Winston & Strawn LLP on the Closing Date is acceptable to the Administrative Agent and satisfies the requirements of this Section 3.2(l), so long as such sales are made in accordance with the facts described in such opinion and pursuant to the Madison Sale Agreement).

The failure of the Borrower (or the Loan Manager on behalf of the Borrower) to satisfy any of the foregoing conditions precedent in respect of any Advance shall give rise to a right of the Administrative Agent and the applicable Lender, which right may be exercised at any time on the demand of the applicable Lender, to rescind the related Advance and direct the Borrower to pay to the Administrative Agent for the benefit of the applicable Lender an amount

equal to the related Advances made during any such time that any of the foregoing conditions precedent were not satisfied.

Section 3.3 Trusteeship; Transfer of Loans and Permitted Investments.

(a) The Trustee shall hold all Certificated Securities (whether Loans or Permitted Investments) and Instruments in physical form at the Corporate Trust Office. Any successor Trustee shall be a state or national bank or trust company which is not an Affiliate of the Borrower, which is a Qualified Institution and which makes the representations of the Trustee set forth herein to the Borrower, the Administrative Agent and the Lenders in connection with the assumption of the Trustee's duties hereunder.

(b) Each time that the Borrower (or the Loan Manager on behalf of the Borrower) shall direct or cause the acquisition of any Loan or Permitted Investment, the Borrower shall (or the Loan Manager on behalf of the Borrower), if such Permitted Investment or, in the case of a Loan, the related promissory note or (with respect to a Noteless Loan) assignment documentation has not already been delivered to the Trustee in accordance with the requirements set forth in the definition of "Required Loan Documents", cause the delivery of such Permitted Investment or, in the case of a Loan, the related promissory note or (with respect to a Noteless Loan) assignment documentation in accordance with the requirements set forth in the definition of "Required Loan Documents" to the Trustee to be credited by the Trustee to the Collateral Account in accordance with the terms of this Agreement. The security interest of the Trustee in the funds or other property utilized in connection with such acquisition shall, immediately and without further action on the part of the Trustee, be released.

(c) The Borrower (or the Loan Manager on behalf of the Borrower) shall cause all Loans or Permitted Investments acquired by the Borrower to be transferred to the Trustee for credit by the Trustee to the Collateral Account, and shall cause all Loans and Permitted Investments acquired by the Borrower to be delivered to the Trustee by one of the following means (and shall take any and all other actions necessary to create and perfect in favor of the Trustee a valid security interest in each Loan and Permitted Investment, which security interest shall be senior (subject to Permitted Liens) to that of any other creditor of the Borrower (whether now existing or hereafter acquired):

(i) in the case of an Instrument or a Certificated Security represented by a Security Certificate in registered form by having it Indorsed to the Trustee or in blank by an effective Indorsement or registered in the name of the Trustee and by (A) delivering such Instrument or Security Certificate to the Securities Intermediary at the Corporate Trust Office and (B) causing the Securities Intermediary to maintain (on behalf of the Trustee for the benefit of the Secured Parties) continuous possession of such Instrument or Security Certificate at the Corporate Trust Office;

(ii) in the case of an Uncertificated Security, by (A) causing the Trustee to become the registered owner of such Uncertificated Security and (B) causing such registration to remain effective;

(iii) in the case of any Security Entitlement, by causing each such

Security Entitlement to be credited to a Securities Account in the name of the Borrower pursuant to the Securities Account Control Agreement;

(iv) in the case of General Intangibles (including any Loan or Permitted Investment not evidenced by an Instrument) by filing, maintaining and continuing the effectiveness of, a financing statement naming the Borrower as debtor and the Trustee as secured party and describing the Loan or Permitted Investment (as the case may be) as the collateral at the filing office of the Secretary of State of the State of Delaware.

(d) The security interest of the Trustee in any Collateral disposed of in a transaction permitted by this Agreement shall, immediately and without further action on the part of the Trustee, be released and the Trustee shall immediately release such Collateral to, or as directed by, the Borrower (or the Loan Manager on behalf of the Borrower).

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties of the Borrower.

The Borrower represents and warrants as follows as of the Closing Date, each Funding Date, and as of each other date provided under this Agreement or the other Transaction Documents on which such representations and warranties are required to be (or deemed to be) made:

(a) Organization and Good Standing. The Borrower has been duly organized, and is validly existing as a limited liability company in good standing, under the laws of the State of Delaware, with all requisite limited liability company power and authority to own or lease its properties and conduct its business as such business is presently conducted, and had at all relevant times, and now has all necessary power, authority and legal right to acquire, own and sell the Collateral.

(b) Due Qualification. The Borrower is (i) duly qualified to do business and is in good standing as a limited liability company in its jurisdiction of formation, and (ii) has obtained all necessary qualifications, licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualifications, licenses or approvals, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect.

(c) Power and Authority; Due Authorization; Execution and Delivery. The Borrower (i) has all necessary limited liability company power, authority and legal right to (a) execute and deliver each Transaction Document to which it is a party, and (b) carry out the terms of the Transaction Documents to which it is a party, and (ii) has duly authorized by all necessary limited liability company action, the execution, delivery and performance of each Transaction Document to which it is a party and the transfer and assignment of an ownership and security interest in the Collateral on the terms and conditions herein provided. This Agreement and each other Transaction Document to which the Borrower is a party have been duly executed

and delivered by the Borrower.

(d) Binding Obligation. Each Transaction Document to which the Borrower is a party constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms, except as such enforceability may be limited by Insolvency Laws and by general principles of equity (whether considered in a suit at law or in equity).

(e) No Violation. The consummation of the transactions contemplated by each Transaction Document to which it is a party and the fulfillment of the terms thereof will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the Governing Documents of the Borrower or any Contractual Obligation of the Borrower, (ii) result in the creation or imposition of any Lien (other than Permitted Liens) upon any the Borrower's properties pursuant to the terms of any such Contractual Obligation, other than this Agreement, or (iii) violate any Applicable Law.

(f) Agreements. The Borrower is not a party to any agreement or instrument or subject to any corporate restriction that has resulted or could reasonably be expected to result in a Material Adverse Effect. The Borrower is not in default in any manner under any provision of any agreement or instrument evidencing Indebtedness, or any other material agreement or instrument to which it is a party or by which it or any of its properties or assets are or may be bound, where such defaults could reasonably be expected to result in a Material Adverse Effect.

(g) No Proceedings. There is no litigation, proceeding or investigation pending or, to the knowledge of the Borrower, threatened against the Borrower, before any Governmental Authority (i) asserting the invalidity of any Transaction Document to which the Borrower is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by any Transaction Document to which the Borrower is a party or (iii) that could reasonably be expected to have Material Adverse Effect.

(h) All Consents Required. All approvals, authorizations, consents, orders, licenses, filings or other actions of any Person or of any Governmental Authority (if any) required for the due execution, delivery and performance by the Borrower of each Transaction Document to which the Borrower is a party have been obtained.

(i) Bulk Sales. The execution, delivery and performance of this Agreement and the transactions contemplated hereby do not require compliance with any "bulk sales" act or similar law by the Borrower.

(j) Solvency. The Borrower is not the subject of any Insolvency Proceedings or Insolvency Event. The transactions under the Transaction Documents to which the Borrower is a party do not and will not render the Borrower not Solvent and the Borrower shall deliver to the Administrative Agent on the Closing Date a certification in the form of Exhibit C.

(k) Taxes. The Borrower is and has always been treated as a disregarded entity for U.S. federal income tax purposes and has not elected under Treasury regulations Section 301.7701-3(c) to be treated as an association taxable as a corporation for U.S. federal

income tax purposes.

(l) Exchange Act Compliance; Regulations T, U and X. None of the transactions contemplated herein or in the other Transaction Documents (including, without limitation, the use of the proceeds from the transfer of the Collateral) will violate or result in a violation of Section 7 of the Exchange Act, or any regulations issued pursuant thereto, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter II. The Borrower does not own or intend to carry or purchase, and no proceeds from the Advances will be used to carry or purchase, any "margin stock" within the meaning of Regulation U or to extend "purpose credit" within the meaning of Regulation U.

(m) Security Interest.

(i) This Agreement creates a valid and continuing security interest (as defined in the UCC as in effect from time to time in the State of New York) in the Collateral in favor of the Trustee, on behalf of the Secured Parties, which security interest is validly perfected under Article 9 of the UCC and is prior to all other Liens (except for Permitted Liens), and is enforceable as such against creditors of and purchasers from the Borrower;

(ii) the Collateral is comprised of "instruments", "security entitlements", "general intangibles", "certificated securities", "uncertificated securities", "securities accounts", "investment property" and "proceeds" (each as defined in the applicable UCC) and such other categories of collateral under the applicable UCC as to which the Borrower has complied with its obligations under Section 4.1(m)(i);

(iii) with respect to Collateral that constitute Security Entitlements:

(1) all of such Security Entitlements have been credited to one of the Accounts and the securities intermediary for each Account has agreed to treat all assets credited to such Account as Financial Assets within the meaning of the UCC as in effect from time-to-time in the State of New York;

(2) the Borrower has taken all steps necessary to enable the Trustee to obtain "control" (within the meaning of the UCC as in effect from time-to-time in the State of New York) with respect to each Account; and

(3) the Accounts are not in the name of any Person other than the Borrower, subject to the lien of the Trustee for the benefit of the Secured Parties. The Borrower has not instructed the securities intermediary of any Account to comply with the entitlement order of any Person other than the Trustee; provided that, until the Trustee delivers a Notice of Exclusive Control, the Borrower and the Loan Manager may cause cash in the Accounts to be invested in Permitted Investments, and the proceeds thereof to be paid and distributed in accordance with this Agreement.

(iv) all Accounts constitute "securities accounts" as defined in the Section 8-501(a) of the UCC as in effect from time to time in the State of New York;

(v) the Borrower owns and has good and marketable title to the Collateral free and clear of any Lien (other than Permitted Liens) of any Person and other than the Lien created under the BOA Facility, which will be released on the Closing Date;

(vi) the Borrower has received all consents and approvals required by the terms of any Loan to the transfer and granting of a security interest in the Loans hereunder to the Trustee, on behalf of the Secured Parties;

(vii) the Borrower has taken all necessary steps to authorize the Trustee to file all appropriate financing statements in the proper filing office in the appropriate jurisdictions under Applicable Law in order to perfect the security interest in that portion of the Collateral in which a security interest may be perfected by filing pursuant to Article 9 of the UCC as in effect in the Borrower's jurisdiction of organization;

(viii) other than the security interest granted to the Trustee, on behalf of the Secured Parties, pursuant to this Agreement, the Borrower has not pledged, assigned, sold, granted a security interest in or otherwise conveyed any of the Collateral. The Borrower has not authorized the filing of and is not aware of any financing statements against the Borrower that include a description of any collateral included in the Collateral other than any financing statement (A) relating to the security interest, if any, granted to the Borrower under the Sale Agreement or (B) that has been terminated and/or fully and validly assigned to the Trustee or the Borrower on or prior to the date hereof;

(ix) There are no judgments or Liens for Taxes with respect to the Borrower and no claim is being asserted with respect to the Taxes of the Borrower;

(x) other than in the case of Noteless Loans, all original executed copies of each underlying promissory note that constitute or evidence each Loan that is evidenced by a promissory note has been or, subject to the delivery requirements contained herein, will be delivered to the Trustee;

(xi) other than in the case of Noteless Loans, the Borrower has received, or subject to the delivery requirements contained herein will receive, a written acknowledgment from the Trustee that the Trustee or its bailee is holding the underlying promissory notes that evidence all Loans evidenced by a promissory note solely on behalf of the Trustee for the benefit of the Secured Parties;

(xii) none of the underlying promissory notes that constitute or evidence the Loans has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Trustee on behalf of the Secured Parties;

(xiii) with respect to Collateral that constitutes a "certificated security," such certificated security has been delivered to the Trustee on behalf of the Secured Parties and, if in registered form, has been specially Indorsed to the Trustee or in blank by an effective Indorsement or has been registered in the name of the Trustee upon original issue or registration of transfer by the Borrower of such certificated security; and

(xiv) in the case of an Uncertificated Security, by (A) causing the Trustee to become the registered owner of such Uncertificated Security and (B) causing such registration to remain effective.

(n) Reports Accurate. Other than any of the following information provided by the Loan Manager or any Seller with respect to itself, including, without limitation, any financial statements required pursuant to Section 5.3(h), all information, exhibits, financial statements, documents, books, records or reports furnished or to be furnished to the Administrative Agent or any Lender in connection with this Agreement (including, without limitation, any such item relating to a Closing Date Loan) are, as of their respective delivery dates, true, complete and correct in all material respects.

(o) Location of Offices. The Borrower's location (within the meaning of Article 9 of the UCC) is, and at all times has been, the State of Delaware. As a disregarded entity for U.S. Federal income tax purposes, the Borrower does not have a Federal Employee Identification Number, but as of the Closing Date uses that of Orchard First Source Asset Management LLC, which is correctly set forth on the certificate required pursuant to Section 3.1(n) (provided that, upon the conversion of the OFS Parent to a corporation, the Borrower will use the Federal Employee Identification Number of the OFS Parent). The Borrower has not changed its name (whether by amendment of its certificate of formation, by reorganization or otherwise) or its jurisdiction of organization and has not changed its location within the four (4) months preceding the Closing Date.

(p) Collection Account. The Collection Accounts (including any sub accounts thereof) are the only accounts to which Collections on the Collateral are sent.

(q) Legal Name. The Borrower's exact legal name is, and at all times has been the name as set forth on Annex A hereto.

(r) Sale Agreement. The Sale Agreements are the only agreement pursuant to which the Borrower purchases Collateral from the Sellers.

(s) Value Given. The Borrower shall have given reasonably equivalent value to the Sellers or the applicable third party seller of Collateral in consideration for the transfer to the Borrower of the Collateral, and no such transfer shall have been made for or on account of an antecedent debt, and no such transfer is or may be voidable or subject to avoidance under any Section of the Bankruptcy Code.

(t) Accounting. The Borrower accounts for the transfers to it of Collateral as purchases of such Collateral for financial accounting purposes (with a notation on its books and records that it is treating the transfers of the Collateral to it as purchases for legal and accounting (but not tax) purposes on its books, records and financial statements, in each case consistent with GAAP and with the requirements set forth herein).

(u) Special Purpose Entity. At all times prior to the Collection Date, the Borrower has not and shall not:

(i) engage in any business or activity other than the purchase, receipt

and management of Collateral, the transfer and pledge of Collateral pursuant to the terms of the Transaction Documents, the entry into and the performance under the Transaction Documents and such other activities as are incidental thereto;

(ii) acquire or own any assets other than (a) the Collateral or (b) incidental property as may be necessary for the operation of the Borrower and the performance of its obligations under the Transaction Documents including, without limitation, capital contributions which it may receive from the OFS Parent;

(iii) merge into or consolidate with any Person or dissolve, terminate or liquidate in whole or in part, transfer or otherwise dispose of all or substantially all of its assets (other than in accordance with the provisions hereof), without in each case first obtaining the prior written consent of the Administrative Agent, or except as permitted by this Agreement, change its legal structure, or jurisdiction of formation, unless, in connection with any of the foregoing, such action shall result in the substantially contemporaneous occurrence of the Collection Date;

(iv) except as otherwise permitted under clause (iii), fail to preserve its existence as an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization or formation, or without the prior written consent of the Administrative Agent, amend, modify, terminate or fail to comply with the provisions of its operating agreement, or fail to observe limited liability company formalities;

(v) form, acquire or own any Subsidiary, own any equity interest in any other entity (other than equity interests in Obligors in connection with the exercise of any remedies with respect to a Loan or any exchange offer, work-out or restructuring of a Loan), or make any Investment in any Person (other than Permitted Investments or equity interests in Obligors in connection with the exercise of any remedies with respect to a Loan or any exchange offer, work-out or restructuring of a Loan) without the prior written consent of the Administrative Agent;

(vi) commingle its assets with the assets of any of its Affiliates, or of any other Person;

(vii) incur any Indebtedness, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than Indebtedness to the Secured Parties hereunder or in conjunction with a repayment of all Advances owed to the Lenders and a termination of all the Commitments;

(viii) become insolvent or fail to pay its debts and liabilities from its assets as the same shall become due;

(ix) fail to maintain its records, books of account and bank accounts separate and apart from those of any other Person;

(x) enter into any contract or agreement with any Person, except (a) the Transaction Documents and (b) other contracts or agreements that are upon terms

and conditions that are commercially reasonable and substantially similar to those that would be available on an arm's-length basis with third parties other than such Person; provided that, for the avoidance of doubt with regard to this clause (x), (i) to the extent the OFS Parent acquires any Collateral from the Borrower, the amount of any cash or other assets paid or transferred to the Borrower in connection therewith in excess of the fair market value thereof shall be deemed a capital contribution by the OFS Parent to the Borrower, and (ii) the member of the Borrower may contribute cash or other property as a capital contribution to the Borrower;

(xi) seek its dissolution or winding up in whole or in part;

(xii) fail to correct any known misunderstandings regarding the separate identities of the Borrower and any Seller or any other Person;

(xiii) guarantee, become obligated for, or hold itself out to be responsible for the debt of another Person;

(xiv) fail either to hold itself out to the public as a legal entity separate and distinct from any other Person or to conduct its business solely in its own name in order not (a) to mislead others as to the identity of the Person with which such other party is transacting business, or (b) to suggest that it is responsible for the debts of any third party (including any of its principals or Affiliates);

(xv) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(xvi) file or consent to the filing of any petition, either voluntary or involuntary, to take advantage of any applicable insolvency, bankruptcy, liquidation or reorganization statute, or make an assignment for the benefit of creditors;

(xvii) except as may be required or permitted by the Code and regulations or other applicable state or local tax law, hold itself out as or be considered as a department or division of (a) any of its principals or Affiliates, (b) any Affiliate of a principal or (c) any other Person;

(xviii) fail to maintain separate financial statements, showing its assets and liabilities separate and apart from those of any other Person and not have its assets listed on any financial statement of any other Person; provided, however, that the Borrower's assets may be included in a consolidated financial statement of its Affiliate (or parent company) provided that (a) appropriate notation shall be made on such consolidated financial statements to indicate the separateness of the Borrower from such Affiliate and to indicate that the Borrower's assets and credit are not available to satisfy the debts and other obligations of such Affiliate or any other Person and (b) such assets shall also be listed on the Borrower's own separate balance sheet;

(xix) fail to pay its own liabilities and expenses only out of its own funds;

(xx) fail to maintain a sufficient number of employees, if any, in light of its contemplated business operations or to pay the salaries of its own employees, if any;

(xxi) except in connection with any exchange offer, work-out, restructuring or the exercise of any rights or remedies with respect to any Loan with respect to which an Obligor is or would thereby become an Affiliate, acquire the obligations or securities issued by its Affiliates or members;

(xxii) guarantee any obligation of any person, including an Affiliate;

(xxiii) fail to allocate fairly and reasonably any overhead expenses that are shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate;

(xxiv) fail to use separate invoices and checks bearing its own name;

(xxv) except for any Permitted Lien relating to any Equity Security, pledge its assets for the benefit of any other Person, other than with respect to payment of the indebtedness to the Secured Parties hereunder;

(xxvi) fail at any time to have at least one (1) independent manager or director (the "Independent Manager") who has prior experience as an independent director, independent manager or independent member with at least three years of employment experience and who is provided by CT Corporation, Corporation Service Company, National Registered Agents, Inc., Wilmington Trust Company, Stewart Management Company, Lord Securities Corporation or, if none of those companies is then providing professional Independent Managers, another nationally recognized company reasonably approved by the Administrative Agent, in each case that is not an Affiliate of the Borrower and that provides professional Independent Managers and other corporate services in the ordinary course of its business, and which individual is duly appointed as an Independent Manager and is not, and has never been, and will not while serving as Independent Manager be, any of the following: (a) a member, partner, equityholder, manager, director, officer or employee of the Borrower or any of its equityholders or Affiliates (other than as an Independent Manager of an Affiliate of the Borrower that is not in the direct chain of ownership of the Borrower and that is required by a creditor to be a single purpose bankruptcy-remote entity, provided that such Independent Manager is employed by a company that routinely provides professional Independent Managers or directors); (b) a creditor, supplier or service provider (including provider of professional services) to the Borrower or any of its equityholders or Affiliates (other than a nationally recognized company that routinely provides professional Independent Managers and other corporate services to the Borrower or any of its equityholders or Affiliates in the ordinary course of business); (c) a family member of any such member, partner, equityholder, manager, director, officer, employee, creditor, supplier or service provider; or (d) a Person that controls (whether directly, indirectly or otherwise) any of (a), (b) or (c) above. A natural person who otherwise satisfies the foregoing definition and satisfies subparagraph (a) by reason of being the Independent Manager of a "special purpose entity" affiliated with the Borrower shall be qualified to

serve as an Independent Manager of the Borrower, provided that the fees that such individual earns from serving as Independent Manager of affiliates of the Borrower in any given year constitute in the aggregate less than five percent (5%) of such individual's annual income for that year;

(xxvii) fail to ensure that all limited liability company action relating to the selection, maintenance or replacement of the Independent Manager are duly authorized by the unanimous vote of the applicable managers (including the Independent Manager); provided that, unless prior written notice is provided to the Administrative Agent, neither the Borrower nor the OFS Parent shall cause the Independent Manager to be removed without cause;

(xxviii) fail to provide that the unanimous consent of all managers (including the consent of the Borrower's Independent Manager) is required for the Borrower to (a) institute proceedings to be adjudicated bankrupt or insolvent, (b) institute or consent to the institution of bankruptcy or insolvency proceedings against it, (c) file a petition seeking or consent to reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, (d) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, Trustee or any similar official for the Borrower, (e) make any assignment for the benefit of the Borrower's creditors, (f) admit in writing its inability to pay its debts generally as they become due, or (g) take any action in furtherance of any of the foregoing; or

(xxix) fail to file its own tax returns separate from those of any other Person, except to the extent that the Borrower is treated as a "disregarded entity" for tax purposes and is not required to file tax returns under applicable law, and pay any taxes required to be paid under applicable law.

(v) Bankruptcy. The Borrower has received in writing from each Seller confirmation that such Seller will not cause the Borrower to file a voluntary petition under the Bankruptcy Code or Insolvency Laws until one (1) year and one (1) day have elapsed since the end of the Covenant Compliance Period.

(w) Investment Company Act. The Borrower is not an "investment company" within the meaning of, and is not subject to regulation under, the 1940 Act.

(x) ERISA. Except as would not reasonably be expected to constitute a Material Adverse Effect, (i) the present value of all benefits vested under all "employee pension benefit plans," as such term is defined in Section 3 of ERISA which are subject to Title IV of ERISA and maintained by the Borrower, or in which employees of the Borrower are entitled to participate, other than a Multiemployer Plan (the "Pension Plans"), does not exceed the value of the assets of the Pension Plan allocable to such vested benefits (based on the value of such assets as of the most recent annual financial statements reflecting such amounts), (ii) no non-exempt prohibited transactions, accumulated funding deficiencies, withdrawals or reportable events within the meaning of 4043 of ERISA, other than those events as to which the 30-day notice period referred to in Section 4043(c) of ERISA has been waived, (each a "Reportable Event") have occurred with respect to any Pension Plans that, in the aggregate, could subject the

Borrower to any material tax, penalty or other liability and (iii) no notice of intent to terminate a Pension Plan has been filed, nor has any Pension Plan been terminated under Section 4041(f) of ERISA, nor has the Pension Benefit Guaranty Corporation instituted proceedings to terminate, or appoint a trustee to administer a Pension Plan and no event has occurred or condition exists that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan. None of the Collateral constitutes "plan assets" by reason of a Pension Plan's investment in the Borrower or its direct or indirect parent companies.

(y) Compliance with Law. The Borrower has complied in all respects with all Applicable Law to which it may be subject, and no item of Collateral contravenes any Applicable Law (including, without limitation, all applicable predatory and abusive lending laws, laws, rules and regulations relating to licensing, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy).

(z) No Material Adverse Effect. No event, change or condition has occurred that has had, or could reasonably be expected to have, a Material Adverse Effect on the Borrower since September 1, 2010.

(aa) Collections. The Borrower acknowledges that all Collections received by it or its Affiliates with respect to the Collateral transferred hereunder are held and shall be held in trust for the benefit of the Secured Parties until deposited into the Collection Account within two Business Days after receipt as required herein.

(bb) Amendments. No Loan has been amended, modified or waived, except for amendments, modifications or waivers, if any, to such Collateral (i) otherwise permitted under Section 6.4(a) and in accordance with the Credit and Collection Policy or (ii) solely with respect to the Closing Date Participation Interests, prior to the Closing Date.

(cc) Full Payment. As of the initial Funding Date thereof, the Borrower had no knowledge of any fact which should lead it to expect that any Loan will not be repaid by the applicable Obligor in full.

(dd) Accuracy of Representations and Warranties. Each representation or warranty by the Borrower contained herein or in any report, financial statement, exhibit, schedule, certificate or other document furnished by the Borrower pursuant hereto, in connection herewith or in connection with the negotiation hereof is true and correct in all material respects.

(ee) USA Patriot Act. Neither the Borrower nor any Affiliate of the Borrower is (i) a country, territory, organization, person or entity named on an Office of Foreign Asset Control (OFAC) list; (ii) a Person that resides or has a place of business in a country or territory named on such lists or which is designated as a "Non-Cooperative Jurisdiction" by the Financial Action Task Force on Money Laundering, or whose subscription funds are transferred from or through such a jurisdiction; (iii) a "Foreign Shell Bank" within the meaning of the USA Patriot Act, i.e., a foreign bank that does not have a physical presence in any country and that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision; or (iv) a person or entity that resides in or is organized under the laws of a

jurisdiction designated by the United States Secretary of the Treasury under Sections 311 or 312 of the USA Patriot Act as warranting special measures due to money laundering concerns.

The representations and warranties in Section 4.1(m) shall survive the termination of this Agreement and such representations and warranties may not be waived by any party hereto without the consent of the Administrative Agent.

Section 4.2 Representations and Warranties of the Borrower Relating to the Agreement and the Collateral.

The Borrower hereby represents and warrants, as of the Closing Date and as of each Funding Date:

(a) Valid Security Interest. This Agreement constitutes a security agreement within the meaning of Section 9-102(a)(73) of the UCC as in effect from time to time in the State of New York. Upon the delivery to the Trustee of all Collateral constituting "instruments" and "certificated securities" (as defined in the UCC as in effect from time to time in the jurisdiction where the Trustee's Corporate Trust Office is located), the crediting of all Collateral that constitutes Financial Assets (as defined in the UCC as in effect from time to time in the State of New York) to an Account and the filing of the financing statements described in Section 4.1(m) in the jurisdiction in which the Borrower is located, such security interest shall be a valid and first priority perfected security interest in all of the Collateral (subject to Permitted Liens) in that portion of the Collateral in which a security interest may be created under Article 9 of the UCC as in effect from time to time in the State of New York.

(b) Eligibility of Collateral. The Borrower has conducted such due diligence and other review as it considered necessary with respect to the Loans set forth on Schedule III. As of the Closing Date and each Funding Date, (i) the Loan List and the information contained in each Funding Notice delivered pursuant to Section 2.2, is an accurate and complete listing of all Loans included in the Collateral as of the related Funding Date and the information contained therein with respect to the identity of such Loans and the amounts owing thereunder is true, correct and complete as of the related Funding Date, (ii) each such Loan included in the Borrowing Base is an Eligible Loan, (iii) each Loan included in the Collateral is free and clear of any Lien of any Person (other than Permitted Liens and any Lien which will be released contemporaneously with the acquisition thereof by the Borrower) and in compliance with all Applicable Laws and (iv) with respect to each Loan included in the Collateral, all consents, licenses, approvals or authorizations of or registrations or declarations of any Governmental Authority or any Person required to be obtained, effected or given by the Borrower in connection with the granting of a security interest in such Collateral to the Trustee as agent for the benefit of the Secured Parties have been duly obtained, effected or given and are in full force and effect.

(c) No Fraud. Each Loan originated by an unaffiliated third party was, to the best of the Borrower's knowledge, originated without any fraud or material misrepresentation.

Section 4.3 Representations and Warranties of the Loan Manager.

The Loan Manager represents and warrants as follows as of the Closing Date, each Funding Date, and as of each other date provided under this Agreement or the other

Transaction Documents on which such representations and warranties are required to be (or deemed to be) made:

(a) Organization and Good Standing. The Loan Manager has been duly organized, and is validly existing as a limited liability company in good standing, under the laws of the State of Delaware, with all requisite limited liability company power and authority to own or lease its properties and conduct its business as such business is presently conducted.

(b) Due Qualification. The Loan Manager is duly qualified to do business and is in good standing as a limited liability company, and has obtained all necessary qualifications, licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualifications, licenses or approvals, except where the failure to be so qualified or obtain such qualifications. licenses or approvals would not reasonably be expected to have a Material Adverse Effect.

(c) Power and Authority; Due Authorization; Execution and Delivery. The Loan Manager (i) has all necessary limited liability company power, authority and legal right to (a) execute and deliver each Transaction Document to which it is a party, and (b) carry out the terms of the Transaction Documents to which it is a party, and (ii) has duly authorized by all necessary limited liability company action, the execution, delivery and performance of each Transaction Document to which it is a party. This Agreement and each other Transaction Document to which the Loan Manager is a party have been duly executed and delivered by the Loan Manager.

(d) Binding Obligation. Each Transaction Document to which the Loan Manager is a party constitutes a legal, valid and binding obligation of the Loan Manager enforceable against the Loan Manager in accordance with its respective terms, except as such enforceability may be limited by Insolvency Laws and general principles of equity (whether considered in a suit at law or in equity).

(e) No Violation. The consummation of the transactions contemplated by each Transaction Document to which it is a party and the fulfillment of the terms thereof will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the Loan Manager's certificate of formation, operating agreement or any Contractual Obligation of the Loan Manager, (ii) result in the creation or imposition of any Lien upon any of the Loan Manager's properties pursuant to the terms of any such Contractual Obligation, or (iii) violate any Applicable Law.

(f) No Proceedings. There is no litigation, proceeding or investigation pending or, to the Loan Manager's knowledge, threatened against the Loan Manager, before any Governmental Authority (i) asserting the invalidity of any Transaction Document to which the Loan Manager is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by any Transaction Document to which the Loan Manager is a party or (iii) that could reasonably be expected to have Material Adverse Effect.

(g) All Consents Required. All approvals, authorizations, consents, orders, licenses, filings or other actions of any Person or of any Governmental Authority (if any)

required for the due execution, delivery and performance by the Loan Manager of each Transaction Document to which the Loan Manager is a party have been obtained.

(h) Reports Accurate. All information, financial statements of the Loan Manager, documents, books, records or reports furnished by the Loan Manager to the Administrative Agent or any Lender in connection with this Agreement are true, complete and correct in all material respects; provided that, the Loan Manager makes no representation with respect to any information furnished by an Obligor, the Borrower or any Seller or with respect to certification or information provided by the Borrower unless the Loan Manager has also certified as to such information.

(i) Collections. The Loan Manager acknowledges that all Collections received by it or its Affiliates with respect to the Collateral transferred or pledged hereunder are held and shall be held in trust for the benefit of the Secured Parties until deposited into the Collection Account within two (2) Business Days from receipt as required herein.

(j) Solvency. The Loan Manager is not the subject of any Insolvency Proceedings or Insolvency Event. The transactions under the Transaction Documents to which the Loan Manager is a party do not and will not render the Loan Manager not Solvent and the Loan Manager shall deliver to the Administrative Agent on the Closing Date a certification in the form of Exhibit C.

(k) No Fraud. Each Loan originated by an unaffiliated third party was, to the best of the Loan Manager's knowledge, originated without any fraud or material misrepresentation.

(l) Intentionally Omitted.

(m) Intentionally Omitted.

(n) Compliance with Law. The Loan Manager has complied in all material respects with all Applicable Law to which it may be subject.

(o) No Material Adverse Effect. No event, change or condition has occurred that has had, or could reasonably be expected to have, a Material Adverse Effect on the Loan Manager since June 30, 2010.

(p) Intentionally Omitted.

(q) Acknowledgements of the Loan Manager. The Loan Manager acknowledges and agrees that, as of the date hereof, all of the Loans owned by the Borrower (either directly or through participation) as of the Closing Date (or subject to irrevocable commitments to purchase by the Borrower for settlement (as participations or assignments) after the Closing Date) are Closing Date Participation Interests and are as set forth on Schedule III and hereby consents to the acquisition by the Borrower on the Closing Date (or, in respect of Loans with respect to which the Borrower has entered into irrevocable commitments to purchase as of the Closing Date for settlement after the Closing Date) of each Loan set forth on Schedule III.

Section 4.4 Representations and Warranties of the Trustee.

The Trustee in its individual capacity and as Trustee represents and warrants as follows:

(a) Organization; Power and Authority. It is a duly organized and validly existing national banking association in good standing under the laws of the United States. It has full corporate power, authority and legal right to execute, deliver and perform its obligations as Trustee under this Agreement.

(b) Due Authorization. The execution and delivery of this Agreement and the consummation of the transactions provided for herein have been duly authorized by all necessary association action on its part, either in its individual capacity or as Trustee, as the case may be.

(c) No Conflict. The execution and delivery of this Agreement, the performance of the transactions contemplated hereby and the fulfillment of the terms hereof will not conflict with, result in any breach of its articles of incorporation or bylaws or any of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under any indenture, contract, agreement, mortgage, deed of trust, or other instrument to which the Trustee is a party or by which it or any of its property is bound.

(d) No Violation. The execution and delivery of this Agreement, the performance of the Transactions contemplated hereby and the fulfillment of the terms hereof will not conflict with or violate, in any material respect, any Applicable Law as to the Trustee.

(e) All Consents Required. All approvals, authorizations, consents, orders or other actions of any Person or Governmental Authority applicable to the Trustee, required in connection with the execution and delivery of this Agreement, the performance by the Trustee of the transactions contemplated hereby and the fulfillment by the Trustee of the terms hereof have been obtained.

(f) Validity, Etc. The Agreement constitutes the legal, valid and binding obligation of the Trustee, enforceable against the Trustee in accordance with its terms, except as such enforceability may be limited by applicable Insolvency Laws and general principles of equity (whether considered in a suit at law or in equity).

(g) Corporate Trustee Required; Eligibility. The Trustee (including any successor Trustee appointed pursuant to Section 7.5) hereunder (i) is a national banking association or banking corporation or trust company organized and doing business under the laws of any state or the United States, (ii) is authorized under such laws to exercise corporate trust powers, (iii) has a combined capital and surplus of at least $200,000,000, (iv) is not affiliated, as that term is defined in Rule 405 of the Securities Act, with the Borrower or with any person involved in the organization or operation of the Borrower, (v) does not offer or provide credit or credit enhancement to the Borrower and (vi) is subject to supervision or examination by federal or state authority. If such banking association publishes reports of condition at least annually, pursuant to Applicable Law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 4.4(g) its combined capital and surplus shall be deemed to be as set forth in its most recent report of condition so published. In case at

any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 4.4(g), the Trustee shall give prompt notice to the Borrower, the Loan Manager and the Lenders that it has ceased to be eligible to be the Trustee.

ARTICLE V

GENERAL COVENANTS

Section 5.1 Affirmative Covenants of the Borrower.

The Borrower covenants and agrees with the Lenders that during the Covenant Compliance Period:

(a) Compliance with Laws. The Borrower will comply in all material respects with all Applicable Laws, including those with respect to the Collateral or any part thereof.

(b) Preservation of Company Existence. The Borrower will (i) preserve and maintain its company existence, rights, franchises and privileges in the jurisdiction of its formation, (ii) qualify and remain qualified in good standing as a limited liability company in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a Material Adverse Effect and (iii) maintain the Governing Documents of the Borrower in full force and effect and shall not amend the same without the prior written consent of the Administrative Agent.

(c) Performance and Compliance with Collateral. The Borrower (or the Loan Manager on behalf of the Borrower) will, at the Borrower's expense, timely and fully perform and comply (or, by exercising its rights thereunder, cause each Seller to perform and comply pursuant to the related Sale Agreement) with all provisions, covenants and other promises required to be observed by it under the Collateral, the Transaction Documents and all other agreements related to such Collateral.

(d) Keeping of Records and Books of Account. The Borrower will keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all requirements of law are made of all dealings and transactions in relation to its business and activities. The Borrower will permit any representatives designated by the Administrative Agent to visit and inspect the financial records and the properties of such person at reasonable times and as often as reasonably requested, without unreasonably interfering with such party's business and affairs and to make extracts from and copies of such financial records, and permit any representatives designated by the Administrative Agent to discuss the affairs, finances and condition of such person with the Responsible Officers thereof and independent accountants therefor, in each case, other than (x) material and affairs protected by the attorney-client privilege and (y) materials which such party may not disclose without violation of confidentiality obligations binding upon it. For the avoidance of doubt, the right of the Administrative Agent provided herein to visit and inspect the financial records and properties of the Borrower shall be limited to not more than one (1) such visit and inspection in any fiscal quarter; provided that after the occurrence of an Event of Default and during its continuance, there shall be no limit to the number of such visits and inspections, and after the resolution of

such Event of Default, the number of visits occurring in the current fiscal quarter shall be deemed to be zero.

(e) Protection of Interest in Collateral. With respect to the Collateral acquired by the Borrower, the Borrower will (i) acquire such Collateral pursuant to and in accordance with the terms of the Sale Agreements or directly from a third party, (ii) at the Borrower's expense, take all action necessary to perfect, protect and more fully evidence the Borrower's ownership of such Collateral free and clear of any Lien other than the Lien created hereunder and Permitted Liens, including, without limitation, (a) with respect to the Loans and that portion of the Collateral in which a security interest may be perfected by filing and maintaining (at the Borrower's expense), effective financing statements against the Borrower in all necessary or appropriate filing offices, (including any amendments thereto or assignments thereof) and filing continuation statements, amendments or assignments with respect thereto in such filing offices, (including any amendments thereto or assignments thereof) and (b) executing or causing to be executed such other instruments or notices as may be necessary or appropriate, (iii) permit the Administrative Agent or its respective agents or representatives to visit the offices of the Borrower during normal office hours and upon reasonable notice examine and make copies of all documents, books, records and other information concerning the Collateral and discuss matters related thereto with any of the Responsible Officers of the Borrower having knowledge of such matters, and (iv) take all additional action that the Administrative Agent may reasonably request to perfect, protect and more fully evidence the respective interests of the parties to this Agreement in the Collateral.

(f) Deposit of Collections.

(i) The Borrower (or the Loan Manager on behalf of the Borrower) shall instruct each Obligor (or, with respect to any Agented Loan, the paying agent) to deliver all Collections in respect of the Collateral to the General Collection Account.

(ii) The Borrower (or the Loan Manager on behalf of the Borrower) shall, within two (2) Business Days after receipt thereof, direct the Trustee to transfer from the General Collection Account (A) all Collections received by it in respect of the Collateral attributable to Interest Collections to the Interest Collection Account, (B) other than as provided in clause (C), all Collections received by it in respect of the Collateral attributable to Principal Collections to the Principal Collection Account and (C) to the extent provided in Section 2.9(e), Collections to the Unfunded Exposure Account.

(g) Special Purpose Entity. The Borrower shall be in compliance with the special purpose entity requirements set forth in Section 4.1(u).

(h) Intentionally Omitted.

(i) Events of Default. Promptly following the knowledge or receipt of notice by a Responsible Officer of the Borrower of the occurrence of any Event of Default or Default, the Borrower will provide the Administrative Agent with written notice of the occurrence of such Event of Default or Default of which the Borrower has knowledge or has received notice. In addition, such notice will include a written statement of a Responsible Officer of the Borrower

setting forth the details of such event (to the extent known by the Borrower) and the action, if any, that the Borrower proposes to take with respect thereto.

(j) Obligations. The Borrower shall pay its Indebtedness and other obligations promptly and in accordance with their terms and pay and discharge promptly when due all lawful claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof and the Borrower (or the Loan Manager on behalf of the Borrower) shall enforce all indemnities and rights against Obligors in accordance with this Agreement and all rights against the OFS Parent under the OFS Parent Sale Agreement.

(k) Taxes. The Borrower will be treated as a disregarded entity for U.S. federal income tax purposes.

(l) Use of Proceeds. The Borrower will use the proceeds of the Advances only to acquire Eligible Loans, to make distributions to its member in accordance with the terms hereof or to pay related expenses (including expenses payable hereunder).

(m) Obligor Notification Forms. The Administrative Agent may, in its discretion after the occurrence of a Loan Manager Termination Event or an Event of Default, send notification forms giving the Obligors and/or agents on Agented Loans notice of the Trustee's interest in the Collateral and the obligation to make payments as directed by the Trustee.

(n) Adverse Claims. The Borrower will not create, or participate in the creation of, or permit to exist, any Liens on any of the Accounts other than the Lien created by this Agreement.

(o) Notices. The Borrower will furnish to the Administrative Agent and the Loan Manager:

(i) Income Tax Liability. Within ten (10) Business Days after the receipt of revenue agent reports or other written proposals, determinations or assessments of the Internal Revenue Service or any other taxing authority which propose, determine or otherwise set forth positive adjustments to the Tax liability of, or assess or propose the collection of Taxes required to have been withheld by, the Borrower or the OFS Parent which equal or exceed $1,000,000 in the aggregate, telephonic or facsimile notice (confirmed in writing within five (5) Business Days) specifying the nature of the items giving rise to such adjustments and the amounts thereof;

(ii) Auditors' Management Letters. Unless otherwise restricted, promptly after the receipt thereof, any auditors' management letters are received by the Borrower or by its accountants;

(iii) Representations and Warranties. Promptly after the knowledge or receipt of notice of a Responsible Officer of the Borrower of the same, the Borrower shall notify the Administrative Agent if any representation or warranty set forth in Section 4.1 or Section 4.2 was incorrect at the time it was given or deemed to have been given and at the same time deliver to the Administrative Agent a written notice setting forth in

reasonable detail the nature of such facts and circumstances. In particular, but without limiting the foregoing, the Borrower shall notify the Administrative Agent in the manner set forth in the preceding sentence before any Funding Date of any facts or circumstances within the knowledge of a Responsible Officer of the Borrower which would render any of the said representations and warranties untrue as of such Funding Date;

(iv) ERISA. Promptly after receiving notice of any "reportable event" (as defined in Title IV of ERISA) with respect to the Borrower (or any ERISA Affiliate thereof), a copy of such notice;

(v) Proceedings. As soon as possible and in any event within three (3) Business Days after a Responsible Officer of the Borrower receives notice or obtains knowledge thereof, notice of any settlement of, material judgment (including a material judgment with respect to the liability phase of a bifurcated trial) in or commencement of any material labor controversy, material litigation, material action, material suit or material proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Collateral, the Transaction Documents, the Trustee's interest in the Collateral, or the Borrower or the OFS Parent; provided that notwithstanding the foregoing, any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Collateral, the Transaction Documents, the Trustee's interest in the Collateral, the Borrower or the OFS Parent in excess of $1,000,000 or more shall be deemed to be material for purposes of this Section 5.1(o)(v);

(vi) Notice of Certain Events. Promptly upon a Responsible Officer of the Borrower becoming aware thereof (and, in any event, within two (2) Business Days or, solely with respect to clause (6), five (5) Business Days), notice of (1) any Loan Manager Termination Event, (2) any Assigned Value Adjustment Event, (3) any failure to comply with Section 5.1(v), (4) any other event or circumstance that could reasonably be expected to have a Material Adverse Effect, (5) any event or circumstance whereby any Loan which was included in the latest calculation of the Borrowing Base as an Eligible Loan shall fail to meet one or more of the criteria (other than criteria waived by the Administrative Agent and the Majority Class B Lenders, on or prior to the related Funding Date in respect of such Loan, but including, for the avoidance of doubt, the requirements set forth in clauses (a), (h), (i), (k), (bb) and (ee) listed in the definition of "Eligible Loan"), (6) unless notice of such default has been provided by the Loan Manager under Section 5.3(l), the occurrence of any default by an Obligor on any Loan in the payment of principal or interest, a financial covenant default or that would result in an Assigned Value Adjustment Event, (7) any amendment to any OFS Parent Organizational Agreement, (8) the Parent Unencumbered Equity Amount being less than $10,000,000 at any time that the Maximum Class B Facility Amount *minus* the Class B Advances Outstanding is less than the Class B Minimum Reserve Amount or (9) unless notice thereof is provided to the Administrative Agent pursuant to the Closing Date Participation Agreement, any event of which the Borrower receives notice from the Seller (as defined in the OFS Parent Sale Agreement) pursuant to the Closing Date Participation Agreement;

(vii) Organizational Changes. As soon as possible and in any event within fifteen (15) Business Days after the effective date thereof, notice of any change in the name, jurisdiction of organization, organizational structure or location of records of the Borrower; provided that the Borrower agrees not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the UCC or otherwise that are required in order for the Trustee to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral; and

(viii) Accounting Changes. As soon as possible and in any event within three (3) Business Days after the effective date thereof, notice of any change in the accounting policies of the Borrower.

(ix) Deemed Representations. On any day, as soon as possible and in any event within one (1) Business Day after knowledge thereof, notice of any event or occurrence that would cause any representation made by the Borrower pursuant to Section 3.2(d)(i), (ii) or (v) to be misleading or untrue in any material respect if made on such day.

(p) Contest Recharacterization. The Borrower shall in good faith contest any attempt to recharacterize the treatment of the Loans as property of the bankruptcy estate of any Seller.

(q) [Intentionally Omitted].

(r) [Intentionally Omitted].

(s) Financial Statements. The Borrower shall furnish (or cause to be furnished) to the Administrative Agent for distribution to each Lender:

(i) for each fiscal year of the OFS Parent commencing with the 2011 fiscal year, as soon as available, but in any event within 120 days after the end of each fiscal year of the OFS Parent, a copy of the audited balance sheet of the OFS Parent that includes equity of the Borrower in the consolidated group, as at the end of such year and the related statements of income and retained earnings and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by an independent certified public accountants of nationally recognized standing;

(ii) as soon as available, but in any event not later than sixty (60) days after the end of each of the first three (3) quarterly periods of each fiscal year of the Borrower and ninety (90) days after the end of the fourth (4^{th}) quarterly period of each fiscal year of the Borrower, the unaudited balance sheet of the Borrower as at the end of such quarter and the related unaudited statements of income and retained earnings and of cash flows of the Borrower for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year end audit adjustments);

(iii) all such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or Responsible Officer, as the case may be, and disclosed therein).

(t) Certificates; Other Information. The Borrower shall furnish to the Administrative Agent for distribution to each Lender:

(i) concurrently with the delivery of the financial statements referred to in Section 5.1(s)(i), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(ii) if the Maximum Class B Facility Amount minus the Class B Advances Outstanding is less than the Class B Minimum Reserve Amount, appropriate evidence showing that the Parent Unencumbered Equity Amount as of such date is greater than or equal to $10,000,000; and

(iii) within five (5) days after the same are sent, copies of all financial statements and reports which the Borrower sends to its investors, and within five (5) days after the same are filed, copies of all financial statements, filings and reports which any of the OFS Parent or the Borrower may make to, or file with, the SEC or any successor or analogous Governmental Authority.

(u) Minimum Equity Capital and Class B Advances: On any date that there are any Class A Advances Outstanding, (i) the Borrower shall maintain a combination of Equity Capital and Class B Advances Outstanding in an aggregate amount of not less than $65,000,000 and (ii) the Class B Advances Outstanding shall not be less than $20,000,000.

(v) Further Assurances. The Borrower will execute any and all further documents, financing statements, agreements and instruments, and take all further action (including filing UCC and other financing statements, agreements or instruments) that may be required under applicable law, or that the Administrative Agent may reasonably request, in order to effectuate the transactions contemplated by the Transaction Documents and in order to grant, preserve, protect and perfect the validity and first priority (subject to Permitted Liens) of the security interests and Liens created or intended to be created hereby. Such security interests and Liens will be created hereunder and the Borrower shall deliver or cause to be delivered to the Administrative Agent all such instruments and documents (including legal opinions and lien searches) as it shall reasonably request to evidence compliance with this Section 5.1(v). The Borrower agrees to provide such evidence as the Administrative Agent shall reasonably request as to the perfection and priority status of each such security interest and Lien.

(w) Non-Consolidation. The Borrower shall at all times act in a manner such that each of the assumptions made by Dechert LLP in its opinion delivered pursuant to Section 3.1(g)(iii) is true and accurate in all material respects. The Borrower shall at all times

observe and be in compliance in all material respects with all covenants and requirements in the Governing Documents of the Borrower.

(x) Payment of Fees and Expenses. The Administrative Agent and the Lenders shall have received, within one (1) Business Day of the Closing Date, all fees to be received in respect of the Closing Date referred to herein.

(y) Acquisition and Disposition Requirements. Each acquisition, disposition, substitution and repurchase of Loans by the Borrower will be undertaken in accordance with the Portfolio Acquisition and Disposition Requirements.

(z) Delivery of Certificates. The Borrower shall deliver to the Administrative Agent (with a copy to the Trustee) no later than sixty (60) days after the Closing Date, a Certificate of Assignment in the form of Exhibit F (including Exhibit A thereto), with respect to each Closing Date Participation Interest funded by the Initial Advance, containing such additional information as may be reasonably requested by the Administrative Agent and each Lender.

(aa) Additional Loans. All Additional Loans acquired by the Borrower shall be acquired from or originated by the Madison Seller or an Affiliate thereof.

(bb) Lien Searches Against Obligors. The Administrative Agent shall, at any time, have the right to run a UCC lien search against any Obligor. Each such UCC lien search shall be at the sole expense of the Borrower.

(cc) Other. The Borrower (or the Loan Manager on behalf of the Borrower) will furnish to the Administrative Agent promptly, from time to time, such other information, documents, records or reports respecting the Collateral or the condition or operations, financial or otherwise, of the Borrower as the Administrative Agent may from time to time reasonably request in order to protect the interests of the Trustee or the other Secured Parties under or as contemplated by this Agreement.

Section 5.2 Negative Covenants of the Borrower.

During the Covenant Compliance Period:

(a) Other Business. The Borrower will not (i) engage in any business other than (A) entering into and performing its obligations under the Transaction Documents and other activities contemplated by the Transaction Documents, (B) the acquisition, ownership and management of the Collateral and (C) the sale of the Collateral as permitted hereunder, (ii) incur any Indebtedness, obligation, liability or contingent obligation of any kind other than pursuant to this Agreement, or (iii) except as otherwise provided in Section 4.1(u)(v), form any Subsidiary or make any Investment in any other Person.

(b) Collateral Not to be Evidenced by Instruments. The Borrower will not take any action to cause any Loan that is not, as of the Closing Date or the related Funding Date, as the case may be, evidenced by an Instrument, to be so evidenced except in connection with the enforcement or collection of such Loan or unless such Instrument is promptly delivered to the

Trustee, together with an Indorsement in blank, as collateral security for such Loan.

(c) Security Interests. Except as otherwise permitted herein and in respect of any Discretionary Sale, Substitution, Optional Sale, or other sale permitted hereunder or required under any Sale Agreement, neither the Borrower nor the Loan Manager on behalf of the Borrower will sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on any Collateral, whether now existing or hereafter transferred hereunder, or any interest therein. Promptly after receipt by a Responsible Officer of the Borrower of knowledge or notice thereof, the Borrower will promptly notify the Administrative Agent and the Trustee of the existence of any Lien (including Liens for Taxes) other than Permitted Liens on any Collateral and the Borrower shall defend the right, title and interest of the Trustee, for the benefit of the Secured Parties in, to and under the Collateral against all claims of third parties; provided that nothing in this Section 5.2(c) shall prevent or be deemed to prohibit the Borrower from suffering to exist Permitted Liens upon any of the Collateral.

(d) Mergers, Acquisitions, Sales, etc. The Borrower will not be a party to any merger or consolidation, or purchase or otherwise acquire any of the assets or any stock of any class of, or any partnership or joint venture interest in, any other Person, or sell, transfer, convey or lease any of its assets, or sell or assign with or without recourse any Collateral or any interest therein, other than as permitted or required pursuant to this Agreement (including as provided in Section 4.1(u)(iii)) or any Sale Agreement.

(e) Restricted Payments. The Borrower shall not make any Restricted Payments other than with respect to amounts the Borrower receives in accordance with Section 2.7, or Section 2.8 and any other provision of any Transaction Document which expressly requires or permits payments to be made to or amounts to be reimbursed to the Borrower.

(f) Change of Location of Underlying Instruments. The Borrower shall not, without the prior consent of the Administrative Agent, consent to the Trustee moving any Certificated Securities or Instruments from the Trustee's Corporate Trust Office on the Closing Date, unless the Borrower has given at least thirty (30) days' written notice to the Administrative Agent and has taken all actions required under the UCC of each relevant jurisdiction in order to ensure that the Trustee's first priority perfected security interest (subject to Permitted Liens) continues in effect.

(g) ERISA Matters. The Borrower will not (a) engage or permit any ERISA Affiliate to engage in any prohibited transaction for which an exemption is not available or has not previously been obtained from the United States Department of Labor, (b) permit to exist any accumulated funding deficiency, as defined in Section 302(a) of ERISA and Section 412(a) of the Code, or funding deficiency with respect to any Pension Plan other than a Multiemployer Plan, (c) fail to make or permit any ERISA Affiliate to fail to make, any payments to a Multiemployer Plan that the Borrower or any ERISA Affiliate may be required to make under the agreement relating to such Multiemployer Plan or any law pertaining thereto, (d) terminate any Pension Plan so as to result in any liability, or (e) permit to exist any occurrence of any Reportable Event with respect to a Pension Plan.

(h) Operating Agreement. The Borrower will not amend, modify, waive or terminate any provision of its operating agreement without the prior written consent of the Administrative Agent.

(i) Changes in Payment Instructions to Obligors. The Borrower will not make any change, or permit the Loan Manager to make any change, in its instructions to Obligors (or agents on any Agented Loan) regarding payments to be made with respect to the Collateral to the General Collection Account, unless the Administrative Agent has consented to such change.

(j) Extension or Amendment of Collateral. The Borrower will not, except as otherwise permitted in Section 6.4(a) extend, amend or otherwise modify the terms of any Loan.

(k) Fiscal Year. The Borrower shall not change its fiscal year or method of accounting without providing the Administrative Agent with prior written notice (i) providing a detailed explanation of such changes and (ii) including a pro forma financial statements demonstrating the impact of such change.

(l) Change of Control. The Borrower shall not enter into any transaction or agreement which results in a Change of Control with respect to the Borrower.

(m) Ownership. The Borrower shall not have any owner other than the OFS Parent and, prior to the date of any initial public offering of Capital Stock in the OFS Parent, the OFS Parent shall not have any owners other than Orchard First Source Asset Management, LLC.

Section 5.3 Affirmative Covenants of the Loan Manager.

The Loan Manager covenants and agrees with the Borrower and the Lenders that during the Covenant Compliance Period:

(a) Compliance with Law. The Loan Manager will comply in all material respects with all Applicable Law in connection with the performance of its obligations under this Agreement.

(b) Preservation of Company Existence. The Loan Manager will (i) preserve and maintain its company existence, rights, franchises and privileges in the jurisdiction of its formation and (ii) qualify and remain qualified in good standing as a limited liability company in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a Material Adverse Effect.

(c) Performance and Compliance with Collateral. The Loan Manager will exercise its rights hereunder in order to permit the Borrower to duly fulfill and comply with all obligations on the part of the Borrower to be fulfilled or complied with under or in connection with each item of Collateral and will take all necessary action to preserve the first priority security interest of the Trustee for the benefit of the Secured Parties in the Collateral.

(d) Keeping of Records and Books of Account.

(i) The Loan Manager will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Collateral in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Collateral and the identification of the Collateral.

(ii) The Loan Manager shall permit the Borrower, the Administrative Agent or their respective designated representatives, in each case at the expense of the Borrower, to visit the offices of the Loan Manager during normal office hours and upon reasonable notice and examine and make copies of all documents, books, records and other information concerning the Collateral and discuss matters related thereto with any of the officers or employees of the Loan Manager having knowledge of such matters.

(iii) The Loan Manager will on or prior to the date hereof, mark its master data processing records and other books and records relating to the Collateral indicating that the Loans are owned by the Borrower subject to the Lien of the Trustee for the benefit of the Secured Parties hereunder.

(i) The Loan Manager will cooperate with the Borrower and provide all information in its possession or reasonably available to it to the Borrower or any Person designated by the Borrower to receive such information so the Borrower may comply with and perform its obligations under the Transaction Documents.

(e) Preservation of Security Interest. The Loan Manager (at the Borrower's expense) hereby authorizes the Trustee to file such financing and continuation statements and any other documents that may be required by any law or regulation of any Governmental Authority to preserve and protect fully the first priority perfected ownership and security interest of the Trustee for the benefit of the Secured Parties in, to and under the Loans and proceeds thereof and that portion of the Collateral in which a security interest may be perfected by filing.

(f) Credit and Collection Policy. The Loan Manager will (i) comply in all material respects with the Credit and Collection Policy in regard to the administration of the Collateral (except with the prior written consent of the Administrative Agent), and (ii) furnish to the Borrower and the Administrative Agent prior to its effective date, prompt written notice of any changes in the Credit and Collection Policy which has had or could be expected to have a material adverse effect on the Lenders or the Administrative Agent. The Loan Manager will not agree to or otherwise permit to occur any change in the Credit and Collection Policy which could be expected to have a material adverse effect on the Lenders or the Administrative Agent without the prior written consent of the Administrative Agent and the Borrower; provided that no consent shall be required from the Administrative Agent or the Borrower in connection with any change mandated by Applicable Law or a Governmental Authority as evidenced by an Opinion of Counsel to that effect delivered to the Administrative Agent.

(g) Events of Default. Promptly following the Loan Manager's knowledge or notice of the occurrence of any Event of Default or Default, the Loan Manager will provide the Borrower and the Administrative Agent with written notice of the occurrence of such Event of Default or Default of which the Loan Manager has knowledge or has received notice. In

addition, such notice will include a written statement of a Responsible Officer of the Loan Manager setting forth the details (to the extent known by the Loan Manager) of such event and the action, if any, that the Loan Manager proposes to take with respect thereto.

(h) Financial Statements of Madison. The Loan Manager shall furnish to the Administrative Agent (which may not be distributed to any other Person without Madison's prior written consent) for each fiscal year of Madison commencing with the 2010 fiscal year, as soon as available, but in any event within 120 days after the end of each fiscal year of Madison, a copy of the audited balance sheet of Madison as at the end of such year and any other related information reasonably requested by the Administrative Agent and not, in Madison's reasonable determination, deemed private or sensitive information, or such alternative information that Madison reasonably believes would satisfy the Administrative Agent's request, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by an independent certified public accountants of nationally recognized standing;

(i) Other. The Loan Manager will promptly furnish to the Borrower and the Administrative Agent such other information, documents, records or reports respecting the Collateral or the condition or operations, financial or otherwise, of the Loan Manager as the Administrative Agent may from time to time reasonably request in order to protect the interests of the Administrative Agent, the Trustee or the Secured Parties under or as contemplated by this Agreement.

(j) Proceedings. The Loan Manager will furnish to the Administrative Agent, as soon as possible and in any event within three (3) Business Days after the Loan Manager receives notice or obtains knowledge thereof, notice of any settlement of, material judgment (including a material judgment with respect to the liability phase of a bifurcated trial) in or commencement of any material labor controversy, material litigation, material action, material suit or material proceeding before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Collateral, the Transaction Documents, the Trustee's interest in the Collateral, the Loan Manager, or the Madison Seller; provided that notwithstanding the foregoing, any settlement, judgment, labor controversy, litigation, action, suit or proceeding affecting the Collateral, the Transaction Documents, the Trustee's interest in the Collateral, the Loan Manager, or the Madison Seller in excess of $1,000,000 (or $5,000,000 in the case of the Madison Seller) or more shall be deemed to be material for purposes of this Section 5.3(j).

(k) Deposit of Collections. The Loan Manager shall, within two (2) Business Days after receipt thereof, deposit into the General Collection Account any and all Collections received by the Loan Manager.

(l) Required Notices. The Loan Manager will furnish to the Borrower and the Administrative Agent, promptly upon becoming aware thereof, notice of (1) any Loan Manager Termination Event, (2) any Assigned Value Adjustment Event, (3) any Change of Control with respect to the Loan Manager, (4) any other event or circumstance that could reasonably be expected to have a Material Adverse Effect, (5) any event or circumstance whereby any Loan which was included in the latest calculation of the Borrowing Base as an

Eligible Loan shall fail to meet one or more of the criteria (other than criteria waived by the Administrative Agent and the Majority Class B Lenders, on or prior to the related Funding Date in respect of such Loan) listed in the definition of "Eligible Loan", (6) the occurrence of any default by an Obligor on any Loan in the payment of principal or interest, a financial covenant default or that would result in an Assigned Value Adjustment Event or (7) any change or amendment to the Loan Manager LLC Agreement that would result in a Material Adverse Effect.

(m) Accounting Changes. As soon as possible and in any event within three (3) Business Days after the effective date thereof, the Loan Manager will provide to the Administrative Agent notice of any change in the accounting policies of the Loan Manager that could reasonably be expected to result in a Material Adverse Effect.

(n) Loan Register. The Loan Manager will maintain, or cause to be maintained, with respect to each Noteless Loan a register (which may be in physical or electronic form and readily identifiable as the loan asset register) (each, a "Loan Register") in which it will record, or cause to be recorded, (v) the principal amount of such Noteless Loan, (w) the amount of any principal or interest due and payable or to become due and payable from the Obligor thereunder, (x) the amount of any sum in respect of such Noteless Loan received from the related Obligor, (y) the date of origination of such Noteless Loan and (z) the maturity date of such Noteless Loan. At any time a Noteless Loan is included in the Collateral, the Loan Manager shall deliver to the Borrower, the Administrative Agent and the Trustee a copy of the related Loan Register, together with a certificate of a Responsible Officer of the Loan Manager certifying to the accuracy of such Loan Register as of the date of acquisition of such Noteless Loan by the Borrower, all of which information may be included in the applicable Borrowing Base Certificate.

(o) [Intentionally Omitted].

(p) Acquisition and Disposition Requirements. Each acquisition, disposition, substitution and repurchase of Loans by the Loan Manager on behalf of the Borrower will be undertaken in accordance with the Portfolio Acquisition and Disposition Requirements.

Section 5.4 Negative Covenants of the Loan Manager.

During the Covenant Compliance Period:

(a) Mergers, Acquisition, Sales, etc. The Loan Manager will not be a party to any merger or consolidation, or purchase or otherwise acquire any of the assets or any stock of any class of, or any partnership or joint venture interest in, any other Person, or sell, transfer, convey or lease any of its assets, or sell or assign with or without recourse any Collateral or any interest therein (other than as permitted pursuant to this Agreement), in each case where such action would have a Material Adverse Effect.

(b) Change of Location of Underlying Instruments. The Loan Manager shall not, without the prior consent of the Administrative Agent, consent to the Trustee moving any Certificated Securities or Instruments from the Trustee's Corporate Trust Office on the Closing Date, unless the Loan Manager has given at least thirty (30) days' written notice to the Administrative Agent and has authorized the Administrative Agent to take all actions required

under the UCC of each relevant jurisdiction in order to continue the first priority perfected security interest of the Trustee for the benefit of the Secured Parties in the Collateral.

(c) Change in Payment Instructions to Obligors. The Loan Manager will not make any change in its instructions to Obligors or agents of Agented Loans regarding payments to be made with respect to the Collateral to the General Collection Account, unless the Administrative Agent, the Trustee and, so long as no Event of Default has occurred and is continuing, the Borrower, have consented to such change.

(d) Extension or Amendment of Collateral. The Loan Manager will not, except as otherwise permitted in Section 6.4(a), extend, amend or otherwise modify the terms of any Loan.

Section 5.5 Affirmative Covenants of the Trustee.

During the Covenant Compliance Period:

(a) Compliance with Law. The Trustee will comply in all material respects with all Applicable Law.

(b) Preservation of Existence. The Trustee will preserve and maintain its existence, rights, franchises and privileges in the jurisdiction of its formation and qualify and remain qualified in good standing in each jurisdiction where failure to preserve and maintain such existence, rights, franchises, privileges and qualification has had, or could reasonably be expected to have, a Material Adverse Effect.

(c) Location of Underlying Instruments. Subject to Section 7.8, the Underlying Instruments shall remain at all times in the possession of the Trustee at the Corporate Trust Office unless notice of a different address is given in accordance with the terms hereof or unless the Administrative Agent agrees to allow certain Underlying Instruments to be released to the Loan Manager on a temporary basis in accordance with the terms hereof, except as such Underlying Instruments may be released pursuant to this Agreement.

(d) Corporate Trustee Required; Eligibility. The Trustee (including any successor Trustee appointed pursuant to Section 7.5) hereunder shall at all times (i) be a national banking association or banking corporation or trust company organized and doing business under the laws of any state or the United States, (ii) be authorized under such laws to exercise corporate trust powers, (iii) have a combined capital and surplus of at least $200,000,000, (iv) not be affiliated, as that term is defined in Rule 405 of the Securities Act, with the Borrower or with any person involved in the organization or operation of the Borrower, (v) not offer or provide credit or credit enhancement to the Borrower and (vi) be subject to supervision or examination by federal or state authority. If such banking association publishes reports of condition at least annually, pursuant to Applicable Law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 5.5(d) its combined capital and surplus shall be deemed to be as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 5.5(d), the Trustee shall give prompt notice to the Borrower, the Loan Manager and the Lenders that it has ceased to be eligible to be the Trustee.

Section 5.6 Negative Covenants of the Trustee.

During the Covenant Compliance Period:

(a) Underlying Instruments. The Trustee will not dispose of any documents constituting the Underlying Instruments in any manner that is inconsistent with the performance of its obligations as the Trustee pursuant to this Agreement and will not dispose of any Collateral except as contemplated by this Agreement.

(b) No Changes to Trustee Fee. The Trustee will not make any changes to the Trustee Fee set forth in the Trustee Fee Letter without the prior written approval of the Administrative Agent and the Borrower.

ARTICLE VI

COLLATERAL ADMINISTRATION

Section 6.1 Appointment of the Loan Manager.

The Loan Manager is hereby appointed as collateral manager and servicing agent of the Borrower for the purpose of performing certain collateral management functions including, without limitation, directing and supervising the investment and reinvestment of the Loans and Permitted Investments, servicing the Collateral, enforcing the Borrower's rights and remedies in, to and under the Collateral and performing certain administrative functions on behalf of the Borrower delegated to it under this Agreement and in accordance with the applicable provisions of this Agreement, and the Loan Manager hereby accepts such appointment. The Loan Manager shall have the power to execute and deliver all necessary and appropriate documents and instruments on behalf of the Borrower in connection with performing its obligations set forth herein. Except as may otherwise be expressly provided in this Agreement, the Loan Manager will perform its obligations hereunder in accordance with the Loan Manager Standard. The Loan Manager and the Borrower hereby acknowledge that the Trustee, the Administrative Agent and the other Secured Parties are third party beneficiaries of the obligations undertaken by the Loan Manager hereunder. Notwithstanding anything contained in this Article VI or any other provision of this Agreement, the Loan Manager shall have no duty to select, direct the acquisition or disposition of, manage or otherwise take any action with respect to Permitted Investments described in clauses (a), (c), (e), (f), (g) or (h) of the definition of Permitted Investments in Section 1.1.

Section 6.2 Duties of the Loan Manager.

(a) Duties. Subject to the provisions concerning its general duties and obligations as set forth in Section 6.1 and the terms of this Agreement, the Loan Manager agrees to manage the investment and reinvestment of the Collateral and shall perform on behalf of the Borrower those investment-related duties and functions assigned to the Borrower in this Agreement and the duties that have been expressly delegated to the Loan Manager in this Agreement. Any reference in this Agreement to the Loan Manager's duties or obligations hereunder shall also include those duties expressly delegated to it in this Agreement and those

duties of the Borrower under this Agreement which the Loan Manager has agreed herein to perform on the Borrower's behalf; it being understood that the Loan Manager shall have no obligation hereunder to perform any duties other than its duties as specified herein. The Loan Manager shall provide, and is hereby authorized to provide, the following services to the Borrower:

(i) select the Loans and Permitted Investments to be acquired and select the Loans, Equity Securities and Permitted Investments to be sold or otherwise disposed of by the Borrower;

(ii) invest and reinvest the Collateral;

(iii) instruct the Trustee with respect to any acquisition, disposition, or tender of, or Offer with respect to, a Loan, Equity Security, Permitted Investment or other assets received in respect thereof by the Borrower;

(iv) perform the investment-related duties and functions (including, without limitation, the furnishing of Funding Notices, Repayment Notices, Reinvestment Notices, Borrowing Base Certificates and other notices and certificates that the Loan Manager is required to deliver on behalf of the Borrower) as are expressly required to be performed by the Loan Manager hereunder with regard to acquisitions, sales or other dispositions of Loans, Equity Securities, Permitted Investments and other assets permitted to be acquired or sold under, and subject to this Agreement (including any proceeds received by way of Offers, workouts and restructurings on Loan or other assets owned by the Borrower) and shall comply with any applicable requirements required to be performed by the Loan Manager in this Agreement with respect thereto. The Borrower hereby irrevocably (except as provided below) appoints the Loan Manager as its true and lawful agent and attorney-in-fact (with full power of substitution) in its name, place and stead in connection with the performance of its duties provided for in this Agreement, including, without limitation, the following powers: (A) to give or cause to be given any necessary receipts or acquittance for amounts collected or received hereunder, (B) to make or cause to be made all necessary transfers of the Loans, Equity Securities and Permitted Investments in connection with any acquisition, sale or other disposition made pursuant hereto, (C) to execute (under hand, under seal or as a deed) and deliver or cause to be executed and delivered on behalf of the Borrower all necessary or appropriate bills of sale, assignments, agreements and other instruments in connection with any such acquisition, sale or other disposition and (D) to execute (under hand, under seal or as a deed) and deliver or cause to be executed and delivered on behalf of the Borrower any consents, votes, proxies, waivers, notices, amendments, modifications, agreements, instruments, orders or other documents in connection with or pursuant to this Agreement and relating to any Loan, Equity Security or Permitted Investment. The Borrower hereby ratifies and confirms all that such attorney-in-fact (or any substitute) shall lawfully do hereunder and pursuant hereto and authorizes such attorney-in-fact to exercise full discretion and act for the Borrower in the same manner and with the same force and effect as the managers or officers of the Borrower might or could do in respect of the performance of such services, as well as in respect of all other things the Loan Manager deems necessary or incidental to the furtherance or conduct of the Loan

Manager's services under this Agreement, subject in each case to the applicable terms of this Agreement. The Borrower hereby authorizes such attorney-in-fact, in its sole discretion (but subject to applicable law and the provisions of this Agreement), to take all actions that it considers reasonably necessary and appropriate in respect of the Loans, the Equity Securities, the Permitted Investments and this Agreement. Nevertheless, if so requested by the Loan Manager or a purchaser of any Loan, Equity Security or Permitted Investment, the Borrower shall ratify and confirm any such sale or other disposition by executing and delivering to the Loan Manager or such purchaser all proper bills of sale, assignments, releases, powers of attorney, proxies, dividends, other orders and other instruments as may reasonably be designated in any such request. Except as otherwise set forth and provided for herein, this grant of power of attorney is coupled with an interest, and it shall survive and not be affected by the subsequent dissolution or bankruptcy of the Borrower. Notwithstanding anything herein to the contrary, the appointment herein of the Loan Manager as the Borrower's agent and attorney-in-fact shall automatically cease and terminate upon the resignation of the Loan Manager pursuant to Section 6.10 or any termination and removal of the Loan Manager pursuant to Section 6.11. Each of the Loan Manager and the Borrower shall take such other actions, and furnish such certificates, opinions and other documents, as may be reasonably requested by the other party hereto in order to effectuate the purposes of this Agreement and to facilitate compliance with applicable laws and regulations and the terms of this Agreement;

(v) negotiate on behalf of the Borrower with prospective originators, sellers or purchasers of Loans as to the terms relating to the acquisition, sale or other dispositions thereof;

(vi) subject to any applicable terms of this Agreement, monitor the Collateral on behalf of the Borrower on an ongoing basis and shall provide or cause to be provided to the Borrower copies of all reports, schedules and other data reasonably available to the Loan Manager that the Borrower is required to prepare and deliver or cause to be prepared and delivered under this Agreement, in such forms and containing such information required thereby, in reasonably sufficient time for such required reports, schedules and data to be reviewed and delivered by or on behalf of the Borrower to the parties entitled thereto under this Agreement. The obligation of the Loan Manager to furnish such information is subject to the Loan Manager's timely receipt of necessary reports and the appropriate information from the Person responsible for the delivery of or preparation of such information or such reports (including without limitation, the Obligors of the Loans, the Borrower, the Trustee, the Administrative Agent or any Lender) and to any confidentiality restrictions with respect thereto. The Loan Manager shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing reasonably believed by it to be genuine and to have been signed or sent by a Person that the Loan Manager has no reason to believe is not duly authorized. The Loan Manager also may rely upon any statement made to it orally or by telephone and made by a Person the Loan Manager has no reason to believe is not duly authorized, and shall not incur any liability for relying thereon. The Loan Manager is entitled to rely on any other information furnished to it by third parties that it reasonably believes in good faith to be

genuine provided that no Responsible Officer of the Loan Manager has knowledge that such information is materially incorrect;

(vii) subject to and in accordance with this Agreement, as agent of the Borrower and on behalf of the Borrower, direct the Trustee to take, or take on behalf of the Borrower, as applicable, any of the following actions with respect to a Loan, Equity Security or Permitted Investment:

(1) purchase or otherwise acquire such Loan or Permitted Investment;

(2) retain such Loan, Equity Security or Permitted Investment;

(3) sell or otherwise dispose of such Loan, Equity Security or Permitted Investment (including any assets received by way of Offers, workouts and restructurings on assets owned by the Borrower) in the open market or otherwise;

(4) if applicable, tender such Loan, Equity Security or Permitted Investment;

(5) if applicable, consent to or refuse to consent to any proposed amendment, modification, restructuring, exchange, waiver or Offer and give or refuse to give any notice or direction;

(6) retain or dispose of any securities or other property (if other than cash) received by the Borrower;

(7) call or waive any default with respect to any Loan;

(8) vote to accelerate the maturity of any Loan;

(9) participate in a committee or group formed by creditors of an Obligor under a Loan or issuer or obligor of a Permitted Investment;

(10) after the occurrence of the Collection Date, determine in consultation with the Borrower when, in the view of the Loan Manager, it would be in the best interest of the Borrower to liquidate all or any portion of the Collateral (and, if applicable, after discharge of the Lien of the Trustee in the Collateral under this Agreement) and, subject to the prior approval of the Borrower, execute on behalf of the Borrower any such liquidation or any actions necessary to effectuate any of the foregoing;

(11) advise and assist the Borrower with respect to the valuation of the Loans, to the extent required or permitted by this Agreement, and advise and assist the OFS Parent with respect to the valuation of the Borrower; and

(12) exercise any other rights or remedies with respect to such

Loan, Equity Security or Permitted Investment as provided in the Underlying Instruments of the Obligor or issuer under such assets or the other documents governing the terms of such assets or take any other action consistent with the terms of this Agreement which the Loan Manager reasonably determines to be in the best interests of the Borrower.

(viii) The Loan Manager may, but shall not be obligated to:

(1) retain accounting, tax, counsel and other professional services on behalf of the Borrower as may be needed by the Borrower; and/or

(2) consult on behalf of the Borrower with the Trustee, the Administrative Agent and the Lenders at such times as may be reasonably requested thereby in accordance with this Agreement and provide any such Person requesting the same with the information they are then entitled to have in accordance with this Agreement;

(ix) in connection with the purchase of any Loan by the Borrower, the Loan Manager shall prepare, on behalf of the Borrower, the information required to be delivered to the Trustee with respect to such Loan, the Administrative Agent or any Lender pursuant to this Agreement.

(x) preparing and submitting claims to, and acting as post-billing liaison with, Obligors on each Loan (for which no administrative or similar agent exists);

(xi) maintaining all necessary records and reports with respect to the Collateral and providing such reports to the Borrower and the Administrative Agent in respect of the management and administration of the Collateral (including information relating to its performance under this Agreement) as may be required hereunder or as the Borrower or the Administrative Agent may reasonably request;

(xii) maintaining and implementing administrative and operating procedures (including, without limitation, an ability to recreate management and administration records evidencing the Collateral in the event of the destruction of the originals thereof) and keeping and maintaining all documents, books, records and other information reasonably necessary or advisable for the collection of the Collateral;

(xiii) promptly delivering to the Borrower, the Administrative Agent or the Trustee, from time to time, such information and management and administration records (including information relating to its performance under this Agreement) as such Person may from time to time reasonably request;

(xiv) identifying each Loan clearly and unambiguously in its records to reflect that such Loan is owned by the Borrower and that the Borrower has granting a security interest therein to the Trustee for the benefit of the Secured Parties pursuant to this Agreement;

(xv) notifying the Borrower and the Administrative Agent promptly

upon obtaining knowledge of any material action, suit, proceeding, dispute, offset, deduction, defense or counterclaim (1) that is or is threatened to be asserted by an Obligor with respect to any Loan (or portion thereof) of which it has knowledge or has received notice; or (2) that could reasonably be expected to have a Material Adverse Effect;

(xvi) assisting the Borrower in maintaining the first priority, perfected security interest (subject to Permitted Liens) of the Trustee, for the benefit of the Secured Parties, in the Collateral;

(xvii) maintaining the Loan File(s) with respect to Loans included as part of the Collateral; provided that upon the occurrence and during the continuance of an Event of Default or a Loan Manager Termination Event, the Administrative Agent may request the Loan File(s) to be sent to the Trustee or its designee;

(xviii) with respect to each Loan included as part of the Collateral, making the Loan File available for inspection by the Borrower or the Administrative Agent, upon reasonable advance notice, at the offices of the Loan Manager during normal business hours; and

(xix) directing the Trustee to make payments pursuant to the instructions set forth in the latest Borrowing Base Certificate in accordance with Section 2.7 and Section 2.8 and preparing such other reports as required to be prepared by the Loan Manager pursuant to Section 6.8.

It is acknowledged and agreed that the Borrower possesses only such rights with respect to the enforcement of rights and remedies with respect to the Loans and the Related Property and under the Underlying Instruments as have been transferred to the Borrower with respect to the related Loan, and therefore, for all purposes under this Agreement, the Loan Manager shall perform its administrative and management duties hereunder only to the extent that, as a lender under the related loan syndication Underlying Instruments, it has the right to do so.

(b) In performing its duties hereunder and when exercising its discretion and judgment in connection with any transactions involving the Loans, Equity Securities or Permitted Investments, the Loan Manager shall carry out any reasonable written directions of the Borrower for the purpose of the Borrower's compliance with its limited liability company agreement, this Agreement and the other Transaction Documents; *provided* that such directions are not inconsistent with any provision of this Agreement by which the Loan Manager is bound or Applicable Law.

(c) In providing services hereunder, the Loan Manager may, without the consent of any party but with prior written notice to each of the Borrower and the Administrative Agent, employ third parties, including, without limitation, its Affiliates, to render advice (including investment advice), to provide services to arrange for trade execution and otherwise provide assistance to the Borrower and to perform any of its duties hereunder; provided that no such written notice shall be required for a delegation of any duties of the Loan Manager (i) with

respect to the management of Equity Securities to New York Life Investment Management LLC (or any Affiliate thereof that is a registered investment advisor, each a "NYLIM Party") or (ii) to Madison or its employees or to the Trustee in respect of collateral administration duties performed by the Trustee hereunder; provided further, that such delegation of any of its duties hereunder or performance of services by any other Person shall relieve the Loan Manager of any of its duties or liabilities hereunder. In connection with any delegation pursuant to clause (i) above, upon request by the Loan Manager, the Borrower shall enter into an advisory agreement with such NYLIM Party with respect to the management of any Equity Securities; provided that such advisory agreement is in form and substance reasonably acceptable to both the Borrower and such NYLIM Party.

(d) The Loan Manager assumes no responsibility under this Agreement other than to perform the Loan Manager's duties called for hereunder and under the terms of this Agreement applicable to the Loan Manager, in good faith and, subject to the Loan Manager Standard, shall not be responsible for any action of the Borrower or the Trustee in following or declining to follow any advice, recommendation or direction of the Loan Manager.

(e) In performing its duties, the Loan Manager shall perform its obligations with reasonable care using a similar degree of care, skill and attention as it employs with respect to similar collateral that it manages for itself and its Affiliates having similar investment objectives and restrictions in accordance with its existing practices and procedures which the Loan Manager believes to be consistent with the customary standards, policies and procedures followed by institutional managers of national standing relating to assets of the nature and character of the Loans, except as and to the extent expressly provided otherwise in this Agreement.

(f) Notwithstanding anything to the contrary contained herein, the exercise by the Trustee, the Administrative Agent or the Secured Parties of their rights hereunder (including, but not limited to, the delivery of a Loan Manager Termination Notice), shall not release the Loan Manager, any Seller or the Borrower from any of their duties or responsibilities with respect to the Collateral, except that the Loan Manager's obligations hereunder shall terminate upon its removal under this Agreement. The Secured Parties, the Administrative Agent and the Trustee shall not have any obligation or liability with respect to any Collateral, other than as provided for herein or in any other Transaction Document, nor shall any of them be obligated to perform any of the obligations of the Loan Manager hereunder.

(g) Nothing in this Section 6.2 or any other obligations of the Loan Manager under this Agreement shall release, modify, amend or otherwise effect any of the obligations of the Borrower or any other party hereunder.

(h) Any payment by an Obligor in respect of any Indebtedness owed by it to the Borrower shall, except as otherwise specified by such Obligor or otherwise required by contract or law, be applied as a collection of a payment by such Obligor (starting with the oldest such outstanding payment due) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

(i) It is hereby acknowledged and agreed that, in addition to acting in its

capacity as Loan Manager pursuant to the terms of this Agreement, MCF Capital Management LLC (and its Affiliates) will engage in other business and render other services outside the scope of its capacity as Loan Manager (including acting as administrative agent or as a lender with respect to Underlying Instruments or as collateral manager to other funds and investment vehicles). It is hereby further acknowledged and agreed that such other activities shall in no way whatsoever alter, amend or modify any of the Loan Manager's rights, duties or obligations under the Transaction Documents (including, without limitation, its duty to comply with the Credit and Collection Policy).

(j) Subject to the provisions of this Agreement and Applicable Law, the Loan Manager is hereby authorized to effect client cross-transactions in which the Loan Manager causes the purchase or sale of a Loan to be effected between the Borrower and another account advised by the Loan Manager or any of its Affiliates. In addition, the Loan Manager is authorized to enter into agency cross-transactions in which the Loan Manager or any of its Affiliates act as broker for the Borrower and for the other party to the transaction, to the extent permitted under Applicable Law, in which case any such Affiliate will have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction. The Borrower hereby authorizes and consents to such broker engaging in such transactions and acting in such capacities.

(k) The Loan Manager, subject to and in accordance with the applicable provisions of this Agreement and the Sale Agreements, hereby agrees that it shall cause any transaction relating to the Loans, the Equity Securities and the Permitted Investments to be conducted on terms and conditions negotiated on an arm's-length basis and in accordance with applicable law.

(l) In circumstances where the consent of the Borrower to the acquisition of Loan is not obtained, the Loan Manager will use commercially reasonable efforts to obtain the best execution (but shall have no obligation to obtain the best prices available) for all orders placed with respect to any purchase or sale of any Loan, Equity Security or Permitted Investment, in a manner permitted by law and in a manner it believes to be in the best interests of the Borrower, considering all circumstances. Subject to the preceding sentence, the Loan Manager may, in the allocation of business, select brokers and/or dealers with whom to effect trades on behalf of the Borrower and may open cash trading accounts with such brokers and dealers (*provided* that none of the assets of the Borrower may be credited to, held in or subject to the lien of the broker or dealer with respect to any such account). In addition, subject to the first sentence of this paragraph, the Loan Manager may, in the allocation of business, take into consideration research and other brokerage services furnished to the Loan Manager or its Affiliates by brokers and dealers which are not Affiliates of the Loan Manager; provided that the Loan Manager in good faith believes that the compensation for such services rendered by such brokers and dealers complies with the requirements of Section 28(e) of the Exchange Act ("Section 28(e)"), or in the case of principal or fixed income transactions for which the "safe harbor" of Section 28(e) is not available, the amount of the spread charged is reasonable in relation to the value of the research and other brokerage services provided. Such services may be used by the Loan Manager in connection with its other advisory activities or investment operations. The Loan Manager may aggregate sales and purchase orders placed with respect to the Loans with similar orders being made simultaneously for other clients of the Loan Manager

or of Affiliates of the Loan Manager, if in the Loan Manager's reasonable judgment such aggregation shall not result in an overall economic loss to the Borrower, taking into consideration the advantageous selling or purchase price, brokerage commission or other expenses, as well as the availability of such Assets on any other basis. In accounting for such aggregated order price, commissions and other expenses may be apportioned on a weighted average basis. When any purchase or sale of a Loan, Equity Security or Permitted Investment occurs as part of any aggregate sales or purchase orders, the objective of the Loan Manager will be to allocate the executions among the clients in an equitable manner and in accordance with the internal policies and procedures of the Loan Manager and, to the extent relevant, applicable law.

Section 6.3 Authorization of the Loan Manager.

(a) Each of the Borrower and the Trustee hereby authorizes the Loan Manager to take any and all steps in its name and on its behalf necessary or desirable in the determination of the Loan Manager and not inconsistent with the grant by the Borrower to the Trustee for the benefit of the Secured Parties, of a security interest in the Collateral that at all times ranks senior to any other creditor of the Borrower, to collect all amounts due under any and all Collateral, including, without limitation, endorsing any of their names on checks and other instruments representing Collections, executing and delivering any and all instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Collateral and, after the delinquency of any Collateral and to the extent permitted under and in compliance with Applicable Law, to commence proceedings with respect to enforcing payment thereof, to the same extent as the applicable Seller could have done if it had continued to own such Collateral. Each of the Borrower and the Trustee, on behalf of the Secured Parties shall furnish the Loan Manager with any powers of attorney and other documents necessary or appropriate to enable the Loan Manager to carry out its management and administrative duties hereunder, and shall cooperate with the Loan Manager to the fullest extent in order to permit the collectability of the Collateral. In no event shall the Loan Manager be entitled to make any Secured Party or the Trustee a party to any litigation without such party's express prior written consent, or to make the Borrower a party to any litigation (other than any foreclosure or similar collection procedure) without the prior written consent of the Borrower and the Administrative Agent.

(b) After the declaration of the Termination Date, at the direction of the Administrative Agent, the Loan Manager shall take such action as the Administrative Agent may deem necessary or advisable to enforce collection of the Collateral and direct the Loan Manager; provided that the Trustee may, in accordance with Section 5.1(m), notify any Obligor with respect to any Collateral of the assignment of such Collateral to the Trustee, on behalf of the Secured Parties, and direct that payments of all amounts due or to become due be made directly to the Trustee or any collection agent, sub-agent or account designated by the Trustee and, upon such notification and at the expense of the Borrower, the Trustee may enforce collection of any such Collateral, and adjust, settle or compromise the amount or payment thereof.

(c) In dealing with the Loan Manager and its duly appointed agents, none of the Administrative Agent, the Trustee nor any Lender shall be required to inquire as to the authority of the Loan Manager or any such agent to bind the Borrower.

Section 6.4 Collection of Payments; Accounts.

(a) Collection Efforts, Modification of Collateral. The Loan Manager will use commercially reasonable efforts consistent with the Credit and Collection Policy and the Loan Manager Standard to collect or cause to be collected all payments called for under the terms and provisions of the Loans included in the Collateral as and when the same become due. The Loan Manager may not waive, modify or otherwise vary any provision of an item of Collateral in any manner contrary to the Credit and Collection Policy.

(b) Taxes and other Amounts. To the extent the Borrower is required under the Underlying Instruments to perform such duties, the Loan Manager will collect all payments with respect to amounts due for Taxes, assessments and insurance premiums relating to each Loan to the extent required to be paid to the Borrower for such application under the Underlying Instrument and remit such amounts to the appropriate Governmental Authority or insurer as required by the Underlying Instruments.

(c) Payments to General Collection Account. On or before the applicable Funding Date, the Borrower or the Loan Manager, as applicable, shall have instructed all Obligors and paying agents of Agented Loans to make all payments owing to the Borrower in respect of the Collateral directly to the General Collection Account in accordance with Section 2.9; provided that neither the Borrower nor the Loan Manager is required to so instruct any Obligor which is solely a guarantor unless and until the Loan Manager (on behalf of the Borrower) directly calls on the related guaranty.

(d) Accounts. Each of the parties hereto hereby agrees that each Account shall be deemed to be a Securities Account. Each of the parties hereto hereby agrees to cause the Trustee or any other Securities Intermediary that holds any Cash or other Financial Asset for the Borrower in an Account to agree with the parties hereto that (A) the cash and other property (subject to Section 6.4(e) below with respect to any property other than investment property, as defined in Section 9-102(a)(49) of the UCC) is to be treated as a Financial Asset and (B) the jurisdiction governing the Account, all Cash and other Financial Assets credited to the Account and the "securities intermediary's jurisdiction" (within the meaning of Section 8-110(e) of the UCC) shall, in each case, be the State of New York. In no event may any Financial Asset held in any Account be registered in the name of, payable to the order of, or specially Indorsed to, the Borrower, unless such Financial Asset has also been Indorsed in blank or to the Trustee or other Securities Intermediary that holds such Financial Asset in such Account.

(e) Underlying Instruments. Notwithstanding any term hereof (or any term of the UCC that might otherwise be construed to be applicable to a "securities intermediary" as defined in the UCC) to the contrary, none of the Trustee nor any Securities Intermediary shall be under any duty or obligation in connection with the acquisition by the Borrower, or the grant by the Borrower of a security interest to the Trustee, of any Loan to examine or evaluate the sufficiency of the documents or instruments delivered to it by or on behalf of the Borrower under the related Underlying Instruments, or otherwise to examine the Underlying Instruments, in order to determine or compel compliance with any applicable requirements of or restrictions on transfer (including without limitation any necessary consents). The Trustee shall hold any Instrument delivered to it evidencing any Loan transferred to the Trustee hereunder as custodial

agent for the Secured Parties in accordance with the terms of this Agreement.

(f) Adjustments. If (i) the Loan Manager makes a deposit into the Collection Account on behalf of the Borrower in respect of a Collection of a Loan and such Collection was received by the Loan Manager in the form of a check that is not honored for any reason or (ii) the Loan Manager makes a mistake with respect to the amount of any Collection and deposits an amount that is less than or more than the actual amount of such Collection, the Loan Manager shall appropriately adjust the amount subsequently deposited into the Collection Account to reflect such dishonored check or mistake. Any Scheduled Payment in respect of which a dishonored check is received shall be deemed not to have been paid.

Section 6.5 Realization Upon Loans Subject to a Assigned Value Adjustment Event.

The Loan Manager will use reasonable efforts consistent with the Underlying Instruments to exercise available remedies relating to a Loan that has become subject to one or more Assigned Value Adjustment Events in order to maximize recoveries thereunder in accordance with the Credit and Collection Policy and the Loan Manager Standard. Subject to the terms of the Underlying Instruments and the Loan Manager Standard, the Loan Manager will comply with the Credit and Collection Policy and in all material respects with Applicable Law in exercising such remedies.

Section 6.6 Loan Manager Compensation.

As compensation for its administrative and management activities hereunder, the Loan Manager or its designee shall be entitled to receive the Loan Management Fee pursuant to the provisions of Sections 2.7 and Section 2.8, as applicable.

Section 6.7 Expense Reimbursement.

Subject to Sections 2.7, 2.8, and 2.9(f), as applicable, the Borrower shall pay or reimburse the Loan Manager for its payment of any and all reasonable costs and expenses incurred on behalf of the Borrower in connection with its management, administration and collection activities with respect to the Collateral and compliance with the terms of this Agreement, including, without limitation: (i) any transfer fees necessary to register any Loan; (ii) any fees and expenses in connection with the acquisition, management, amendment, enforcement, pricing, valuation or disposition of Collateral or otherwise in connection with the Advances or the Borrower (including (a) investment related travel, communications and related expenses, (b) legal fees and expenses, (c) in connection with the termination, cancellation or abandonment of a potential acquisition or disposition of any Collateral that is not consummated and (d) amounts required to be paid or reimbursed to any agent under any Underlying Instrument); (iii) any and all taxes and governmental charges that may be incurred or payable by the Borrower; (iv) any and all costs and expenses for services to the Borrower and the Collateral in respect of assignment processing fees; (v) in the event the Borrower is included in the consolidated financial statements of the Loan Manager or its Affiliates, costs and expenses associated with the preparation of such financial statements and other information by the Loan Manager or its Affiliates to the extent related to the inclusion of the Borrower in such financial

statements, and (vi) any and all expenses incurred to comply with any law or regulation related to the activities of the Borrower and, to the extent relating specifically to the Borrower (or its activities) and the Collateral, the Loan Manager; provided that, (i) to the extent the Borrower (or the Loan Manager on behalf of the Borrower) is entitled to be reimbursed for any such costs and expenses by any Obligor and is, in fact, paid or reimbursed thereby, the Borrower shall pay or reimburse the Loan Manager in accordance with this Section 6.7 (net of any amounts, if any, received by the Loan Manager directly) and (ii) in the event the Loan Manager has fees or expenses (including internal costs of the Loan Manager or that are allocated to the Loan Manager) that are allocable to one or more entities in addition to the Borrower to which the Loan Manager (including, so long as the Loan Manager is an Affiliate of Madison, Madison) provides management or advisory services, the Borrower shall be responsible for only a pro rata portion (based on aggregate principal or committed amounts) of such fees and expenses, based on the aggregate assets under management of all entities to which such costs or expenses are allocable (including, so long as the Loan Manager is an Affiliate of Madison, by Madison), all such reimbursable costs and expenses being the "Loan Manager Reimbursable Expenses".

Section 6.8 Reports; Information.

(a) Borrower's Notice. On each Funding Date and on the date of each Reinvestment of Principal Collections pursuant to Section 2.14(a)(i) or acquisition by the Borrower of Additional Loans in connection with a Substitution pursuant to Section 2.14(b), the Borrower (or the Loan Manager on its behalf) will provide the applicable Borrower's Notice and a Borrowing Base Certificate, each updated as of such date, to the Administrative Agent (with a copy to the Trustee).

(b) Tax Returns. Upon demand by the Administrative Agent, the Borrower shall deliver copies of any foreign, federal, state and local income tax returns and reports filed by the Borrower, if any.

(c) Obligor Financial Statements; Other Reports. The Loan Manager will deliver to the Borrower and the Administrative Agent, to the extent received by the Loan Manager (on behalf of the Borrower) pursuant to the Underlying Instruments, the complete financial reporting package with respect to each Obligor and with respect to each Loan for such Obligor (including any financial statements, management discussion and analysis, executed covenant compliance certificates and related covenant calculations with respect to such Obligor and with respect to each Loan for such Obligor) provided to the Loan Manager (on behalf of the Borrower) for the periods required by the Underlying Instruments, which delivery shall be made within ten (10) Business Days after receipt by the Borrower or the Loan Manager (on behalf of the Borrower) as specified in the Underlying Instruments. The Loan Manager will provide, promptly upon request from the Administrative Agent or the Borrower, such other information received by it from any Obligor as may reasonably be requested with respect to such Obligor.

(d) Amendments to Loans. The Loan Manager will post on a password protected website maintained by the Loan Manager to which the Borrower and the Administrative Agent will have access (or otherwise deliver to the Borrower and the Administrative Agent, including, without limitation, by electronic mail) a copy of any material amendment, restatement, supplement, waiver or other modification to the Underlying

Instruments of any Loan (along with any internal documents prepared by the Loan Manager and provided to its investment committee in connection with such amendment, restatement, supplement, waiver or other modification) within ten (10) Business Days of the effectiveness of such amendment, restatement, supplement, waiver or other modification.

(e) Payment Date Reporting. The Loan Manager shall deliver a Borrowing Base Certificate and a Payment Date Statement, in each case determined as of the day that is four (4) Business Days prior to each Payment Date, and delivered to the Administrative Agent and Trustee not later than the Business Day preceding the related Payment Date. Each such Payment Date Statement shall contain instructions to the Trustee to withdraw on the related Payment Date from the applicable Collection Account and pay or transfer amounts set forth in such report in the manner specified, and in accordance with the priorities established, in Section 2.7 or Section 2.8, as applicable.

(f) Certificates; Other Information.

(i) The Loan Manager on behalf of the Borrower shall furnish to the Borrower and to the Administrative Agent for distribution to each Lender, within ten (10) days after the end of each calendar month and on each Funding Date pursuant to Section 2.2(b)(ii), a Borrowing Base Certificate showing the Borrowing Base as of such date, certified as complete and correct by a Responsible Officer of the Loan Manager.

(ii) The Loan Manager will provide the Borrower with a monthly report regarding the Collateral and its activities hereunder in such form as they may mutually agree.

(iii) The Loan Manager shall furnish to the Administrative Agent for distribution to each Lender within one hundred and twenty (120) days after the end of each fiscal year of the Borrower, commencing with the 2011 fiscal year, a report covering such fiscal year of a firm of independent certified public accountants of nationally recognized standing to the effect that such accountants have applied certain agreed-upon procedures (a copy of which procedures are attached hereto as Schedule IV, it being understood that the Loan Manager and the Administrative Agent will provide an updated Schedule IV reflecting any further amendments to such Schedule IV prior to the issuance of the first such agreed-upon procedures report, a copy of which shall replace the then existing Schedule IV) to certain documents and records relating to the Collateral, the Borrower and the Loan Manager, compared the information contained in the Borrowing Base Certificates delivered during the period covered by such report with such documents and records and that no matters came to the attention of such accountants that caused them to believe that the information and the calculations included in such Borrowing Base Certificates were not determined or performed in accordance with the provisions of this Agreement, except for such exceptions as such accountants shall believe to be immaterial and such other exceptions as shall be set forth in such statement.

Section 6.9 Annual Statement as to Compliance.

The Loan Manager will provide to the Borrower and the Administrative Agent, within thirty (30) days following the end of each fiscal year of the Loan Manager, commencing with the fiscal year ending on December 31, 2010, a report signed by a Responsible Officer of the Loan Manager certifying that (a) a review of the activities of the Loan Manager, and the Loan Manager's performance pursuant to this Agreement, for the fiscal period ending on the last day of such fiscal year has been made under such Person's supervision and (b) the Loan Manager has performed or has caused to be performed in all material respects all of its obligations under this Agreement throughout such year and no Loan Manager Termination Event has occurred and is continuing or, if any such Loan Manager Termination Event has occurred and is continuing, a statement describing the nature thereof and the steps being taken to remedy such Loan Manager Termination Event.

Section 6.10 The Loan Manager Not to Resign.

The Loan Manager shall not resign from the obligations and duties hereby imposed on it except upon the Loan Manager's good faith determination in consultation with legal counsel that (i) the performance of its duties hereunder is or becomes impermissible under Applicable Law and (ii) there is no reasonable action that the Loan Manager could take to make the performance of its duties hereunder permissible under Applicable Law. In connection with any such determination permitting the resignation of the Loan Manager, the Loan Manager shall deliver to the Administrative Agent a description of the circumstances giving rise to such determination.

Section 6.11 Loan Manager Termination Events.

Upon the occurrence of a Loan Manager Termination Event, notwithstanding anything herein to the contrary, the Controlling Lender, by written notice to the Loan Manager with a copy to the Borrower, the Trustee and each other Lender (such notice, a "Loan Manager Termination Notice"), may, in its sole discretion, terminate all of the rights and obligations of the Loan Manager as "Loan Manager" under this Agreement. Each Loan Manager Termination Notice shall include a list of at least two (2) potential replacement Loan Managers (each a "Potential Replacement Loan Manager"), which list may include the Controlling Lender. Within three (3) days following receipt of a Loan Manager Termination Notice, the Class B Lenders shall, in consultation with the Borrower, approve at least one (1) of the Potential Replacement Loan Managers; provided that, if more than one (1) Potential Replacement Loan Manager is approved by the Class B Lenders, the Controlling Lender shall make the final selection. If the Class B Lenders fail to approve a Potential Replacement Loan Manager, the Controlling Lender shall select the replacement Loan Manager in its sole discretion. Until a replacement Loan Manager is selected as set forth above, the Loan Manager shall (i) unless otherwise notified by the Administrative Agent, continue to act in such capacity pursuant to Section 6.1 and (ii) as requested by the Administrative Agent in its sole discretion (A) terminate some or all of its activities as Loan Manager hereunder by the Administrative Agent in its sole discretion as necessary or desirable, (B) provide such information as may be requested by the Administrative Agent to facilitate the transition of the performance of such activities to the Administrative Agent or any agent thereof and (C) take all other actions requested by the Administrative Agent,

in each case to facilitate the transition of the performance of such activities to the Administrative Agent or any agent thereof.

ARTICLE VII

THE TRUSTEE

Section 7.1 Designation of Trustee.

(a) Initial Trustee. The role of Trustee with respect to the Underlying Instruments shall be conducted by the Person designated as Trustee hereunder from time to time in accordance with this Section 7.1. Until the Administrative Agent shall give to Wells Fargo a Trustee Termination Notice, Wells Fargo Delaware Trust Company, N.A. is hereby appointed as, and hereby accepts such appointment and agrees to perform the duties and obligations of, Trustee pursuant to the terms hereof.

(b) Successor Trustee. Upon the Trustee's receipt of a Trustee Termination Notice from the Administrative Agent of the designation of a successor Trustee pursuant to the provisions of Section 7.5, the Trustee agrees that it will terminate its activities as Trustee hereunder.

Section 7.2 Duties of Trustee.

(a) Appointment. Each of the Borrower and the Administrative Agent hereby designate and appoint the Trustee to act as its agent and hereby authorizes the Trustee to take such actions on its behalf and to exercise such powers and perform such duties as are expressly granted to the Trustee by this Agreement. The Trustee hereby accepts such agency appointment to act as Trustee pursuant to the terms of this Agreement, until its resignation or removal as Trustee pursuant to the terms hereof. In such capacity, the Trustee shall assist the Borrower and the Loan Manager in connection with maintaining a database of certain characteristics with respect to the Collateral on an ongoing basis as provided herein, and in providing to the Borrower and the Loan Manager certain reports, schedules and calculations, all as more particularly described in Section 7.2(b) below (in each case in such form and content, and in such greater detail, as may be mutually agreed upon by the parties hereto from time to time), based upon information and data received from the Borrower and/or the Loan Manager. The Trustee's duties and authority are limited to the duties and authority specifically set forth in this Agreement. By entering into, or performing its duties under, this Agreement, the Trustee shall not be deemed to assume any obligations or liabilities of the Borrower or the Loan Manager under this Agreement or any other Transaction Document, and nothing herein contained shall be deemed to release, terminate, discharge, limit, reduce, diminish, modify, amend or otherwise alter in any respect the duties, obligations or liabilities of the Borrower or the Loan Manager under this Agreement.

(b) Duties. On or before the initial Funding Date, and until its removal pursuant to Section 7.5, the Trustee shall perform, on behalf of the Administrative Agent and the Secured Parties, the following duties and obligations:

(i) The Trustee shall take and retain custody of the Required Loan Documents delivered by the Borrower pursuant to the definition of "Eligible Loans" in accordance with the terms and conditions of this Agreement, all for the benefit of the Secured Parties. Within five (5) Business Days of its receipt of any Underlying Instruments and the Loan Checklist, the Trustee shall review the Required Loan Documents delivered to it to confirm that (A) if the files delivered per the following sentence indicate that any document must contain an original signature, each such document appears to bear the original signature, or if the file indicates that such document must contain a copy of a signature, that such copies appear to bear a reproduction of such signature and (B) based on a review of the applicable note, the related original Loan balance, Loan identification number and Obligor name with respect to such Loan is referenced on the related Loan Checklist and is not a duplicate Loan (such items (A) through (B) collectively, the "Review Criteria"). In order to facilitate the foregoing review by the Trustee, in connection with each delivery of Underlying Instruments hereunder to the Trustee, the Loan Manager shall provide to the Trustee an electronic file (in EXCEL or a comparable format acceptable to the Trustee) or the related Loan Checklist that contains a list of all Required Loan Documents and whether they require original signatures, the Loan identification number and the name of the Obligor and the original Loan balance with respect to each related Loan. If, at the conclusion of such review, the Trustee shall determine that (1) the original Loan balances of the Loans with respect to which it has received Underlying Instruments is less than as set forth on the electronic file, the Trustee shall immediately notify the Administrative Agent and the Loan Manager of such discrepancy, and (2) any Review Criteria is not satisfied, the Trustee shall within one (1) Business Day notify the Loan Manager of such determination and provide the Loan Manager with a list of the non-complying Loans and the applicable Review Criteria that they fail to satisfy. The Loan Manager shall have ten (10) Business Days to correct any non-compliance with any Review Criteria. If after the conclusion of such time period the Loan Manager has still not cured any non-compliance by a Loan with any Review Criteria, the Trustee shall promptly notify the Borrower and the Administrative Agent of such determination by providing a written report to such persons identifying, with particularity, each Loan and each of the applicable Review Criteria that such Loan fails to satisfy. In addition, if requested in writing in the form of Exhibit E by the Loan Manager and approved by the Administrative Agent within ten (10) Business Days of the Trustee's delivery of such report, the Trustee shall return the Underlying Instruments for any Loan which fails to satisfy a Review Criteria to the Borrower. Other than the foregoing, the Trustee shall not have any responsibility for reviewing any Underlying Instruments.

(ii) In taking and retaining custody of the Underlying Instruments, the Trustee shall be deemed to be acting as the agent of the Secured Parties; provided that the Trustee makes no representations as to the existence, perfection or priority of any Lien on the Underlying Instruments or the instruments therein; and provided further that the Trustee's duties as agent shall be limited to those expressly contemplated herein.

(iii) All Underlying Instruments that are originals or copies shall be kept in fire resistant vaults, rooms or cabinets at the Corporate Trust Office. All Underlying Instruments that are originals or copies shall be placed together with an

appropriate identifying label and maintained in such a manner so as to permit retrieval and access. All Underlying Instruments that are originals or copies shall be clearly segregated from any other documents or instruments maintained by the Trustee. All Underlying Instruments that are delivered to the Trustee in electronic format shall be saved onto disks and/or onto the Trustee's secure computer system, and maintained in a manner so as to permit retrieval and access.

(iv) The Trustee shall make payments in accordance with Section 2.7 and Section 2.8 and as otherwise expressly provided under this Agreement (the "Payment Duties").

(v) On each Reporting Date, the Trustee shall provide a written report to the Administrative Agent, the Borrower and the Loan Manager (in a form acceptable to the Administrative Agent) identifying each Loan for which it holds Underlying Instruments, the non-complying Loans and the applicable Review Criteria that any non-complying Loan fails to satisfy.

(vi) The Trustee shall, promptly upon its actual receipt of a Borrowing Base Certificate from the Loan Manager on behalf of the Borrower, calculate the Borrowing Base and, if the Trustee's calculation does not correspond with the calculation provided by the Loan Manager on such Borrowing Base Certificate, deliver such calculation to each of the Administrative Agent, Borrower and Loan Manager within one (1) day of receipt by the Trustee of such Borrowing Base Certificate. The Trustee shall also make required calculations for each Payment Date Statement as of the day that is four (4) Business Days prior to the applicable Payment Date, and deliver such calculations to the Loan Manager (and, following the delivery of a Notice of Exclusive Control, the Administrative Agent and the Loan Manager) for the Loan Manager's (or Administrative Agent's, as applicable) review no later than two (2) Business Days prior to such Payment Date. Upon the approval (which may be by email) by the Loan Manager (or after delivery of a Notice of Exclusive Control, the Administrative Agent), the Payment Date Statement shall constitute instructions by the Loan Manager (or after delivery of a Notice of Exclusive Control, the Administrative Agent) to the Trustee to withdraw on the related Payment Date from the applicable Collection Account and pay or transfer amounts set forth in such report in the manner specified, and in accordance with the priorities established, in Section 2.7 or Section 2.8, as applicable.

(vii) The Trustee shall create a collateral database with respect to the Collateral (the "Collateral Database"), and update the Collateral Database daily for changes, including to reflect the sale or other disposition of the Collateral, based upon, and to the extent of, information furnished to the Trustee by the Borrower (or the Loan Manager on behalf of the Borrower) as may be reasonably required by the Trustee.

(viii) The Trustee shall track the receipt and daily allocation to the Accounts of Collections, the outstanding balances therein, and any withdrawals therefrom and, on each Business Day, provide to the Loan Manager daily reports reflecting such actions as of the close of business on the preceding Business Day.

(ix) The Trustee shall provide such other information with respect to the Collateral as may be routinely maintained by the Trustee or as may be required by this Agreement, in each case as the Borrower, Loan Manager or the Administrative Agent may reasonably request from time to time.

(x) The Trustee shall notify the Borrower, the Loan Manager and the Administrative Agent upon receiving notices, reports or proxies or any other requests relating to corporate actions affecting the Collateral.

(xi) If, in performing its duties under this Agreement, the Trustee is required to decide between alternative courses of action, the Trustee may request written instructions from the Administrative Agent as to the course of action desired. If the Trustee does not receive such instructions within two (2) Business Days after its request therefor, the Trustee may, but shall be under no duty to, take or refrain from taking any such courses of action. The Trustee shall act in accordance with instructions received after such two (2) Business Day period except to the extent it has already taken, or committed itself to take, action inconsistent with such instructions. The Trustee shall be entitled to rely on the advice of legal counsel and independent accountants obtained in good faith in performing its duties hereunder and shall be deemed to have acted in good faith if it acts in accordance with such advice.

(xii) In performing its duties, (A) the Trustee shall use a similar degree of care and attention as it employs with respect to similar collateral that it holds as Trustee for others and (B) all calculations made by the Trustee pursuant to this Section 7.2(b) using information that is not routinely maintained by the Trustee, including Advance Rate, EBITDA, Assigned Value and Unrestricted Cash of any Obligor shall be made using such amounts as provided by the Administrative Agent, Controlling Lender, Borrower or the Loan Manager to the Trustee.

(xiii) Nothing herein shall prevent the Trustee or any of its Affiliates from engaging in other businesses or from rendering services of any kind to any Person.

Section 7.3 Merger or Consolidation.

Any Person (i) into which the Trustee may be merged or consolidated, (ii) that may result from any merger or consolidation to which the Trustee shall be a party, or (iii) that may succeed to the properties and assets of the Trustee substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Trustee hereunder, shall be the successor to the Trustee under this Agreement without further act of any of the parties to this Agreement.

Section 7.4 Trustee Compensation.

As compensation for its Trustee activities hereunder, the Trustee shall be entitled to a Trustee Fee pursuant to the provision of Section 2.7(a)(1), Section 2.7(b)(1) or Section 2.8(1), as applicable. The Trustee's entitlement to receive the Trustee Fee shall cease on the earlier to occur of: (i) its removal as Trustee pursuant to Section 7.5 or (ii) the termination of this Agreement.

Section 7.5 Trustee Removal.

The Trustee may be removed, with or without cause, by the Administrative Agent by notice given in writing to the Trustee and the Lenders (the "Trustee Termination Notice"); provided that notwithstanding its receipt of a Trustee Termination Notice, the Trustee shall continue to act in such capacity until a successor Trustee has been appointed, has agreed to act as Trustee hereunder in full compliance with the requirements of Section 5.5(d), and has received all Underlying Instruments held by the previous Trustee.

Section 7.6 Limitation on Liability.

(a) The Trustee may conclusively rely on and shall be fully protected in acting upon any certificate, instrument, opinion, notice, letter, telegram or other document delivered to it and that in good faith it reasonably believes to be genuine and that has been signed by the proper party or parties. The Trustee may rely conclusively on and shall be fully protected in acting upon (a) the written instructions of any designated officer of the Administrative Agent or (b) the verbal instructions of the Administrative Agent.

(b) The Trustee may consult counsel satisfactory to it and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(c) The Trustee shall not be liable for any error of judgment, or for any act done or step taken or omitted by it, in good faith, or for any mistakes of fact or law, or for anything that it may do or refrain from doing in connection herewith except, notwithstanding anything to the contrary contained herein, in the case of its willful misconduct, bad faith or grossly negligent performance or omission of its duties and in the case of its grossly negligent performance of its Payment Duties and in the case of its grossly negligent performance of its duties in taking and retaining custody of the Underlying Instruments.

(d) The Trustee makes no warranty or representation and shall have no responsibility (except as expressly set forth in this Agreement) as to the content, enforceability, completeness, validity, sufficiency, value, genuineness, ownership or transferability of the Collateral, and will not be required to and will not make any representations as to the validity or value (except as expressly set forth in this Agreement) of any of the Collateral. The Trustee shall not be obligated to take any legal action hereunder that might in its judgment involve any expense or liability unless it has been furnished with an indemnity reasonably satisfactory to it.

(e) The Trustee shall have no duties or responsibilities except such duties and responsibilities as are specifically set forth in this Agreement and no covenants or obligations shall be implied in this Agreement against the Trustee.

(f) The Trustee shall not be required to expend or risk its own funds in the performance of its duties hereunder.

(g) It is expressly agreed and acknowledged that the Trustee is not guaranteeing performance of or assuming any liability for the obligations of the other parties

hereto or any parties to the Collateral.

(h) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys; provided, that the Trustee shall not be responsible for any willful misconduct or gross negligence on the part of any non-Affiliated agent or attorney appointed with due care by it hereunder.

Section 7.7 Resignation of the Trustee.

The Trustee shall not resign from the obligations and duties hereby imposed on it except upon (a) ninety (90) days' prior written notice to the Borrower, Loan Manager, Administrative Agent and each Lender, or (b) the Trustee's determination that (i) the performance of its duties hereunder is or becomes impermissible under Applicable Law and (ii) there is no reasonable action that the Trustee could take to make the performance of its duties hereunder permissible under Applicable Law. Any such determination permitting the resignation of the Trustee shall be evidenced as to clause (i) above by an Opinion of Counsel to such effect delivered to the Administrative Agent. No such resignation shall become effective until a successor Trustee acceptable to the Controlling Lender in its sole discretion shall have assumed the responsibilities and obligations of the Trustee hereunder, which Trustee satisfies all requirements of Section 5.5(d).

Section 7.8 Release of Documents.

(a) Release for Servicing. From time to time and as appropriate for the enforcement or servicing of any of the Collateral, the Trustee is hereby authorized (unless and until such authorization is revoked by the Administrative Agent after the occurrence of an Event of Default), upon written receipt from the Loan Manager of a request for release of documents and receipt in the form annexed hereto as Exhibit E, to release to the Loan Manager within two (2) Business Days of receipt of such request, the related Underlying Instruments or the documents set forth in such request and receipt to the Loan Manager. All documents so released to the Loan Manager shall be held by the Loan Manager in trust for the benefit of the Trustee in accordance with the terms of this Agreement. The Loan Manager shall return to the Trustee the Underlying Instruments or other such documents (i) promptly upon the request of the Administrative Agent (after the occurrence of an Event of Default), or (ii) when the Loan Manager's need therefor in connection with such enforcement or servicing no longer exists, unless the Loan shall be liquidated or sold, in which case, upon receipt of an additional request for release of documents and receipt certifying such liquidation or sale from the Loan Manager to the Trustee in the form annexed hereto as Exhibit E, the Loan Manager's request and receipt submitted pursuant to the first sentence of this subsection shall be released by the Trustee to the Loan Manager.

(b) Release for Payment. Upon receipt by the Trustee of the Loan Manager's request for release of documents and receipt in the form annexed hereto as Exhibit E (which certification shall include a statement to the effect that all amounts received in connection with such payment or repurchase have been or will be credited to the Collection Account as provided in this Agreement), the Trustee shall promptly release the related Underlying Instruments to the Loan Manager.

Section 7.9 Return of Underlying Instruments.

The Borrower (or the Loan Manager on its behalf) may, with the prior written consent of the Administrative Agent (such consent not to be unreasonably withheld), require that the Trustee return each Required Loan Document (as applicable), respectively (a) delivered to the Trustee in error, (b) as to which the lien on the Underlying Asset has been so released pursuant to Section 8.2, (c) that has been the subject of a Discretionary Sale, Substitution or Optional Sale pursuant to Section 2.14 or (e) that is required to be redelivered to the Borrower in connection with the termination of this Agreement, in each case by submitting to the Trustee and the Administrative Agent a written request in the form of Exhibit E hereto (signed by both the Borrower (or the Loan Manager on its behalf) and the Administrative Agent) specifying the Collateral to be so returned and reciting that the conditions to such release have been met (and specifying the Section or Sections of this Agreement being relied upon for such release). The Trustee shall upon its receipt of each such request for return executed by the Borrower (or the Loan Manager on its behalf) and the Administrative Agent promptly, but in any event within five (5) Business Days, return the Underlying Instruments so requested to the Borrower (or the Loan Manager on its behalf).

Section 7.10 Access to Certain Documentation and Information Regarding the Collateral; Audits.

(a) The Loan Manager, the Borrower and the Trustee shall provide to the Administrative Agent access to the Underlying Instruments and all other documentation in the possession of such Persons regarding the Collateral including in such cases where the Administrative Agent may direct the Trustee in connection with the enforcement of the rights or interests of the Trustee hereunder, or by applicable statutes or regulations, to review such documentation, such access being afforded without charge but only (i) upon two (2) Business Days' prior written request, (ii) during normal business hours and (iii) subject to the Loan Manager's, the Borrower's and Trustee's normal security and confidentiality procedures. Prior to the Closing Date and periodically thereafter at the discretion of the Administrative Agent, the Administrative Agent may review the Loan Manager's collection and administration of the Collateral in order to assess compliance by the Loan Manager with Article VI and may conduct an audit of the Collateral, and Underlying Instruments in conjunction with such a review. Such review shall be reasonable in scope and shall be completed in a reasonable period of time.

(b) Without limiting the foregoing provisions of Section 7.10(a), from time to time on request of the Administrative Agent, the Trustee shall permit certified public accountants or other independent auditors acceptable to the Administrative Agent to conduct a review of the Underlying Instruments and all other documentation regarding the Collateral. Up to two (2) such reviews per fiscal year shall be at the expense of the Borrower and additional reviews in a fiscal year shall be at the expense of the requesting Lender(s); provided that, after the occurrence and during the continuance of an Event of Default, any such reviews, regardless of frequency, shall be at the expense of the Borrower.

ARTICLE VIII

SECURITY INTEREST

Section 8.1 Grant of Security Interest.

(a) This Agreement constitutes a security agreement and the Advances effected hereby constitute secured loans by the applicable Lenders to the Borrower under Applicable Law. For such purpose, the Borrower hereby transfers, conveys, assigns and grants as of the Closing Date to the Trustee for the benefit of the Secured Parties, a lien and continuing security interest in all of the Borrower's right, title and interest in, to and under (but none of the obligations under) all Collateral (other than any Collateral which constitutes Margin Stock), whether now existing or hereafter arising or acquired by the Borrower, and wherever the same may be located, to secure the prompt, complete and indefeasible payment and performance in full when due, whether by lapse of time, acceleration or otherwise, of the Obligations of the Borrower arising in connection with this Agreement and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, without limitation, all Obligations. Notwithstanding any of the other provisions set forth in this Agreement, this Agreement shall not constitute a grant of a security interest in any property to the extent that such grant of a security interest is prohibited by any Applicable Law not in effect as of the date hereof or requires a consent not obtained of any Governmental Authority pursuant to such Applicable Law. The powers conferred on the Trustee hereunder are solely to protect the Trustee's interests in the Collateral and shall not impose any duty upon the Trustee to exercise any such powers. The Trustee shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither the Trustee nor any of its officers, directors, employees or agents shall be responsible to the Borrower for any act or failure to act hereunder, except for its own gross negligence or willful misconduct. If the Borrower fails to perform or comply with any of its agreements contained herein, the Trustee, at its option and at the direction of the Administrative Agent, but without any obligation to do so, may itself perform or comply, or otherwise cause performance or compliance, with such agreement. The expenses of the Trustee incurred in connection with such performance or compliance, together with interest thereon at the rate *per annum* applicable to Advances, shall be payable by the Borrower to the Trustee on demand and shall constitute Obligations secured hereby.

(b) The grant of a security interest under this Section 8.1 does not constitute and is not intended to result in a creation or an assumption by the Trustee of any obligation of the Borrower or any other Person in connection with any or all of the Collateral or under any agreement or instrument relating thereto. Anything herein to the contrary notwithstanding, (a) the Borrower shall remain liable under the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Trustee on behalf of the Secured Parties, of any of its rights in the Collateral shall not release the Borrower from any of its duties or obligations under the Collateral, and (c) the Trustee shall not have any obligations or liability under the Collateral by reason of this Agreement, nor shall the Trustee be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

(c) Notwithstanding anything to the contrary, the Lender, the Borrower, the Loan Manager, the Administrative Agent, the Trustee and each Lender hereby agree to treat, and to cause each of their respective Affiliates to treat, each Variable Funding Note as indebtedness for purposes of United States federal and state income tax or state franchise tax to the extent permitted by Applicable Law and shall file its tax returns or reports, or cause its Affiliates to file such tax returns or reports, in a manner consistent with such treatment.

Section 8.2 Release of Lien on Collateral.

(a) At the same time as (i) any Loan expires by its terms or is prepaid in full and all amounts in respect thereof have been paid in full by the related Obligor and deposited in the Collection Account (ii) any Loan has been the subject of a Discretionary Sale, Substitution or Optional Sale pursuant to Section 2.14, has been sold to a Seller as required under a Sale Agreement or has been sold pursuant to Section 9.2, the Trustee, as agent for the Secured Parties will, to the extent requested by the Loan Manager or the Borrower, release its interest in such Collateral. In connection with any release of such Collateral, the Trustee, on behalf of the Secured Parties, will upon receipt of the Proceeds of any such sale, payment in full or prepayment in full of a Loan into the General Collection Account, at the sole expense of the Borrower, (i) execute and deliver to the Borrower or the Loan Manager (or its designee) requesting the same, any assignments, bills of sale, termination statements and any other releases and instruments as such Person may reasonably request in order to effect the release and transfer of such Collateral, (ii) deliver any portion of the Collateral to be released from the Lien granted under this Agreement in its possession to or at the direction of the Borrower or the Loan Manager (on behalf of the Borrower) and (iii) otherwise take such actions as are necessary and appropriate to release the Lien of the Trustee for the benefit of the Secured Parties on the applicable portion of the Collateral to be released and delivered to or at the direction of the Borrower or the Loan Manager on its behalf such portion of the Collateral to be so released; provided that, the Trustee, as agent for the Secured Parties, will make no representation or warranty, express or implied, with respect to any such Collateral in connection with such release, sale, transfer and/or assignment. Nothing in this Section shall diminish the Loan Manager's obligations pursuant to Section 6.5 with respect to the Proceeds of any such sale.

(b) On the Collection Date, the Trustee, on behalf of the Secured Parties, will release the security interest in the Collateral created hereby, which release shall occur simultaneously with receipt in the Collection Account of the payoff amount specified in a payoff letter signed by the Administrative Agent. Upon request of the Borrower to the Trustee and to the Administrative Agent, the Trustee shall promptly provide to the Borrower and the Administrative Agent a computation of all amounts owing to the Trustee as of the anticipated Collection Date and the Administrative Agent shall promptly provide to the Borrower, with a copy to the Trustee, a computation of all amounts owing to the Administrative Agent and the Lenders as of the anticipated Collection Date. In connection with such release of the Collateral, the Trustee, on behalf of the Secured Parties, will, at the sole expense of the Borrower, (i) execute and deliver to the Borrower or the Loan Manager (or its designee) requesting the same, any assignments, bills of sale, termination statements and any other releases and instruments as the Borrower (or the Loan Manager on behalf of the Borrower) may reasonably request in order to effect the release of the Collateral, (ii) deliver any portion of the Collateral to be released from the Lien granted under this Agreement in its possession to or at the direction of the Borrower or

the Loan Manager (on behalf of the Borrower) and (iii) otherwise take such actions as are necessary and appropriate to release the Lien of the Trustee for the benefit of the Secured Parties on the Collateral (including, without limitation, delivering a Termination Notice (as defined in the Securities Account Control Agreement) in respect of the Securities Account Control Agreement); provided that, the Trustee, as agent for the Secured Parties, will make no representation or warranty, express or implied, with respect to any such Collateral in connection with such release.

ARTICLE IX

EVENTS OF DEFAULT

Section 9.1 Events of Default.

The following events shall be Events of Default ("Events of Default") hereunder:

(a) the Borrower or any Seller fails to make any payment when due under any Transaction Document, subject to any applicable cure period thereunder (such cure period not to exceed three (3) Business Days); or

(b) the Borrower, the OFS Parent, the Loan Manager or any Seller defaults in making any payment required to be made under an agreement for borrowed money (other than, in the case of the Borrower, this Agreement) to which it is a party individually or in an aggregate principal amount in excess of (i) with respect to the Borrower, $500,000, and (ii) with respect to the Loan Manager, the OFS Seller or the Madison Seller, $2,500,000 and, in either case, such default is not cured within the applicable cure period, if any, provided for under such agreement; or

(c) any failure on the part of the Borrower, any Seller or the OFS Parent to duly to observe or perform any other covenants or agreements of such Person (other than those specifically addressed by a separate Event of Default), as applicable, set forth in this Agreement or the other Transaction Documents to which such Person is a party and the same continues unremedied for a period of thirty (30) days (if such failure can be remedied) after the earlier to occur of (i) the date on which written notice of such failure requiring the same to be remedied shall have been given to such Person and (ii) the date on which such Person acquires knowledge thereof; or

(d) the occurrence of an Insolvency Event relating to the Borrower or any Seller; or

(e) any event shall occur that has had or is reasonably likely to have a Material Adverse Effect; or

(f) the rendering of one or more final judgments, decrees or orders by a court or arbitrator of competent jurisdiction for the payment of money in excess individually or in the aggregate of $1,000,000 (or $5,000,000 with respect to the Madison Seller), against the Borrower or any Seller, and the Borrower or such Person, as applicable, shall not have either

(i) discharged or provided for the discharge of any such judgment, decree or order in accordance with its terms or (ii) perfected a timely appeal of such judgment, decree or order and caused the execution of same to be stayed during the pendency of the appeal; or

(g) the Borrower shall assign or attempt to assign any of its rights, obligations or duties under this Agreement other than to the Trustee in accordance with the provisions hereof without the prior written consent of each Lender (such consent to be provided in the sole and absolute discretion of such Lender); or

(h) the Borrower shall have made payments (other than payments made on behalf of the Borrower from insurance proceeds of the Borrower) to settle any litigation claim or dispute totaling more than $1,000,000 in the aggregate; or

(i) the Borrower, any Seller or the Loan Manager fails to observe or perform any agreement or obligation with respect to the management and distribution of funds received with respect to the Loans, and such failure is not cured with three (3) Business Days; or

(j) the Borrower shall cease to be an Affiliate of the OFS Seller, or shall fail to qualify as a bankruptcy-remote entity based upon the criteria set forth in Section 4.1(u), such that Dechert LLP or another law firm reasonably acceptable to the Administrative Agent could no longer render a substantive nonconsolidation opinion with respect thereto; or

(k) any Transaction Document, or any Lien granted thereunder, shall (except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of the Borrower or any Seller,

(l) The Borrower, OFS Parent, the Loan Manager, any Seller or any other party shall, directly or indirectly, contest in any manner the effectiveness, validity, binding nature or enforceability of any Transaction Document or any lien or security interest thereunder, or

(m) the Borrower ceases to have a valid ownership interest in all of the Eligible Loans (subject to Permitted Liens) or the Trustee shall fail to have a first priority perfected security interest in any part of the Collateral (subject to Permitted Liens) except as otherwise expressly permitted to be released in accordance with the applicable Transaction Document; or

(n) the existence of a Class A Borrowing Base Deficiency or a Class B Borrowing Base Deficiency which continues unremedied for three (3) Business Days; or

(o) the Borrower shall become required to register as an “investment company” within the meaning of the 1940 Act; or

(p) the Internal Revenue Service or any other Governmental Authority shall file notice of a lien pursuant to Section 6323 of the Code with regard to any assets of the Borrower, or the Pension Benefit Guaranty Corporation shall file notice of a lien pursuant to Section 4068 of ERISA with regard to any assets of the Borrower and such lien shall not have been released within five (5) Business Days; or

(q) any representation, warranty or certification made or deemed made by the Borrower, the OFS Parent or any Seller in any Transaction Document or in any certificate delivered pursuant to any Transaction Document shall prove to have been incorrect in any respect when made or deemed made and such failure has a material adverse effect on the Lenders or a Material Adverse Effect; or

(r)(A) any material provision of any Transaction Document shall at any time for any reason cease to be valid and binding or in full force and effect; or (B) any of the Borrower, any Seller, the Loan Manager or OFS Parent shall deny that it has any further liability or obligation under any material provision of any Transaction Document; or (C) the validity or enforceability of any material provision of any Transaction Document shall be contested by any of the Borrower, any Seller, OFS Parent or the Loan Manager; or

(s) prior to any initial public offering by the OFS Parent in connection with its conversion to a "Business Development Company", a Change of Control of the Borrower or the OFS Parent (other than any Change of Control required in order for OFS Parent to register as a "Business Development Company") without the prior written consent from each Lender;

(t) the failure by the Borrower to demonstrate that the Parent Unencumbered Equity is at least $10,000,000 at any time that the Unused Class B Facility Amount is less than the Class B Minimum Reserve Amount and such failure is not cured within (A) three (3) Business Days or (B) if Class B Advances are drawn for the purposes of curing a Class A Borrowing Base Deficiency while the Parent Unencumbered Equity is less than $10,000,000, the later of (x) thirty (30) days and (y) the next Payment Date, by repaying the Class B Advances such that the Class B Advances Outstanding does not exceed (x) the Class B Facility Amount *minus* (y) the Class B Minimum Reserve Amount; and

(u) any failure on the part of the Borrower to comply with the covenant set forth in Section 5.1(g) with respect to the respect to the matters set forth in Section 4.1(u)(xxvi) which continues unremedied for ten (10) Business Days; provided that such ten (10) Business Day cure period shall only apply to the removal of an Independent Manager due to voluntary resignation, death or other physical or mental incapacity.

Section 9.2 Remedies.

(a) Upon the occurrence of an Event of Default and the expiration of the Standstill Period, the Trustee shall, at the request of the Controlling Lender and by notice to the Borrower, declare (i) the Termination Date to have occurred and all outstanding Obligations to be immediately due and payable in full (without presentment, demand, protest or notice of any kind all of which are hereby waived by the Borrower) or (ii) the Reinvestment Period End Date to have occurred; provided that, in the case of any event involving the Borrower described in Section 9.1(d), all of the Obligations shall be immediately due and payable in full (without presentment, demand, notice of any kind, all of which are hereby expressly, waived by the Borrower) and the Termination Date shall be deemed to have occurred automatically upon the occurrence of any such event.

(b) On and after the declaration or occurrence of the Termination Date and the

expiration of the time permitted the Borrower and the Class B Lenders to exercise their respective rights pursuant to Sections 12.3 and 12.4, the Trustee, for the benefit of the Secured Parties, shall have, with respect to the Collateral granted pursuant to Section 8.1, and in addition to all other rights and remedies available to the Trustee and the Secured Parties under this Agreement or other Applicable Law, all rights and remedies of a secured party upon default provided under the UCC of each applicable jurisdiction and other Applicable Laws, which rights shall be cumulative. Without limiting the generality of the foregoing, the Trustee, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Borrower or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances transfer all or any part of the Collateral into the Trustee's name or the name of any Secured Party or its nominee or nominees, and/or forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Trustee or any Secured Party or elsewhere upon such terms and conditions (including by lease or by deferred payment arrangement) as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk and/or may take such other actions as may be available under applicable law. The Trustee or any Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, auction or closed tender, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Borrower, which right or equity is hereby waived or released. In addition, the Borrower and the Loan Manager hereby agree that they will, at the Borrower's expense and at the direction of the Trustee, forthwith, (i) assemble all or any part of the Collateral as directed by the Trustee and make the same available to the Trustee at a place to be designated by the Trustee, whether at the Borrower's premises or elsewhere, and (ii) without notice except as specified below, sell the Collateral or any part thereof upon such terms, in such lots, to such buyers, and according to such other instructions as the Trustee at the direction of the Controlling Lender may deem commercially reasonable. The Borrower agrees that, to the extent notice of sale shall be required by law, ten (10) days' notice to the Borrower of any sale hereunder shall constitute reasonable and proper notification. All cash Proceeds received by the Trustee on behalf of the Secured Parties in respect of any sale of, collection from, or other realization upon, all or any part of the Loans (after payment of any amounts incurred in connection with such sale) shall be deposited into the General Collection Account and to be applied pursuant to Section 2.8. To the extent permitted by applicable law, the Borrower waives all claims, damages and demands it may acquire against the Trustee or any other Secured Party arising out of the exercise by the Trustee or any other Secured Party of any of its rights hereunder. The Borrower shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Trustee or any Secured Party to collect such deficiency. For the avoidance of doubt, the occurrence of a Termination Date as defined in clauses (a) through (c), inclusive, of the definition of "Termination Date" shall constitute a Termination Date for the purposes of this Section 9.2.

(c) Notwithstanding any other provision of this Article IX, in connection with the sale of the Collateral following a declaration that the Obligations are immediately due and

payable pursuant to Section 9.2(a), (x) first, the Borrower (or the OFS Parent or any of their respective Affiliates) and second, Madison (or any of its Affiliates) shall have the right to purchase any or all of the Loans in the Collateral by paying to the Trustee in immediately available funds, the OFS Purchase Price (with respect to any purchase by the Borrower, the OFS Parent or any of their respective Affiliates) or the MCF Purchase Price (with respect to any purchase by Madison or any of its Affiliates) for each such purchased Loan. If the Borrower (or the OFS Parent or any of their respective Affiliates) fails to exercise this purchase right by paying the OFS Purchase Price to the Trustee in immediately available funds within three (3) days following the declaration that the Obligations are immediately due and payable pursuant to Section 9.2(a), then such rights shall be irrevocably forfeited by the Borrower (and the OFS Parent and their respective Affiliates) and Madison (and its Affiliates) shall then have three (3) days to exercise its purchase right. If Madison (or any of its Affiliates) then fails to exercise its purchase right by paying the MCF Purchase Price to the Trustee in immediately available funds within three (3) days following the expiration of the Borrower's purchase right, such rights shall be irrevocably forfeited by Madison (and its Affiliates).

For purposes of this Section 9.2(c) and Section 12.2(b), "OFS Purchase Price" means, with respect to any Loan, a gross purchase price equal to the sum of (A) the outstanding Advances with respect to such Loan, *plus* (B) all accrued Class A Non-Usage Fees and Class A Interest on the Class A Advances related to such Loan as of the Repurchase Date, *plus* (C) all accrued Class B Non-Usage Fees and Class B Interest on the Class B Advances related to such Loan as of the Repurchase Date, *plus* (D) all costs and expenses incurred by the Secured Parties in connection with the proposed sale of such Loan in the enforcement of its rights pursuant to this Section 9.2, *plus* (E) all accrued and unpaid Loan Management Fees and expenses owing to the Loan Manager; provided that, if the OFS Parent or any of its Affiliates exercises this purchase right, the OFS Purchase Price shall be the greater of such sum and the fair market value of such Loan (subject to the OFS Parent Valuation Procedures).

For purposes of this Section 9.2(c) and Section 12.2(b), "MCF Purchase Price" means, with respect to any Loan, a gross purchase price equal to the greatest of (I) the Madison GAAP book value of such Loan, (II) the fair market value of such Loan and (III) the sum of (A) the outstanding Class A Advances with respect to such Loan (exclusive of Accreted Interest), *plus* (B) all accrued Class A Non-Usage Fees and Class A Interest on the Class A Advances related to such Loan as of the Repurchase Date, plus (C) all costs and expenses incurred by the Secured Parties (other than any costs or expenses separately incurred by the Class B Lender) in connection with the proposed sale of such Loan in the enforcement of its rights pursuant to this Section 9.2, *plus* (D) all accrued and unpaid Loan Management Fees and expenses owing to the Loan Manager.

Section 9.3 Trustee May Enforce Claims Without Possession of VFNs.

All rights of action and claims under this Agreement, any other Transaction Document may be prosecuted and enforced by the Trustee without the possession of any of the VFNs or the production thereof in any legal or equitable proceeding, judicial or otherwise, relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be applied as set forth in Section 2.8.

Section 9.4 Application of Cash Collected.

Any Cash collected by the Trustee with respect to the VFNs pursuant to this Article IX and any Cash that may then be held or thereafter received by the Trustee with respect to the Obligations hereunder shall be applied in accordance with Section 2.8, at the date or dates fixed by the Trustee; provided, that (a) subject to clause (b), no such date may be fixed by the Trustee unless the Trustee has given the Borrower no fewer than two (2) Business Days' prior written notice of such date, which notice shall set forth in reasonable detail the expected applications of Cash on such date and (b) no failure by the Trustee to deliver the notice required pursuant to the foregoing clause (a) will affect the application of funds in the Collection Accounts pursuant to Section 2.8 on the next succeeding Payment Date.

Section 9.5 Rights of Action.

Notwithstanding any other provision of this Agreement or in any other Transaction Document, the Controlling Lender shall have the right to institute any proceedings, judicial or otherwise, with respect to any Transaction Document, or for the appointment of a separate receiver or trustee, or for any other remedy hereunder. The Trustee shall only institute proceedings and exercise remedies hereunder at the direction of the Controlling Lender and, in taking any action as so directed, shall have the right to indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, it being understood and intended that the Class B Lenders are subordinated in the manner and to the extent set forth in Article XII.

Section 9.6 Unconditional Rights of Lenders to Receive Principal and Interest

(a) Notwithstanding any other provision in this Agreement, each Lender shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest on the Obligations as such principal and interest become due and payable in accordance with the terms hereof and, subject to the provisions of Section 9.5, to institute proceedings for the enforcement of any such payment, and such right shall not be impaired without the consent of such Lender.

(b) If collections in respect of the Collateral are insufficient to make payments due in respect of the VFNs, no other assets will be available for payment of the deficiency following realization of the Collateral and application of the proceeds thereof in accordance with Sections 2.7 and 2.8, and the obligations of the Borrower to pay any deficiency shall thereupon be extinguished and shall not thereafter revive.

Section 9.7 Restoration of Rights and Remedies.

If the Trustee or any Lender has instituted any judicial proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Lender, then and in every such case the Borrower, the Trustee and the Lenders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Secured Parties shall continue as though no such proceeding had been instituted.

Section 9.8 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the Trustee or to the Lenders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing by law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.9 Delay or Omission Not Waiver

No delay or omission of the Trustee or of any Lender to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Section 9.9 or by law to the Trustee or to the Lenders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Lenders, as the case may be.

Section 9.10 Control by Controlling Lender

Notwithstanding any other provision of this Agreement, the Controlling Lender shall have the right to cause the institution of and direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee or for exercising any trust, right, remedy or power conferred on the Trustee, and the Trustee shall, without delay, implement such direction of the Controlling Lender; provided, that such direction shall not conflict with any rule of law or with this Agreement and the Trustee shall have been provided with indemnity reasonably satisfactory to it.

Section 9.11 Waiver of Stay or Extension Laws.

The Borrower covenants (to the extent that it may lawfully do so) that they will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force (including filing a voluntary petition under Chapter 11 of the Bankruptcy Code and by the voluntary commencement of a proceeding or the filing of a petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect), which may affect the covenants, the performance of or any remedies under this Agreement; and the Borrower (to the extent that it may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 9.12 Power of Attorney. The Borrower hereby irrevocably appoints the Trustee its true and lawful attorney (with full power of substitution) in its name, place and stead and at is expense, in connection with the enforcement of the rights and remedies provided for (and subject to the terms and conditions set forth) in this Agreement during the continuance of a Default or an Event of Default, including without limitation the following powers: (a) to give any necessary receipts or acquittance for amounts collected or received hereunder, (b) to make all necessary transfers of the Collateral in connection with any such sale or other disposition made

pursuant hereto, (c) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale or other disposition, the Borrower hereby ratifying and confirming all that such attorney (or any substitute) shall lawfully do hereunder and pursuant hereto, and (d) to sign any agreements, orders or other documents in connection with or pursuant to any Transaction Document. Nevertheless, if so requested by the Trustee, the Borrower shall ratify and confirm any such sale or other disposition by executing and delivering to the Trustee or such purchaser all proper bills of sale, assignments, releases and other instruments as may be designated in any such request. For the avoidance of doubt, the power of attorney granted by the Borrower pursuant to this Section 9.12 supersedes any other power of attorney or similar rights granted by the Borrower to any other party (including, without limitation, the Loan Manager) under this Agreement, any other Transaction Document or any other agreement; provided that, the Loan Manager may continue to exercise its rights under this Agreement until the Loan Manager has received notice of the Trustee's exercise of its power of attorney hereunder.

ARTICLE X

INDEMNIFICATION

Section 10.1 Indemnities by the Borrower.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the Borrower hereby agrees to indemnify the Administrative Agent, the Trustee, the Secured Parties, the Lenders and each of their respective assigns and officers, directors, employees and agents thereof (collectively, the "Indemnified Parties"), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as the "Indemnified Amounts") awarded against, incurred by or asserted by the Borrower or any third party against such Indemnified Party or any of them arising out of or as a result of this Agreement or having an interest in the Collateral or in respect of any Loan included in the Collateral, excluding, however, any Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of any Indemnified Party (or resulting from negligence on the part of the Trustee under circumstances in which the Trustee is subject to a negligence standard) or in respect of Taxes (other than those described in clause (xiii) of this Section 10.1(a) or in Section 2.12, Section 2.13, or Section 13.9). If the Borrower has made any indemnity payment pursuant to this Section 10.1 and Section 10.3 and such payment fully indemnified the recipient thereof and the recipient thereafter collects any payments from others in respect of such Indemnified Amounts then, the recipient shall repay to the Borrower an amount equal to the amount it has collected from others in respect of such Indemnified Amounts. Without limiting the foregoing, the Borrower shall indemnify each Indemnified Party for Indemnified Amounts (except to the extent resulting from gross negligence or willful misconduct on the part of any Indemnified Party or resulting from negligence on the part of the Trustee under circumstances in which the Trustee is subject to a negligence standard) relating to or resulting from:

(i) any representation or warranty made or deemed made by the Borrower, the Loan Manager (on behalf of the Borrower) or any of their respective

officers under or in connection with this Agreement or any other Transaction Document, which shall have been false or incorrect in any material respect when made or deemed made or delivered;

(ii) the failure of any Loan acquired on the Closing Date to be an Eligible Loan as of the Closing Date and the failure of any Loan acquired after the Closing Date to be an Eligible Loan on the related Funding Date;

(iii) the failure by the Borrower or the Loan Manager (on behalf of the Borrower) to comply with any term, provision or covenant contained in this Agreement or any agreement executed in connection with this Agreement, or with any Applicable Law, with respect to any Collateral or the nonconformity of any Collateral with any such Applicable Law;

(iv) the failure to vest and maintain vested in the Trustee, for the benefit of the Secured Parties, a first priority, perfected security interest in the Collateral, together with all Collections, free and clear of any Lien (other than Permitted Liens) whether existing at the time of any Advance at any time thereafter;

(v) the failure to maintain, as of the close of business on each Business Day prior to the Termination Date, an amount of Advances Outstanding that is less than or equal to the Borrowing Base on such Business Day;

(vi) the failure to file, or any delay in filing, financing statements, continuation statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other Applicable Law with respect to any Collateral, whether at the time of any Advance at any subsequent time;

(vii) any dispute, claim, offset or defense (other than the discharge in bankruptcy of the Obligor) of the Obligor to the payment with respect to any Collateral (including, without limitation, a defense based on the Collateral not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to such Collateral or the furnishing or failure to furnish such merchandise or services;

(viii) any failure of the Borrower or the Loan Manager (on behalf of the Borrower) to perform its duties or obligations in accordance with the provisions of this Agreement or any of the other Transaction Documents to which it is a party or any failure by the Borrower or the Loan Manager (on behalf of the Borrower) to perform its respective duties under any Collateral;

(ix) the failure of the Trustee to remit any amounts held in the Collection Account pursuant to the instructions of the Loan Manager (on behalf of the Borrower) or the Administrative Agent (to the extent such Person is entitled to give such instructions in accordance with the terms hereof) whether by reason of the exercise of set-off rights or otherwise;

(x) any inability to obtain any judgment in, or utilize the court or other

adjudication system of, any state in which an Obligor may be located as a result of the failure of the Borrower or the OFS Seller to qualify to do business or file any notice or business activity report or any similar report;

(xi) any action taken by the Borrower or the Loan Manager (on behalf of the Borrower) in the enforcement or collection of any Collateral;

(xii) any products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort arising out of or in connection with the Underlying Assets or services that are the subject of any Collateral;

(xiii) the failure by the Borrower to pay when due any Taxes for which the Borrower is liable, including without limitation, sales, excise or personal property taxes payable in connection with the Collateral;

(xiv) any repayment by the Administrative Agent or another Secured Party of any amount previously distributed in reduction of Advances Outstanding or payment of Interest or any other amount due hereunder which amount the Administrative Agent or another Secured Party believes in good faith is required to be repaid;

(xv) except with respect to funds held in the Collection Account, the commingling of Collections on the Collateral at any time with other funds;

(xvi) any investigation, litigation or proceeding related to this Agreement or the use of proceeds of Advances or the security interest in the Collateral;

(xvii) any failure by the Borrower to give reasonably equivalent value to the applicable Seller or to the applicable third party transferor, in consideration for the transfer by such Seller or such third party to the Borrower of any item of Collateral or any attempt by any Person to void or otherwise avoid any such transfer under any statutory provision or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code;

(xviii) the use of the proceeds of any Advance in a manner other than as provided in this Agreement and the applicable Sale Agreement; or

(xix) the failure of the Borrower, the OFS Seller or any of their respective agents or representatives to remit to the Loan Manager (on behalf of the Borrower) or the Trustee, Collections on the Collateral remitted to the Borrower, the OFS Seller, the Loan Manager (on behalf of the Borrower) or any such agent or representative as provided in this Agreement.

(b) Any amounts subject to the indemnification provisions of this Section 10.1 shall be paid by the Borrower to the Indemnified Party on the Payment Date following such Person's demand therefor, accompanied by a reasonably detailed description in writing of the related damage, loss, claim, liability and related costs and expenses.

(c) If for any reason the indemnification provided above in this Section 10.1

is unavailable to the Indemnified Party or is insufficient to hold an Indemnified Party harmless, then the Borrower shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Borrower on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations; provided that the Borrower shall not be required to contribute in respect of any Indemnified Amounts excluded in Section 10.1(a).

(d) The obligations of the Borrower under this Section 10.1 shall survive the resignation or removal of the Administrative Agent, the Loan Manager or the Trustee and the termination of this Agreement.

(e) Notwithstanding anything contained in this Section 10.1 or otherwise in this Agreement or in any other Transaction Document, the Borrower shall not be liable to the Administrative Agent, the Lenders, any of the Secured Parties or any other Person for any consequential (including loss of profit), indirect, special or punitive damages under this Agreement or any other Transaction Document.

Section 10.2 Indemnities by the Loan Manager.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the Loan Manager hereby agrees to indemnify each Indemnified Party, the Borrower, the OFS Parent, and their respective managers, officers, directors, employees and agents (collectively, the "Loan Manager Indemnified Parties") forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by any such Indemnified Party by reason of any acts or omissions of the Loan Manager arising out of a breach of its obligations and duties under this Agreement and each other Transaction Document to which it is a party, including, but not limited to (i) any representation or warranty made by the Loan Manager under or in connection with any Transaction Document or any other information or report delivered by or on behalf of the Loan Manager pursuant hereto, which shall have been false, incorrect or misleading in any material respect when made or deemed made, (ii) the failure by the Loan Manager to comply with any Applicable Law, (iii) the failure of the Loan Manager to comply with its duties or obligations in accordance with this Agreement, (iv) any gross negligence, willful misconduct, bad faith or fraud on the part of the Loan Manager or (v) any litigation, proceedings or investigation against the Loan Manager in connection with any Transaction Document or its role as Loan Manager hereunder solely to the extent arising from the Loan Manager's breach of its obligations and duties under this Agreement or any other Transaction Document to which it is a party excluding, however, any Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of any Loan Manager Indemnified Party (or resulting from negligence on the part of the Trustee under circumstances in which the Trustee is subject to a negligence standard). The provisions of this indemnity shall run directly to and be enforceable by a Loan Manager Indemnified Party subject to the limitations hereof; provided that the indemnification of the Borrower, the OFS Parent and their respective managers, officers, directors, employees and agents shall be in all respects junior and subordinate to the indemnification of the Indemnified Parties and their respective managers, officers, directors, employees and agents; provided further that, in no event shall the Loan Manager be required to indemnify the Borrower or its managers,

officers, directors, employees and agents for any Indemnified Amounts with respect to which the Borrower is required to indemnify the Loan Manager pursuant to Section 10.4 hereof.

(b) Any amounts subject to the indemnification provisions of this Section 10.2 shall be paid by the Loan Manager to the applicable Loan Manager Indemnified Party within five (5) Business Days following such Person's demand therefor.

(c) For the avoidance of doubt, the Loan Manager shall have no liability for making indemnification hereunder to the extent any such indemnification constitutes recourse for uncollectible or uncollected Loans.

(d) The obligations of the Loan Manager under this Section 10.2 shall survive the resignation or removal of the Administrative Agent or the Trustee and the termination of this Agreement.

(e) Any indemnification pursuant to this Section 10.2 shall not be payable from the Collateral.

Section 10.3 After-Tax Basis.

Indemnification under Section 10.1, Section 10.2, Section 10.4, Section 2.12, Section 2.13, and Section 13.9 shall be on an after-Tax basis.

Section 10.4 Indemnities by the Borrower in favor of the Loan Manager.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the Borrower hereby agrees to indemnify the Loan Manager, its permitted assigns and officers, directors, managers, employees and agents thereof (collectively, the "Borrower Indemnified Parties") forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by a Borrower Indemnified Party arising out of or as a result of this Agreement or any other Transaction Document or in respect of any Loan included in the Collateral or the Collateral generally, excluding, however, any Indemnified Amounts with respect to which the Loan Manager is required to indemnify the Borrower pursuant to Section 10.2 hereof. The provisions of this indemnity shall run directly to and be enforceable by a Borrower Indemnified Party subject to the limitations hereof.

(b) Any amounts subject to the indemnification provisions of this Section 10.4 shall be paid (i) by the Borrower to the applicable Borrower Indemnified Party within five (5) Business Days following such Person's demand therefor and (ii) so long as there are any Commitments in effect, Class A Advances Outstanding or Class B Advances Outstanding, only in accordance with the priority of payments set forth in Section 2.7(a), Section 2.7(b) or Section 2.8, as applicable.

(c) The obligations of the Borrower under this Section 10.4 shall survive the resignation or removal of the Loan Manager and the termination of this Agreement.

ARTICLE XI

THE ADMINISTRATIVE AGENT

Section 11.1 Appointment.

Each Secured Party hereby appoints and authorizes the Administrative Agent as its agent and bailee for purposes of perfection pursuant to the applicable UCC and hereby further authorizes the Administrative Agent to appoint additional agents and bailees (including, without limitation, the Trustee) to act on its behalf and for the benefit of each of the Secured Parties. Each Secured Party further authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Transaction Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. In furtherance, and without limiting the generality, of the foregoing, each Secured Party hereby appoints the Administrative Agent as its agent to execute and deliver all further instruments and documents, and take all further action that the Administrative Agent may deem necessary or appropriate or that a Secured Party may reasonably request in order to perfect, protect or more fully evidence the security interests granted by the Borrower hereunder, or to enable any of them to exercise or enforce any of their respective rights hereunder, including, without limitation, the execution by the Administrative Agent as secured party/assignee of such financing or continuation statements, or amendments thereto or assignments thereof, relative to all or any of the Collateral now existing or hereafter arising, and such other instruments or notices, as may be necessary or appropriate for the purposes stated hereinabove. The Lenders may direct the Administrative Agent to take any such incidental action hereunder. With respect to other actions which are incidental to the actions specifically delegated to the Administrative Agent hereunder, the Administrative Agent shall not be required to take any such incidental action hereunder, but shall be required to act or to refrain from acting (and shall be fully protected in acting or refraining from acting) upon the direction of the Lenders; provided that the Administrative Agent shall not be required to take any action hereunder if the taking of such action, in the reasonable determination of the Administrative Agent, shall be in violation of any Applicable Law or contrary to any provision of this Agreement or shall expose the Administrative Agent to liability hereunder or otherwise. In the event the Administrative Agent requests the consent of a Lender pursuant to the foregoing provisions and the Administrative Agent does not receive a consent (either positive or negative) from such Person within ten (10) Business Days of such Person's receipt of such request, then such Lender shall be deemed to have declined to consent to the relevant action. To the extent not delivered or required to be delivered to the Lenders by the Borrower or the Loan Manager hereunder or the other Transaction Documents, the Administrative Agent shall furnish to the Lenders, promptly upon the Administrative Agent's receipt of the same, copies of all notices, certificates and other information delivered to the Administrative Agent under the Transaction Documents.

Section 11.2 Standard of Care.

The Administrative Agent shall exercise such rights and powers vested in it by this Agreement and the other Transaction Documents, and use the same degree of care and skill

in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Section 11.3 Administrative Agent's Reliance, etc.

Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them as Administrative Agent under or in connection with this Agreement or any of the other Transaction Documents, except for its or their own gross negligence or willful misconduct. Without limiting the foregoing, the Administrative Agent: (i) may consult with legal counsel (including counsel for the Borrower or any Seller), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation and shall not be responsible for any statements, warranties or representations made by any other Person in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any of the other Transaction Documents on the part of any of the Borrower, the Loan Manager, the OFS Parent or any Seller or to inspect the property (including the books and records) of any of the Borrower, the Loan Manager, the OFS Parent or any Seller; (iv) shall not be responsible for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any of the other Transaction Documents or any other instrument or document furnished pursuant hereto or thereto; and (v) shall incur no liability under or in respect of this Agreement or any of the other Transaction Documents by acting upon any notice (including notice by telephone), consent, certificate or other instrument or writing (which may be by facsimile) believed by it to be genuine and signed or sent by the proper party or parties.

Section 11.4 Credit Decision with Respect to the Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, or any of the Administrative Agent's Affiliates, and based upon such documents and information as it has deemed appropriate, made its own evaluation and decision to enter into this Agreement and the other Transaction Documents to which it is a party. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, or any of the Administrative Agent's Affiliates, and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under this Agreement and the other Transaction Documents to which it is a party.

Section 11.5 Indemnification of the Administrative Agent.

Each Lender agrees to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower or the Loan Manager), ratably in accordance with its Pro Rata Share from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any of the other Transaction Documents, or any action taken

or omitted by the Administrative Agent hereunder or thereunder; provided that, the Lenders shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. The payment of amounts under this Section 11.5 shall be on an after-Tax basis. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent, ratably in accordance with its Pro Rata Share promptly upon demand for any out-of-pocket expenses (including counsel fees) incurred by the Administrative Agent in connection with the administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and the other Transaction Documents, to the extent that such expenses are incurred in the interests of or otherwise in respect of the Lenders hereunder and/or thereunder and to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower or the Loan Manager.

Section 11.6 Successor Administrative Agent.

(a) The Administrative Agent may resign at any time, effective upon the appointment and acceptance of a successor Administrative Agent as provided below, by giving at least five (5) days' written notice thereof to each Lender and the Borrower and may be removed at any time with cause by the Lenders acting jointly. Upon any such resignation or removal, the Lenders acting jointly shall appoint a successor Administrative Agent with the consent of the Borrower, such consent not to be unreasonably withheld. Each of the Borrower and each Lender agree that it shall not unreasonably withhold or delay its approval of the appointment of a successor Administrative Agent. If no such successor Administrative Agent shall have been so appointed, and shall have accepted such appointment, within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation or the removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Secured Parties, appoint a successor Administrative Agent which successor Administrative Agent shall be either (i) a commercial bank organized under the laws of the United States or of any state thereof and have a combined capital and surplus of at least $50,000,000, (ii) a Lender or (iii) an Affiliate of such a bank or a Lender. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this ARTICLE XI shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

(b) Notwithstanding Section 11.6(a), on the date that the Class A Obligations are repaid in full (other than contingent indemnification or reimbursement obligations as to which no claim giving rise thereto has been asserted) and no Class A Commitments are outstanding, if WFS is the Administrative Agent at such time, WFS shall be deemed to have automatically resigned as Administrative Agent, effective as of such date, and the Class B Lender holding the greatest amount of Class B Advances Outstanding at such time shall be deemed to be automatically appointed as the successor Administrative Agent hereunder, in each case, without any notice or any additional action by any such party. Such Controlling Lender

shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the "Administrative Agent", and WFS shall be discharged from its duties and obligations under this Agreement. After WFS's resignation or removal hereunder as Administrative Agent, the provisions of this ARTICLE XI shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

Section 11.7 Payments by the Administrative Agent.

Unless specifically allocated to a specific Lender pursuant to the terms of this Agreement, all amounts received by the Administrative Agent on behalf of the Lenders shall be paid by the Administrative Agent to the Lenders in accordance with their respective Pro Rata Shares in the applicable Advances Outstanding, or if there are no Advances Outstanding in accordance with their most recent Commitments, on the Business Day received by the Administrative Agent, unless such amounts are received after 12:00 noon on such Business Day, in which case the Administrative Agent shall use its reasonable efforts to pay such amounts to each Lender on such Business Day, but, in any event, shall pay such amounts to such Lender not later than the following Business Day.

ARTICLE XII

INTERCREDITOR PROVISIONS

Section 12.1 Priorities. Subject to the priority of payments set forth in Sections 2.7 and 2.8, each Lender hereby acknowledges that (i) the Trustee has been granted Liens upon the Collateral to secure the Borrower's Obligations to each of the Lenders, (ii) the rights of the Class A Lenders to direct the Trustee or the Administrative Agent with respect to any rights or remedies relating to the Collateral are and shall be in all respects senior and prior in right to the rights of the Class B Lenders with respect thereto, (iii) the rights of the Class B Lenders to direct the Trustee or the Administrative Agent with respect to any rights or remedies relating to the Collateral are and shall be in all respects junior and subordinate to the rights of the Class A Lenders with respect thereto, (iv) as and to the extent provided in Sections 2.7 and 2.8, the rights of payment of the Class A Lenders against the Borrower is senior in all respects to the rights of payment of the Class B Lenders against the Borrower, and (v) as and to the extent provided in Sections 2.7 and 2.8, the rights of payment of the Class B Lenders are subordinate in all respects to the rights of payment to the Class A Lenders.

Section 12.2 Management and Enforcement of Collateral.

(a) Standstill. The Administrative Agent will use reasonable efforts to inform both the Borrower and the Loan Manager of the commencement of the Standstill Period. If an Event of Default occurs (other than an Event of Default described in Section 9.1(d)), the Controlling Lender hereby agrees solely for the benefit of the Class B Lenders that it will not exercise its right to direct the Trustee to accelerate under Section 9.2(a) until the earlier of (i) the end of the Standstill Period, and (ii) the date on which the Majority Class B Lenders consent to the exercise of such direction right by the Controlling Lender. The Class B Lenders acknowledge and agree that the provisions of this Section 12.2(a) shall only apply with respect to

the first such Event of Default to occur (other than any Event of Default which has been cured or waived pursuant to the terms of this Agreement) and shall be of no further force and effect with respect to any subsequent Event of Default. During the Standstill Period, the Controlling Lender and the Majority Class B Lenders, with the cooperation of the Loan Manager, shall use commercially reasonable efforts to identify a mutually acceptable remediation plan (a "Remediation Plan"). If a Remediation Plan is not agreed to before the end of the Standstill Period by both the Controlling Lender and the Majority Class B Lenders and the Majority Class B Lenders have not agreed to the Controlling Lender instructing the Trustee to accelerate under Section 9.2(a), then the Loan Manager shall, under the direction of the Controlling Lender in its sole discretion, effectuate any and all remedies available to the Lenders hereunder or under any other Transaction Documents (including, without limitation, the sale of any Loans included in the Collateral). On any day during the Standstill Period (i) each of the Class B Lenders (or any Affiliate of the Class B Lender, as the case may be) shall have the right (but not the obligation) to purchase any Loan included in the Collateral at a purchase price equal to the MCF Purchase Price as set forth in Section 9.2(c) and (ii) the Borrower shall, in its sole discretion, have the opportunity to purchase any Loan included in the Collateral at the OFS Purchase Price as set forth in Section 9.2(c), with such purchase to close on or prior to the last day of the Standstill Period.

(b) Management of Collateral. The Controlling Lender shall have the exclusive right to direct the Trustee to manage, perform and enforce the terms of this Agreement and the other Transaction Documents with respect to the Collateral, and to exercise and enforce all privileges and rights hereunder and thereunder, with respect to the Collateral, including the exclusive right to take Enforcement Actions hereunder or thereunder after the declaration that the Obligations are immediately due and payable pursuant to Section 9.2(a) and subject to the purchase rights provided in Sections 9.2(c), 12.3 and 12.4. Except as specifically provided in this Section 12.1(b) or 12.1(c) below, notwithstanding any rights or remedies available to any Lender other than the Controlling Lender under this Agreement or any of the other Transaction Documents, Applicable Law or otherwise, no such Lender shall, directly or indirectly, take any Enforcement Action or instruct the Trustee to take any Enforcement Action. In no event shall any Lender other than the Controlling Lender commence or continue (or direct the Trustee to commence or continue) any Enforcement Action if the Controlling Lender is diligently attempting to vacate any stay prohibiting an Enforcement Action with respect to all or a material portion of Collateral.

(c) Permitted Actions. Section 12.1(b) shall not be construed to limit or impair in any way any right of: (a) any Lender to bid for or purchase Collateral at any public, private or judicial foreclosure upon such Collateral initiated by the Trustee upon the instruction of any Lender, or at any sale of Collateral during an Insolvency Proceeding (provided that no such bid may include a "credit bid" in respect of the Class B Obligations unless the proceeds of such bid are otherwise sufficient to enable the Class A Obligations to be paid in full), (b) any Class B Lender to file any responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any Person objecting to or otherwise seeking the disallowance of the claims of the Class B Lenders including any claims secured by the Collateral to the extent not in contravention of the terms of this Agreement, (c) any Class B Lender to exercise any rights or remedies or file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Borrower under applicable law, in

each case, to the extent not in contravention of the terms of this Agreement, (d) any Class B Lender to vote on any plan of reorganization or file any proof of claim, (e) any Class B Lender to direct the Trustee to take an Enforcement Action to the extent permitted under Section 12.1(b), (f) any Class B Lender to receive Proceeds of Collateral in accordance with Section 2.7 or 2.8, and (g) any Class B Lender, in any Insolvency Proceeding commenced by or against any of the Borrower, the Loan Manager, the OFS Parent or any Seller, to file a claim or statement of interest with respect to the Class B Obligations.

Section 12.3 Purchase of Class A Obligations.

(a) Purchase Notice. Upon the declaration that the Obligations are immediately due and payable pursuant to Section 9.2(a), the Class B Lenders shall have the option, but not the obligation, to purchase all, but not less than all, of the Class A Obligations from the Class A Lenders, and assume all, but not less than all, of then existing funding commitments under the Class A Commitments, if any, by giving irrevocable written notice (a "Purchase Notice") to the Class A Lenders no later than the fifth (5th) Business Day after the declaration that the Obligations are immediately due and payable pursuant to Section 9.2(a).

(b) Purchase Option Closing. On the date specified by the Class B Lenders in the Purchase Notice (which shall not be less than three (3) Business Days nor more than five (5) Business Days, after the receipt by the Class A Lenders of the Purchase Notice), the Class A Lenders shall sell to the Class B Lenders, and the Class B Lenders shall purchase from the Class A Lenders, all, but not less than all, of the Class A Obligations, and the Class A Lenders shall assign to the purchasing Class B Lenders, and the purchasing Class B Lenders shall assume from the Class A Lenders all, but not less than all, of the Class A Commitments.

(c) Purchase Price. Such purchase and sale shall be made pursuant to Section 13.16. Upon the date of such purchase and sale, the Class B Lenders shall pay to the Class A Lenders as the purchase price therefor 100% of the full amount of all Class A Obligations then outstanding and unpaid (including principal, interest, fees, indemnities and expenses, including reasonable attorneys' fees and legal expenses, but excluding contingent indemnification, cost reimbursement and similar obligations for which no claim has been determined). The purchase price and cash collateral described herein shall be remitted by wire transfer of immediately available funds to such bank account of the Class A Lenders, as the Class A Lenders may designate in writing to the Class B Lenders for such purpose. Interest shall be calculated to but excluding the Business Day on which such purchase and sale shall occur if the amounts so paid by the Class B Lenders to the bank account designated by the Class A Lenders are received in such bank account prior to 1:00 p.m., New York City time.

(d) Nature of Sale. Such purchase and sale shall be expressly made without representation or warranty of any kind by the Class A Lenders as to the Class A Obligations or otherwise and without recourse to the Class A Lenders, except for representations and warranties as to the following: (a) the amount of the Class A Obligations being purchased (including as to the principal of and accrued and unpaid interest on such Class A Obligations, fees and expenses thereof), (b) that the Class A Lenders own the Class A Obligations free and clear of any Liens and (c) each Class A Lender has the full right and power to assign its Class A Obligations and such assignment has been duly authorized by all necessary corporate action by such Class A

Lender.

(e) Notice of Election to Purchase. The Class A Lenders shall not (or shall instruct the Trustee not to) take or complete any Enforcement Action (other than any Enforcement Action necessary to prevent material diminution in the value of the Collateral), as long as the purchase and sale of the Class A Obligations provided for herein shall have closed within fifteen (15) Business Days following the declaration that the Obligations are immediately due and payable pursuant to Section 9.2(a) and the Class A Lenders shall have received payment in full of the Class A Obligations as provided for herein within such fifteen (15) Business Day period.

Section 12.4 Purchase of Class A and Class B Obligations.

(a) Purchase Notice. Upon the declaration that the Obligations are immediately due and payable pursuant to Section 9.2(a), and after the time period provided pursuant to Section 12.3 for the Class B Lenders to exercise their purchase rights thereunder, the Borrower shall have the option, but not the obligation, to purchase all, but not less than all, of the Class A Obligations and Class B Obligations from the Lenders by giving a Purchase Notice to the Lenders no later than the fifth (5th) Business Day after the declaration that the Obligations are immediately due and payable pursuant to Section 9.2(a).

(b) Purchase Option Closing. On the date specified by the Borrower in the Purchase Notice (which shall not be less than three (3) Business Days nor more than five (5) Business Days, after the receipt by the Lenders of the Purchase Notice), the Lenders shall sell to the Borrower, and the Borrower shall purchase from the Lenders, all, but not less than all, of the Class A Obligations and Class B Obligations.

(c) Purchase Price. Such purchase and sale shall be made pursuant to Section 13.16. Upon the date of such purchase and sale, the Borrower shall (a) pay to the Lenders as the purchase price therefor 100% of the full amount of all Class A Obligations and Class B Obligations then outstanding and unpaid (including principal, interest, fees, indemnities and expenses, including reasonable attorneys' fees and legal expenses, but excluding contingent indemnification, cost reimbursement and similar obligations for which no claim has been determined), (b) agree to reimburse the Lenders for any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) in connection with any checks or other payments provisionally credited to the Class A Obligations and Class B Obligations, and/or as to which the Lenders have not yet received final payment, and (c) furnish cash collateral to the Lenders with respect to the reasonably anticipated amount of any costs, expenses and contingent indemnification obligations not yet due and payable but with respect to which a claim may reasonably be expected to be asserted under this Agreement or any other Transaction Document (which cash collateral shall be returned to the Borrower to the extent not applied in respect of any claim within ninety (90) days after such cash collateral was posted). The purchase price and cash collateral described herein shall be remitted by wire transfer of immediately available funds to such bank account of the Lenders, as the Lenders may designate in writing to the Borrower for such purpose. Interest shall be calculated to but excluding the Business Day on which such purchase and sale shall occur if the amounts so paid by the Borrower to the bank account designated by the Lenders are received in such bank account prior to 2:00 p.m., New York City

time.

(d) Nature of Sale. Such purchase and sale shall be expressly made without representation or warranty of any kind by the Lenders as to the Class A Obligations and Class B Obligations or otherwise and without recourse to the Lenders, except for representations and warranties as to the following: (a) the amount of the Class A Obligations and Class B Obligations being purchased (including as to the principal of and accrued and unpaid interest on such Obligations, fees and expenses thereof), (b) that the Lenders own the Class A Obligations and Class B Obligations free and clear of any Liens and (c) each Lender has the full right and power to assign its Class A Obligations and Class B Obligations and such assignment has been duly authorized by all necessary corporate action by such Lender.

(e) Notice of Election to Purchase. The Lenders shall not (or shall instruct the Trustee not to) complete any Enforcement Action (other than any Enforcement Action necessary to prevent material diminution in the value of the Collateral), as long as the purchase and sale of the Class A Obligations and Class B Obligations provided for herein shall have closed within fifteen (15) Business Days following the declaration that the Obligations are immediately due and payable pursuant to Section 9.2(a) and the Lenders shall have received payment in full of the Class A Obligations and Class B Obligations as provided for herein within such fifteen (15) Business Day period.

Section 12.5 Subrogation.

The Class B Lenders hereby agree that until the Class A Obligations have been paid in full and the Class A Commitments have been terminated, they will not assert any rights of subrogation it or they may acquire as a result of any payment hereunder; provided that, as between the Borrower, on the one hand, and the Class B Lenders, on the other hand, any such payment that is paid over to any Class A Lender pursuant to this Agreement shall be deemed not to reduce any of the Class B Obligations.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 Amendments and Waivers.

Except as provided in this Section 13.1, no amendment, waiver or other modification of any provision of this Agreement shall be effective without the written agreement of the Borrower, the Administrative Agent, the Loan Manager, the Required Lenders and the Class B Lenders representing more than 50% of the aggregate Class B Commitments (or, if the Class B Commitments have terminated, Class B Advances Outstanding); provided that, (i) any amendment of the Agreement that is solely for the purpose of adding a Lender may be effected without the written consent of the Borrower or any Lender (provided that no new Class B Lender may be added hereunder without the prior written consent of each existing Class B Lender), (ii) no such amendment, waiver or modification materially adversely affecting the rights or obligations of the Trustee shall be effective without the written agreement of such Person, (iii) any amendment of the Agreement that a Lender is advised by its legal or financial advisors

to be necessary or desirable in order to avoid the consolidation of the Borrower with such Lender for accounting purposes may be effected without the written consent of any other Lender, and (iv) each party to this Agreement agrees to made any amendment or modification to the Transaction Documents necessary to permit the Borrower to be owned (either directly or indirectly) by a "Business Development Company" within the meaning of the 1940 Act to the extent any such amendment or modification does not adversely affect the rights of such party under this Agreement or any other Transaction Document, as determined in such party's sole and complete discretion.

Section 13.2 Notices, etc.

All notices, reports and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including communication by facsimile copy) and mailed, e-mailed, faxed, transmitted or delivered, as to each party hereto, at its address set forth on Annex A to this Agreement or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, upon receipt, or in the case of (a) notice by mail, five (5) days after being deposited in the United States mail, first class postage prepaid, (b) notice by e-mail, when verbal or electronic communication of receipt is obtained, or (c) notice by facsimile copy, when verbal communication of receipt is obtained.

Section 13.3 Ratable Payments.

If any Secured Party, whether by setoff or otherwise, has payment made to it with respect to any portion of the Obligations owing to such Secured Party (other than payments received pursuant to Section 10.1) in a greater proportion than that received by any other Secured Party, such Secured Party agrees, promptly upon demand, to purchase for cash without recourse or warranty a portion of the Obligations held by the other Secured Parties so that after such purchase each Secured Party will hold its ratable proportion of the Obligations; provided that if all or any portion of such excess amount is thereafter recovered from such Secured Party, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 13.4 No Waiver; Remedies.

No failure on the part of the Administrative Agent, the Trustee or a Secured Party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies herein provided are cumulative and not exclusive of any rights and remedies provided by law.

Section 13.5 Binding Effect; Benefit of Agreement.

This Agreement shall be binding upon and inure to the benefit of the Borrower, the Loan Manager, the Administrative Agent, the Trustee, the Secured Parties and their respective successors and permitted assigns. Each Loan Manager Indemnified Party and each Indemnified Party shall be an express third-party beneficiary of this Agreement to the extent set

forth herein. Madison, in its individual capacity, shall be an express third-party beneficiary of Section 9.2(c).

Section 13.6 Term of this Agreement.

This Agreement, including, without limitation, the Borrower's representations and covenants set forth in Articles IV and V, and the Loan Manager's representations, covenants and duties set forth in Articles IV and V, creates and constitutes the continuing obligation of the parties hereto in accordance with its terms, and shall remain in full force and effect during the Covenant Compliance Period; provided that the rights and remedies with respect to any breach of any representation and warranty made or deemed made by the Borrower or the Loan Manager pursuant to Articles IV and V, the provisions, including, without limitation the indemnification and payment provisions, of Article X, Section 2.13, Section 13.9, Section 13.10 and Section 13.11, shall be continuing and shall survive (i) any termination of this Agreement and the occurrence of the Collection Date, (ii) with respect to the rights and remedies of the Class A Lenders under Article X, any sale by the Class A Lenders of the Class A Obligations hereunder and (iii) with respect to the rights and remedies of the Class B Lenders under Article X, any sale by the Class B Lenders of the Class B Obligations hereunder.

Section 13.7 Governing Law; Consent to Jurisdiction; Waiver of Objection to Venue.

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 13.8 Waivers.

Each of the Loan Manager and the Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Transaction Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower or the Loan Manager, as applicable;

(d) agrees that nothing herein shall affect the right to effect service of process

in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 13.8 any special, indirect, exemplary, punitive or consequential (including loss of profit)damages.

Section 13.9 Costs and Expenses.

(a) In addition to the rights of indemnification granted to the Indemnified Parties under Article X hereof, the Borrower agrees to pay on demand all costs and expenses of the Administrative Agent, the Loan Manager, the Trustee and the Secured Parties incurred in connection with the preparation, execution, delivery, administration (including periodic auditing, to the extent required to be paid by the Borrower pursuant to this Agreement), renewal, amendment or modification of, or any waiver or consent issued in connection with, this Agreement and the other documents to be delivered hereunder or in connection herewith, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent, the Loan Manager, the Trustee and the Secured Parties with respect thereto and with respect to advising the Administrative Agent, the Loan Manager, the Trustee and the Secured Parties as to their respective rights and remedies under this Agreement and the other documents to be delivered hereunder or in connection herewith, and all costs and expenses, if any (including reasonable counsel fees and expenses), incurred by the Administrative Agent, the Loan Manager, the Trustee or the Secured Parties in connection with the enforcement of this Agreement by such Person and the other documents to be delivered hereunder or in connection herewith.

(b) The Borrower shall pay on the Payment Date following receipt of a request therefor, all other costs and expenses that have been invoiced at least two (2) Business Days prior to such Payment Date and incurred by the Administrative Agent and the Secured Parties, in each case in connection with periodic audits of the Borrower's books and records.

Section 13.10 No Proceedings. Each of the parties hereto (other than the Administrative Agent) hereby agrees that it will not institute against, or join any other Person in instituting against, the Borrower or OFS Funding any Insolvency Proceeding so long as there shall not have elapsed one year and one day (or such longer preference period as shall then be in effect) since the end of the Covenant Compliance Period.

Section 13.11 Recourse Against Certain Parties.

(a) No recourse under or with respect to any obligation, covenant or agreement (including, without limitation, the payment of any fees or any other obligations) of the Administrative Agent, any Secured Party, or the Borrower, the Loan Manager, any Seller or the OFS Parent as contained in this Agreement or any other agreement, instrument or document entered into by it pursuant hereto or in connection herewith shall be had against any incorporator, affiliate, stockholder, officer, partner, member, manager, employee or director of the Administrative Agent, any Secured Party, or the Borrower, the Loan Manager, any Seller or the OFS Parent by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the agreements

of the Administrative Agent, any Secured Party, or the Borrower, the Loan Manager, any Seller or the OFS Parent contained in this Agreement and all of the other agreements, instruments and documents entered into by it pursuant hereto or in connection herewith are, in each case, solely the corporate or limited liability company obligations of the Administrative Agent, any Secured Party, or the Borrower, the Loan Manager, any Seller or the OFS Parent, and that no personal liability whatsoever shall attach to or be incurred by the Administrative Agent, any Secured Party, any the Borrower, the Loan Manager, any Seller or the OFS Parent or any incorporator, stockholder, affiliate, officer, partner, member, manager, employee or director of the Administrative Agent, any Secured Party, or the Borrower, the Loan Manager, any Seller or the OFS Parent under or by reason of any of the obligations, covenants or agreements of the Administrative Agent, any Secured Party, or the Borrower, the Loan Manager, any Seller or the OFS Parent contained in this Agreement or in any other such instruments, documents or agreements, or that are implied therefrom, and that any and all personal liability of the Administrative Agent, any Secured Party, or the Borrower, the Loan Manager, any Seller or the OFS Parent and each incorporator, stockholder, affiliate, officer, partner, member, manager, employee or director of the Administrative Agent, any Secured Party or the Borrower, the Loan Manager, any Seller or the OFS Parent, or any of them, for breaches by the Administrative Agent, any Secured Party, or the Borrower, the Loan Manager, any Seller or the OFS Parent of any such obligations, covenants or agreements, which liability may arise either at common law or at equity, by statute or constitution, or otherwise, is hereby expressly waived as a condition of and in consideration for the execution of this Agreement; provided that the foregoing non-recourse provisions shall in no way affect any rights the Secured Parties might have against any incorporator, affiliate, stockholder, officer, employee, partner, member, manager or director of any the Borrower, the Loan Manager, any Seller or the OFS Parent to the extent of any fraud, misappropriation, embezzlement or any other financial crime constituting a felony by such Person.

(b) Notwithstanding any contrary provision set forth herein, no claim may be made by the Borrower, the Loan Manager or any other Person against the Administrative Agent and the Secured Parties or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect to any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each of the Borrower and the Loan Manager hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected.

(c) Notwithstanding any contrary provision set forth herein, no claim may be made by the Borrower against the Loan Manager or its Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect to any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Borrower hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected.

(d) Notwithstanding any contrary provision set forth herein, no claim may be made by the Loan Manager against the Borrower or its Affiliates, directors, officers, employees,

attorneys or agents for any special, indirect, consequential or punitive damages in respect to any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Loan Manager hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected.

(e) No obligation or liability to any Obligor under any of the Loans is intended to be assumed by the Administrative Agent and the Secured Parties under or as a result of this Agreement and the transactions contemplated hereby.

(f) The provisions of this Section 13.11 shall survive the termination of this Agreement.

Section 13.12 Protection of Right, Title and Interest in the Collateral; Further Action Evidencing Advances.

(a) The Loan Manager (on behalf of the Borrower) shall cause this Agreement, all amendments hereto and/or all financing statements and continuation statements and any other necessary documents covering the right, title and interest of the Administrative Agent, as agent for the Secured Parties, and of the Secured Parties to the Collateral to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect the right, title and interest of the Administrative Agent, as agent of the Secured Parties, hereunder to all property comprising the Collateral. The Borrower shall cooperate fully with the Loan Manager in connection with the obligations set forth above and will execute any and all documents reasonably required to fulfill the intent of this Section 13.12(a).

(b) The Borrower agrees that from time to time, at its expense, it will promptly authorize, execute and deliver all instruments and documents, and take all actions, that the Administrative Agent may reasonably request in order to perfect, protect or more fully evidence the security interest granted in the Collateral, or to enable the Administrative Agent or the Secured Parties to exercise and enforce their rights and remedies hereunder or under any other Transaction Document.

(c) If the Borrower or the Loan Manager fails to perform any of its obligations hereunder, the Administrative Agent or any Secured Party may (but shall not be required to) perform, or cause performance of, such obligation; and the Administrative Agent's or such Secured Party's costs and expenses incurred in connection therewith shall be payable by the Borrower as provided in Article X. The Borrower irrevocably authorizes the Administrative Agent and appoints the Administrative Agent as its attorney-in-fact to act on behalf of the Borrower (i) to execute on behalf of the Borrower as debtor and to file financing statements necessary or desirable in the Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Secured Parties in the Collateral, including those that describe the Collateral as "all assets," or words of similar effect, and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Collateral as a financing statement in such offices as the Administrative Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of

the interests of the Secured Parties in the Collateral. This appointment is coupled with an interest and is irrevocable.

(d) Without limiting the generality of the foregoing, the Borrower (or the Loan Manager on its behalf) will, not earlier than six (6) months and not later than three (3) months prior to the fifth (5th) anniversary of the date of filing of the financing statement referred to in Section 3.1(m) or any other financing statement filed pursuant to this Agreement or in connection with any Advance hereunder, unless the Covenant Compliance Period shall have ended, authorize, execute and deliver and file or cause to be filed an appropriate continuation statement with respect to such financing statement.

Section 13.13 Confidentiality.

(a) Each of the Administrative Agent, the Secured Parties, the Trustee, the Borrower and the Loan Manager shall maintain and shall cause each of its employees and officers to maintain the confidentiality of the Agreement and all information with respect to the other parties, including all information regarding the business and beneficial ownership of the Borrower and the Loan Manager hereto and their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that each such party and its officers and employees may (i) disclose such information to its external accountants, investigators, auditors, attorneys, investors, potential investors or other agents, including any Approved Valuation Firm, engaged by such party in connection with any due diligence or comparable activities with respect to the transactions and Loans contemplated herein and the agents of such Persons ("Excepted Persons"); provided that each Excepted Person shall, as a condition to any such disclosure, agree for the benefit of the Administrative Agent, the Secured Parties, the Trustee, the Loan Manager and the Borrower that such information shall be used solely in connection with such Excepted Person's evaluation of, or relationship with, the Borrower and its affiliates, (ii) disclose the existence of the Agreement, but not the financial terms thereof, (iii) disclose such information as is required by Applicable Law, and (iv) disclose the Agreement and such information in any suit, action, proceeding or investigation (whether in law or in equity or pursuant to arbitration) involving any of the Transaction Documents for the purpose of defending itself, reducing its liability, or protecting or exercising any of its claims, rights, remedies, or interests under or in connection with any of the Transaction Documents. It is understood that the financial terms that may not be disclosed except in compliance with this Section 13.13(a) include, without limitation, all fees and other pricing terms, and all Events of Default, Loan Manager Termination Events, and priority of payment provisions.

(b) Anything herein to the contrary notwithstanding, each of the Borrower and the Loan Manager hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Administrative Agent, the Loan Manager, the Trustee or the Secured Parties by each other, (ii) by the Administrative Agent, the Trustee and the Secured Parties to any prospective or actual assignee or participant of any of them provided such Person agrees to hold such information confidential in accordance with the terms hereof, or (iii) by the Administrative Agent, and the Secured Parties to any Rating Agency, any commercial paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to any Lender, and to any officers, directors, employees, outside accountants and attorneys of any of the foregoing, provided each

such Person is informed of the confidential nature of such information. In addition, the Secured Parties, the Administrative Agent, and the Loan Manager may disclose any such nonpublic information as required pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(c) Notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known; (ii) disclosure of any and all information (A) if required to do so by any applicable statute, law, rule or regulation, (B) to any government agency or regulatory body having or claiming authority to regulate or oversee any respects of the Administrative Agents', the Secured Parties', the Trustee's, the Loan Manager's or the Borrower's business or that of their affiliates, (C) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which the Administrative Agent, the Secured Parties, the Trustee, the Loan Manager or the Borrower or an officer, director, employer, shareholder or affiliate of any of the foregoing is a party, (D) (1) to the extent required by Applicable Law, the filing of any Transaction Document (other than the Fee Letter) (together with any exhibits and schedules thereto) as an exhibit to the OFS Parent's filings with the SEC or otherwise (including in connection with an N-2 amendment by the OFS Parent) or (2) in any preliminary or final offering circular, registration statement or contract or other document approved in advance by the Borrower or, to the extent information with respect to the Loan Manager is included therein, the Loan Manager, (E) to any affiliate, independent or internal auditor, agent (including any potential sub-or-successor servicer), employee or attorney of the Trustee or the Loan Manager having a need to know the same, (F) to any Person whose consent is required or to whom notice is required to be given in connection with the Borrower's acquisition or disposition of any Loan or any assignment thereof, or (G) to any Person when required for USA Patriot Act or other "know your customer" purposes, provided that the Trustee or the Loan Manager, as applicable, advises such recipient of the confidential nature of the information being disclosed; or (iii) any other disclosure authorized by the Borrower or the Loan Manager, as applicable.

(d) Notwithstanding any other provision of this Agreement, each of the Borrower and the Loan Manager shall each have the right to keep confidential from the Administrative Agent, the Trustee and/or the Secured Parties, for such period of time as such Person determines is reasonable (i) any information that such Person reasonably believes to be in the nature of trade secrets and (ii) any other information that such Person or any of their Affiliates, or the officers, employees or directors of any of the foregoing, is required by law as evidenced by an Opinion of Counsel.

(e) Each of the Administrative Agent, the Secured Parties and the Trustee will keep the information of the Obligors confidential in the manner required by the applicable Underlying Instruments.

Section 13.14 Execution in Counterparts; Severability; Integration.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts (including by facsimile), each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and

the same agreement. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby. This Agreement, the other Transaction Documents and any agreements or letters (including fee letters) executed in connection herewith contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings.

Section 13.15 Waiver of Setoff.

Each of the parties hereto hereby waives any right of setoff it may have or to which it may be entitled under this Agreement from time to time against any Lender or its assets.

Section 13.16 Assignments by the Lenders.

(a) Each Lender may at any time assign, or grant a security interest or sell a participation interest in or sell any Advance (or portion thereof) or any VFN (or any portion thereof) to any Person; provided that, (i) no transfer of any Advance (or any portion thereof) or of any VFN (or any portion thereof) shall be made unless such transfer is exempt from the registration requirements of the Securities Act and any applicable state securities laws or is made in accordance with the Securities Act and such laws, and is made only to either an "accredited investor" as defined in paragraph (1), (2), (3), or (7) of Rule 501(a) of Regulation D under the Securities Act or any entity in which all of the equity owners come within any one of such paragraphs of Rule 501(a) of Regulation D under the Securities Act or to a "qualified institutional buyer" as defined in Rule 144A under the Securities Act, (ii) in the case of an assignment of any Advance (or any portion thereof) or of any VFN (or of any portion thereof) the assignee executes and delivers to the Loan Manager, the Borrower the Administrative Agent and the Trustee a fully executed Joinder Supplement substantially in the form of Exhibit H hereto and a transferee letter substantially in the form of Exhibit G hereto (a "Transferee Letter") and (iii) no such assignment, grant or sale shall be to any Person with less than $50,000,000 in available capital. The parties to any such assignment, grant or sale of a participation interest shall execute and deliver to such Lender for its acceptance and recording in its books and records, such agreement or document as may be satisfactory to such parties. The Borrower shall not assign or delegate, or grant any interest in, or permit any Lien (except Permitted Liens) to exist upon, any of the Borrower's rights, obligations or duties under the Transaction Documents without the prior written consent of the Administrative Agent. Notwithstanding anything contained in this Agreement to the contrary, neither Wells Fargo nor Madison shall need prior consent of the Borrower to consolidate with or merge into any other Person or convey or transfer substantially all of its properties and assets, including without limitation any Advance (or portion thereof) or any VFN (or any portion thereof), to any Person.

(b) The Administrative Agent, acting solely for this purpose as an agent of Borrower, shall maintain at one of its lending offices, a copy of each transfer pursuant to Section 13.16(a) delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Advances owing to, each

Lender pursuant to the terms hereof from time to time (the "Register"). Transfer by a Lender of its rights hereunder or under any VFN may be effected only by the recording by the Administrative Agent of the identity of the transferee in the Register. The entries in the Register shall be conclusive, and Borrower, the Loan Manager the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The register shall be available for inspection by Borrower, the Loan Manager and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

Section 13.17 Heading and Exhibits.

The headings herein are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof. The schedules and exhibits attached hereto and referred to herein shall constitute a part of this Agreement and are incorporated into this Agreement for all purposes.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

OFS CAPITAL WM, LLC

By: OFS Capital, LLC, its Administrative Manager

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

OFS PARENT:

OFS CAPITAL, LLC

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

LOAN MANAGER:

MCF CAPITAL MANAGEMENT LLC

By: Madison Capital Funding LLC, its sole member

By: /s/ Devon Russell
Name: Devon Russell
Title: Senior Managing Director

[Signatures Continued on the Following Page]

THE ADMINISTRATIVE AGENT:

WELLS FARGO SECURITIES, LLC, in its capacity as Administrative Agent

By: /s/ Mike Romanzo, CFA
Name: Mike Romanzo, CFA
Title: Director

CLASS A LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Kevin Sunday
Name: Kevin Sunday
Title: Director

CLASS B LENDER:

MADISON CAPITAL FUNDING LLC

By: /s/ Devon Russell
Name: Devon Russell
Title: Senior Managing Director

[Signatures Continued on the Following Page]

THE TRUSTEE:

WELLS FARGO DELAWARE TRUST COMPANY, N.A., not in its individual capacity but solely as Trustee

By: /s/ Patrick F. Gallagher
Name: Patrick F. Gallagher
Title: Assistant Vice President

OFS CAPITAL WM, LLC

2850 West Golf Road
5th Floor
Rolling Meadows, Illinois 60008
Attention: Jeff A. Cerny
Telephone No.: (847) 734-7905
Telecopy No.: (847) 840-0982
Email: JCerny@ofscapital.com

With a copy to:

Orchard First Source Capital
515 Madison Ave, 41st Floor
New York, NY 10022
Attention: Glen E. Ostrander
Telephone No.: (646) 652-8481
Email: gostrander@ofscapital.com

MCF CAPITAL MANAGEMENT LLC

30 South Wacker Drive
Suite 3700
Chicago, Illinois 60606
Attention: Joshua Niedner
Fax: (312) 596-6950
Email: josh_niedner@mcfllc.com

WELLS FARGO SECURITIES, LLC

One Wachovia Center, NC0600
Charlotte, NC 28288
Attention: Mary Katherine DuBose
Facsimile: (704) 715-0067
Confirmation: (704) 383-0906
All electronic dissemination of Notices should be sent to scp.mmloans@wachovia.com

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Lender

One Wachovia Center, NC0600
Charlotte, NC 28288
Attention: Mary Katherine DuBose
Facsimile: (704) 715-0067
Confirmation: (704) 383-0906
All electronic dissemination of Notices should be sent to scp.mmloans@wachovia.com

WELLS FARGO DELAWARE TRUST COMPANY, N.A.,
as Trustee

For notices

Wells Fargo Delaware Trust Company, N.A.
919 N. Market St., Suite 1600
Wilmington, DE 19801
Attn: Patrick F. Gallagher
Fax: (302) 575-2006
Phone: (302) 575-2009
Email: Patrick.F.Gallagher@wellsfargo.com

with a copy to:

Wells Fargo Bank, N.A.
9062 Old Annapolis Rd.
Columbia, MD 21045
Attn: CDO Trust Services – OFS Capital WM, LLC
Fax: (410) 715-3748
Phone: (410) 884-2000

For delivery of certificated securities and instruments:

Wells Fargo Delaware Trust Company, N.A.
c/o Wells Fargo Bank, N.A.
1055 10th Avenue S.E.
Minneapolis, MN 55414
Attn: ABS Custody Vault
Fax: (612) 667-1080
Phone: (612) 667-8058

MADISON CAPITAL FUNDING LLC

30 South Wacker Drive
Suite 3700
Chicago, Illinois 60606
Attention: Joshua Niedner
Fax: (312) 596-6950
Email: josh_niedner@mcfllc.com

Lender	Commitment
Wells Fargo Bank, National Association	$135,000,000 of Class A Advances
Madison Capital Funding LLC	$45,000,000 of Class B Advances

EXHIBITS AND SCHEDULES
TO
LOAN AND SECURITY AGREEMENT

Dated as of September 28, 2010

EXHIBITS

EXHIBIT A-1
To Loan and
Security Agreement

FORM OF FUNDING NOTICE

[Date]

(OFS CAPITAL WM, LLC)

Wells Fargo Securities, LLC
as the Administrative Agent
One Wachovia Center, Mail Code: NC0600
Charlotte, North Carolina 28288
Facsimile No.: (704) 715-0067
via e-mail: cp.conduits@wellsfargo.com
scp.mmloans@wellsfargo.com

Re: Loan and Security Agreement dated as of September 28, 2010

Ladies and Gentlemen:

This Funding Notice is delivered to you pursuant to Sections 2.2 and 3.2 of that certain Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

The undersigned, through its duly elected Responsible Officer, and holding the office set forth below such officer's name, hereby certify as follows:

1. The [Borrower][Loan Manager on behalf of the Borrower] hereby requests a [Class A Advance in the principal amount of $____][and a][Class B Advance in the principal amount of $____]. Each Advance shall be at least equal to $500,000 (or, in the case of any Advance to be applied to fund any draw under a Revolving Loan or Delayed Draw Loan, such lesser amount as may be required to fund such draw) (the "Requested Advance").

2. The [Borrower][Loan Manager on behalf of the Borrower] hereby requests that such Advance be made on the following date: _____ (the "Requested Funding Date").

3. Wire Instructions: Name of Bank:_____
A/C No.: _____
ABA No.:_____
Reference:_____

4. Attached to this Funding Notice is a true, correct and complete list of the Obligors and all Loans which will become part of the Collateral on the date hereof, each Loan reflected thereon being an Eligible Loan except to the extent a portion of any such Loan is being acquired solely with equity contributions, and specifying (a) the appropriate file number,

Outstanding Balance, Assigned Value and Purchase Price of each such Loan, and (b) with respect to any Revolving Loan or Delayed Draw Loan, the amount to be deposited in the Unfunded Exposure Account in connection with the acquisition of each such Loan pursuant to Section 2.9(e) of the Loan and Security Agreement.

5. [The Borrower hereby certifies that as of the Requested Funding Date all of the conditions precedent set forth in Section 3.2 of the Loan and Security Agreement (other than with respect to the Loan Manager's certifications in clauses (e) and, with respect to reports required to be delivered by the Loan Manager under the Transaction Documents, (h) and the conditions precedent in clauses (g), (i) and (j) of such Section 3.2) to the making of the Advances requested hereby set forth have been satisfied.]

6. [The Loan Manager hereby certifies that as of the Requested Funding Date all of the conditions precedent set forth in Section 3.2 of the Loan and Security Agreement (other than with respect to the Borrower's certifications in clauses (d) and, with respect to reports required to be delivered by the Borrower under the Transaction Documents, (h) and the conditions precedent in clauses (g), (i) and (j) of such Section 3.2) to the making of the Advances requested hereby set forth have been satisfied.]

7. Each of the undersigned certify that all information contained herein and in the attached Borrowing Base Certificate is true, correct and complete as of the date hereof.

IN WITNESS WHEREOF, the undersigned have executed this Funding Notice as of the date first written above.

[OFS CAPITAL WM, LLC, as the Borrower

By: OFS Capital, LLC, its Administrative Manager
By: Orchard First Source Asset Management, LLC, its Manager
By: Orchard First Source Capital, Inc., its
Managing Member

By: _____
Name: Glenn R. Pittson
Title: President]

[MCF CAPITAL MANAGEMENT LLC, as the
Loan Manager on behalf of the Borrower

By: Madison Capital Funding, LLC, its sole
member

By: _____
Name:
Title:]

[Attach Borrowing Base Certificate and List of Loans]

EXHIBIT A-2
To Loan and
Security Agreement

FORM OF REPAYMENT NOTICE

[Date]

(OFS CAPITAL WM, LLC)

Wells Fargo Securities, LLC
as the Administrative Agent
One Wachovia Center, Mail Code: NC0600
Charlotte, North Carolina 28288
Facsimile No.: (704) 715-0067
via e-mail: cp.conduits@wellsfargo.com
scp.mmloans@wellsfargo.com

Re: Loan and Security Agreement dated as of September 28, 2010

Ladies and Gentlemen:

This Repayment Notice is delivered to you pursuant to Section 2.3 of that certain Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

The undersigned, through its duly elected Responsible Officer, and holding the office set forth below such officer's name, hereby certifies as follows:

[1. Pursuant to Section 2.3(b) of the Loan and Security Agreement, the Borrower][Loan Manager on behalf of the Borrower] desires to reduce the [Class A] [Class B] Advances Outstanding (an "Advance Reduction") by the amount of $____ on _____ (the "Requested Advance Reduction Date"). Any reduction of the Advances Outstanding (other than with respect to payments of Advances Outstanding made by the Borrower to cure a Borrowing Base Deficiency) shall be in a minimum amount of $500,000 and in integral multiples of $100,000 in excess thereof.]

[2. In connection with the Advance Reduction (if such Advance Reduction is in connection with an Optional Sale pursuant to Section 2.14 of the Loan and Security Agreement), the Borrower shall deliver to the Administrative Agent, on the Requested Advance Reduction Date, funds sufficient to repay such Advances Outstanding together with all accrued Class A Interest thereon, accrued Class B Interest thereon and Breakage Costs.][In connection with any the Advance Reduction (if such Advance Reduction is not in connection with an Optional Sale pursuant to Section 2.14 of the Loan and Security Agreement), the Borrower shall deliver to the Administrative Agent, on the Requested Advance Reduction Date, funds sufficient to repay such Advances Outstanding together with all Breakage Costs.]

[3. Pursuant to Section 2.3(a)(i) of the Loan and Security Agreement, the Borrower desires to permanently and irrevocably reduce the Class A Commitments (a "Class A Commitment Reduction") by the amount of $____ on _____ __ (the "Requested Class A Commitment Reduction Date"). Such Class A Commitment Reduction shall be in an amount equal to the aggregate Class A Commitments, or, in the case of a partial reduction, $5,000,000 and in integral multiples of $500,000 in excess thereof. In connection with any such Class A Commitment Reduction, the Borrower shall deliver to the Administrative Agent the applicable Commitment Reduction Fee.]

4. [On the Class A Commitment Reduction Date, the Borrower certifies that, after giving effect to the Class A Commitment Reduction, the sum of the Class A Advances Outstanding *plus* all accrued Class A interest *plus* all Breakage Costs owing to any Class A Lender will be less than the remaining Class A Commitments.]

[5. Pursuant to Section 2.3(a)(ii) of the Loan and Security Agreement, the Borrower desires to permanently and irrevocably reduce the Class B Commitments (a "Class B Commitment Reduction") by the amount of $____ on _____ __ (the "Requested Class B Commitment Reduction Date"). Such Class B Commitment Reduction shall be in an amount equal to the aggregate Class B Commitments, or, in the case of a partial reduction, $5,000,000 and in integral multiples of $500,000 in excess thereof. In connection with any such Class B Commitment Reduction, the Borrower shall deliver to the Administrative Agent the applicable Commitment Reduction Fee.]

6. [On the Class B Commitment Reduction Date, the Borrower certifies that, after giving effect to the Class B Commitment Reduction, the sum of the Class B Advances Outstanding *plus* all accrued Class B interest *plus* all Breakage Costs owing to any Class B Lender will be less than the remaining Class B Commitments.

7. [By its acceptance and acknowledgement hereto, each Class A Lender provides its prior written consent to the Class B Commitment Reduction. The Borrower hereby acknowledges that no reduction of the Class B Commitments, so long as any Class A Commitments or Class A Obligations are outstanding, shall be effective without the prior written consent of each Class A Lender.]

Each of the undersigned certify that all information contained herein is true and correct as of the date hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Repayment Notice this __ day of _____, __.

[OFS CAPITAL WM, LLC, as the Borrower

By: OFS Capital, LLC, its Administrative Manager

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By:_____
Name: Glenn R. Pittson
Title: President]

[MCF CAPITAL MANAGEMENT LLC, as the Loan Manager on behalf of the Borrower

By: Madison Capital Funding, LLC, its sole member

By:_____
Name:
Title:]

Acknowledged and agreed:

[Class A Lender]

_____
Name:
Title:

[Attach Borrowing Base Certificate]

EXHIBIT A-3
To Loan and
Security Agreement

FORM OF REINVESTMENT NOTICE

[Date]

(OFS CAPITAL WM, LLC)

Wells Fargo Securities, LLC
as the Administrative Agent
One Wachovia Center, Mail Code: NC0600
Charlotte, North Carolina 28288
Facsimile No.: (704) 715-0067
via e-mail: scp.mmloans@wellsfargo.com

Re: Loan and Security Agreement dated as of September 28, 2010.

Ladies and Gentlemen:

This Reinvestment Notice is delivered to you pursuant to Section 3.2(c) of that certain Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

The Loan Manager (on behalf of the Borrower), through its duly elected Responsible Officer, and holding the office set forth below such officer's name, hereby certifies as follows:

1. In connection with a proposed [Reinvestment of Principal Collections permitted by Section 2.14(a)(i)] [acquisition of Additional Loans in connection with a Substitution pursuant to Section 2.14(b)] of the Agreement, the Loan Manager (on behalf of the Borrower) hereby requests a disbursement (a "Disbursement") of Principal Collections from the Principal Collections Account in the amount of $____.

2. The Loan Manager (on behalf of the Borrower) hereby requests that such Disbursement be made on the following date: _____ (the "Requested Reinvestment Date").

3. Attached to this Reinvestment Notice is a true, correct and complete calculation of the Borrowing Base and all components thereof.

4. As of the Requested Reinvestment Date all of the conditions precedent set forth in Section 3.2 of the Loan and Security Agreement to the Disbursement requested hereby (other than with respect to the Borrower's certifications in clauses (d) and, with respect to reports required to be delivered by the Borrower under the Transaction Documents, (h) and the conditions precedent in clauses (g), (i) and (j) of such Section 3.2) have been satisfied.

The undersigned certify that all information contained herein and in the attached Borrowing Base Certificate is true and correct as of the date hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned has executed this Reinvestment Notice this __ day of _____, ____.

MCF CAPITAL MANAGEMENT LLC, as the Loan Manager
on behalf of the Borrower

By: Madison Capital Funding, LLC, its sole
member

By: _____
Name:
Title:

[Attach Borrowing Base Certificate]

EXHIBIT A-4
To Loan and
Security Agreement

FORM OF BORROWING BASE CERTIFICATE

[DATE]

This certificate is delivered pursuant to that certain Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

[As of the date hereof the Borrower certifies that (i) all of the information set forth in Annex I attached hereto is true, correct and complete, (ii) with respect to the Borrower and the OFS Seller, no Default or Event of Default has occurred and is continuing, (iii) all of the Loans owned by the Borrower are Eligible Loans other than as waived by the Administrative Agent and the Majority Class B Lenders on the applicable Funding Date of such Loan; and (iv) each of the representations and warranties in Sections 4.1 and 4.2 of the Loan and Security Agreement is true, correct and complete.

As of the date hereof the Loan Manager certifies that (i) with respect to the Loan Manager and the Madison Seller, no Default, Event of Default or Loan Manager Termination Event has occurred and is continuing; and (ii) each of the representations and warranties in Section 4.3 of the Loan and Security Agreement is true, correct and complete.]

[As of the date hereof the Loan Manager certifies that (i) all of the information set forth in Annex I attached hereto is true, correct and complete, (ii) with respect to the Loan Manager and the Madison Seller, no Default, Event of Default or Loan Manager Termination Event has occurred and is continuing; (iii) all of the Loans owned by the Borrower are Eligible Loans other than as waived by the Administrative Agent and the Majority Class B Lenders on the applicable Funding Date of such Loan; and (iv) each of the representations and warranties in Section 4.3 of the Loan and Security Agreement is true, correct and complete.]

[Remainder of Page Intentionally Left Blank]

Signature Page to Borrowing Base Certificate

This Borrowing Base Certificate is certified as of the date first written above.

[OFS CAPITAL WM, LLC, as the Borrower

By: OFS Capital, LLC, its Administrative Manager

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: _____
Name: Glenn R. Pittson
Title: President]

MCF CAPITAL MANAGEMENT LLC,
as the Loan Manager on behalf of the Borrower

By: Madison Capital Funding, LLC, its sole member

By: _____
Name:
Title:

EXHIBIT A-5
To Loan and
Security Agreement

FORM OF APPROVAL NOTICE

DATE _____

ELIGIBLE LOAN INFORMATION

Obligor Name _____
Par Amount of Purchase _____
Net Senior Leverage Ratio _____
Cash Interest Coverage Ratio _____
Pricing _____
Remaining Term to Maturity _____

ASSIGNED VALUE

Assigned Value _____
Advance Rate _____

Purchase Price _____

WELLS FARGO SECURITIES, LLC APPROVAL

Commitment Termination _____
Approval Good Until _____
Approval Conditioned Upon _____

Reviewed by: _____
Name:
Telephone No.

EXHIBIT B
To Loan and
Security Agreement

FORM OF CLASS [A][B] VARIABLE FUNDING NOTE

$[____] [_____] [__], 20[__]

THIS VARIABLE FUNDING NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND THE BORROWER HAS NOT REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS VARIABLE FUNDING NOTE, REPRESENTS THAT IT HAS OBTAINED THIS VARIABLE FUNDING NOTE IN A TRANSACTION IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION, AND THE RESTRICTIONS ON SALE AND TRANSFER SET FORTH IN THE LOAN AND SECURITY AGREEMENT. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS VARIABLE FUNDING NOTE, FURTHER REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR ANY INTEREST HEREIN) EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT, THE INVESTMENT COMPANY ACT AND ALL OTHER APPLICABLE LAWS OF ANY JURISDICTION AND IN ACCORDANCE WITH THE CERTIFICATIONS AND OTHER REQUIREMENTS SPECIFIED IN THE LOAN AND SECURITY AGREEMENT REFERRED TO HEREIN.

THIS VARIABLE FUNDING NOTE IS TRANSFERABLE ONLY IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN AND IN THE LOAN AND SECURITY AGREEMENT. ANY SALE OR TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE BORROWER, THE ADMINISTRATIVE AGENT OR ANY INTERMEDIARY. EACH TRANSFEROR OF THIS VARIABLE FUNDING NOTE OR AN INTEREST HEREIN AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE LOAN AND SECURITY AGREEMENT TO THE TRANSFEREE.

FOR VALUE RECEIVED, OFS CAPITAL WM, LLC, a Delaware limited liability company (the "Borrower"), promises to pay to [_____] ("Lender") or its assigns, the principal sum of _____ ($_____), or, if less, the unpaid principal amount of the aggregate advances ("Advances") made by the Lender to the Borrower pursuant to the Loan and Security Agreement (as defined below), as set forth on the attached Schedule, on the dates specified in the Loan and Security Agreement, and to pay interest on the unpaid principal amount of each Advance on each day that such unpaid principal amount is outstanding, at the Interest Rate related to such Advance as provided in the Loan and Security Agreement, on each Payment Date and each other date specified in the Loan and Security Agreement.

This Class [A][B] Variable Funding Note (this "Note") is one of the Variable Funding Notes issued pursuant to the Loan and Security Agreement, dated as of September 28, 2010 (as

amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager, the Borrower, Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

Notwithstanding any other provisions contained in this Note, if at any time the rate of interest payable by the Borrower under this Note, when combined with any and all other charges provided for in this Note, in the Loan and Security Agreement or in any other document (to the extent such other charges would constitute interest for the purpose of any applicable law limiting interest that may be charged on this Note), exceeds the highest rate of interest permissible under applicable law (the "Maximum Lawful Rate"), then for so long as the Maximum Lawful Rate would be exceeded, the rate of interest under this Note shall be equal to the Maximum Lawful Rate. If at any time thereafter the rate of interest payable under this Note is less than the Maximum Lawful Rate, the Borrower shall continue to pay interest under this Note at the Maximum Lawful Rate until such time as the total interest paid by the Borrower is equal to the total interest that would have been paid had applicable law not limited the interest rate payable under this Note. In no event shall the total interest received by the Lender under this Note exceed the amount which the Lender could lawfully have received had the interest due under this Note been calculated since the date of this Note at the Maximum Lawful Rate.

Payments of the principal of, and interest on, Advances represented by this Note shall be made by or on behalf of the Borrower to the holder hereof by wire transfer of immediately available funds in the manner and at the address specified for such purpose as provided in the Loan and Security Agreement, or in such manner or at such other address as the holder of this Note shall have specified in writing to the Borrower for such purpose, without the presentation or surrender of this Note or the making of any notation on this Note.

If any payment under this Note falls due on a day that is not a Business Day, then such due date shall be extended to the next succeeding Business Day and interest shall be payable on any principal so extended at the applicable Interest Rate.

If all or a portion of (i) the principal amount hereof or (ii) any interest payable thereon or (iii) any other amounts payable hereunder shall not be paid when due (whether at maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum that is equal to the Prime Rate plus 4.00%, in each case from the date of such non-payment to (but excluding) the date such amount is paid in full, provided that such interest rate shall not at any time exceed the Maximum Lawful Rate.

Portions or all of the principal amount of the Note shall become due and payable at the time or times set forth in the Loan and Security Agreement. Any portion or all of the principal amount of this Note may be prepaid, together with interest thereon (and, as set forth in the Loan and Security Agreement, certain costs and expenses of the Lender) at the time and in the manner set forth in, but subject to the provisions of, the Loan and Security Agreement.

Except as provided in the Loan and Security Agreement, the Borrower expressly waives presentment, demand, diligence, protest and all notices of any kind whatsoever with respect to this Note.

All amounts evidenced by this Note, the Lender's Advances and all payments and prepayments of the principal hereof and the respective dates and maturity dates thereof shall be endorsed by the Lender on the schedule attached hereto and made a part hereof or on a continuation thereof, which shall be attached hereto and made a part hereof; provided, however,

that the failure of the Lender to make such a notation shall not in any way limit or otherwise affect the obligations of the Borrower under this Note as provided in the Loan and Security Agreement.

The holder hereof may sell, assign, transfer, negotiate, grant participations in or otherwise dispose of all or any portion of any Advances made by the Lender and represented by this Note and the indebtedness evidenced by this Note, subject to the applicable provisions of the Loan and Security Agreement.

This Note is secured by the security interests granted by the Borrower to the Trustee for the benefit of the Secured Parties pursuant to Section 8.1 of the Loan and Security Agreement. The holder of this Note, as a Secured Party, is entitled to the benefits of the Loan and Security Agreement (including, without limitation, the security interests granted thereunder) and may enforce the agreements of the Borrower contained in the Loan and Security Agreement and exercise the remedies provided for by, or otherwise available in respect of, the Loan and Security Agreement, all in accordance with, and subject to the restrictions contained in, the terms of the Loan and Security Agreement. If an Event of Default shall occur, the Lenders may declare, or in certain circumstances, the unpaid principal balance thereof shall be declared, and become, due and payable, in each case, in the manner and with the effect provided in the Loan and Security Agreement.

The Borrower, the Lenders, the Loan Manager and the Trustee each intend, for federal, state and local income and franchise tax purposes only, that this Note be evidence of indebtedness secured by the Collateral, and the Lender, as a lender under the Loan and Security Agreement, by the acceptance hereof, agrees to treat the Note for federal, state and local income and franchise tax purposes as indebtedness.

This Note is one of the "Variable Funding Notes" referred to in Section 2.1 of the Loan and Security Agreement and represents a ratable share of the security interest in the Collateral to the extent provided in the Loan and Security Agreement. This Note shall be construed in accordance with and governed by the laws of the State of New York.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned has executed this Note as on the date first written above.

OFS CAPITAL WM, LLC, as the Borrower

By:

By: _____
Name:
Title:

Schedule attached to Class [A][B] Variable Funding Note dated [____] [__], 20[__] of OFS CAPITAL WM, LLC payable to the order of [Lender]

Date of Advance or Repayment	Principal Amount of Advance	Principal Amount of Repayment	Outstanding Principal Amount

EXHIBIT C
To Loan and
Security Agreement

FORM OF OFFICER'S CERTIFICATE AS TO SOLVENCY

[MCF CAPITAL MANAGEMENT LLC]

[OFS CAPITAL WM, LLC]

[OFS CAPITAL, LLC]

[MADISON CAPITAL FUNDING LLC]

Reference is made to that certain Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

The undersigned, through its duly elected Responsible Officer, hereby certifies as of the __ day of _____, _____ (the "*Certification Date*") to the Borrower, the Administrative Agent, the Lenders, the other Secured Parties, and their respective successors and assigns, as follows:

Both before and after giving effect to (a) the transactions contemplated by the [Loan and Security Agreement][OFS Parent Sale Agreement][Madison Sale Agreement] and the other Transaction Documents and (b) the payment and accrual of all transaction costs in connection with the foregoing, the undersigned is and will be Solvent.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, I have signed and delivered this Officer's Certificate as to Solvency as of the Certification Date.

[MCF CAPITAL MANAGEMENT LLC, as the Loan Manager

By: Madison Capital Funding, LLC, its sole member

By: _____
Name:
Title:]

[OFS CAPITAL WM, LLC, as the Borrower

By:

By: _____
Name:
Title:]

[MADISON CAPITAL FUNDING LLC, as the Madison Seller

By: _____
Name:
Title:]

[OFS CAPITAL, LLC, as the OFS Seller

By:

By: _____
Name:
Title:]

EXHIBIT D
To Loan and
Security Agreement

FORM OF OFFICER'S CERTIFICATE

Dated as of [_____]

The undersigned, the [Officer's Title] of [Name of Entity] (the "*Company*"), does, as of the date hereof, hereby certify in such capacity, and not individually, as follows pursuant to that certain Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Collateral Management LLC, as the loan manager, OFS Capital WM, LLC, as the borrower, Wells Fargo Securities, LLC, as the administrative agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the trustee. Capitalized terms used herein but not defined herein shall have the meanings ascribed to such terms in the Loan and Security Agreement.

(1) Duly Formed. The Company is duly formed, validly existing and in good standing under the laws of the State of [_____].

(2) [No Default. No Default, Event of Default, Change of Control or Loan Manager Termination Event has occurred and is continuing.]

(3) Certificate of Incorporation/Formation. Attached hereto as "Exhibit A" is a true, correct and complete copy of the [Certificate of Incorporation/Formation] of the Company, together with any and all amendments thereto, as on file with the Secretary of State of the State of [_____], and no action has been taken to amend, modify or repeal such [Certificate of Incorporation/Formation], the same being in full force and effect in the attached form as of the date hereof.

(4) By-Laws/Governing Documents. Attached hereto as "Exhibit B" are true, correct and complete copies of the [charter or by-laws] and the [Limited Liability Company Agreement] of the Company, together with any and all amendments thereto, and such [charter or by-laws] and [Limited Liability Company Agreement] remains in full force and effect in the attached form as of the date hereof.

(5) Resolutions. Attached hereto as "Exhibit C" is a true and correct copy of the resolutions that have been duly adopted by the [Unanimous Written Consent of the Board of Directors][Sole Member] of the Company dated [_____], and such resolutions have not been amended, modified, revoked or rescinded in any respect since its adoption and remains in full force and effect on the date hereof.

(6) Incumbency. Attached hereto as "Exhibit D" is an Incumbency Certificate which sets forth the names, titles, and specimen signatures of the individuals who are duly elected, qualified and acting officers of the Company as of the date hereof.

(7) Good Standing/Existence. Attached hereto as "Exhibit E" are copies of recently dated certificates issued by the Secretary of State or other appropriate authority of each

jurisdiction in which the Company was formed or is qualified to do business, such certificates evidencing the good standing and existence of the Company in such jurisdictions.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Officer's Certificate as of the date first set forth above.

_____
Name:
Title:

The undersigned, _____, does hereby certify that he is a duly elected and presently incumbent _____ of the Company and in such capacity on behalf of the Company, does hereby certify that _____ is a duly elected and presently incumbent _____ of the Company.

_____
Name:
Title:

EXHIBIT E
To Loan and
Security Agreement

FORM OF RELEASE OF UNDERLYING INSTRUMENTS

[Delivery Date]

[BY FACSIMILE: (612) 667-1080
Wells Fargo Delaware Trust Company, N.A.
ABS Custody Vault
1055 10th Ave. SE
MAC N9401-011
Minneapolis, MN 55414
Attention: Corporate Trust Services – Asset-Backed Securities Vault]

Re: Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

Ladies and Gentlemen:

In connection with the administration of the Underlying Instruments held by Wells Fargo Delaware Trust Company, N.A. as the Trustee on behalf of the Secured Parties, under the Loan and Security Agreement, we request the release of the Underlying Instruments (or such documents as specified below) for the Loans described below, for the reason indicated. All capitalized terms used but not defined herein shall have the meaning provided in the Loan and Security Agreement.

Obligor's Name, Address & Zip Code:

Loan Identification Number:

Reason for Requesting Documents (check one)

_____ 1. Loan paid in full. (The Loan Manager hereby certifies that all amounts received in connection with such Loan have been or will be credited to the Collection Account as required by the Loan and Security Agreement.)

_____ 2. Loan liquidated by _____. (The Loan Manager hereby certifies that all proceeds (net of liquidation expenses which the Loan Manager may retain to pay such expenses) of foreclosure, insurance, condemnation or other liquidation have been finally received and have been or will be credited to the Collection Account.)

_____ 3. Loan in foreclosure.

_____ 4. Delivered in Error.

_____ 5. Substitution.

_____ 6. Failure to satisfy Review Criteria.

_____ 7. Repurchased.

_____ 8. Occurrence of the Collection Date.

_____ 9. Discretionary Sale.

_____ 10. Servicing.

_____ 11. Other (explain). _____

If box 1, 2, 4, 5, 6, 7, 8, or 9 above is checked, and if all or part of the Underlying Instruments were previously released to us, please release to us the Underlying Instruments, requested in our previous request and receipt on file with you, as well as any additional documents in your possession relating to the specified Loan.

If box 6 is checked, we understand that the Underlying Instruments will not be released to us until such released is approved by the Administrative Agent pursuant to Section 7.2(b)(i) of the Loan and Security Agreement.

If box 3, 10 or 11 above is checked, we will return of all of the above Underlying Instruments to you as the Trustee (i) promptly upon the request of the Administrative Agent (after an Event of Default) or (ii) when our need therefor no longer exists.

[Remainder of Page Intentionally Left Blank]

MCF CAPITAL MANAGEMENT LLC, as the Loan Manager

By: Madison Capital Funding, LLC, its sole member

By: _____
Name:
Title:

Consent of Administrative Agent if required under the Agreement:

WELLS FARGO SECURITIES, LLC, as the Administrative Agent

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT F
To Loan and
Security Agreement

FORM OF ASSIGNMENT OF UNDERLYING INSTRUMENTS

THIS GENERAL ASSIGNMENT OF UNDERLYING INSTRUMENTS (this "Assignment"), made as of the __ day of _____, 200__ by_____ __ ("_____"), having an address _____
("Assignor") to _____, a _____, having an address at _____
("Assignee").

KNOW ALL MEN BY THESE PRESENTS, that for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby does sell, assign, transfer, grant, convey and set over unto Assignee and to the successors and assigns of Assignee all of Assignor's right, title and interest in, to and under (a) the document(s) referenced in Exhibit A attached hereto and made a part hereof, including any amendments or supplements thereto (such documents collectively referred to herein as the "Underlying Instruments"), (b) the instruments, documents, certificates, letters, records and papers relating to the Underlying Instruments and all other documents executed and/or delivered in connection with the loan evidenced and or secured by the Underlying Instruments, including, without limitation, all of Assignor's right, title and interest in any title insurance policies, and other insurance policies, endorsements and certificates, security agreements, guaranties, indemnities, bank accounts, certificates of deposit, letters of credit, bonds, operating accounts, reserve accounts, escrow accounts and other accounts, permits, licenses, opinions, surveys, appraisals, environmental reports, inspection reports, financial statements, and any and all other documents and collateral arising out of and/or executed and/or delivered in connection with the Underlying Instruments, (c) all rights and benefits of Assignor related to the Underlying Instruments, including without limitation, all of Assignor's rights to receive insurance proceeds, condemnation awards, indemnity payments, sales proceeds and all other income, issues, profits, payments and proceeds of any nature under or in connection with the Underlying Instruments, and all of Assignor's rights to exercise any rights or remedies thereunder, and all claims, demands and causes of action related to the items referenced in clauses (a) and (b) above (the items referenced in clauses (a), (b) and (c) are collectively referred to herein as the "Assigned Documents"). Assignor represents to Assignee that Assignor has good right, title and authority to assign the Assigned Documents as set forth herein.

[Signature Page To Follow]

IN WITNESS WHEREOF, Assignor has caused these presents to be duly executed as of the day and year first written above.

[Entity], a **[State of Inc./Formation] [Entity Type]**

[By: _____, its _____]

By: _____ [SEAL]
Name:
Title:

EXHIBIT A[1]

[Modify/add/delete as appropriate]

1. [Loan Agreement, dated as of ____ __, 200__ (together with all amendments and supplements from time to time thereto), between _____ and _____ relating to a loan in the original principal amount of $_____.

2. Promissory Note dated ____ __, 200__ in the original principal amount of $_____ issued by _____ in favor of _____, or order.

3. UCC-1 Financing Statements showing _____, as debtor, and _____, as secured party. [Reference Recording Office and any assignments.]

4. [Reference other major loan documents, such as: loan agreement, credit agreement, note purchase agreement, acquisition agreement, intercreditor agreement, guarantees, insurance policies and assumption or substitution agreements.]

[1] Capitalized terms used but not defined herein shall have the meaning ascribed to them in the _____.

EXHIBIT G
To Loan and
Security Agreement

FORM OF TRANSFEREE LETTER

_____, 20__

OFS Capital WM, LLC,
as the Borrower
2850 West Golf Road, 5th Floor
Rolling Meadows, Illinois 60008
Attention: Jeff A. Cerny
Fax: (847) 734-7910
Email: jcerny@ofscapital.com

MCF Capital Management LLC,
as the Loan Manager
30 South Wacker Drive
Suite 3700
Chicago, Illinois 60606
Attention: Joshua Niedner
Fax: (312) 596-6950
Email: josh_niedner@mcfllc.com

Wells Fargo Securities, LLC,
as the Administrative Agent
One Wachovia Center, Mail Code NC0600
Charlotte, North Carolina 28288
Attention: Mary Katherine DuBose

Re: OFS Capital WM, LLC Class [A][B] Variable Funding Notes
[Name of Lender]

Ladies and Gentlemen:

In connection with our acquisition of the above-captioned Variable Funding Notes (the "Notes"), we certify that (a) we understand that the Notes are not registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws and are being transferred to us in a transaction that is exempt from the registration requirements of the Securities Act and any such laws, (b) we are either a Qualified Institutional Buyer under Rule 144A of the Securities Act or an institutional "Accredited Investor" as defined in Rule (1)-501(a)(1)-(3) or (7) under the Securities Act, and have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of investments in the Notes, (c) we are a "Qualified Purchaser" for the purpose of Section 3(c)(7) of the Investment Company Act of 1940, as amended (d) we have had the opportunity to ask questions of and receive answers from the Borrower and the Loan Manager concerning the purchase of the Notes and all matters relating thereto or any additional information deemed necessary to our decision to purchase the Notes, (e) we are acquiring the Notes for investment for our own account and not with a view to any distribution of such Notes (but without prejudice to our right at all times to sell or otherwise dispose of the Notes in accordance with clause (g) below), (f) we have not offered or sold any Notes to, or solicited offers to buy any Notes from,

any person, or otherwise approached or negotiated with any person with respect thereto, or taken any other action which would result in a violation of Section 5 of the Securities Act, (g) we will not sell, transfer or otherwise dispose of any Notes unless (1) such sale, transfer or other disposition is made pursuant to an effective registration statement under the Securities Act or is exempt from such registration requirements, and if requested, we will at our expense provide an opinion of counsel satisfactory to the addressees of this certificate that such sale, transfer or other disposition may be made pursuant to an exemption from the Securities Act, (2) the purchaser or transferee of such Notes has executed and delivered to you a certificate to substantially the same effect as this certificate, and (3) the purchaser or transferee has otherwise complied with any conditions for transfer set forth in the Loan and Security Agreement, dated as of September 28, 2010, (h) we are not acquiring a Note, directly or indirectly, for or on behalf of an employee benefit plan or other retirement arrangement subject to the Employee Retirement Income Security Act of 1974, as amended, and/or Section 4975 of the Internal Revenue Code of 1986, as amended, or any entity, the assets of which would be deemed plan assets under the Department of Labor regulations set forth at 29 C.F.R. §2510.3-101; unless Prohibited Transaction Class Exemption ("*PTCE*") 84-14, PTCE 90-1, PTCE 91-38, PTCE 95-60 or PTCE 92-23 or some other applicable prohibited transaction exemption is applicable to the acquisition and holdings of such Notes and (i) we are a U.S. Person, as such term is defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended.

Very truly yours,

_____

Print Name of Transferee

By: _____

Responsible Officer

EXHIBIT H
To Loan and
Security Agreement

FORM OF JOINDER SUPPLEMENT

JOINDER SUPPLEMENT, dated as of the date set forth in Item 1 of Schedule I hereto, among the financial institution identified in Item 2 of Schedule I hereto, OFS Capital WM, LLC, as the borrower (the "Borrower") and Wells Fargo Securities, LLC, as Administrative Agent (the "Administrative Agent").

WHEREAS, this Joinder Supplement is being executed and delivered under Section [2.1(a)(iv)][2.1(b)(iv)] of the Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), the Borrower, the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meaning provided in the Loan and Security Agreement; and

WHEREAS, the party set forth in Item 2 of Schedule I hereto (the "Proposed Class [A][B] Lender") wishes to become a Class [A][B] Lender party to the Loan and Security Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

(a) Upon receipt by the Administrative Agent of an executed counterpart of this Joinder Supplement, to which is attached a fully completed Schedule I and Schedule II, each of which has been executed by the Proposed Class [A][B] Lender, the Borrower and the Administrative Agent, the Administrative Agent will transmit to the Proposed Class [A][B] Lender and the Borrower, a Joinder Effective Notice, substantially in the form of Schedule III to this Joinder Supplement (a "Joinder Effective Notice"). Such Joinder Effective Notice shall be executed by the Administrative Agent and shall set forth, inter alia, the date on which the joinder effected by this Joinder Supplement shall become effective (the "Joinder Effective Date"). From and after the Joinder Effective Date, the Proposed Class [A][B] Lender shall be a Class [A][B] Lender party to the Loan and Security Agreement for all purposes thereof.

(b) Each of the parties to this Joinder Supplement agrees and acknowledges that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Joinder Supplement.

(c) By executing and delivering this Joinder Supplement, the Proposed Class [A][B] Lender confirms to and agrees with the Administrative Agent and the other Lenders as follows: (i) none of the Administrative Agent and the other Lenders makes any representation or warranty or assumes any responsibility with respect to any statements, warranties or representations made in or in connection with the Loan and Security Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan and Security Agreement or any other instrument or document furnished pursuant thereto, or with respect to any Variable Funding Notes issued under the Loan and Security Agreement, or the Collateral (as defined under the Loan and Security Agreement) or the financial condition of the OFS Seller/Transferor, the Loan Manager or the Borrower, or the performance or observance by the OFS Seller/Transferor, the Loan Manager or the Borrower of any of their respective obligations under the Loan and Security Agreement, any other Transaction Document or any other instrument or

document furnished pursuant thereto; (ii) the Proposed Class [A][B] Lender confirms that it has received a copy of such documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Joinder Supplement; (iii) the Proposed Class [A][B] Lender will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan and Security Agreement; (iv) the Proposed Class [A][B] Lender appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Loan and Security Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with the Loan and Security Agreement; and (v) the Proposed Class [A][B] Lender agrees (for the benefit of the parties hereto and the other Lenders) that it will perform in accordance with their terms all of the obligations which by the terms of the Loan and Security Agreement are required to be performed by it as a Class [A][B] Lender.

(d) Schedule II hereto sets forth administrative information with respect to the Proposed Class [A][B] Lender.

(e) This Joinder Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Joinder Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

SCHEDULE I TO
JOINDER SUPPLEMENT

COMPLETION OF INFORMATION AND
SIGNATURES FOR JOINDER SUPPLEMENT

Re: Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager, OFS Capital WM, LLC, the Administrative Agent, each of the Lenders from time to time party thereto and Wells Fargo Delaware Trust Company, N.A., as the Trustee.

Item 1: Date of Joinder Supplement: _____

Item 2: Proposed Class [A][B] Lender: _____

Item 3: Commitment - $_____
Commitment Termination Date:

Item 4: Signatures of Parties to Agreement:

_____, as
Proposed Class [A][B] Lender

By: _____
Name:
Title:

OFS CAPITAL WM, LLC, as the Borrower

By:

By: _____
Name:
Title:

WELLS FARGO SECURITIES, LLC,
as Administrative Agent

By: _____
Name:
Title:

[NAME OF LENDER], as
Lender

By: _____
Name:
Title:

ADDRESS FOR NOTICES
AND
WIRE INSTRUCTIONS

Address for Notices: _____
_____
_____
_____
Telephone: _____
Facsimile: _____
email: _____

With a copy to:

_____
_____
_____
Telephone: _____
Facsimile: _____
email: _____

Wire Instructions:
Name of Bank: _____
A/C No.: _____
ABA No. _____
Reference: _____

SCHEDULE III TO
JOINDER SUPPLEMENT

FORM OF
JOINDER EFFECTIVE NOTICE

To: [Name and address of the Borrower, Administrative Agent and Proposed Class [A][B] Lender]

The undersigned, as Administrative Agent under the Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager, OFS Capital WM, LLC, the Administrative Agent, each of the Lenders from time to time party thereto and Wells Fargo Delaware Trust Company, N.A., as the Trustee. [Note: attach copies of Schedules I and II from such Loan and Security Agreement.] Terms defined in such Joinder Supplement are used herein as therein defined.

Pursuant to such Joinder Supplement, you are advised that the Joinder Effective Date for [Name of Proposed Class [A][B] Lender] will be _____ with a Commitment of $____.

Very truly yours,

WELLS FARGO SECURITIES, LLC,
as Administrative Agent

By: _____
Name:
Title:

EXHIBIT I TO
Loan and
Security Agreement

FORM OF SECTION 2.13 CERTIFICATE

Reference is hereby made to the Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Agreement"), by and among MCF Capital Management LLC, as the loan manager, OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Agreement. Pursuant to the provisions of Section 2.13 of the Agreement, the undersigned hereby certifies that:

1. It is a ☐ natural individual person, ☐ treated as a corporation for U.S. federal income tax purposes, ☐ disregarded for federal income tax purposes (in which case a copy of this Section 2.13 Certificate is attached in respect of its sole beneficial owner), or ☐ treated as a partnership for U.S. federal income tax purposes (one must be checked).

2. It is the beneficial owner of amounts received pursuant to the Agreement.

3. It is not a bank, as such term is used in section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), or the Agreement is not, with respect to the undersigned, a loan agreement entered into in the ordinary course of its trade or business, within the meaning of such section.

4. It is not a 10-percent shareholder of Borrower within the meaning of section 871(h)(3) or 881(c)(3)(B) of the Code.

5. It is not a controlled foreign corporation that is related to Borrower within the meaning of section 881(c)(3)(C) of the Code.

6. Amounts paid to it under the Agreement and the other Transaction Documents (as defined in the Agreement) are not effectively connected with its conduct of a trade or business in the United States.

[NAME OF UNDERSIGNED]

By: _____

Title: _____

Date: _____, ____

EXHIBIT J TO
Loan and
Security Agreement

FORM OF PORTFOLIO ACQUISITION AND DISPOSITION CERTIFICATE

MCF CAPITAL MANAGEMENT LLC

Reference is made to that certain Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

In connection with the [acquisition][disposition] of [_____] (the "Loan") by the Borrower as of the _____ day of _____, _____ (the "*Certification Date*"), the undersigned, through its duly elected Responsible Officer, hereby certifies to the Trustee and its successors and assigns, as follows:

1. The Loan, if being acquired by the Borrower, meets the requirements set forth in clause (dd) of the definition of Eligible Loan;

2. The Loan is being acquired or disposed of in accordance with the terms and conditions set forth in the Loan and Security Agreement; and

3. The Loan is not being acquired or disposed of for the primary purpose of recognizing gains or decreasing losses resulting from market value changes.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, I have signed and delivered this Portfolio Acquisition and Disposition Certificate as of the Certification Date.

MCF CAPITAL MANAGEMENT LLC, as the Loan Manager

By: Madison Capital Funding, LLC, its sole member

By: _____
Name:
Title:

EXHIBIT K TO
Loan and
Security Agreement

FORM OF CERTIFICATE OF REQUIRED LOAN DOCUMENTS

Reference is made to that certain Loan and Security Agreement, dated as of September 28, 2010 (as amended, modified, supplemented or restated from time to time, the "Loan and Security Agreement"), by and among MCF Capital Management LLC, as the loan manager (in such capacity, the "Loan Manager"), OFS Capital WM, LLC, as the borrower (in such capacity, the "Borrower"), Wells Fargo Securities, LLC, as the Administrative Agent, each of the Lenders from time to time party thereto, and Wells Fargo Delaware Trust Company, N.A., as the Trustee. Capitalized terms used but not defined herein shall have the meanings provided in the Loan and Security Agreement.

In connection with the acquisition of [_____] (the "Loan") by the Borrower as of the __ day of _____, ____ (the "*Certification Date*"), the undersigned hereby certifies to the Administrative Agent, the Lenders, the other Secured Parties, and their respective successors and assigns, that it has possession of the documents specified on Exhibit A attached hereto relating to the Loan.

IN WITNESS WHEREOF, I have signed and delivered this certificate as of the Certification Date.

By: _____
Name:
Title:

[Modify/add/delete as appropriate]

5. [Loan Agreement, dated as of _____, 200__ (together with all amendments and supplements from time to time thereto), between _____ and _____ relating to a loan in the original principal amount of $____.

6. Promissory Note dated _____, 200__in the original principal amount of $____ issued by _____ in favor of _____, or order.

7. UCC-1 Financing Statements showing _____, as debtor, and _____, as secured party. [Reference Recording Office and any assignments.]

8. [Reference other major loan documents, such as: loan agreement, credit agreement, note purchase agreement, acquisition agreement, intercreditor agreement, guarantees, insurance policies and assumption or substitution agreements.]

[2] Capitalized terms used but not defined herein shall have the meaning ascribed to them in the _____.

EXHIBIT L TO
Loan and
Security Agreement

OFS Capital WM, LLC
OFS Capital, LLC
2850 West Golf Rd.
Suite 520
Rolling Meadows, Illinois 60008

September 28, 2010

Madison Capital Funding LLC
MCF Capital Management LLC
30 South Wacker Drive
Suite 3700
Chicago, IL 60606

Re: Consent Procedures Letter

Dear Sirs:

Reference is hereby made to that certain Loan and Security Agreement, dated as of the date hereof, by and among MCF Capital Management LLC, as Loan Manager, OFS Capital WM, LLC, as Borrower, each of the Class A Lenders from time to time party thereto, each of the Class B Lenders from time to time party thereto, Wells Fargo Securities, LLC, as Administrative Agent and Wells Fargo Delaware Trust Company, N.A., as Trustee (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"). Capitalized terms used but not defined herein shall have the meaning set forth with respect thereto in the Loan Agreement. In consideration of OFS Capital, LLC ("OFS Capital"), in its capacity as administrative manager on behalf of the Borrower (the "Administrative Manager"), causing the Borrower to enter into the Loan Agreement, pursuant to which Wells Fargo Bank, N.A. ("Wells Fargo") will be the initial Class A Lender, Madison Capital Funding LLC (in its individual capacity, "Madison") will be the initial Class B Lender and MCF Capital Management LLC, an affiliate of Madison, will be the Loan Manager, each of OFS Capital, the Borrower, Madison and the Loan Manager hereby agrees as follows.

1. During the Reinvestment Period and so long as the Borrower has sufficient availability under the Loan Agreement to acquire a Qualifying Loan (as defined below) in an

amount at least equal to $5,000,000, Madison will notify the Borrower, the Loan Manager and the Administrative Manager of each term loan which Madison formally commits to (or originates) or has otherwise received a final allocation in excess of its targeted term loan hold level (the "Madison Allocation") and which loan, in Madison's reasonable determination, satisfies the definition of Eligible Loan in the Loan Agreement (each such eligible term loan, a "Qualifying Loan"). Madison agrees to offer for sale to the Borrower a portion of each Qualifying Loan from Madison's Allocation that is in excess of its targeted term loan hold level; provided that Madison shall have no obligation to offer to the Borrower more than $5,000,000 in principal amount of any Qualifying Loan. It is understood and agreed that, for administrative convenience, any sale to the Borrower may be made directly by a third party seller to the Borrower, but shall be deemed to be made by Madison for purposes of this Section 1. To effect such offer, Madison will deliver to the Borrower, the Loan Manager and the Administrative Manager a notice accompanied by the internal credit approval memoranda produced by Madison in respect of such Qualifying Loan and any other information Madison deems relevant along with a justification for acquisition by the Borrower of the offered portion of such Qualifying Loan ("Notice of Purchase Contemplation") at least two (2) business days prior to any commitment by the Loan Manager on behalf of the Borrower to acquire any portion of the Qualifying Loan. Madison will promptly supply to the Borrower, the Loan Manager and the Administrative Manager any other information in respect of such Qualifying Loan reasonably requested by the Borrower, the Loan Manager and/or the Administrative Manager that is in the possession of Madison or is reasonably obtainable without expense. In connection with the delivery of such information, Madison may request that the Borrower, the Loan Manager or the Administrative Manager enter into any confidentiality restrictions to which Madison is subject or that are reasonable under the circumstances.

With limited exceptions relating to Consent Loans, as described below, the Borrower (except through the Loan Manager as provided in the immediately following sentence) and the Administrative Manager shall have no consent rights regarding the acquisition by the Loan Manager on behalf of the Borrower of any Qualifying Loan or portion thereof offered by Madison to the Borrower. The Loan Manager on behalf of the Borrower shall determine whether or not the Borrower will acquire any portion of any such offered Qualifying Loan in accordance with the provisions of the Loan Agreement and any other Transaction Documents applicable thereto; provided, however, that if such Qualifying Loan is a Consent Loan (as defined below), the Loan Manager on behalf of the Borrower shall not acquire any such Consent Loan without the prior written consent thereto of the Administrative Manager on behalf of the Borrower as described below.

A "Consent Loan" is any Qualifying Loan (i) that is *not* an add-on to an existing Qualifying Loan that is owned jointly by the Borrower, on the one hand, and OFS Capital Management, LLC or an affiliated person thereof other than OFS Capital or a company controlled by OFS Capital, on the other hand (a "Non-BDC Affiliate"), such that transactions involving such Qualifying Loan might reasonably be expected, without first obtaining satisfactory relief under section 57(c) of the Investment Company Act of 1940 (as amended, the "1940 Act") from the Securities and Exchange Commission (the "SEC"), to constitute a transaction prohibited under section 57 of the 1940 Act, and (ii) with respect to which OFS Capital Management, LLC or any affiliated person thereof is *not* committed or committing to purchase for a Non-BDC Affiliate without having obtained satisfactory exemptive relief under section 57(c) of the 1940 Act from the SEC.

Within two (2) business days after receipt of any Notice of Purchase Contemplation, the Administrative Manager shall provide written notice (a "Consent Loan Notice") to Madison and the Loan Manager indicating whether the offered Qualifying Loan is a Consent Loan and, if so, such Consent Loan Notice shall also specify whether or not the Administrative Manager, on behalf of the Borrower, consents to the acquisition of such offered Qualifying Loan and, if it so consents, the amount thereof that the Loan Manager may acquire on behalf of the Borrower. If, within such two (2) business day period: (i) the Loan Manager has received a Consent Loan Notice indicating that such Qualifying Loan is not a Consent Loan, the Loan Manager, on behalf of the Borrower, may enter into a commitment to purchase the offered Qualifying Loan or a portion thereof in accordance with the Loan Agreement and any other Transaction Documents applicable thereto; (ii) the Loan Manager has received a Consent Loan Notice indicating that such Qualifying Loan is a Consent Loan, and has received the written consent of the Administrative Manager to purchase a specified amount thereof, the Loan Manager, on behalf of the Borrower, shall purchase such specified amount of such offered Qualifying Loan in accordance with the Loan Agreement and any other Transaction Documents applicable thereto; or (iii) the Loan Manager has received a Consent Loan Notice indicating that such Qualifying Loan is a Consent Loan, and the Administrative Agent has not consented therein to the purchase of any portion of such offered Qualifying Loan, the Loan Manager, on behalf of the Borrower, shall not purchase or enter into any commitment to purchase such offered Qualifying Loan unless and until such time, if any, as Madison issues another Notice of Purchase Contemplation as provided herein and the Loan Manager receives the consent of the Administrative Manager to the purchase as provided in clause (ii) hereof.

If the Administrative Manager on behalf of the Borrower consents to the acquisition of such Qualifying Loan or the Loan Manager has received a Consent Loan Notice indicating that such Qualifying Loan is not a Consent Loan, the Borrower shall in all respects be obligated to effect such purchase and, in respect thereof, the Loan Manager, on behalf of the Borrower, shall promptly execute and/or deliver to Madison or the administrative agent or the selling lender in respect of such Qualifying Loan any relevant commitment, purchase, assignment and other documentation and any other information as is customary or required in order to evidence such commitment and effectuate the assignment of such Qualifying Loan to the Borrower; it being understood and agreed that, in the event the credit facilities related to such Qualifying Loan have not closed, such sales and assignments hereunder are subject to the closing of the related credit facilities.

2. The Loan Manager will notify the Borrower and the Administrative Manager of any Loan or other asset of the Borrower it desires to sell on behalf of the Borrower at least two (2) Business Days prior to Borrower's commitment to sell or sale of such asset, which notice will be accompanied by the internal sale approval memoranda produced by the Loan Manager in respect of the sale of such asset and any other information the Loan Manager deems relevant along with a justification for such sale ("Notice of Sale Contemplation"). The Loan Manager will promptly supply to the Borrower and the Administrative Manager any additional information with respect to such sale requested by the Borrower and/or the Administrative Manager that is in the possession of the Loan Manager or is reasonably obtainable without expense.

With limited exceptions relating to Consent Assets (as defined below), the Borrower (except through the Loan Manager as provided in the immediately following sentence) and the Administrative Manager shall have no consent rights regarding the sale by the Loan Manager on behalf of the Borrower of any Loan or other asset proposed by the Loan Manager to be sold. The Loan Manager on behalf of the Borrower shall determine whether or not the Borrower will sell any Loan or other asset in accordance with the provisions of the Loan Agreement and any other Transaction Documents applicable thereto; provided, however, that if such Loan or other asset is a Consent Asset, the Loan Manager on behalf of the Borrower shall not sell any such Consent Asset without the prior written consent thereto of the Administrative Manager on behalf of the Borrower as described below; provided, further, that if any such asset is an Equity Security, the Loan Manager may delegate the determination of whether or not the Borrower will sell such Equity Security to New York Life Investment Management LLC or any Affiliate thereof that is a registered investment adviser.

A "Consent Asset" is any Loan or other asset of the Borrower that is *not* owned jointly by the Borrower, on the one hand, and a Non-BDC Affiliate, on the other hand, such that transactions involving such Loan or other asset might reasonably be expected, without first obtaining satisfactory relief under section 57(c) of the 1940 Act from the SEC, to constitute a transaction prohibited under section 57 of the 1940 Act.

Within two (2) business days after receipt of any Notice of Sale Contemplation, the Administrative Manager shall provide written notice (a "Consent Asset Notice") to the Loan Manager indicating whether the Loan or other asset is a Consent Asset and, if so, such Consent Asset Notice shall also specify whether or not the Administrative Manager, on behalf of the Borrower, consents to the sale of such Consent Asset and, if it so consents, the amount of the Consent Asset that may be sold by the Loan Manager on behalf of the Borrower. If, within such two (2) business day period: (i) the Loan Manager has received a Consent Asset Notice indicating that such Qualifying Loan is not a Consent Asset, the Loan Manager, on behalf of the Borrower, may sell or enter into a commitment to sell the Loan or other asset in accordance with the Loan Agreement and any other Transaction Documents applicable thereto; (ii) the Loan Manager has received a Consent Asset Notice indicating that such Loan or asset is a Consent Asset, and has received the written consent of the Administrative Manager to sell a specified amount thereof, the Loan Manager, on behalf of the Borrower, shall sell such specified amount in accordance with the Loan Agreement and any other Transaction Documents applicable thereto; or (iii) the Loan Manager has received a Consent Asset Notice indicating that such Loan or asset is a Consent Asset, and the Administrative Agent has not consented therein to the sale of any portion of such Loan or other asset, the Loan Manager, on behalf of the Borrower, shall not sell or enter into any commitment to sell such Loan or other asset unless and until such time, if any, as the Loan Manager issues another Notice of Sale Contemplation as provided herein and receives the consent of the Administrative Manager to the sale as provided in clause (ii) hereof.

3. This letter agreement shall terminate on the earlier of (i) termination of the Loan Agreement or (ii) an Affiliate of Madison ceasing to act as Loan Manager under the Loan Agreement.

4. Notices to the parties shall be given and deemed received as provided for in the Transaction Documents. Notices to the Administrative Manager shall be given and deemed received as provided for in the Transaction Documents at the following address:

2850 West Golf Road, 5th Floor
Rolling Meadows, Illinois 60008
Attn: Jeff A. Cerny
Fax: (847) 734-7910
Email: jcerny@ofscapital.com

with a copy to:

Orchard First Source Capital, Inc.
515 Madison Ave, 41st Floor
New York, New York 10022
Attn: Glen E. Ostrander
Fax: (646) 652-8479
Email: gostrander@ofscapital.com

5. This letter agreement is binding on and enforceable against the parties hereto notwithstanding any contrary provisions in the Transaction Documents, and in the event of a conflict between the provisions of this letter agreement and such other agreements or documents, the provisions of this letter agreement shall control so long as no default is thereby created under the Transaction Documents. The provisions of this letter agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York without reference to conflicts of law principles thereof. This letter agreement may be executed in multiple counterparts which, taken together, shall constitute one and the same agreement. Delivery of an executed counterpart hereof by facsimile or other electronic transmission shall constitute effective delivery of an executed counterpart hereof. No amendment, waiver or other modification of this letter agreement shall be effective unless signed by the parties hereto. This letter agreement shall be binding upon the parties hereto and their respective successors and permitted assigns. This letter agreement may not be assigned by any party without the prior written consent of the other parties hereto. Neither the rights of the Borrower or the Administrative Manager on behalf of the Borrower under this letter agreement shall constitute any part of the Collateral under the Loan Agreement. No third party is intended to be a beneficiary hereof.

[signature pages follow]

IN WITNESS WHEREOF, the parties below hereby agree to the terms of this Letter Agreement as of the date first above written.

OFS CAPITAL, LLC

By: Orchard First Source Asset Management, LLC, its manager

By: Orchard First Source Capital, Inc., its managing member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

OFS CAPITAL WM, LLC

By: OFS Capital, LLC, its administrative manager

By: Orchard First Source Asset Management, LLC, its manager

By: Orchard First Source Capital, Inc., its managing member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

MADISON CAPITAL FUNDING LLC

By: /s/ Devon Russell
Name: Devon Russell
Title: Senior Managing Director

MCF CAPITAL MANAGEMENT LLC

By: Madison Capital Funding LLC, its sole member

By: /s/ Devon Russell
Name: Devon Russell
Title: Senior Managing Director

Exhibit (k)(4)

EXECUTION VERSION

PLEDGE AGREEMENT

PLEDGE AGREEMENT (as may be amended, supplemented, or otherwise modified from time to time, this "Agreement") dated as of September 28, 2010 made by OFS CAPITAL, LLC, a Delaware limited liability company (the "Pledgor"), OFS CAPITAL WM, LLC (the "Borrower") and OFS FUNDING, LLC ("OFS Funding" and, together with the Borrower, the "OFS Companies") in favor of WELLS FARGO DELAWARE TRUST COMPANY, N.A., as Trustee (in such capacity, the "Trustee"), for the benefit of the Secured Parties (as defined in the Loan Agreement referred to below).

R E C I T A L S :

WHEREAS, the Borrower has entered into the Loan and Security Agreement, dated as of the date hereof (as amended, supplemented, or otherwise modified from time to time, the "Loan Agreement") between the Borrower, MCF Capital Management LLC, each of the lenders from time to time party thereto, Wells Fargo Securities, LLC, as Administrative Agent and the Trustee. Terms used herein as defined terms and not otherwise defined herein shall have the meanings given thereto in the Loan Agreement;

WHEREAS, each of the OFS Companies is a wholly-owned subsidiary of the Pledgor; and

WHEREAS, the obligations of the Lenders to make Advances are conditioned on, among other things, the execution and delivery by the Pledgor of an agreement in the form hereof.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Security Interests; Certain Definitions. As security for the payment in full when due of all of the Obligations, the Pledgor hereby pledges, assigns, transfers and grants to the Trustee and its successors and assigns, for the benefit of the Secured Parties, a continuing lien on and security interest in the property and property rights listed on Schedule 1 hereto until such time, if any, as such property and property rights are released from such lien and security interest pursuant to Section 19 hereof (hereinafter called the "Pledged Collateral"). For purposes of this Agreement, the term "Pledged Documents" shall have the meanings given thereto in Schedule 1. The Pledged Collateral relating to OFS Funding is referred to herein as the "OFS Funding Pledged Collateral". The Pledged Collateral relating to the Borrower is referred to herein as the "Borrower Pledged Collateral".

2. Assurances; Pledged Documents.

(a) At any time and from time to time, upon demand of the Trustee, at the Pledgor's sole expense, the Pledgor will give, execute, file and record, or cause the same to be done by other parties, any and all notices, financing statements, financing statement amendments, continuation statements, instruments, documents or agreements that the Trustee may reasonably consider necessary or desirable to create, confirm, preserve, maintain, continue, perfect or validate, or establish the priority of, the security interest granted hereunder as a security interest having at least the perfection and priority described in Sections 3(a) and (e) or to enable the Trustee to exercise or enforce its rights hereunder with respect to such lien and security interest.

(b) The Pledgor has heretofore and/or contemporaneously herewith furnished the Trustee with true and correct copies of the Pledged Documents (including originals of any certificates or

other instruments evidencing or representing any of the Pledged Collateral (each in transferable form, duly endorsed if required or accompanied by executed undated instruments of transfer)). Without in any way impairing any applicable restrictions on the rights of any persons to in any way amend or modify any of the Pledged Documents, the Pledgor agrees promptly to furnish the Trustee with a copy of any amendment to or other modification of any of the Pledged Documents.

3. Representations; Warranties; Covenants. Each of the Pledgor and each OFS Company hereby represents, warrants and covenants, solely with respect to itself, to and with the Trustee that:

(a) Except in each case for the security interest granted to the Trustee hereunder, and for other Liens permitted under the Loan Agreement, and, to the extent the same are released pursuant to the Payoff Letter substantially contemporaneously with the date hereof, except with respect to the liens on the OFS Funding Pledged Collateral granted pursuant to the BOA Facility, the Pledgor (i) is and will at all times continue to be the direct owner, beneficially and of record, of the Pledged Collateral hereunder, (ii) holds in the manner aforesaid the Pledged Collateral hereunder free and clear of all Liens, and has not authorized and will not authorize (except in favor of the Trustee or with respect to any other Lien permitted under the Loan Agreement) the filing of any financing statement or other similar notice, covering the Pledged Collateral or any part thereof, and (iii) will not make or suffer any assignment or pledge, or create or suffer the creation of any Lien on the Pledged Collateral or any part thereof. The Pledgor is the owner of 100% of the membership interests in each OFS Company. The Pledgor and the respective Independent Managers thereof are the only Persons having management rights in respect of each OFS Company under the Pledged Documents and under applicable law. So long as this Agreement remains in effect, the Pledgor shall have no right to transfer or assign its interest in the Pledged Collateral to any Person other than the Trustee or its transferee.

(b) Neither OFS Company shall permit or suffer (x) the interests in such OFS Company to be represented by any certificates or otherwise become “certificated securities” within the meaning of the UCC or (y) any Person other than the Trustee to have “control” within the meaning of Article 8 of the UCC in respect of securities constituting Pledged Collateral.

(c) The Pledgor (i) has, and at all times will have, good right and legal authority to grant a security interest in the Pledged Collateral in the manner hereby contemplated and (ii) will defend its and the Trustee’s title and interest thereto or therein, against any and all Liens, however arising, of all persons whomsoever except with respect to Liens permitted under the Loan Agreement. The Pledgor is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. The Pledgor is duly qualified to do business and is in good standing in every jurisdiction in which the failure to be so qualified and/or in good standing, individually or in the aggregate, would have a Material Adverse Effect. The Pledgor has all company powers and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and carry on its business as now conducted or as presently proposed to be conducted.

(d) No consent or approval of any Governmental Authority is required for the validity of the grant of the security interest effected hereby, nor does the entering into or performance hereunder by the Pledgor violate any provision of any material law, rule, regulation, order, writ, decree or injunction of any Governmental Authority to which the Pledgor or its assets, or any OFS Company or its assets is subject, or constitute a material default under the terms of any material indenture, agreement, instrument or document to which the Pledgor or any OFS Company is a party.

(e) The execution and delivery of this Agreement by the Pledgor is effective to vest in the Trustee the rights in the Pledged Collateral as set forth herein. Without limiting the foregoing, upon execution and delivery hereof, the Trustee shall have a valid and enforceable continuing security interest in the Pledged Collateral and, upon filing of appropriate UCC financing statements with the office(s) specified in Schedule 2 hereto, such security interest shall be perfected and prior to all other Liens on the Pledged Collateral except for Liens permitted under the Loan Agreement that are prior or *pari passu* by operation of law and, to the extent the same are released pursuant to the Payoff Letter substantially contemporaneously with the date hereof, except for the liens on the OFS Funding Pledged Collateral granted pursuant to the BOA Facility. This Agreement, when executed and delivered by the Pledgor and each OFS Company will constitute the legal, valid and binding obligation of the Pledgor and each OFS Company, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting the rights of creditors generally and principles of equity (whether considered in a proceeding in equity or at law).

(f) The Pledgor is not in default in the performance, observance or fulfillment of any of the material obligations applicable to it contained in the Pledged Documents. There are no (i) calls or other required contributions (of cash or other property) or loans or letters of credit or guaranties or other financial accommodations for or in respect of which the Pledgor is obligated, that have not been fully paid, made, or provided in respect of the Pledgor's interest in each OFS Company, or (ii) except as provided in the Transaction Documents, any arrangements involving the OFS Companies that would delay, take preference or priority over, or diminish the percentage (from that in effect on the date hereof) or amount of, distributions (nonliquidating, liquidating or otherwise) payable by any OFS Company to the Pledgor. Except as provided in the Transaction Documents, the Pledgor hereby agrees not to postpone or subordinate to any other claim or indebtedness any rights of the Pledgor to be repaid in respect of any obligation or liability of any OFS Company to the Pledgor.

(g) All necessary action on the part of the Pledgor and each OFS Company to authorize the execution, delivery and performance of this Agreement, and the creation and grant of the security interest hereunder in the Pledged Collateral, has been duly and properly taken and all conditions to the effectiveness of such security interest have been met. Without limiting the foregoing, such security interest is permitted under the relevant Pledged Documents and/or has been duly agreed to by all requisite action by each OFS Company, free of all rights of first offer, rights of first refusal, buy/sell arrangements or other rights of such OFS Company, or any other restrictions.

(i) There are no actions, suits or proceedings pending or, to the knowledge of the Pledgor or any OFS Company, threatened against or affecting the Pledgor or the OFS Companies before or by any Governmental Authority, which involve or affect this Agreement, the Loan Agreement or any other Transaction Document, or which could reasonably be expected to result in a Material Adverse Effect.

(j) Each OFS Company is, and at all times has been, a limited liability company organized under the laws of the State of Delaware; the Pledgor is, and at all times in the past twelve (12) months has been, a limited liability company organized under the laws of the State of Delaware; the name and principal place of business of each of the above is, and at all times has been, the name and principal place of business set forth on Schedule 3 hereto.

(k) Each person executing and delivering this Agreement in a representative capacity is duly authorized to act in such capacity on behalf of the party represented.

(l) The Pledgor's membership interest in each OFS Company consists entirely of "general intangibles" (as defined in Section 9-102(a) of the Uniform Commercial Code in effect in any

applicable jurisdiction (the "UCC")) and, unless notice to the contrary is provided to the Trustee, none of the Pledged Collateral (i) is dealt in or traded on securities exchanges or in securities markets, (ii) is by its terms expressly subject to Article 8 of the UCC, (iii) constitutes an investment company security (within the meaning of Section 8-103(c) of the UCC) or (iv) other than the Collateral Account created pursuant to the Account Control Agreement, is credited to a securities account (within the meaning of Section 8-501(a) of the UCC).

4. Distributions; Voting Rights; Obligations.

(a) So long as no Event of Default has occurred and is continuing, the Pledgor shall be entitled to receive any payments and distributions from the OFS Companies on account of the Pledged Collateral (with respect to the Borrower, to the extent permitted pursuant to the Loan Agreement). Following the occurrence and during the continuation of an Event of Default, or automatically, without notice, in the case of the occurrence of and during the continuance of any Event of Default under Section 9.1(d) of the Loan Agreement, in each such case until the earlier to occur of (i) the cure or waiver of such Event of Default in accordance with the Loan Agreement or (ii) the Collection Date, all rights of the Pledgor to receive payments and distributions under the preceding sentence from the OFS Companies shall cease, and all such rights shall thereupon become vested in the Trustee, which shall have the sole and exclusive right and authority to receive, retain and apply such payments and distributions, it being further agreed that if any such distribution is in the form of property other than cash, the Trustee may sell such property or any part thereof in accordance with Section 6 hereof and apply the proceeds of sale in accordance with Section 7 hereof. Subject to the provisions of the Loan Agreement, the Trustee shall have the sole and exclusive right to receive and retain any payment or distribution received by the Pledgor or paid or made after the Pledgor's rights to receive the same shall have ceased under the preceding sentence, all of which shall be applied by the Trustee in accordance with Section 7 hereof. Any amounts paid or distributed to the Pledgor notwithstanding the preceding sentences of this paragraph shall forthwith be delivered to the Trustee in the form received (except for the appropriate endorsement of any checks and except for any other appropriate instruments of transfer), and all such amounts distributed to the Pledgor shall be received and held apart separately in trust for the benefit of the Trustee pending such delivery. The Pledgor hereby authorizes the Trustee, at any time after the occurrence and during the continuation of an Event of Default, to give notice to the Borrower and OFS Funding, as applicable, that all payments and distributions in respect of the membership interest of the Pledgor respectively therein, or otherwise in respect of the Pledged Collateral, are to be made directly to the Trustee pursuant to and in accordance with this Agreement.

(b) So long as no Event of Default has occurred and is continuing, the Pledgor shall be entitled to exercise any and all voting, consent and other membership rights, if any, pertaining to the Pledged Collateral or any part thereof subject to the applicable provisions of the Loan Agreement; provided that the Pledgor shall not vote or exercise any right or prerogative as a member of the OFS Companies in a manner materially detrimental to the security interest of the Trustee hereunder. Following the occurrence and during the continuation of an Event of Default, upon written notice from the Trustee to the Pledgor, or automatically, without notice, in the case of any Event of Default under Section 9.1(d) of the Loan Agreement, in each such case until the earlier to occur of (i) the cure or waiver of such Event of Default in accordance with the Loan Agreement or (ii) the Collection Date, all rights of the Pledgor to exercise the foregoing voting, consent or other membership rights, if any, pertaining to the Pledged Collateral that it would otherwise be entitled to exercise pursuant to the preceding sentence shall cease, and all such voting, consent and other membership rights shall thereupon, at the written election of the Trustee, be subject in each instance to the prior approval of the Trustee. provided, however, that notwithstanding anything in this Agreement, the Borrower shall and hereby does retain the right, independent of the Trustee, to exercise the Borrower's rights pursuant to Sections 9.2(c) and 12.4 of the Loan Agreement.

(c) The Pledge of the Pledged Collateral to the Trustee shall not in any way be deemed to obligate the Trustee to assume any of the Pledgor's obligations, duties, expenses or liabilities in respect of the Pledged Collateral (collectively, "Pledged Collateral Obligations") unless the Trustee otherwise expressly agrees to assume any or all of said Pledged Collateral Obligations in writing. The Pledgor agrees that it shall perform all its obligations as a member of the OFS Companies (except to the extent that performance thereof would contravene the terms or provisions of any Transaction Document). In the event of a foreclosure or other sale or disposition by the Trustee, the Pledgor shall remain bound and obligated to perform the Pledged Collateral Obligations which have accrued prior to the foreclosure or other sale or disposition, and the Trustee shall not be deemed to have assumed any of such Pledged Collateral Obligations except as provided in the first sentence of this clause (c).

5. Additional Covenants. The Pledgor hereby covenants and agrees:

(a) that it will not, without the prior written consent of the Administrative Agent (which may be given or withheld in its sole discretion) vote for or agree to any material amendment or modification to the Pledged Documents;

(b) that the Pledgor will give the Trustee as soon as possible and in any event within ten (10) Business Days after the effective date thereof, notice of any change of principal place of business, chief executive office, place where books and records covering the Pledged Collateral are kept, name, identity, taxpayer identification number or change of jurisdiction or structure in respect of itself or the OFS Companies, including, without limitation, notice of any merger or consolidation to which the Pledgor is a party, or of any other event that, in each case, might result in an impairment of the effectiveness of any UCC filing in respect of the Pledged Collateral; and

(c) at all times, the Pledgor's membership interest in the OFS Companies shall consist entirely of "general intangibles" (as defined in Section 9-102(a) of the UCC and, unless notice to the contrary is provided to the Trustee, none of the Pledged Collateral shall be (i) dealt in or traded on securities exchanges or in securities markets, (ii) by its terms expressly subject to Article 8 of the UCC, (iii) an investment company security (within the meaning of Section 8-103(c) of the UCC) or (iv) credited to a securities account (within the meaning of Section 8-501(a) of the UCC) other than the Collateral Account.

6. Event of Default. (a) Upon the occurrence and during the continuation of an Event of Default, the Trustee may, subject to the rights of the Borrower and the Class B Lenders set forth in Sections 9.3(c), 12.3 and 12.4 of the Loan Agreement, sell the Pledged Collateral, or any part thereof, in accordance with applicable laws at a public or private sale for cash, or upon credit or for future delivery, as the Trustee shall deem appropriate; provided that, so long as the Pledgor is in compliance with the terms of this Agreement and the Amended LLC Agreement, the Trustee shall not consummate the sale of any Pledged Collateral until after the Termination Date is declared or occurs automatically pursuant to Section 9.2(a) of the Loan Agreement and the expiration of the time permitted the Borrower and the Class B Lenders to exercise their respective rights pursuant to Sections 12.3 and 12.4 of the Loan Agreement. The Trustee shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers, and upon consummation of any such sale the Trustee shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof such of the Pledged Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of any OFS Company or the Pledgor or any other member of any OFS Company, and the Pledgor hereby waives (to the fullest extent permitted by law) all rights of redemption, stay and appraisal which the Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Trustee shall deal with Pledged Collateral in its possession in the same manner as it deals with similar property for its own account.

(b) The Trustee shall give the Pledgor at least ten (10) days' prior written notice (or such lesser notice, if any, as may be permitted or required by applicable law) of the Trustee's intention to make any sale of any of the Pledged Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Trustee may fix and state in the notice of such sale. At any such sale, the Pledged Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Trustee may (in its sole and absolute discretion) determine. The Trustee shall not be obligated to make any sale of the Pledged Collateral or any part thereof if it shall determine not to do so, regardless of the fact that notice of sale of such of the Pledged Collateral shall have been given. The Trustee may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Pledged Collateral is made on credit or for future delivery, the Pledged Collateral or any part thereof so sold may be retained by the Trustee until the sale price is paid by the purchaser or purchasers thereof, but the Trustee shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Pledged Collateral or any part thereof so sold and, in case of any such failure, such Pledged Collateral or any part thereof may be sold again upon like notice, and in no event shall any portion of the proceeds of any such sale be credited against payment of the costs, expenses and obligations set forth in Section 7 hereof until cash payment for the Pledged Collateral or any part thereof so sold has been received by the Trustee. At any public or private sale of any of the Pledged Collateral, the Trustee may bid for or purchase, free (to the fullest extent permitted by law) from any equity or right of redemption, stay or appraisal on the part of the Pledgor with respect to the Pledged Collateral (all said rights being also hereby waived and released to the fullest extent permitted by law), all of the Pledged Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to the Trustee in respect of any of the Obligations as a credit against the purchase price, and the Trustee may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to the Pledgor therefor. For purposes hereof, a written agreement to purchase the Pledged Collateral or any portion thereof shall be treated as a sale thereof; the Trustee shall be free to carry out such sale pursuant to such agreement, and the Pledgor shall not be entitled to the return of the Pledged Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Trustee shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full but shall be entitled to the return of the net proceeds of any such sale upon the cure or other remedy of such Event of Default if such cure or other remedy occurs prior to the application of such net proceeds in accordance with Section 7. As an alternative to exercising the power of sale herein conferred upon it, the Trustee may proceed by a suit or suits at law or in equity to foreclose upon and to sell the Pledged Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Section 6 shall be deemed to conform to the standards of commercial reasonableness as provided in the UCC or other applicable law.

7. Application. Notwithstanding Section 2.7, 2.8 and 2.9 of the Loan Agreement, the proceeds of any sale of any of the Pledged Collateral pursuant to Section 6 hereof, any amounts received by the Trustee under Section 4(a), any other amounts received by the Trustee in respect of the Pledged Collateral, as well as any Pledged Collateral consisting of cash, shall be applied by the Trustee as follows:

FIRST, to the payment of all reasonable costs and expenses incurred by the Trustee or any other Secured Party in connection with such sale or otherwise in connection with this Agreement or any of the Obligations, (including, but not limited to, all court costs and the reasonable fees and expenses of its experts, agents and legal counsel including the reasonably allocated costs of internal counsel), the repayment of all advances made by the Trustee or any other Secured Party on behalf of the Pledgor or to protect the

Pledged Collateral and/or the rights of the Trustee therein, and any other costs or expenses incurred in connection with the reasonable exercise of any right or remedy hereunder;

SECOND, to the payment in full of the Obligations;

THIRD, to the Pledgor, its successors or assigns, subject to any provision of law, or as a court of competent jurisdiction may otherwise direct.

The Trustee shall have absolute discretion as to the time of application of any such proceeds or other amounts. Upon any sale of the Pledged Collateral by the Trustee (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt by the Trustee or by the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Pledged Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Trustee or such officer or be answerable in any way for the misapplication thereof.

8. Acknowledgment; Waiver and Consent; Amendment; Registration; Additional Parties.

(a) The Pledgor hereby gives notice to each OFS Company, and each OFS Company acknowledges, that pursuant to this Agreement, the Pledgor is granting to the Trustee, for the benefit of the Secured Parties, as collateral security for the payment and performance of the Obligations, a security interest in, and has pledged to the Trustee, for the benefit of the Secured Parties, the Pledged Collateral.

(b) Each OFS Company hereby waives, in favor of the Trustee, the Lenders, and the Pledgor, the application of any provisions of the Pledged Documents restricting the assignment or other transfer of any interest in such OFS Company or in the Pledged Collateral or any similar or other restriction under the Pledged Documents or (to the fullest extent that the same may be waived) under applicable law, in respect of, and hereby irrevocably consents in all respects to (i) the transfers by the Pledgor to the Trustee for the benefit of the Secured Parties constituted by the grants of the security interests in the Pledged Collateral under this Agreement and the pledges of the interests of the Pledgor in such OFS Company, and any action taken by the Pledgor or the Trustee to effect or perfect such security interests and pledges; (ii) any change in the composition of the Lenders or other Secured Parties under the Loan Agreement by assignment, participation or otherwise in accordance with the Loan Agreement; (iii) any assignment by the Trustee to any successor(s) in such capacity in accordance with the Loan Agreement; and (iv) any transfer of any Pledged Collateral to any Secured Party or Affiliate thereof effected to enable such Secured Party or Affiliate to hold, protect, preserve, or realize upon the Pledged Collateral upon the occurrence and during the continuance of an Event of Default or as a transferee upon any foreclosure or other sale or disposition of any of the Pledged Collateral in accordance with this Agreement. Each OFS Company further consents in all respects, in favor of the Secured Parties and the Pledgor to (i) any subsequent sale, assignment, or other transfer by the Trustee, or any other Secured Party or Affiliate thereof, of all or any of the Pledged Collateral acquired by such Secured Party or Affiliate thereof pursuant to any foreclosure or other sale or disposition of any of the Pledged Collateral in accordance with this Agreement and applicable law, and (ii) the admission to such OFS Company as a member of such OFS Company in accordance with Section 11(b)(ii) hereof, of any Person or Persons becoming the owner of the Pledged Collateral after the Termination Date is declared or occurs automatically pursuant to Section 9.2(a) of the Loan Agreement and the expiration of the time permitted the Borrower and the Class B Lenders to exercise their respective rights pursuant to Sections 12.3 and 12.4 of the Loan Agreement, such consent to be deemed given by such OFS Company for all purposes of the Pledged Documents.

(c) Each OFS Company and the Administrative Agent agrees that this Agreement shall automatically (without any further act by any Person) constitute an amendment to the Pledged Documents for the benefit of the Secured Parties and the Pledgor, which Pledged Documents shall hereby be amended to the extent that any term or provision thereof (including, without limitation, any provision of the Pledged Documents that purports to restrict or impose conditions upon the transfer of any interests in the OFS Companies or the time of effectiveness thereof) would otherwise in any way be inconsistent with any term or provision of, or right or remedy of the Trustee or the other Secured Parties under this Agreement. Each OFS Company further agrees to execute confirmatory instruments of amendment to reflect the same if so requested from time to time by the Trustee (and to file the same if any inconsistency between this Agreement and any Pledged Document relates to a filed instrument), as promptly as possible. The amendments of the Pledged Documents effected hereby shall constitute properly approved amendments and are deemed upon execution and delivery hereof to be properly attached to and made a part of the Pledged Documents and kept as part of the official records of each OFS Company.

(d) This Agreement constitutes (i) part of the books and records of each OFS Company, and (ii) the instruction of the Pledgor to each OFS Company to effect the registration on the books and records of such OFS Company of the pledges and security interests under this Agreement. Each OFS Company agrees to so register such pledges and security interests.

9. Certain Distributions. It is agreed that the OFS Companies shall be entitled to, until written notice referred to in Section 4(a) hereof from the Trustee, remit to the Pledgor all distributions and other payments permitted to be made by the Borrower to the Pledgor in accordance with the Loan Agreement and all distributions and other payments made by OFS Funding to the Pledgor, and give effect to all voting and other rights of the Pledgor on account of the Pledged Collateral; provided that at all times when and as required by this Agreement, amounts distributable or payable to the Pledgor under the Pledged Documents that are required under this Agreement to be paid to the Trustee thereunder shall be remitted directly to the Trustee to be applied in accordance with the terms of this Agreement; and provided further that this Section 9 is in all respects subject to Section 10 hereof.

10. Notice From Trustee. Each OFS Company agrees that, in accordance with Section 4(a), upon written notice from the Trustee that there has occurred and is continuing an Event of Default, all payments and distributions in respect of the Pledged Collateral shall be remitted directly to the Trustee (or as the Trustee shall otherwise direct in such notice) until the earlier to occur of (i) the cure or waiver of such Event of Default in accordance with the Loan Agreement or (ii) the Collection Date. The Pledgor hereby irrevocably directs each OFS Company to make payment directly to the Trustee (or as the Trustee shall otherwise direct) pursuant to any such written notice, and agrees that the OFS Companies shall not have any liability to the Pledgor for honoring any such written notice from the Trustee, whether or not the Pledgor may claim, or subsequently establish, that, in respect of the Pledgor, the Trustee was not entitled to give such notice.

11. No Liability; Information; Admission; Amendments.

(a) Each OFS Company (i) acknowledges and agrees that as a consequence of any term or provision of this Agreement or of any security agreement, neither the Trustee nor any other Secured Party has assumed, and that neither the Trustee nor any other Secured Party shall assume, or be deemed to have assumed, any obligation or liability of such OFS Company, whether arising under any Pledged Documents or under any other agreement, or under applicable law, and whether to any creditor of such OFS Company or to any other Person, and (ii) agrees that neither the Trustee nor any other Secured Party shall, by virtue of the possession or exercise of any rights hereunder, be obligated as a member in such OFS Company to such OFS Company, or any creditor of such OFS Company, or to any other Person, for any

contribution of cash or other property, or in respect of any liability of such OFS Company or member of such OFS Company (whether by way of indemnity, contribution or otherwise), or to provide any credit to such OFS Company or any accommodation thereof (unless and until the Trustee or any such Secured Party or other Person is admitted as a member of such OFS Company, in which case such obligations, if any, in respect of such OFS Company shall arise upon such terms and conditions as shall be applicable pursuant to the then effective Pledged Documents and/or pursuant to such other instruments and agreements as shall be executed by the Trustee or such other Secured Party or other Person in connection with its becoming a member thereof).

(b) Each OFS Company agrees that:

(i) the Trustee shall receive copies of all amendments to the Pledged Documents;

(ii) upon the occurrence and during the continuation of an Event of Default, the Trustee, on behalf of the Secured Parties, shall have, in addition to and not in limitation of the rights under the preceding clause (i), all rights to information pertaining to such OFS Company and its members as would be provided to a member of a limited liability company under applicable law in circumstances under which the governing limited liability company agreement, as amended as of the date hereof, is silent as to such rights; and

(iii) without the prior written consent of the Trustee hereunder, (A) no new equity security or interest in such OFS Company having any equity feature shall be created and (B) no other action shall be taken or any event or circumstance suffered to take place (unless permitted by the Loan Agreement) if such action, event, or circumstance referred to in this clause (B) would be reasonably likely to have a dilutive effect on the interest of the Pledgor in such OFS Company.

12. Facilitation of Benefits. Each OFS Company further agrees to facilitate the ability of the Trustee for the benefit of the Secured Parties to realize upon the Pledged Collateral in accordance with this Agreement in an expeditious manner.

13. [RESERVED].

14. Attorney in Fact. The Pledgor and each OFS Company hereby appoint the Trustee the attorney-in-fact of the Pledgor and such OFS Company, respectively (which power of attorney shall be exercised only during such time as the Trustee is permitted to take any related action under and in accordance with this Agreement) for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Trustee may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, only during such time as the Trustee is expressly permitted to take the related action in accordance with this Agreement, shall the Trustee have the right, with full power of substitution either in the Trustee's name or in the name of the Pledgor or any OFS Company, to execute, acknowledge, deliver, and record or file all documents, instruments, agreements, financing statements and schedules or exhibits thereto in order to preserve and perfect the security interest granted hereunder, to exercise all rights and privileges to the same extent the Pledgor shall have been entitled under the Pledged Documents and in accordance with applicable law, including without limitation, after notice to the Pledgor, all voting rights of the Pledgor as the sole member of each OFS Company, and to ask for, demand, sue for, collect, receive, receipt and give acquittance for any and all monies due or to become due under and by virtue of any of the Pledged Collateral, to endorse checks, drafts, orders and other instruments for the payment of money payable to the Pledgor representing any distribution or other amount payable in respect of the Pledged Collateral or any part thereof or on

account thereof and to give full discharge for the same, to settle, compromise, prosecute or defend any action, claim or proceeding with respect thereto, and to sell, assign, endorse, pledge, transfer and make any agreement respecting, or otherwise deal with, the same; provided, however, that nothing contained in this Agreement shall be construed as requiring or obligating the Trustee to make any payment to any party in respect of the Pledged Collateral, or to make any inquiry as to the nature or sufficiency of any payment received by the Trustee, or to present or file any claim or notice, or to take any action with respect to the Pledged Collateral (or any other collateral for or any guarantee in respect of any of the Obligations) or any part thereof or the monies due or to become due in respect thereof or any property covered thereby, or to extend any credit or accommodation thereof to any party, and no action taken by the Trustee or omitted to be taken with respect to the Pledged Collateral (or any other collateral for any of the Obligations) or any part thereof in accordance with this Agreement shall give rise to any defense, counterclaim or offset in favor of an OFS Company or the Pledgor or to any claim or action against the Trustee, in the absence of the gross negligence or willful misconduct of the Trustee. The Pledgor's and each OFS Company's appointment of the Trustee as attorney-in-fact, and the Trustee's right to execute, acknowledge, perform, deliver, record, or file documents, (including the making of UCC financing statement filings without the signature of the Pledgor) and to endorse checks, drafts, orders and other instruments for the payment of money payable to the Pledgor representing any distribution or other amount payable in respect of the Pledged Collateral or any part thereof or on account thereof, shall commence on the date hereof (which power of attorney shall be exercised only during such time as the Trustee is expressly permitted to take the related action in accordance with this Agreement).

15. No Obligation of Trustee. The powers conferred on the Trustee hereunder are solely to protect its interest in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. The Trustee may, in its sole and absolute discretion, but with no obligation whatsoever to do so, expend or invest monies to cure a default by the Pledgor as the sole member of each OFS Company or otherwise protect the Pledged Collateral. Except for the exercise of reasonable care in the custody of any Pledged Collateral in its possession and the accounting for monies actually received by it hereunder, the Trustee shall have no duty as to any Pledged Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Pledged Collateral. The Trustee shall be entitled to all of the protections, privileges, limitations on liability, rights of reimbursement and indemnities that the Trustee is entitled to under the Loan Agreement in the performance of its duties under this Agreement. Notwithstanding any other provision of this Agreement, the Controlling Lender shall have the right to direct the Trustee with respect to exercising any trust, right, remedy or power conferred on the Trustee in this Agreement, and, except as expressly provided for herein, the Trustee shall have no obligation to take any action, and shall incur no liability for failure to take any action, under this Agreement or exercise and trust, right, remedy or power until such time as it receives direction from the Controlling Lender.

16. Cumulative Remedies. All rights and remedies of the Trustee hereunder are cumulative and are not exclusive of any other rights or remedies provided by law or otherwise.

17. Securities Act and Related Matters. The Pledgor understands and acknowledges that compliance with certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, might very strictly limit the course of conduct of the Trustee if the Trustee were to attempt to dispose of all or any part of the Pledged Collateral, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same (including, without limitation, to limit purchasers to those who agree to acquire the Pledged Collateral for their own account, for investment and not with a view to the resale or distribution thereof). The Pledgor acknowledges that any such sales may be at prices and on terms less favorable to the Trustee than might be achieved through a public sale without restrictions (including in a public offering through a registration statement) and the Pledgor agrees that any such private sale made in accordance with all applicable laws shall be deemed to

have been made in a commercially reasonable manner notwithstanding the failure to effect such registration (whether or not available unless required under applicable law) or otherwise offer the Pledged Collateral at a public sale. The Pledgor confirms that, subject to the requirements of Section 6 hereof, the Trustee shall have sole and absolute discretion in determining the type and conduct of all public and private sales of the Pledged Collateral (or any part thereof), in any manner and under any circumstances the Trustee may choose; and the Pledgor clearly understands that neither the Trustee nor any agent of the Trustee is to have any such general duty or obligation to the Pledgor, and the Pledgor will not attempt to hold the Trustee or any agent of the Trustee responsible for the sale of all or any part of the Pledged Collateral at an inadequate price, even if the Trustee shall accept the first offer received or fail to approach more than one possible purchaser. Without limiting the generality of the foregoing, the provisions of this Section would apply if, for example, the Trustee were to place, in accordance with all applicable laws, all or any part of the Pledged Collateral for private placement by an investment banking firm, or if such investment banking firm purchased all or any part of the Pledged Collateral for its own account, or if the Trustee placed all or any part of the Pledged Collateral privately with a purchaser or purchasers (including a customer of the Trustee). The provisions of this Section will apply notwithstanding the existence of a public or private market upon which the quotations of sales prices may exceed substantially the price at which the Trustee sells.

18. Further Waivers. The Pledgor hereby waives presentment, demand, and protest (to the fullest extent permitted by applicable law) of any kind in connection with this Agreement or any Pledged Collateral. Except notices which are expressly provided for herein or in any other Transaction Document, the Pledgor hereby waives notice (to the fullest extent permitted by applicable law) of any kind in connection with this Agreement. To the fullest extent permitted by applicable law, the Pledgor hereby further waives any claims of any nature whatsoever against the Trustee (and its directors, shareholders or controlling persons, officers, employees, agents, nominees, counsel and each of them) arising out of or related to the sale or transfer of the Pledged Collateral in accordance with this Agreement and applicable law, notwithstanding that such sale or transfer occurred at such time or in such a manner as to directly or indirectly decrease the purchase price required to be paid for the Pledged Collateral, other than any claims arising out of or related to the gross negligence or willful misconduct of the Trustee (or its directors, shareholders or controlling persons, officers, employees, agents, nominees or counsel).

19. Termination and Release. This Agreement and the security interest in the Pledged Collateral created hereby shall terminate on the Collection Date simultaneously with receipt of the payoff amount specified in Section 8.2(b) of the Loan Agreement, at which time the Trustee shall reassign and deliver to the Pledgor or to such Person or Persons as the Pledgor shall designate (subject to any provision of the law, or as a court of competent jurisdiction may otherwise direct), against receipt, such of the Pledged Collateral (if any) as shall not have been sold or otherwise applied by the Trustee pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release; provided, however, that all indemnities of the Pledgor and obligations to reimburse expenses to the Trustee contained in this Agreement shall survive, and remain operative and in full force and effect regardless of, the termination of this Agreement. Any such reassignment shall be without recourse to or representation or warranty by the Trustee and solely at the expense of the Pledgor. The Trustee will release the security interest hereunder in any Pledged Collateral as to which such release is required by the terms of, and in the manner provided by, the Loan Agreement. Notwithstanding the foregoing, the pledge of the membership interests in OFS Funding shall be released on the one-year anniversary of the date upon which all of the loans participated to OFS Capital on the Closing Date pursuant to the Closing Date Participation Agreement shall have been assigned to the Borrower according to the books and records of the agent on each such underlying loan and, on such date, the obligations of OFS Funding and any obligation of the Pledgor hereunder in respect of OFS Funding shall terminate and shall not hereafter revive.

20. [RESERVED].

21. Amendments; Waivers. No failure on the part of the Trustee to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Trustee preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Pledgor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Trustee. Any such waiver, consent or approval shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Pledgor in any case shall entitle the Pledgor to any other or further notice or demand in the same, similar or other circumstances except as expressly required by this Agreement or any other Transaction Document. No waiver by the Trustee of any breach or default of or by the Pledgor under this Agreement shall be deemed a waiver of any other previous breach or default or any thereafter occurring.

22. Reliance; Survival; Severability. (a) All covenants, agreements, representations and warranties made by the Pledgor herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Transaction Document shall be considered to have been relied upon by the Trustee and the Secured Parties and shall survive the making of the Advance, regardless of any investigation made by the Trustee or any Secured Party or on its behalf, and (except for any representations or warranties made as of a specific date) shall continue in full force and effect as long as the Loan Agreement is in effect or the principal of or any accrued interest on any Advance or any other fee or amount payable under this Agreement or any other Transaction Document is outstanding and unpaid.

(b) Any provision of this Agreement that is illegal, invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without invalidating the remaining provisions hereof or affecting the legality, validity or enforceability of such provisions in any other jurisdiction. The parties hereto agree to negotiate in good faith to replace any illegal, invalid or unenforceable provision of this Agreement with a legal, valid and enforceable provision that, to the extent possible, will preserve the lien and security interest in the Pledged Collateral of the Trustee for the benefit of the Secured Parties and the other rights of the Trustee pursuant to this Agreement, or to otherwise amend this Agreement to achieve such result.

23. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Pledgor or the Trustee that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns. The Pledgor may not assign or transfer any of its rights or obligations hereunder or any interest herein or in the Pledged Collateral except as expressly contemplated by this Agreement or the other Transaction Documents (and any such attempted assignment shall be void).

24. GOVERNING LAW**. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.**

25. Headings. Any Section headings in this Agreement are for convenience only and shall not affect the construction hereof.

26. Notices. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including communication by facsimile copy) and mailed, e mailed, faxed, transmitted or delivered, as to each party hereto, at its address set forth on Annex A to the Loan Agreement or at such other address as shall be designated by such party in a written notice to the other parties hereto. A copy of every notice or other communication provided for hereunder by any party shall be given contemporaneously to the Administrative Agent at its address set forth in Annex A to the Loan Agreement.

All such notices and communications shall be effective, upon receipt, or in the case of (a) notice by mail, five (5) days after being deposited in the United States mail, first class postage prepaid, (b) notice by e mail, when verbal or electronic communication of receipt is obtained, or (c) notice by facsimile copy, when verbal communication of receipt is obtained.

27. Expenses; Indemnification. (a) The Pledgor agrees to pay all reasonable expenses incurred by Trustee (including the reasonable fees, charges and disbursements of any counsel for the Trustee) in connection with the enforcement or protection of its rights and remedies under or in connection with this Agreement, including its rights under this Section.

(b) Without limitation of its indemnification obligations under the other Transaction Documents, the Pledgor agrees to indemnify the Trustee, the other Secured Parties, and their respective officers, directors, employees, agents, and advisors (all of the foregoing, collectively, the "Indemnitees") against, and hold each of them harmless from, any and all actual losses, claims, actual damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any of them arising out of, in connection with, or as a result of, the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to the Pledged Collateral, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) Any amounts payable as provided hereunder shall be obligations of the Pledgor and secured hereby. The provisions of this Section 27 shall remain operative and in full force and effect regardless of the termination of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Transaction Document or any investigation made by or on behalf of the Trustee. All amounts due under this Section 27 shall be payable on written demand therefor and shall bear interest at the default rate (as provided in the Loan Agreement).

28. Counterparts. This Agreement may be executed in separate counterparts (telecopy of any executed counterpart having the same effect as manual delivery thereof), each of which shall constitute an original, but all of which, when taken together, shall constitute but one Agreement.

29. Integration; Submission to Jurisdiction; Consent to Service. (a) Except as expressly herein provided, this Agreement and the other Transaction Documents, along with any agreements or letters (including fee letters) executed in connection therewith constitute the entire agreement among the parties relating to the subject matter hereof. Any previous agreement among the parties with respect to the transactions contemplated hereunder is superseded by this Agreement, the other Transaction Documents and any other agreements or letters (including fee letters) executed in connection therewith. Except as expressly provided herein or in the other Transaction Documents and any other agreements or letters (including fee letters) executed in connection therewith, nothing in this Agreement or in any other Transaction Document and any other agreements or letters (including fee letters) executed in connection therewith, expressed or implied, is intended to confer upon any party, other than the parties hereto, any rights, remedies, obligations or liabilities under or by reason of this Agreement or such other Transaction Documents or such other agreements or letters (including fee letters) executed in connection therewith.

(b) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court for the Southern District of New York,

and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Trustee may otherwise have to bring any action or proceeding relating to this Agreement against the Pledgor or its properties in the courts of any jurisdiction.

(c) Each of the parties hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in the preceding paragraph. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each of the parties hereto irrevocably consents to service of process in the manner provided for notices in Section 26. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

30. WAIVER OF JURY TRIAL**. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 30.**

31. Injunctive Relief. The parties hereto agree that certain of the rights of the Trustee hereunder are of a nature such that an action for damages in connection with the breach thereof by the Pledgor or any OFS Company would not provide an adequate remedy for the Trustee, and the Pledgor and each OFS Company agrees that the Trustee shall be entitled to injunctive relief and specific performance in the case of a breach or attempted breach of any of the provisions hereof.

32. Limited Recourse. Notwithstanding any other provision of this Agreement, each of the parties hereto hereby agrees that any obligations of the Pledgor and each OFS Company under this Agreement are limited recourse obligations of such Person, payable solely from the Pledged Collateral in accordance with the terms of this Agreement, and following realization of the Pledged Collateral, all obligations of the Pledgor and each OFS Company under this Agreement and any claims of a party hereto shall be extinguished and shall not thereafter revive. The provisions of this Section 32 shall survive the termination of this Agreement.

33. Non-Petition. Each party hereto agrees that it shall not file, or join in the filing of, any petition in bankruptcy, reorganization, arrangement, receivership, insolvency or liquidation proceedings or similar proceedings under any applicable law against any OFS Company for the nonpayment of any

amounts due hereunder until the payment in full of the Loans made under the Loan Agreement and the expiration of a period equal to the applicable preference period under the Bankruptcy Code plus ten (10) days following said payment. The provisions of this Section 33 shall survive termination of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers as of the day and year first above written.

Address:

2850 West Golf Road
5th Floor
Rolling Meadows, Illinois 60008
Attention: Jeff A. Cerny
Telephone No.: (847) 734-7905
Telecopy No.: (847) 840-0982
Email: JCerny@ofscapital.com

PLEDGOR:

OFS CAPITAL, LLC

By: Orchard First Source Asset Management, LLC, its Manager
By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

Address:

2850 West Golf Road
5th Floor
Rolling Meadows, Illinois 60008
Attention: Jeff A. Cerny
Telephone No.: (847) 734-7905
Telecopy No.: (847) 840-0982
Email: JCerny@ofscapital.com

BORROWER:

OFS CAPITAL WM, LLC
By: OFS Capital, LLC, its Administrative Manager
By: Orchard First Source Asset Management, LLC, its Manager
By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

Address:

2850 West Golf Road
5th Floor
Rolling Meadows, Illinois 60008
Attention: Jeff A. Cerny
Telephone No.: (847) 734-7905
Telecopy No.: (847) 840-0982
Email: JCerny@ofscapital.com

OFS FUNDING:

OFS FUNDING, LLC
By: OFS Capital, LLC, its Designated Manager
By: Orchard First Source Asset Management, LLC, its Manager
By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

Address:

Wells Fargo Delaware Trust Company, N.A.
919 N. Market St., Suite 1600
Wilmington, DE 19801
Attn: Patrick F. Gallagher
Fax: (302) 575-2006
Phone: (302) 575-2009
Email: Patrick.F.Gallagher@wellsfargo.com

with a copy to:

Wells Fargo Bank, N.A.
9062 Old Annapolis Rd.
Columbia, MD 21045
Attn: CDO Trust Services – OFS Capital WM, LLC
Fax: (410) 715-3748
Phone: (410) 884-2000

WELLS FARGO DELAWARE TRUST
COMPANY, N.A., as Trustee

By: /s/ Patrick F. Gallagher
Name: Patrick F. Gallagher
Title: Assistant Vice President

Exhibit (k)(5)

EXECUTION VERSION

ACCOUNT CONTROL AGREEMENT

This Account Control Agreement, dated as of September 28, 2010 (as amended, supplemented and otherwise modified from time to time, this "Agreement"), is by and among **OFS CAPITAL WM, LLC** (the "Borrower"), **WELLS FARGO DELAWARE TRUST COMPANY, N.A.** (the "Trustee"), **WELLS FARGO SECURITIES, LLC** (the "Administrative Agent") and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Securities Intermediary (the "Bank" or the "Securities Intermediary").

Article I

1.1 Borrower is a party to that certain Loan and Security Agreement, dated as of the date hereof (as amended, modified and supplemented from time to time, the "Loan and Security Agreement"), by and among the Borrower, the Trustee, MCF Capital Management LLC, each of the lenders from time to time party thereto and the Administrative Agent, pursuant to which the Borrower granted a security interest in favor of the Trustee for the benefit of the Secured Parties (as defined therein) in certain of its assets including, without limitation, the Accounts (as defined in Section 1.4 herein) and all Cash and Financial Assets credited thereto, all income from the investment of funds therein and any other proceeds deposited in or credited to any Account and held by the Bank pursuant to the Loan and Security Agreement. Capitalized terms used but not defined herein shall have the meanings given such terms in the Loan and Security Agreement.

1.2. Each Account and the financial assets, investment property, funds, checks and each other item of property held therein as of the date hereof, together with the proceeds, investments and reinvestments thereof, and any property that may be subsequently added to any Account (together with its proceeds, investments and reinvestments), plus all income at any time held in any Account, represent property pledged to the Trustee under the Loan and Security Agreement, or over which the Trustee, on behalf of the Secured Parties, shall have the right to exercise control as provided herein, and are collectively referred to in this Agreement as the "Account Collateral." The Bank acknowledges the security interest of the Trustee granted pursuant to the Loan and Security Agreement and agrees to hold the Collateral for the Borrower and the Trustee as provided herein.

1.3 Except as otherwise specifically provided herein, the terms used in this section (and capitalized hereafter) shall have the respective meanings ascribed to such terms in Article 8 or Article 9 (as applicable) of the Uniform Commercial Code as in effect in the State of New York from time to time (the "Code"). The Bank agrees and confirms that: (a) each Account is and will remain a Securities Account; (b) all Loans and

Permitted Investments delivered pursuant to the Loan and Security Agreement will be promptly credited to the Collateral Account and that all payments of any kind in respect of the Account Collateral will be promptly credited to the General Collection Account; and (c) in the ordinary course of its business, the Bank maintains Securities Accounts for others and is acting and at all times will act with respect to the Accounts in the capacity of a "securities intermediary" within the meaning of Section 8-102(a)(14) of the UCC. Additionally, the parties hereto agree that (1) each item of property held in or credited to any Account, including without limitation cash balances and funds, shall be treated as a Financial Asset; (2) the interests of the Borrower and/or the Trustee in the Financial Assets held in or credited to any Account will be treated as Security Entitlements; (3) for the purposes of the Accounts and this Agreement, the State of New York shall be deemed to be the "securities intermediary's jurisdiction," within the meaning of Section 8-110(e) of the Code, of the Bank; and (4) this Agreement provides (among other things) rules governing the priority among possible Entitlement Orders received by the Bank from the Borrower, the Loan Manager, the Trustee and any other persons entitled to give Entitlement Orders with respect to the Accounts and all Financial Assets credited thereto.

1.4 The Bank confirms that, at the direction and on behalf of the Trustee and the Borrower, it has established the Accounts in the name of the Borrower, subject to the security interest in all such Accounts and all assets at any time credited thereto, granted to the Trustee on behalf of the Secured Parties pursuant to the Loan and Security Agreement, and has recorded each on its books and records with the titles (a) for account #80551800, "Collateral Account", (b) for account #80551801, "General Collection Account", (c) for account #80551803, "Principal Collections Account", (d) for account #80551802, "Interest Collections Account", (e) for account #80551804, "Unfunded Exposure Account" and (f) for account #80551805, "Expense Reserve Account" (collectively, the "Accounts"), with such abbreviations as may be required to comply with the Bank's operating systems. The Bank shall not change the account number of any Account prior to termination of this Agreement without the prior written consent of the Borrower and the Trustee. All Financial Assets credited to any Account shall, as applicable, be registered in the name of, payable to the order of, or specially endorsed to the Trustee or in blank or credited to another securities account maintained by the Bank in the name of the Trustee. The Borrower and the Trustee each hereby appoint the Bank to perform its duties as hereinafter set forth and authorize the Bank to hold the Collateral in the Accounts in Registered form as provided herein.

Article II

2.1 The terms of the Loan and Security Agreement, including those governing investment of cash, exercise of investment authority by the Borrower or any investment manager(s), delivery and receipt of securities, cash or other property by the Trustee in settlement of purchases, sales or other transfers or upon redemptions, maturities, tenders and other corporate actions, and payment of the fees and expenses of the Trustee shall continue to apply to the Accounts.

2.2 The Bank agrees to comply with all Entitlement Orders originated by the Trustee, acting at the direction of the Administrative Agent or the Controlling Lender, with respect to any Account, without further consent of the Borrower or any other person. The Bank shall not comply with any Entitlement Orders of any other person except as specifically otherwise provided in this Agreement. The Bank will not enter into any other agreement governing any Account without the prior written consent of the Trustee, the Borrower, the Loan Manager and the Administrative Agent.

2.3 Notwithstanding any provisions of the Loan and Security Agreement or this Agreement that may be to the contrary:

2.3.1 Until the Bank has received a Notice of Exclusive Control, the Bank shall (a) permit the Loan Manager, on behalf of the Borrower, to apply amounts credited to the Accounts, pursuant to the terms of the Loan and Security Agreement; and (b) permit the Loan Manager, on behalf of the Borrower, to exercise all voting, trading and other rights with respect to securities credited to any of the Accounts, and shall comply with all Entitlement Orders or other instructions of Loan Manager, on behalf of the Borrower, with respect thereto; provided that any release of Collateral subject to the Lien of the Loan and Security Agreement shall be approved by the Trustee, acting at the direction of the Administrative Agent or the Controlling Lender, in accordance with the provisions of the Loan and Security Agreement.

2.3.2 Upon receipt by the Bank of a Notice of Exclusive Control, and until such time as the Notice of Exclusive Control is withdrawn or rescinded by the Trustee in writing or this Agreement is terminated in accordance with its terms, the Bank (a) shall not honor any direction to exercise any voting, trading or other ownership rights with respect to securities in the Accounts, or any settlement instructions, or other Entitlement Orders from the Borrower or the Loan Manager on behalf of the Borrower, or any person other than the Trustee, acting at the direction of the Administrative Agent or the Controlling Lender, with respect to the Accounts and any Account Collateral and (b) shall, without the further consent of the Borrower or any other party, act solely upon the Trustee's Entitlement Orders or other written instructions with respect to the Collateral, which instructions may include the redemption of any or all of the Collateral or the transfer thereof to the Trustee and/or the Administrative Agent.

2.3.3 The Bank shall, at all times, permit the Loan Manager to apply amounts credited to the Expense Reserve Account, pursuant to Section 2.9(f) of the Loan and Security Agreement.

2.3.4 For purposes of this Agreement, a "Notice of Exclusive Control" shall mean a notice addressed to the Bank, delivered by the Trustee as directed by the Controlling Lender in accordance with Section 12.2(b) of the Loan and Security Agreement stating that the Trustee is exercising exclusive control over the Collateral.

Article III

3.1 The Bank shall not have any duties or obligations except those expressly set forth herein and shall satisfy those duties expressly set forth herein so long as it acts without gross negligence, willful misconduct or bad faith. Without limiting the generality of the foregoing, the Bank shall not be subject to any fiduciary duty or any implied duties, and the Bank shall not have any duty to take any discretionary action or exercise any discretionary powers. None of the Bank, any Affiliate of the Bank, or any officer, agent, stockholder, partner, member, director or employee of the Bank shall have any liability, whether direct or indirect and whether in contract, tort or otherwise (i) for any action taken or omitted to be taken by any of them hereunder or in connection herewith unless such act or omission constituted gross negligence, willful misconduct or bad faith or (ii) for any action taken or omitted to be taken by the Bank in accordance with the terms hereof at the express direction of the Trustee. In addition, the Bank shall have no liability for making any investment or reinvestment of any cash balance in any Account pursuant to the terms of this Agreement; provided that the foregoing shall not limit the liability of the Wells Fargo Bank, N.A., acting in its individual capacity, where it is the obligor under, issuer of or counterparty to any such investment. The liabilities of the Bank shall be limited to those expressly set forth in this Agreement. With the exception of this Agreement (and relevant terms used herein and expressly defined in the Loan and Security Agreement), the Bank is not responsible for or chargeable with knowledge of any terms or conditions contained in any agreement referred to herein, including, but not limited to, the Loan and Security Agreement.

3.2 The Borrower hereby indemnifies and holds harmless the Bank, its Affiliates and their respective officers, directors, employees, representatives and agents (collectively referred to for the purposes of this Section 3.2 as the Bank), against any loss, claim, damage, expense or liability (including the costs and expenses of defending against any claim of liability), or any action in respect thereof, to which the Bank may become subject, whether commenced or threatened, insofar as such loss, claim, damage, expense, liability or action arises out of or is based upon the execution, delivery or performance of this Agreement, but excluding any such loss, claim, damage, expense, liability or action arising out of the bad faith, gross negligence or willful misconduct of the Bank, and shall reimburse the Bank promptly upon demand for any reasonable and documented out-of-pocket legal or other expenses reasonably incurred by the Bank in connection with investigating or preparing to defend or defending against or appearing as a third party witness in connection with any such loss, claim, damage, expense, liability or action as such expenses are incurred. No provision of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The provisions of this section will survive the termination of this Agreement and the resignation or removal of the Bank.

3.3 The Bank may disregard any and all notices or instructions received from any source, except only (i) such notices or instructions as are specifically provided for in this Agreement with respect to the Collateral contemplated pursuant to Sections 2.2, 2.3.1 and 2.3.2, and (ii) orders or process of any court which the Bank in good faith believes to have jurisdiction over it, the Accounts or any property held pursuant to this Agreement. If from time to time any property held pursuant to this Agreement becomes subject to any order, judgment, decree, injunction or other judicial process ("Order"), the Bank may comply with any such Order in good faith without liability to any person, even though such Order may thereafter be annulled, reversed, modified or vacated. In addition, the Bank shall be fully protected in honoring any notice of levy or other request for transfer of funds that the Bank believes in good faith to be binding on it and to have originated with the Internal Revenue Service or an appropriate taxing authority of any state or municipality ("Levy"). The Bank may comply with any Order or Levy regardless of whether the Bank has previously received a Notice of Exclusive Control.

3.4 Whenever the Bank shall receive or become aware of any adverse claim by any third party with respect to this Agreement, any Account or any property held hereunder, the Bank may without liability refrain in good faith from any action until the adverse claim or conflict has been resolved. Unless prohibited by law, the Bank shall immediately notify the Trustee, the Administrative Agent, the Loan Manager and the Borrower of any such adverse claim at the address for notices set forth in the Loan and Security Agreement or such more recent address provided pursuant to the Loan and Security Agreement. Except for the claims and interest of the Trustee or the Borrower in any Account, the Bank does not know of any claim to or interest in any Account or in any Financial Assets credited thereto.

3.5 The Bank shall not be responsible for any losses incurred in liquidating securities or other property to satisfy a distribution request hereunder or for the validity, enforceability, perfection or priority of any lien, charge, security interest or other encumbrance claimed by any person against, in or with respect to the Collateral, any Account or any asset thereof.

3.6 The Bank shall be fully protected in relying without investigation upon any written notice, demand, certificate or other document which it in good faith believes to be genuine, as to the truth and accuracy of the statements made therein, the identity and authority of the persons executing the same and the validity of any signature thereon.

3.7 The Bank shall have a lien against the Accounts to secure payment of its fees and reimbursement of its expenses under this Agreement and the Loan and Security Agreement pertaining to the Accounts, which lien shall be prior to that of the Trustee. The Bank agrees to subordinate to the security interest of the Trustee under the Loan and Security Agreement all other liens and rights of set-off the Bank may now have or hereafter acquire with respect to any Account or the Collateral, and to waive all other charges or rights of setoff against each Account and the Collateral.

3.8 The obligation of the Borrower to pay any amounts in respect of the Bank shall be subject to the priority of payments set forth in the Loan and Security Agreement and shall survive the termination of this Agreement and the resignation or removal of the Bank.

3.9 The Borrower shall be responsible for, and hereby agrees to pay, all reasonable and documented out-of-pocket costs and expenses incurred by the Bank in connection with the establishment and maintenance of each Account, including the Bank's customary fees and expenses, any reasonable and documented out-of-pocket costs or expenses incurred by the Bank as a result of conflicting claims or notices involving the parties hereto, including the reasonable fees and expenses of its external legal counsel, and all other reasonable costs and expenses incurred in connection with the execution, administration or enforcement of this Agreement including reasonable attorneys' fees and costs, whether or not such enforcement includes the filing of a lawsuit.

3.10 Notwithstanding anything in this Agreement to the contrary, in no event shall the Bank be liable for special, punitive, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Bank has been advised of such loss or damage and regardless of the form of action.

3.11 THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

3.12 This Agreement may be amended from time to time by written instrument executed by all the parties and shall benefit, and be binding upon, the parties hereto and their respective heirs, representatives, successors and assigns. The invalidity or unenforceability of any separate provision of this Agreement shall not affect the validity and enforceability of the remaining provisions hereof.

3.13 This Agreement shall be for the sole benefit of the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement shall be construed to give any right, action or cause of action against the Bank to any other person and no such person shall be considered a third-party beneficiary of this Agreement for any purpose.

3.14 This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts (including by facsimile), each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

3.15 This Agreement shall continue in effect until the Trustee, at the direction of the Controlling Lender or in accordance with Section 8.2(b)(iii) of the Loan and Security Agreement, has notified the Bank in writing that this Agreement, or its security

interest in the Accounts and the Financial Assets credited thereto, is terminated (a "Termination Notice"). Upon receipt of a Termination Notice, the obligations of the Bank hereunder with respect to the operation and maintenance of the Accounts shall terminate, the Trustee shall have no further right to originate instructions concerning the Accounts and any previous Notice of Exclusive Control delivered by the Trustee shall be deemed to be of no further force and effect.

3.16 Each party to this Agreement submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Transaction Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof.

3.17 The parties hereto acknowledge that the payment of all amounts (if any) pursuant to this Agreement shall be due and payable only from and to the extent of the Collateral in accordance with the priorities set forth in the Loan and Security Agreement and only to the extent funds are available for payments in accordance with such priorities.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Account Control Agreement, intending it to be effective as of the date first above written.

OFS CAPITAL WM, LLC

By: OFS Capital, LLC, its Administrative Manager

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Securities Intermediary

By: /s/ Michael Roth
Name: Michael Roth
Title: V.P.

WELLS FARGO DELAWARE TRUST COMPANY, N.A., as Trustee

By: /s/ Patrick F. Gallagher
Name: Patrick F. Gallagher
Title: Assistant Vice President

WELLS FARGO SECURITIES, LLC, as Administrative Agent

By: /s/ Mike Romanzo
Name: Mike Romanzo, CFA
Title: Director

PARTICIPATION AGREEMENT

PARTICIPATION AGREEMENT dated as of September 28, 2010 (together with any amendments or modifications from time to time hereto, this "Agreement"), by and between OFS Funding, LLC, a Delaware limited liability company ("Grantor"), and OFS Capital, LLC, a Delaware limited liability company (together with its successors and assigns, "Participant"). Capitalized terms used but not defined herein shall have the meaning set forth with respect thereto in the Loan and Security Agreement, dated as of September 28, 2010 (together with all amendments, modifications and supplements from time to time thereto, the "Loan Agreement"), by and among OFS Capital WM, LLC (the "Borrower"), MCF Capital Management LLC (the "Loan Manager"), Wells Fargo Securities, LLC (the "Administrative Agent"), Wells Fargo Delaware Trust Company, N.A., as trustee (the "Trustee") and the Lenders from time to time party thereto.

RECITALS

WHEREAS, Grantor wishes to sell to Participant, and Participant wishes to purchase from Grantor, a 100% undivided participation interest (each, a "Participation" and, collectively, the "Participations") in each Eligible Loan (as defined in the Loan Agreement) owned by the Grantor and indentified on Schedule I (the "Participated Assets"), subject to the terms and conditions set forth in the Participation Terms and Conditions attached hereto;

WHEREAS, simultaneously with the purchase of the Participations in the Participated Assets, Participant is, pursuant to the Loan Sale Agreement (as hereinafter defined), assigning all of its rights and interest in the Participations to the Borrower;

WHEREAS, simultaneously with the receipt of an effective assignment of each Participated Asset, Grantor will sell, transfer, convey and assign its entire right, title and interest in and to such Participated Asset and Transferred Rights related thereto to Participant in accordance with the terms hereof, and Participant will sell, transfer, convey and assign its entire right, title and interest in and to such Participated Asset and Transferred Rights related thereto to the Borrower pursuant to the Loan Sale Agreement, dated as of the date hereof, between Grantor and Participant (the "Loan Sale Agreement").

NOW THEREFORE, in consideration of $10 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. As of the Closing Date, Grantor hereby sells to Participant, and Participant hereby purchases from Grantor, a Participation in each Eligible Loan identified on Schedule I, subject to the Participation Terms and Conditions (which are hereby incorporated by reference herein), together with Grantor's interest in the Participated Assets and Transferred Rights relating thereto and Grantor and Participant hereby agree to the Participation Terms and Conditions.

2. Upon receipt by the Grantor or the Trustee of the effective assignment of any Participated Asset pursuant to Section 1.2 of the Participation Terms and Conditions, the Grantor, for value received, hereby sells, assigns, transfers and conveys (such sale, assignment, transfer and conveyance, the "Assignment") to the Participant, and the Participant hereby irrevocably purchases and assumes from the Grantor (i) all of the Grantor's right, title and interest (the "Assigned Interest") in, to and under each Participated Asset described more particularly in such assignment (the "Assigned Loans") and, without duplication, all Related Security with respect to the foregoing (collectively, the "Related Assets"), together with Grantor's right to receive and collect all interest, principal and other amounts payable under or receivable by the Grantor with respect to such Assigned Loan and Related Assets, and (ii) all related Underlying Instruments.

Upon any Assignment, the Grantor (i) shall direct the respective Obligor(s) (or the administrative or paying agent in respect of the related Participated Asset) to pay any Collections (as defined in and in accordance with the Participation Terms and Conditions) with respect thereto into the Collection Account (as defined in the Loan Agreement), and (ii) hereby instructs the Grantor's custodian to deliver, or cause to be delivered, to the Trustee all of the documents required to be so delivered under the Loan Agreement with respect to the Participated Asset so assigned.

With respect to each such Assignment, the Grantor represents and warrants as of the Assignment Date that:

(a) The Grantor is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware with power and authority to make, execute, deliver and perform this Agreement. The Assignment shall effect a valid sale (or distribution, as the case may be), transfer and assignment of the Assigned Interest from the Grantor to the Participant, enforceable against the Grantor and creditors of and purchasers from the Grantor. The Assignment has been duly authorized, executed and delivered by the Grantor and constitutes the legal, valid and binding obligation of the Grantor enforceable in accordance with its terms, except as enforcement of such terms may be limited by bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and general principles of equity, whether considered in a suit at law or in equity.

(b) The Grantor is the legal title holder of the Assigned Interest being assigned by it hereunder and that such Assigned Interest is free and clear of any and all liens, claims or encumbrances created by, or attaching to the property of the Grantor other than the beneficial ownership interest in the Assigned Interest which has previously been transferred to the Participant pursuant to the Participation Interest and other than any lien which was contemporaneously released with the grant of the Participation Interest hereunder.

(c) The Grantor, at the time of and after giving effect to the Assignment, is solvent and is not aware of any pending insolvency.

(d) Other than for tax purposes, Grantor will treat the transfer of such Assigned Interests to the Participant for all purposes as a sale and purchase on all of its relevant books and records.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

OFS FUNDING, LLC

By: OFS Capital, LLC, its Designated Manager

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

OFS CAPITAL, LLC

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

PARTICIPATION TERMS AND CONDITIONS

Section 1. The Participation

1.1. As of the Closing Date, (i) Grantor hereby sells, transfers, assigns, grants and conveys without recourse, except as otherwise provided herein, to Participant, and Participant hereby purchases from Grantor, a 100% undivided participation interest in Grantor's interests in the Participated Assets and the Transferred Rights relating thereto whether outstanding as of the Closing Date or made or obtained thereafter (collectively, the "Participation"), the legal title to which is held by Grantor, and (ii) Participant hereby acquires the Participation and assumes and agrees to perform and comply with all Assumed Obligations. Notwithstanding the foregoing, Grantor agrees to remain responsible for, and agrees to continue to perform and comply with, all Retained Obligations with respect to the Participated Assets and Transferred Rights. Other than for tax purposes, the parties hereby agree to treat the transfer of the Participation by Grantor to Participant as a sale by Grantor and purchase by Participant on all of their respective relevant books and records.

1.2. Grantor and Participant hereby acknowledge and agree that (i) the sale, transfer, assignment, grant and conveyance of the Participation is being effected pursuant to this Agreement instead of an assignment of Grantor's legal interest in and title to the Participated Assets and the Transferred Rights related thereto because the conditions precedent under the related Underlying Instruments to the transfer, assignment and conveyance of the Grantor's legal interest in and title to the Participated Assets and the Transferred Rights related thereto may not be fully satisfied as of the Closing Date and (ii) the sale, transfer, assignment, grant and conveyance of the Participation hereunder shall have the consequence that the Grantor holds only legal title and not an equitable interest in the Participated Assets and the Transferred Rights related thereto and Participant holds 100% of the equitable interest in the Participated Assets and the Transferred Rights relating thereto. The Grantor hereby sells, transfers, assigns, grants and conveys to Participant its entire right, title and interest in and to the Participated Assets, and Grantor has prepared individual Assignments consistent with the requirements of the Underlying Instruments and provided them to any Persons required under the Underlying Instruments, which Assignments will become effective in accordance with the Underlying Instruments upon obtaining certain consents thereto or upon the passage of time or both. Grantor and Participant agree to use their commercially reasonable best efforts to cause such Assignments to become effective as soon as practicable after the Closing Date. Upon any such Assignment becoming effective, the related asset shall no longer be a Participated Asset subject to this Agreement, legal title will be transferred to the Participant pursuant to this Agreement for no additional consideration and the Participation with respect to such Participated Asset and Transferred Rights relating thereto will terminate automatically.

Each of the Grantor and the Participant intends and agrees that (i) the sale, transfer, assignment, grant and conveyance of the Participation hereunder in each and every case is

intended to be, is and shall be treated for all purposes as, an absolute sale, transfer, assignment, grant and conveyance of 100% of the equitable ownership in the Participated Assets and the Transferred Rights relating thereto rather than the mere granting of a security interest to secure a financing and (ii) such equitable ownership in the Participated Assets and the Transferred Rights related thereto shall not be part of the Grantor's estate in the event of a filing of a bankruptcy petition or other action by or against the Grantor under any Insolvency Law. It is, further, not the intention of the parties that any such sale, transfer, assignment, grant or conveyance be deemed a pledge of any of the Participated Assets and the Transferred Rights relating thereto by the Grantor to the Participant to secure a debt or other obligation of the Grantor. However, in the event that notwithstanding such intent and agreement, any such Participated Assets and the Transferred Rights relating thereto are held to continue to be the property of the Grantor, then the parties hereto agree that the Grantor hereby grants to the Participant a security interest in all of its right, title and interest in, to and under such Participated Assets and the Transferred Rights relating thereto (whether now existing or hereafter created). For such purposes, this Agreement shall constitute a security agreement under the UCC, to secure the prompt and complete payment of a loan deemed to have been made by the Participant to the Grantor in an amount equal to the aggregate purchase price paid to the Grantor together with such other obligations of the Grantor as may arise hereunder in favor of the Participant.

If any such transfer of any Participated Asset and the Transferred Rights relating thereto by the Grantor to the Participant is deemed to be the mere granting of a security interest to secure a financing, (i) the Participant may, to secure the Participant's obligations under the Loan Sale Agreement, repledge and reassign to the Borrower (A) all or a portion of the Participated Assets and the Transferred Rights pledged to the Participant by the Grantor and with respect to which the Participant has not released its security interest at the time of such pledge and assignment and (B) all proceeds thereof and (ii) the Borrower may, to secure the Borrower's obligations under the Loan Agreement, repledge and reassign to the Trustee for the benefit of the "Secured Parties," as defined therein, (A) all or a portion of the Participated Assets and the Transferred Rights pledged to the Borrower by the Participant and with respect to which the Borrower has not released its security interest at the time of such pledge and assignment and (B) all proceeds thereof. Such repledge and reassignment may be made with or without a repledge and reassignment (i) by the Participant of its rights under any agreement with the Grantor, and without further notice to or acknowledgment from the Grantor or (ii) by the Borrower of its rights under any agreement with the Participant, and without further notice to or acknowledgement from the Participant. The Grantor and the Participant each hereby waives, to the extent permitted by applicable law, all claims, causes of action and remedies, whether legal or equitable (including any right of setoff), against the Participant, the Borrower or any assignee relating to such repledge or reassignment in connection with the transactions contemplated by this Agreement and the other Transaction Documents. The Participant shall file or shall cause to be filed a precautionary UCC-1 financing statement naming the Grantor as debtor and the Participant as secured party, describing all of the Participated Assets and the Transferred Rights pledged hereunder as collateral thereunder.

1.3. In consideration for the Participation and the Assignment of the Participated Assets by Grantor to Participant, Participant will pay to or at the direction of Grantor the mutually agreed upon purchase price with respect thereto on the Closing Date by wire or intrabank transfer of immediately available funds. To the extent the fair market value of the Participated Assets exceeds the cash paid by Participant to or at the direction of the Grantor on the Closing Date, such excess shall be deemed a distribution from the Grantor to the Participant.

1.4. In respect of any funding to be made by Grantor under the Participation after the Closing Date, including, but not limited to, with respect to any unfunded Revolving Loan or Delayed Draw Loan, following receipt of a notice from Grantor or the Trustee, stating the date, amount (the "Funding Amount"), and type of such funding, on the date of the borrowing, Participant will make available to Grantor or to the Obligor, on behalf of Grantor, immediately available funds in the amount of such Funding Amount. The parties agree that as between themselves, so long as any unfunded Revolving Loan or Delayed Draw Loan remains outstanding or repaid amounts on any Revolving Loan may be reborrowed in accordance with the Underlying Instruments, Grantor shall have no obligation to fund such amount to Participant or any Person claiming any interest in the Participation through Participant except to the extent of funds provided for such purpose by Participant.

1.5. If at any time after the Closing Date, Grantor receives any Collections with respect to the Participation, Grantor will (i) receive and hold such Collections in trust for the account and sole benefit of Participant, (ii) have no equitable or beneficial interest in the Collections, and (iii) Participant hereby irrevocably instructs Grantor, and Grantor agrees, to promptly (and in any event within two Business Days after receipt thereof) credit the Collection Account pursuant to the account details set forth in Schedule II hereto with all Collections so received. If debt obligations or other securities are to be issued pursuant to a plan of reorganization or restructuring or otherwise, in exchange for or in payment of any Participation, Grantor shall notify Participant and Trustee of such prospective issuance and shall use its commercially reasonable efforts, at Participant's direction, cost and expense, to cause Participant's share of such debt obligations or other securities to be registered and issued in such name as Participant shall direct unless Grantor is prohibited from the foregoing under any law, rule, order or contract, in which case Grantor will promptly notify Participant and Trustee in writing. In the event that Grantor cannot cause such debt obligations or other securities to be so registered it will, promptly after receipt, transfer Participant's share thereof to Participant with proper endorsement (without recourse) or transfer powers duly endorsed in blank unless Grantor is prohibited from the foregoing under any law, rule, order or contract in which case Grantor will continue to hold the same for Participant's account hereunder as part of the Participation hereunder and will promptly so notify Participant and Trustee in writing. If the Grantor fails to pay to the Participant any amount required by this Section 1.5 when due, the Participant may recover such unpaid amount on demand from the Grantor together with interest thereon, from and including the due date, to but excluding the date the Grantor pays such amount (together with interest thereon at the Federal Funds Rate). The "Federal Funds Rate" for any day equals the daily rate announced by the Federal Reserve Bank of New York on overnight loans of excess reserves between member banks plus 0.50% per annum.

1.6. Grantor shall not be obligated to make any payment to Participant in anticipation of the receipt of funds from the related Obligor with respect to any Participation. If Grantor is required at any time to return to an Obligor or to a trustee, receiver, liquidator, custodian or other similar official any portion of the payments made by the Obligor to Grantor and transferred by Grantor to (and paid to) Participant, then Participant shall, on demand of Grantor, forthwith return to Grantor any such payments transferred (and paid) to Participant by Grantor in respect of the Participation, but without interest on such payments (unless Grantor is required to pay interest on such amounts to the Person recovering such payments).

1.7. Each of the Grantor and the Participant agree that the Grantor may, only with the prior written consent of the Participant (or the Loan Manager on its behalf), exercise or refrain from exercising any right, or take or refrain from taking any action, which the Grantor may be entitled to take or assert under any of the Underlying Instruments and, without limiting the generality of the foregoing, the Grantor may, only with the prior written consent of the Participant (or the Loan Manager on its behalf), take legal action to enforce the Participant's or the Grantor's interests with respect to any Eligible Loan or any of the Underlying Instruments.

1.8. Each of the Grantor and the Participant shall use commercially reasonable best efforts to, as soon as reasonably practicable, cause the Participant or, in accordance with the Loan Sale Agreement, the Borrower, to become a lender under the Underlying Instruments of each Participated Asset and take such action (including the execution and delivery of an assignment agreement) as shall be mutually agreeable in connection therewith and in accordance with the terms and conditions of the applicable Underlying Instruments and consistent with the terms of this Agreement. Each of the Grantor and the Participant agrees (i) to execute and deliver, or to cause to be executed and delivered, all such instruments and (ii) to take all such actions as the other may reasonably request to effectuate the intent and purposes, and to carry out the terms, of this Agreement, including the procurement of any third-party consents.

1.9. To the extent contemplated by the Underlying Instruments of any Participated Asset and permitted by law, the Participant shall be entitled to the benefits of any provisions in such Underlying Instruments providing for rights of set-off against the applicable borrower as though the Participant were a lender thereunder. To the extent required by any such Underlying Instruments, the Participant hereby agrees, for the benefit of the lenders thereunder, to comply with any provisions in such Underlying Instrument relating to the sharing of payments among the lenders thereunder as though the Participant were a lender thereunder.

Section 2. Representations and Warranties.

2.1. Each party represents to the other on the Closing Date that: (i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (ii) it has full power, authority and legal right to execute and deliver this Agreement and to perform its obligations hereunder; (iii) the making and performance by it of this Agreement have been duly authorized by all necessary action and will not violate any provisions of applicable law or regulation, any provision of its charter or by-laws (or comparable, constituent documents) or any order of any court or regulatory body and will not

result in the breach of, or constitute a default or require any consent under, any agreement, instrument or document to which it is a party or by which it or any of its property may be bound or affected; (iv) all authorizations, consents, approvals and licenses of and filings and registrations with, any governmental authority required under applicable law or regulations for it to make and perform this Agreement have been obtained and are in full force and effect; and (v) this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

2.2. In addition, Participant represents to Grantor on the Closing Date and each day thereafter that: (a) it is not acquiring the Participation with assets which directly or indirectly constitute assets of any employee benefit plan or other retirement arrangement subject to the Employee Retirement Income Security Act of 1974 or Section 4975 of the Code; and (b) without implying any characterization of the Participation or any participation therein as a "security" within the meaning of any applicable securities laws, Participant is acquiring the Participation for investment for its own account and not with a view to, or for resale in connection with, any distribution or public offering of all or any part thereof or of any interest therein in a manner which would violate applicable securities laws; provided, however, that this Section 2.2 is without prejudice to Participant's rights to effect such resale in accordance with applicable laws.

Section 3. Affirmative Covenants of Grantor

Subject to the ability of Grantor, at its sole option, to be liquidated or dissolved after any Participated Assets sold by it are no longer covered by a Participation and this Agreement is terminated as provided in Section 7, on and after the Closing Date so long as any Participation is outstanding under this Agreement Grantor shall:

(a) Observe in all material respects all procedures required by its organizational documents and preserve and maintain its existence as a limited liability company which is a bankruptcy remote special purpose entity separate from the Participant and all rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified to do business and in good standing in each jurisdiction where the nature of its business requires it to do so except where the failure to be so qualified and in good standing would not have a material adverse effect on the financial condition of Grantor or its ability to perform its obligations under this Agreement.

(b) (i) Either itself or through its agents, keep proper books of record and account, which shall be maintained or caused to be maintained by Grantor and shall be separate and apart from those of any Affiliate of Grantor, in which full and correct entries shall be made of all financial transactions and the assets and business of Grantor sufficient to permit the preparation of financial statements in accordance with United States generally accepted accounting principles consistently applied, and (ii) maintain and implement administrative and operating procedures and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Participated Assets (including, without limitation, records adequate to permit the daily identification of all payments received with respect to, and adjustments to, each Participated Asset).

(c) Except as otherwise provided under this Agreement, perform and comply in all material respects with its obligations under the terms of all Underlying Instruments.

(d) Immediately notify Participant, Loan Manager, and Trustee in writing of the existence of any lien, security interest or other encumbrance in any Participated Asset or the Transferred Rights by or through Grantor and defend the right, title and interest of the Participant in, to and under such Participated Asset and Transferred Rights, whether existing as of the Closing Date or thereafter created, against all claims of third parties claiming by or through Grantor.

(e) At its own expense (i) continuously maintain in its books and records a notation next to any index or listing of assets that includes any of the Participated Assets indicating that pursuant to this Agreement the Participation in such Participated Assets has been granted and sold by Grantor to Participant, by identifying such asset with the designation "100% Participation granted to OFS Capital, LLC," and (ii) permit Participant and its successors, assigns and their respective agents to examine its books and records during normal business hours on not less than five Business Days prior notice to confirm Grantor's compliance with this sentence.

(f) Maintain its files with respect to the Participated Assets and related documents in a manner clearly marked to indicate that such files relate to the Participated Assets subject to the arrangements provided for in this Agreement.

(g) Furnish to the Participant copies of the Underlying Instruments of each Participated Asset and, as and when available to the Grantor, a copy of each amendment, consent or waiver in connection with such Underlying Instruments. The Participant agrees that it shall maintain the confidentiality of any such documents to the extent required in such Underlying Instruments and to the same extent as if it were a party to such Underlying Instruments and shall, upon the Grantor's request, provide to the Grantor a confidentiality undertaking to such effect in accordance with the terms of such Underlying Instruments prior to the delivery thereof.

(h) From and after the Closing Date, if Grantor receives any notices, correspondence, reports, financial statements or other documents in respect of any Underlying Instruments relating to a Participated Asset or the Transferred Rights relating thereto, promptly after receipt forward the same to or at the direction of Loan Manager.

Section 4. Negative Covenants of Grantor

(a) From the Closing Date until no Participation is outstanding and this Agreement is terminated pursuant to Section 7 hereof, Grantor will not, except for the grant of the Participation hereunder and the assignment to Participant on each Assignment Date of Participated Assets and the Transferred Rights related thereto in accordance with Section 1.2 of this Agreement, sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist (whether by operation of law, pursuant to a judgment or otherwise) any lien, security interest or other encumbrance on any Participated Asset or the related Transferred Rights or any interest of Grantor therein.

(b) The Grantor shall not, without prior consent of the Participant (or the Loan Manager, on its behalf), agree to the modification, amendment or waiver of any of the terms of any of the Underlying Instruments or any Participated Asset.

Section 5. Voting

On and after the Closing Date, (a) Participant (or the Loan Manager, on its behalf) shall have sole authority to exercise all voting and other rights and remedies with respect to the Participated Assets and the Transferred Rights related thereto and (b) if for any reason Grantor is exclusively entitled to exercise any such rights (including the right to vote) on or after the Closing Date, (i) Grantor shall vote in accordance with the directions of Participant (or Loan Manager, on its behalf), and (ii) Grantor shall take (or refrain from taking) any action with respect to the Participated Assets and the Transferred Rights related thereto in accordance with the prior written instructions of Participant (or the Loan Manager, on its behalf), except (A) as reasonably determined by Grantor upon the advice of counsel as prohibited under Applicable Law, or the related Underlying Instruments or (B) if following such instructions might (in Grantor's reasonable determination) expose the Grantor to any obligation, liability, or expense that in the Grantor's reasonable judgment is material and for which the Grantor has not been provided adequate indemnity provided, however, that if upon the advice of counsel Grantor reasonably determines that such an action may not be permitted by the applicable Underlying Instruments with respect to a particular Participated Asset, then prior to Grantor engaging in such a vote or exercising any such rights or remedies with respect to such Participated Asset, Grantor shall consult and cooperate with Participant (or the Loan Manager, on its behalf), with respect to such vote or exercise of rights or remedies and, in connection therewith, shall exercise the same standard of care as it normally exercised with respect to loans or equity interests made or held by Grantor in its own account or managed for the account of Grantor with respect to which no participations are sold and without regard to other investments or relationships that Grantor may have with the applicable Obligor. In the event that in accordance with clause (ii) of the preceding sentence Grantor does not take (or refrains from taking) action with respect to the Participated Assets and the Transferred Rights related thereto in accordance with the prior written instructions of Participant (or the Loan Manager, on its behalf), Grantor shall exercise the same care in the administration of the Participated Assets and the Transferred Rights relating thereto as if Grantor had retained the Participated Assets and such Transferred Rights beneficially for its own account. Grantor shall not exercise voting authority or take any action or exercise any rights or remedies with respect to a Participated Asset without the prior written consent of, or at the direction of, Participant (or the Loan Manager, on its behalf).

Without limiting the Grantor's obligations under the immediately preceding paragraph, Participant acknowledges that the Underlying Instruments relating to the Participated Assets may contain restrictions on the voting rights that the seller of a participation interest therein may convey to the purchaser thereof, and Participant and Grantor agree that the Participation contemplated hereby shall convey to Participant only those voting rights which are permitted to be transferred to the purchaser of a participation pursuant to the Underlying Instruments, and that any conveyance or purported conveyance of voting rights in contravention of the restrictions

contained in the Underlying Instruments shall be ineffective to transfer such voting rights. Under such circumstances Grantor shall confer with Participant (or the Loan Manager, on its behalf) with respect thereto and comply with the immediately preceding paragraph to the extent not prohibited by the Underlying Instruments.

Section 6. Further Transfers

6.1. Participant may sell, assign, grant a participation in, or otherwise transfer all or any portion of this Agreement, its rights under this Agreement, or any interest in the Participation, the Participated Assets or the Transferred Rights relating thereto, in each case without Grantor's prior consent, provided, however, that (i) such sale, assignment, participation, or transfer shall comply with any applicable requirements in the related Underlying Instruments and shall not violate any Applicable Law, and (ii) notwithstanding any such sale, assignment, participation or transfer, unless Grantor otherwise consents in writing or except as provided herein, (A) Participant's obligations to Grantor under this Agreement shall remain in full force and effect until fully paid, performed, and satisfied and (B) Grantor shall continue to deal solely and directly with Participant in connection with Participant's obligations under this Agreement.

6.2. Grantor acknowledges that on the Closing Date, (i) OFS Capital, LLC will, pursuant to the Loan Sale Agreement, sell, assign, transfer and convey all of its right, title and interest in and to the Participation and this Agreement to OFS Capital WM, LLC and (ii) OFS Capital WM, LLC will, pursuant to the Loan Agreement, grant a lien on and security interest in all of its interests in the Participation and rights under this Agreement as Collateral under the Loan Agreement to the Trustee for the benefit of the Secured Parties. As such, on the Closing Date, immediately following the grant of the Participation to OFS Capital, LLC, OFS Capital WM, LLC shall become and be the Participant hereunder for all purposes hereof. The term "Participant" as used herein means the then current owner of the rights of the Participant under this Agreement. The Trustee shall be considered a third party beneficiary of this Agreement and may enforce this Agreement against the Grantor for the benefit of the Secured Parties as if a party hereof.

Section 7. Termination.

This Agreement shall continue in full force and effect until the latest to occur of (i) termination by written agreement of the parties hereto and (ii) there being no Participated Assets and no Participation outstanding.

Section 8. Miscellaneous.

8.1. Except as otherwise provided herein, all communications hereunder by either party shall be given in writing (including by facsimile or electronic transmission) to the other party at its address specified in Schedule II hereto, and shall be effective when received. Grantor may rely upon, and will incur no liability in taking or omitting to take action upon, any notice, instruction, consent or other communication (oral or otherwise) from Participant that Grantor believes to be genuine and correct or to have been signed, sent or made by a proper person or

persons, and Grantor will have no obligation to verify or inquire into any matters pertaining thereto.

8.2. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

8.3. Grantor, Participant, Loan Manager, or Trustee, as applicable, may notify the Obligor(s) of the Participation.

8.4. No failure on the part of a party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver hereof by such party, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of each party provided herein are cumulative and are in addition to, and are not exclusive of, any rights or remedies provided by law (except as otherwise expressly set forth in this Agreement) and are not conditional or contingent on any attempt by such party to exercise any of its rights under any other related document against the other party or any other Person.

8.5. This Agreement may be executed in one or more counterparts, each of which shall be an original but all of which, taken together, shall constitute one and the same instrument.

8.6. Any amendments of this Agreement shall be in writing and signed by each party hereto.

8.7. Each party hereto agrees to bear its own expenses in connection with the preparation, execution, delivery and amendment of this Agreement.

8.8. All representations, warranties and covenants made by the parties hereto shall be considered to have been relied upon by the parties hereto and shall survive the Closing Date and the execution, delivery and performance of this Agreement, any termination hereof, or any sale, assignment, participation or transfer by Participant, without limitation, the representations, warranties, covenants, agreements and indemnifications contained herein, shall inure to the benefit of and be enforceable by and against the parties hereto and each of their respective successors and permitted assigns. Each of the parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments, and to take all such action as the other party may reasonably request in order to effectuate the intent and purposes of, and to carry out the terms of this Agreement.

8.9. This Agreement together with any schedules and exhibits hereto constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings or representations pertaining to the subject matter hereof, whether oral or written, provided, however, that this Agreement supplements the Assignment. The captions and headings in this Agreement are for convenience only and are not intended to be full or accurate descriptions of the contents thereof. They shall not be deemed to be part of this Agreement and in no way define, limit, extend or describe the

scope or intent of any provisions hereof. If any provision of this Agreement or any other agreement or document delivered in connection with this Agreement, if any, is partially or completely invalid or unenforceable in any jurisdiction, then that provision shall be ineffective in that jurisdiction to the extent of its invalidity or unenforceability, but the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted, nor shall the invalidity or unenforceability of that provision in one jurisdiction affect its validity or enforceability in any other jurisdiction.

8.10. The relationship between Grantor and Participant shall be that of seller and buyer. Except as otherwise expressly provided herein, neither party is a trustee, fiduciary or agent of the other. This Agreement shall not be construed to create a partnership or joint venture between Grantor and Participant.

8.11. Grantor hereby acknowledges and agrees that Participant's obligations under this Agreement shall be solely the obligations of Participant, and Grantor shall not have any recourse to any director, officer, employee, agent, member, manager, limited partner, general partner or Affiliate of Participant with respect to any claims, losses, damages, liabilities, indemnities or other obligations in connection with any transactions contemplated thereby. Recourse in respect of any obligations of Participant under this Agreement shall be limited to the Collateral (the proceeds of which are to be applied in accordance with Section 2.7 and Section 2.8 of the Loan Agreement) and on the exhaustion thereof all claims against Participant thereunder or any transactions contemplated thereby shall be extinguished. Participant hereby acknowledges and agrees that Grantor's obligations under this Agreement shall be solely the obligations of Grantor, and Participant shall not have any recourse to any director, officer, employee, agent, member, manager, limited partner, general partner or Affiliate of Grantor with respect to any claims, losses, damages, liabilities, indemnities or other obligations in connection with any transactions contemplated thereby. Recourse in respect of any obligations of Grantor under this Agreement shall be limited to the Collateral (the proceeds of which are to be applied in accordance with Section 2.7 and Section 2.8 of the Loan Agreement) and on the exhaustion thereof all claims against Grantor thereunder or any transactions contemplated thereby shall be extinguished. Grantor agrees that it shall not institute against Participant or join any other Person in instituting against Participant any bankruptcy, insolvency, reorganization, receivership or similar proceeding so long as any Obligations shall be outstanding pursuant to the Loan Agreement and there shall have elapsed one year plus one day or, if longer, the applicable preference period then in effect, including, without limitation, any period established pursuant to the laws of the State of Delaware since the last day on which any Obligations shall have been outstanding; provided that Grantor may become a party to and participate in any such proceeding applicable to Participant that is initiated by any other Person that is not an Affiliate of Grantor. Participant agrees that it shall not institute against Grantor or join any other Person in instituting against Grantor any bankruptcy, insolvency, reorganization, receivership or similar proceeding so long as any Obligations shall be outstanding pursuant to the Loan Agreement and there shall have elapsed one year plus one day or, if longer, the applicable preference period then in effect, including, without limitation, any period established pursuant to the laws of the State of Delaware since the

last day on which any Variable Funding Notes shall have been outstanding; provided that Participant may become a party to and participate in any such proceeding applicable to Grantor that is initiated by any other Person that is not an Affiliate of Participant. The agreements contained in this paragraph shall survive the termination of this Agreement and the payment of all obligations under this Agreement.

It is expressly understood and agreed that the respective Obligors may be unaware that Participations in the Participated Assets and the Transferred Rights relating thereto may be sold to the Participant and that the Grantor does not contemplate notifying any of the Obligors of any such sale, although Grantor does contemplate notifying the Obligors or agent under the Underlying Instruments, as applicable, of the Assignment thereof. The Participant agrees to maintain the confidentiality of this Agreement, the Participation, each Underlying Instrument and all nonpublic information concerning any Obligor or other party to an Underlying Instrument furnished to the Participant by the Grantor, except that the Participant may disclose the same, in confidence, to its attorneys and auditors and to any regulatory body having authority over it in connection with any examination by such regulatory body.

Section 9. Definitions. As used herein:

"Affiliate" means, with respect to a Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (ii) any other Person who is a director, officer, employee or general partner of (a) such Person or (b) any such other Person described in clause (i) above. For the purposes of this definition, control of a Person shall mean the power, directly or indirectly, (x) to vote more than 50% of the securities having ordinary voting power for the election of directors of such Person or (y) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" means this Participation Agreement dated as of September 28, 2010, together with any amendments or modifications from time to time hereto.

"Applicable Law" means, for any Person or property of such Person, all existing and future laws, rules, regulations (including proposed, temporary and final income tax regulations), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by any governmental authority which are applicable to such Person or property (including predatory lending laws, usury laws, the Federal Truth in Lending Act, and Regulation Z and Regulation B of the Board of Governors of the Federal Reserve System), and applicable judgments, decrees, injunctions, writs, awards or orders of any court, arbitrator or other administrative, judicial, or quasi-judicial tribunal or agency of competent jurisdiction.

"Assignment" means the assignment of assets (including the Participated Assets) granted by Grantor to Participant as of the Closing Date and each individual assignment of a Participated Asset which becomes effective on the Assignment Date with respect thereto.

"Assignment Date" means, with respect to each Participated Asset, the date(s), if any, on which Grantor irrevocably sells, transfers, assigns, grants and conveys its legal interest in and title to such Participated Assets and Transferred Rights to Participant pursuant to Section 1.2.

"Assumed Obligations" means the Grantor's obligations and liabilities with respect to, or in connection with, the Transferred Rights resulting from facts, events or circumstances arising or occurring on or after the Closing Date, but excluding, however, the related Retained Obligations.

"Closing Date" means the date upon which Grantor receives payment of the purchase price with respect to the Participated Assets.

"Funding Amount" has the meaning provided in Section 1.4.

"Grantor" means OFS Funding, LLC, a Delaware limited liability company.

"Loan Agreement" has the meaning provided in the Recitals.

"Participant" means OFS Capital, LLC, a Delaware limited liability company, together with its successors and assigns.

"Participated Assets" has the meaning provided in the Recitals.

"Participation" has the meaning as provided in Section 1.1.

"Related Security" means, with respect to Participated Assets, (a) payments thereon or with respect thereto, (b) accounts, chattel paper, deposit accounts, financial assets, general intangibles, instruments, investment property, letter-of-credit rights and other supporting obligations relating thereto (in each case as defined in the Uniform Commercial Code as in effect in the State of New York), and (c) proceeds with respect to the foregoing.

"Retained Obligations" means all obligations and liabilities of Grantor relating to the Transferred Rights that (a) result from fact, events or circumstances arising or occurring prior to the close of business on the Closing Date, (b) result from Grantor's breach of its representations, warranties, covenants or agreements under this Agreement or the related Underlying Instruments, (c) result from Grantor's bad faith, gross negligence or willful misconduct, or (d) that are otherwise attributable to Grantor's actions or obligations in any capacity other than as a lender under or with respect to the related Participated Asset; provided, that with respect to clauses (b), (c) and (d), actions taken by or on behalf of Grantor after the Closing Date shall not create a Retained Obligation if they are caused by Participant's failure to advance funds in a full and timely manner as required by Section 1.4 of this Agreement or are taken at the direction of Participant or of Trustee, as applicable.

"Transferred Rights" means, with respect to each Participated Asset on and after the Closing Date, any and all of the Grantor's right, title, and interest in, to and under such Participated Asset and any related commitments, and to the extent related thereto, the following:

(a) all other amounts funded by or payable to the Grantor under the related Underlying Instruments, and all obligations owed to the Grantor in connection with the related Participated Assets and any related commitments;

(b) the Underlying Instruments related thereto;

(c) all claims (including "claims" as defined in Bankruptcy Code § 101(5)), suits, causes of action, and any other right of the Grantor, whether known or unknown against the related Obligor, if any, or any of their respective Affiliates, agents, representatives, contractors, advisors, or any other Person that in any way is based upon, arises out of or is related to any of the foregoing, including to the extent permitted to be assigned under applicable law, all claims (including contract claims, tort claims, malpractice claims, and claims under any law governing the purchase and sale of, or indentures for, securities), suits, causes of action, and any other right of the Grantor against any attorney, accountant, financial advisor, or other Person arising under or in connection with the related Underlying Instruments.

(d) all guarantees and all collateral and security of any kind for or in respect of the foregoing;

(e) all cash, securities (whether certificated or uncertificated securities), security entitlements, accounts, chattel paper, general intangibles, instruments or other property, and all setoffs and recoupments, received or effected by or for the account of the Grantor under the related Participated Assets, if any, and other extensions of credit under the related Underlying Instruments (whether for principal, interest, fees, reimbursement obligations, or otherwise) after the close of business on the Closing Date, including all distributions obtained by or through redemption, consummation of a plan of reorganization, restructuring, liquidation, or otherwise of the related Obligor or the related Underlying Instruments, and all cash, securities, interest, dividends, and other property that may be exchanged for, or distributed or collected with respect to, any of the foregoing.

(f) the economic benefit of permanent commitment reductions, permanent repayment of principal and amendment, consent, waiver and other similar non-ordinary course fees received by the Grantor on or after the close of business on the Closing Date (including any reimbursement of agent expenses previously paid by the Grantor or any of its Affiliates); and

(g) all proceeds of the foregoing.

"Trustee" means Wells Fargo Delaware Trust Company, N.A.

Exhibit (k)(7)

Execution Version

LOAN SALE AGREEMENT

by and between

OFS CAPITAL, LLC,
as the Seller,

and

OFS CAPITAL WM, LLC,
as the Purchaser

Dated as of September 28, 2010

TABLE OF CONTENTS

THIS LOAN SALE AGREEMENT, dated as of September 28, 2010 (as amended, modified, restated, or supplemented from time to time, this "Agreement"), is made by and between **OFS CAPITAL, LLC**, a Delaware limited liability company (together with its successors and assigns in such capacity, the "Seller"), and **OFS CAPITAL WM, LLC,** a Delaware limited liability company (together with its successors and assigns in such capacity, the "Purchaser").

PREAMBLE

WHEREAS, the Purchaser desires to acquire the Closing Date Participation Interests in the Closing Date Loans from the Seller on the Closing Date listed on Schedule 1 hereto and may acquire from time to time after the Closing Date certain Additional Loans, together with certain related property, as more fully described in the Loan and Security Agreement, dated as of the date hereof (as amended, modified, restated or supplemented from time to time, the "Loan Agreement"), by and among the Purchaser, as the Borrower, MCF Capital Management LLC, as the Loan Manager, each of the Class A Lenders from time to time party thereto, each of the Class B Lenders from time to time party thereto, Wells Fargo Securities, LLC, as the Administrative Agent, and Wells Fargo Delaware Trust Company, N.A. as the Trustee;

WHEREAS, it is a condition to the Purchaser's acquisition of the Loans from the Seller that the Seller make certain representations, warranties and covenants regarding all Loans and related property sold and transferred pursuant to this Agreement for the benefit of the Purchaser; and

WHEREAS, on the Closing Date, the Seller will transfer all of its right, title and interest in the Closing Date Participation Interests, the Closing Date Loans and the Closing Date Participation Agreement to the Purchaser, and, thereafter, the Purchaser may from time to time acquire certain Additional Loans from the Seller all pursuant to the terms and conditions set forth herein and in the Loan Agreement.

NOW, THEREFORE, based upon the above recitals, the mutual premises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions.

Capitalized terms used but not otherwise defined herein shall have the meanings attributed to such terms in the Loan Agreement. In addition, as used herein, the following defined terms, unless the context otherwise requires, shall have the following meanings:

"Additional Loan Assets" means any assets acquired by the Purchaser from the Seller pursuant to Section 2.1(b), which assets shall include the Seller's right, title and interest in the following:

(i) the Additional Loans listed in the related Subsequent Loan Schedule, all payments paid in respect thereof and all monies due, to become due or paid in respect thereof accruing on and after the applicable Transfer Date and all insurance proceeds, liquidation proceeds and other proceeds and recoveries thereon, in each case as they arise after the applicable Transfer Date;

(ii) all security interests and Liens and Related Property subject thereto from time to time purporting to secure payment by Obligors under such Loans;

(iii) all guaranties, indemnities and warranties, and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Loans;

(iv) all collections and records (including computer records) with respect to the foregoing;

(v) all Underlying Instruments relating to the applicable Loan Files; and

all income, payments, proceeds and other benefits of any and all of the foregoing, including but not limited to, all accounts, cash and currency, chattel paper, electronic chattel paper, tangible chattel paper, copyrights, copyright licenses, equipment, fixtures, general intangibles, instruments, commercial tort claims, deposit accounts, inventory, investment property, letter of credit rights, software, supporting obligations, accessions, and other property consisting of, arising out of, or related to the foregoing, but excluding any Excluded Amount with respect thereto.

"Assignment of Underlying Instruments": The meaning specified in Section 2.1(b).

"Closing Date Loan Assets" means any assets acquired by the Purchaser from the Seller on the Closing Date pursuant to Section 2.1(a), which assets shall include the Seller's right, title and interest in the following:

(i) the Closing Date Loans listed in the initial Loan Schedule, the Closing Date Participation Interests of the Seller therein and the Closing Date Participation Agreement with respect thereto, all payments paid in respect thereof and all monies due, to become due or paid in respect thereof accruing on and after the Closing Date and all insurance proceeds, liquidation proceeds and other recoveries and proceeds thereon, in each case as they arise after the Closing Date;

(ii) all security interests and Liens and Related Property subject thereto from time to time purporting to secure payment by Obligors under such Loans;

(iii) all guaranties, indemnities and warranties, and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Loans;

(iv) all collections and records (including computer records) with respect to the foregoing;

(v) all Underlying Instruments relating to the applicable Loan Files; and

(vi) all income, payments, proceeds and other benefits of any and all of the foregoing, including but not limited to, all accounts, cash and currency, chattel paper, electronic chattel paper, tangible chattel paper, copyrights, copyright licenses, equipment, fixtures, general intangibles, instruments, commercial tort claims, deposit accounts, inventory, investment property, letter of credit rights, software, supporting obligations, accessions, and other property consisting of, arising out of, or related to the foregoing, but excluding any Excluded Amount with respect thereto.

"Conveyed Assets": Collectively, the Closing Date Loan Assets and, on and after the applicable Transfer Date, Additional Loan Assets.

"Indemnified Party": The meaning specified in Section 6.1.

"Ineligible Loan": The meaning specified in Section 7.2.

"List of Loans" means a list, in the form mutually agreed by the Seller and the Purchaser of Loans delivered on or after the Closing Date hereunder, including each Closing Date Loan and each Additional Loan transferred by the Seller to the Purchaser hereunder from time to time.

"Loan Checklist": An electronic or hard copy, as applicable, of a checklist delivered by or on behalf of the Seller to the Trustee (as directed by the Purchaser herein), for each Loan, of all Required Loan Documents to be included within the respective Loan File, which shall specify whether such document is an original or a copy.

"Loan File": (a) With respect to each Loan, a file containing each of the documents and items as set forth on the Loan Checklist with respect to such Loan and (b) with respect to each Additional Loan, duly executed originals (to the extent required by the Credit and Collection Policy) and copies of any other relevant records relating to such Loans and the Underlying Assets pertaining thereto.

"Loan Schedule": The schedule listing each Loan sold or scheduled to be sold by the Seller to the Purchaser and each Underlying Instrument in respect of each such Loan, along with a notation as to whether each such Underlying Instrument has been delivered by the Seller (as directed by the Purchaser herein) to the Trustee or, if any such Underlying Instrument has not been delivered and is required to be delivered to the Trustee as a Required Loan Document, the anticipated delivery date of each such Underlying Instrument.

"Net Purchased Loan Balance": As of any date of determination, an amount equal to (a) the sum, without duplication, of (i) the aggregate Outstanding Balance of all Loans (or Closing Date Participation Interests with respect thereto, as applicable) conveyed by the Seller to the Purchaser under this Agreement prior to such date, calculated as of the respective Transfer Dates of such Loans (or Closing Date Participation Interests with respect thereto, as applicable), and

(ii) the aggregate Outstanding Balance of all Loans acquired by the Purchaser other than from the Seller prior to such date, calculated as of the respective Transfer Dates of such Loans, *minus* (b) the aggregate Outstanding Balance of all Loans (other than Ineligible Loans) repurchased or substituted by the Seller prior to such date under this Agreement.

"Noteless Loan": Means a Loan with respect to which the Underlying Instruments either (i) do not require the Obligor to execute and deliver an Underlying Note to evidence the indebtedness created under such Loan or (ii) require execution and delivery of such a promissory note only upon the request of the holder of the indebtedness created under such Loan, and as to which the Seller has not requested a promissory note from the related Obligor.

"Purchaser": The meaning set forth in the preamble.

"Related Property" means, with respect to any Loan, the interest of the Obligor in any property or other assets designated and pledged or mortgaged as collateral to secure repayment of such Loan.

"Repurchase and Substitution Limit": The meaning specified in Section 7.4.

"Repurchase Price": As of any date of determination with respect thereto, (a) with respect to any Loan repurchased pursuant to Section 7.1, the fair market value thereof (subject to the OFS Parent Valuation Procedure) and (b) with respect to any Loan repurchased pursuant to Section 7.2, the Transfer Deposit Amount with respect thereto.

"Seller": The meaning set forth in the preamble.

"Seller Retained Interest": Accrued and unpaid interest (other than Accreted Interest) with respect to any Loan with respect to that period of time prior to the Transfer Date with respect to the related Loan.

"Subsequent Transfer Agreement": The meaning specified in Section 2.1(b).

"Transfer Date": The meaning specified in Section 2.1(b).

"Transfer Deposit Amount": On any date of determination with respect to any Loan, an amount equal to the Assigned Value of such Loan on its initial Funding Date less any principal received by the Purchaser after such initial Funding Date with respect thereto.

"Underlying Note": One or more promissory notes executed by the applicable Obligor evidencing a Loan.

Section 1.2. Other Terms.

The interpretive provisions contained in Section 1.2, Section 1.3 and Section 1.4 of the Loan Agreement are hereby incorporated by reference herein.

ARTICLE II
TRANSFER OF THE CONVEYED ASSETS

Section 2.1. Transfer of the Conveyed Assets.

(a) Subject to and upon the terms and conditions set forth herein, the Seller hereby sells, conveys and transfers to the Purchaser all of the Seller's right, title and interest in, to and under the Closing Date Loan Assets for a purchase price equal to the fair market value thereof and, to the extent that the cash portion of the purchase price so paid on the date hereof is less than the purchase price thereof, the difference shall be deemed a capital contribution from the Seller to the Purchaser on the date hereof.

(b) Each of the Seller and the Purchaser agrees and acknowledges that the Purchaser may, as permitted hereunder and under the Loan Agreement and subject to the Consent Procedures Letter, acquire from the Seller Additional Loan Assets for a purchase price equal to the fair market value thereof as agreed between the Purchaser and the Seller and, to the extent that the consideration so paid is less than the purchase price thereof, the difference shall be deemed a capital contribution from the Seller to the Purchaser on the date thereof. Additional Loan Assets will be acquired, in each case, pursuant to a Subsequent Transfer Agreement substantially in the form of Exhibit A hereto, duly executed by the Seller and the Purchaser (each such agreement, a "Subsequent Transfer Agreement") and the Seller and the Purchaser agree that each such Subsequent Transfer Agreement will be deemed to become part of this Agreement as of the date of its execution (the Closing Date with respect to the Closing Date Loan Assets and each such date, a "Transfer Date") without further amendment hereof. The Seller will also execute from the Seller, as assignor, to the Purchaser, as assignee, and deliver to the Trustee (as directed by the Purchaser hereunder) an Assignment of Underlying Instruments in the form attached as Exhibit F to the Loan Agreement with respect to each such Additional Loan (each such agreement, an "Assignment of Underlying Instruments"). Notwithstanding any other provision of this Agreement or of any Assignment of Underlying Instruments, only the rights and obligations of the Seller as a lender under such Loan are sold and transferred thereby. The sale and transfer of any Conveyed Assets hereunder does not constitute and is not intended to result in a creation or assumption by the Purchaser or any assignee of the Purchaser (including the Trustee for the benefit of the Secured Parties), of any obligation of the Seller as administrative agent, collateral agent or paying agent under any Agented Loan.

(c) Except as specifically provided in this Agreement, the sale of any Conveyed Assets under this Agreement shall be without recourse to the Seller; it being understood that the Seller shall be liable to the Purchaser for all representations, warranties, covenants and indemnities made by the Seller pursuant to the terms of this Agreement, all of which obligations are limited so as not to constitute recourse to the Seller for the credit risk of the Obligors. Each of the Seller and the Purchaser agrees that (i) the representations, warranties and covenants of the Seller set forth herein will run to and be for the benefit of the Purchaser and the Trustee and (ii) either the Purchaser or the Trustee may enforce the repurchase obligations of the Seller with respect to breaches of such representations, warranties and covenants as set forth herein. The parties hereto acknowledge and agree that the Trustee for the benefit of the Secured Parties is a third party beneficiary of such representations, warranties and covenants.

(d) Each of the Seller and the Purchaser intends and agrees that (i) the sale, conveyance and transfer of the Conveyed Assets by the Seller to the Purchaser pursuant to this Agreement in each and every case is intended to be, is and shall be treated for all purposes (other than tax purposes) as, an absolute sale, conveyance and transfer of ownership of the applicable Conveyed Assets (free and clear of any Lien other than Permitted Liens) rather than the mere granting of a security interest to secure a financing and (ii) such Conveyed Assets shall not be part of the Seller's estate in the event of a filing of a bankruptcy petition or other action by or against the Seller under any Insolvency Law. It is, further, not the intention of the parties that any such sale, conveyance or transfer be deemed a pledge of any Conveyed Assets by the Seller to the Purchaser to secure a debt or other obligation of the Seller. However, in the event that notwithstanding such intent and agreement, any such Conveyed Assets are held to continue to be the property of the Seller, then the parties hereto agree that the Seller hereby grants to the Purchaser a security interest in all of its right, title and interest in, to and under such Conveyed Assets (whether now existing or hereafter created). For such purposes, this Agreement shall constitute a security agreement under the UCC, to secure the prompt and complete payment of a loan deemed to have been made by the Purchaser to the Seller in an amount equal to the aggregate purchase price paid to the Seller together with such other obligations of the Seller as may arise hereunder in favor of the Purchaser.

(e) If any such transfer of Conveyed Assets by the Seller to the Purchaser (whether Closing Date Loan Assets transferred pursuant to Section 2.1(a) or Additional Loan Assets transferred pursuant to Section 2.1(b)) is deemed to be the mere granting of a security interest to secure a financing, the Purchaser may, to secure the Purchaser's obligations under the Loan Agreement, repledge and reassign to the Trustee for the benefit of the Secured Parties (i) all or a portion of the Conveyed Assets pledged to the Purchaser by the Seller and with respect to which the Purchaser has not released its security interest at the time of such pledge and assignment and (ii) all proceeds thereof. Such repledge and reassignment may be made with or without a repledge and reassignment by the Purchaser of its rights under any agreement with the Seller, and without further notice to or acknowledgment from the Seller. The Seller hereby waives, to the extent permitted by applicable law, all claims, causes of action and remedies, whether legal or equitable (including any right of setoff), against the Purchaser or any assignee relating to such repledge or reassignment in connection with the transactions contemplated by this Agreement and the other Transaction Documents. The Purchaser shall file or shall cause to be filed a precautionary UCC-1 financing statement naming the Seller as debtor, the Purchaser as secured party and the Trustee as assignee, listing all of the Conveyed Assets pledged hereunder as collateral thereunder.

(f) To the extent that the consideration received by the Seller from the Purchaser in exchange for any Conveyed Assets is less than the fair market value of such Conveyed Assets, the difference between such fair market value and the consideration so received shall be deemed to be a capital contribution by the Seller to the Purchaser made on the Closing Date in the case of the Closing Date Loan Assets and as of the related Transfer Date in the case of any Additional Loan Assets. For all purposes of this Agreement, any contributed Conveyed Assets shall be treated the same as the Conveyed Assets sold for cash or other property including, without limitation, for purposes of Section 7.2.

(g) The Seller shall use its commercially reasonable efforts to cause to be delivered to the Trustee (as directed by the Purchaser hereunder) within sixty (60) days after the Closing Date (i) a fully executed assignment agreement assigning each Closing Date Loan subject to the Closing Date Participation Agreement directly to the Borrower and (ii) written evidence satisfactory to the Controlling Lender that the Borrower is recognized as the owner of record by the administrative agent in respect of the underlying loan or credit agreement evidencing such Closing Date Loan.

Section 2.2. Conveyance of Closing Date Loan Assets.

(a) On or before the Closing Date, the Seller shall deliver or cause to be delivered to each Person entitled thereto pursuant to Section 3.1 of the Loan Agreement each of the documents, certificates, opinions of counsel and other items required to be delivered with respect to the Seller pursuant to Section 3.1 of the Loan Agreement.

(b) Concurrently with the transfer of the Closing Date Loan Assets by the Seller to the Purchaser, (i) each of the representations and warranties made by the Seller pursuant to Article III applicable to the Closing Date Loan Assets shall be true and correct as of the Closing Date, and (ii) the Seller shall, at its own expense, not later than the Closing Date, indicate in its records that ownership of the Closing Date Loan Assets has been conveyed to it by OFS Funding, LLC pursuant to the Closing Date Participation Agreement and then conveyed by it to the Purchaser pursuant to this Agreement.

Section 2.3. Acceptance of Closing Date Loan Assets.

On the Closing Date, upon satisfaction of the conditions set forth in Section 2.2, the Purchaser hereby instructs the Seller, and the Seller hereby agrees to deliver, on behalf of the Purchaser, the Closing Date Participation Agreement and the Required Loan Documents with respect to the related Closing Date Loans to the Trustee, and such delivery to the Trustee shall be deemed to be delivery to and acceptance by the Purchaser.

Section 2.4. Conveyance of Additional Loan Assets.

(a) As and when permitted by the Loan Agreement and subject to this Section 2.4 and the satisfaction of the conditions imposed under the Loan Agreement with respect to the acquisition of Additional Loan Assets, the Seller may at its option (but shall not be obligated to except as the Seller may otherwise agree with the Purchaser) sell, convey and transfer to the Purchaser (by delivery of an executed Subsequent Transfer Agreement and an Assignment of Underlying Instruments) all the right, title and interest of the Seller in and to the Additional Loan Assets identified on the Schedule or Exhibit attached thereto, as applicable, in each and every case without recourse other than as expressly provided herein.

(b) Concurrently with the transfer of any Additional Loan Assets by the Seller to the Purchaser, (i) the Seller shall transfer to the Collection Account all Principal Collections and Interest Collections (other than Seller Retained Interest) received with respect to such Additional Loan Assets on and after the related Transfer Date, (ii) each of the representations and warranties made by the Seller pursuant to Article III applicable to the Additional Loan Assets shall be true and correct as of the related Transfer Date and (iii) the Seller shall, at its own

expense, on or prior to the applicable date of transfer to the Purchaser, indicate in its records that ownership of the Additional Loan Assets identified in the Subsequent Transfer Agreement has been sold by the Seller to the Purchaser pursuant to this Agreement.

Section 2.5. Optional Substitution of Loans.

(a) Subject to the Repurchase and Substitution Limit, the Seller may (but shall not be obligated to) with the consent of the Administrative Agent in its sole discretion and of the Loan Manager on behalf of the Purchaser, replace any Loan with any Additional Loan in a Substitution pursuant to and in accordance with the applicable provisions of Section 2.14(b) of the Loan Agreement and this Section 2.5.

(b) With respect to any Additional Loans to be conveyed to the Purchaser by the Seller in connection with any Substitution as described in this Section 2.5, the Seller hereby sells, transfers, assigns, sets over and otherwise conveys to the Purchaser, without recourse other than as expressly provided herein (and the Purchaser shall purchase through cash payment and/or by exchange of one or more related Loans released by the Purchaser to the Seller on the related Transfer Date). To the extent any cash or other property received by the Purchaser in connection with an Additional Loan received in a Substitution exceeds the fair market value thereof, such excess shall be deemed a capital contribution from the Seller to the Purchaser.

(c) The Seller shall execute and deliver to the Purchaser and the Trustee a Subsequent Transfer Agreement and an Assignment of Underlying Instruments with respect to each Additional Loan sold and/or exchanged by the Seller to the Purchaser in connection with a Substitution and shall cooperate with the Loan Manager and the Purchaser so that they may satisfy their respective obligations with respect to any Substitution of Loans pursuant to the Loan Agreement.

(d) The Seller shall bear all transaction costs incurred in connection with a Substitution of Loans effected pursuant to this Agreement.

Section 2.6. Direct Assignments.

The Seller and the Purchaser acknowledge and agree that, solely for administrative convenience, any transfer document or assignment agreement (or, in the case of any Underlying Note, any chain of endorsement) required to be executed and delivered in connection with the transfer of a Loan in accordance with the terms of related Underlying Documents may reflect that (i) the Seller (or OFS Funding, LLC or any third party from whom the Seller or the Purchaser may purchase a Loan) is assigning such Loan directly to the Purchaser or (ii) the Purchaser is acquiring such Loan at the closing of such Loan. Nothing in any such transfer document or assignment agreement (or, in the case of any Underlying Note, nothing in such chain of endorsement) shall be deemed to impair the sales, conveyances and transfers of the Loans by the Seller to the Purchaser in accordance with the terms of this Agreement.

Section 2.7. Delivery of Documents.

With respect to each Loan transferred hereunder as part of the Conveyed Assets , within the time period required for delivery thereof under the Loan Agreement, the Seller, on behalf of

the Purchaser and the Loan Manager, will deliver or cause to be delivered to the Trustee each of the Required Loan Documents with respect to such Loan.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

The Seller makes, and upon execution of each Subsequent Transfer Agreement is deemed to make, the following representations and warranties (including with respect to any Loan sourced or originated by the Seller which for administrative convenience is assigned directly to the Purchaser or the Purchaser acquires directly at the closing of the Loan in accordance with Section 2.6), on which the Purchaser will rely in acquiring the Closing Date Loan Assets on the Closing Date, and any Additional Loan Assets on any applicable Transfer Date pursuant to the applicable Subsequent Transfer Agreement, and on which, in each case, each of the parties hereto acknowledges and agrees that the Trustee, for the benefit of the Secured Parties, shall be entitled to rely as an express third party beneficiary as a condition of the Purchaser entering into the Transaction Documents to which it is a party. Each of the parties hereto acknowledges and agrees that such representations and warranties are being made by the Seller for the benefit of the Purchaser and the Trustee, for the benefit of the Secured Parties.

The representations and warranties set forth in this Article III are given as of the applicable Transfer Date, but shall survive the sale, transfer and assignment of the Conveyed Assets to the Purchaser hereunder or under a Subsequent Transfer Agreement, as applicable.

Section 3.1. Representations and Warranties of the Seller.

By its execution of this Agreement and each Subsequent Transfer Agreement, the Seller represents and warrants as follows (provided that each reference to "limited liability company" in this agreement with respect to the Seller shall be deemed to refer to "corporation" or "corporate", as applicable, upon the Seller's becoming a corporation in connection with a BDC Change of Control, if any):

(a) Organization and Good Standing. The Seller has been duly organized, and is validly existing as a limited liability company in good standing, under the laws of the State of Delaware, with all requisite limited liability company power and authority to own or lease its properties and conduct its business as such business is presently conducted, and had at all relevant times, and now has all necessary power, authority and legal right to acquire, own and sell the Conveyed Assets.

(b) Due Qualification. The Seller is (i) duly qualified to do business and is in good standing as a limited liability company in its jurisdiction of formation, and (ii) has obtained all necessary qualifications, licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualifications, licenses or approvals, except where the failure to so qualify or have such qualifications, licenses and approvals could not reasonably be expected to have a Material Adverse Effect.

(c) Power and Authority; Due Authorization; Execution and Delivery. The Seller (i) has all necessary limited liability company power, authority and legal right to (a) execute and deliver each Transaction Document to which it is a party, and (b) carry out the terms

of the Transaction Documents to which it is a party, and (ii) has duly authorized by all necessary limited liability company action, the execution, delivery and performance of each Transaction Document to which it is a party and the transfer and assignment of an ownership and security interest in the Conveyed Assets on the terms and conditions herein provided. This Agreement and each other Transaction Document to which the Seller is a party have been duly executed and delivered by the Seller.

(d) Binding Obligation. Each Transaction Document to which the Seller is a party constitutes a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its respective terms, except as such enforceability may be limited by Insolvency Laws and by general principles of equity (whether considered in a suit at law or in equity).

(e) No Violation. The consummation of the transactions contemplated by each Transaction Document to which it is a party and the fulfillment of the terms thereof (including without limitation, the use of the proceeds from the sale of the Conveyed Assets) will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the Governing Documents of the Seller or any Contractual Obligation of any the Seller, (ii) result in the creation or imposition of any Lien (other than Permitted Liens) upon the Seller's properties pursuant to the terms of any such Contractual Obligation, other than this Agreement or (iii) violate any Applicable Law except, in the case of clause (i) where such conflicts, breaches or violations would not reasonably be expected to have a Material Adverse Effect.

(f) Agreements. The Seller is not a party to any agreement or instrument or subject to any limited liability company restriction that has resulted or could reasonably be expected to result in a Material Adverse Effect. The Seller is not in default in any manner under any provision of any agreement or instrument evidencing Indebtedness, or any other material agreement or instrument to which it is a party or by which it or any of its properties or assets are or may be bound, where such defaults could reasonably be expected to result in a Material Adverse Effect.

(g) No Proceedings. There is no litigation, proceeding or investigation pending or, to the knowledge of the Seller, threatened against the Seller, before any Governmental Authority (i) asserting the invalidity of any Transaction Document to which the Seller is a party, (ii) seeking to prevent the consummation of any of the transactions contemplated by any Transaction Document to which the Seller is a party or (iii) that could reasonably be expected to have Material Adverse Effect.

(h) All Consents Required. All approvals, authorizations, consents, orders, licenses, filings or other actions of any Person or of any Governmental Authority (if any) required for the due execution, delivery and performance by the Seller of each Transaction Document to which it is a party have been obtained, except where the failure to so obtain would not reasonably be expected to have a Material Adverse Effect.

(i) Bulk Sales. The execution, delivery and performance of this Agreement and the transactions contemplated hereby do not require compliance with any "bulk sales" act or similar law by the Seller.

(j) Solvency. The Seller is not the subject of any Insolvency Proceedings or Insolvency Event. The transactions under the Transaction Documents to which the Seller is a party do not and will not render the Seller not Solvent and the Seller has delivered to the Purchaser and the Administrative Agent on the Closing Date a certification in the form of Exhibit C to the Loan Agreement.

(k) Taxes. The Seller has filed or caused to be filed all federal and all other material tax returns which, to its knowledge, are required to be filed by it, if any, and has paid all taxes shown to be due and payable on such returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any amount of tax due, the validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in accordance with generally accepted accounting principles have been provided on its books); no tax lien has been filed against the Seller.

(l) Reports Accurate. All written information, financial statements of the Seller, documents, books, records or reports furnished or to be furnished by the Seller to the Purchaser in connection with this Agreement (including, without limitation, any such item relating to a Closing Date Loan) are, as of their respective delivery dates, true, complete and correct in all material respects.

(m) Location. The Seller's location (within the meaning of Article 9 of the UCC) is, and at all times has been, the State of Delaware. The Seller has not changed its location within the four (4) months preceding the Closing Date.

(n) Legal Name. The Seller's exact name as of the Closing Date is OFS Capital, LLC. The Seller's prior legal names are as set forth in the long form good standing certificate from the Secretary of State of Delaware delivered pursuant to Section 2.2 hereof.

(o) Value Given. The Seller has received reasonably equivalent value from the Purchaser in consideration for the transfer to the Purchaser of the Conveyed Assets, and no such transfer shall have been made for or on account of an antecedent debt, and no such transfer is or may be voidable or subject to avoidance under any section of the Bankruptcy Code.

(p) Accounting. The Seller accounts for the sale, conveyance and transfer of each Loan hereunder as a sale for legal purposes and for financial accounting (but not tax) purposes on its books, records and financial statements, in each case consistent with GAAP and with the requirements set forth herein.

(q) Investment Company Act. The Seller is not, as of the Closing Date, an "investment company" as defined in the 1940 Act. As of the Closing Date, the Seller has filed a registration statement with the SEC on Form N-2 for the public offering of its securities and upon completion of such offering, if any, it intends to be a closed-end, non-diversified management investment company that has elected to be regulated as a business development

company under the 1940 Act and qualify as a regulated investment company under the Code. At such time, if any, as the Seller elects to be regulated as a business development company under the 1940 Act, it will conduct its business and other activities (a) in compliance in all material respects with the applicable provisions of the 1940 Act and any applicable rules, regulations or orders issued by the SEC thereunder and (b) in such a way that the transactions contemplated by this Agreement and the other Transaction Documents do not violate in any material respect the provisions of the 1940 Act or any rules, regulations or orders issued by the SEC thereunder.

(r) ERISA. Except as would not reasonably be expected to constitute a Material Adverse Effect, (i) the present value of all benefits vested under all Pension Plans of the Seller does not exceed the value of the assets of the Pension Plan allocable to such vested benefits (based on the value of such assets as of the most recent annual financial statements reflecting such amounts), (ii) no Reportable Events have occurred with respect to any Pension Plans that, in the aggregate, could subject the Seller to any material tax, penalty or other liability and (iii) no notice of intent to terminate a Pension Plan has been filed, nor has any Pension Plan been terminated under Section 4041(f) of ERISA, nor has the Pension Benefit Guaranty Corporation instituted proceedings to terminate, or appoint a trustee to administer a Pension Plan and no event has occurred or condition exists that might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan.

(s) Compliance with Law. The Seller has complied in all material respects with all Applicable Law to which it may be subject.

(t) No Material Adverse Effect. No event, change or condition has occurred that has had, or could reasonably be expected to have, a Material Adverse Effect on the Seller since June 30, 2010.

(u) Full Payment. As of the initial Transfer Date thereof, the Seller had no knowledge of any fact which should lead it to expect that any Loan which is being sold, conveyed and transferred to the Purchaser on such Transfer Date will not be repaid by the applicable Obligor in full.

(v) Accuracy of Representations and Warranties. Each representation or warranty by the Seller contained herein or in any report, financial statement, exhibit, schedule, certificate or other document furnished by the Seller pursuant hereto, in connection herewith or in connection with the negotiation hereof is, to the best of the Seller's knowledge, true and correct in all material respects.

(w) USA PATRIOT Act. Neither the Seller nor, to the best of the Seller's knowledge, any Affiliate of the Seller is (i) a country, territory, organization, person or entity named on an Office of Foreign Asset Control (OFAC) list; (ii) a Person that resides or has a place of business in a country or territory named on such lists or which is designated as a "Non Cooperative Jurisdiction" by the Financial Action Task Force on Money Laundering, or whose subscription funds are transferred from or through such a jurisdiction; (iii) a "Foreign Shell Bank" within the meaning of the USA PATRIOT Act, i.e., a foreign bank that does not have a physical presence in any country and that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision; or (iv) a person or entity that

resides in or is organized under the laws of a jurisdiction designated by the United States Secretary of the Treasury under Sections 311 or 312 of the USA PATRIOT Act as warranting special measures due to money laundering concerns.

Section 3.2. Representations and Warranties Regarding the Loans.

The Seller hereby represents to the Purchaser and to the Trustee for the benefit of the Secured Parties that

(a) Eligibility of Collateral. As of each Transfer Date with respect to each Loan sold, conveyed and transferred by the Seller to the Purchaser on such Transfer Date, (i) the information set forth on Schedule 1 hereto and Schedule 1 to each Subsequent Transfer Agreement, as applicable, with respect to the identity of such Loans and the amounts owing thereunder is true, correct and complete as of the related Transfer Date, (ii) each such Loan is an Eligible Loan, and (iii) each such Loan is free and clear of any Lien of any Person (other than Permitted Liens and any Lien which will be released contemporaneously with the sale thereof to the Purchaser) and in compliance in all material respects with all Applicable Laws.

(b) No Fraud. Each Loan originated by the Seller was originated without any fraud or material misrepresentation and each Loan originated by an unaffiliated third party which was purchased by the Seller and sold to the Purchaser hereunder was, to the best of the Seller's knowledge, originated without any fraud or misrepresentation.

Section 3.3. Representations and Warranties of the Purchaser.

By its execution of this Agreement and each Subsequent Transfer Agreement, the Purchaser represents and warrants to the Seller that:

(a) Organization and Good Standing. The Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and in each jurisdiction where the conduct of its business requires such license, qualification or good standing, except where the failure to be so licensed or qualified or in good standing would not have a material adverse effect the ownership or use of its assets, the validity or enforceability of the Transaction Documents to which it is a party, or the ability of the Purchaser to perform its obligations hereunder or thereunder.

(b) Power and Authority. The Purchaser has the power and authority to execute and deliver the Transaction Documents to which it is a party and all other documents and agreements contemplated hereby and thereby to which it is a party, as well as to carry out the terms hereof and thereof.

(c) Valid Execution; Binding Obligations. The Purchaser has taken all necessary action, including but not limited to all requisite limited liability company action, to authorize the execution, delivery and performance of the Transaction Documents to which it is a party and all other documents and agreements contemplated hereby and thereby to which it is a party. When executed and delivered by the Purchaser each of the Transaction Documents to which it is a party will constitute the legal, valid and binding obligation of the Purchaser enforceable in accordance with its terms subject, as to enforcement, to applicable bankruptcy,

insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors rights in general, and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(d) Authorizations. All authorizations, licenses, permits, certificates, franchises, consents, approvals and undertakings which are required to be obtained by the Purchaser under any applicable law which are material to (i) the conduct of its business, (ii) the ownership, use, operation or maintenance of its properties or (iii) the performance by the Purchaser of its obligations under or in connection with the Transaction Documents to which it is a party, have been received and all such authorizations, licenses, permits, certificates, franchises, consents, approvals and undertakings are in full force and effect.

(e) No Violations. The execution, issuance and delivery of, and performance by the Purchaser of its obligations under, the Transaction Documents to which it is a party and any and all instruments or documents required to be executed or delivered pursuant to or in connection herewith or therewith were and are within the powers of the Purchaser and will not violate any provision of any law, regulation, decree or governmental authorization applicable to the Purchaser or its limited liability company agreement, and will not violate or cause a default under any provision of any contract, agreement, mortgage, Loan Agreement or other undertaking to which the Purchaser is a party or which is binding upon the Purchaser or any of its property or assets, and will not result in the imposition or creation of any lien, charge or encumbrance upon any of the properties or assets of the Purchaser pursuant to the provisions of any such contract, agreement, mortgage, Loan Agreement or undertaking, other than as specifically set forth in the Loan Agreement.

(f) Litigation. There are no legal, governmental or regulatory proceedings pending to which the Purchaser is a party or to which any of its property is subject, which if determined adversely to the Purchaser would individually or in the aggregate have a material adverse effect on the performance by the Purchaser of the Transaction Documents to which it is a party or the consummation of the transactions contemplated hereunder or thereunder, and to the best of its knowledge, no such proceedings are threatened or contemplated.

ARTICLE IV
PERFECTION OF TRANSFER AND PROTECTION OF SECURITY INTERESTS

Section 4.1. Custody of Loan.

With respect to each Loan transferred hereunder as part of the Conveyed Assets , within the time period required for delivery thereof under the Loan Agreement, copies (or originals, if required by the definition of Required Loan Documents) of the Required Loan Documents shall be delivered to the Trustee.

Section 4.2. Filing.

Each of the Seller and the Purchaser hereby authorizes the Loan Manager and the Trustee to prepare and file such UCC financing statements (including but not limited to renewal, continuation or in lieu statements) and amendments or supplements thereto or other instruments

as the Loan Manager may from time to time deem necessary or appropriate in order to perfect and maintain the security interests granted hereunder in accordance with the UCC.

Section 4.3. Changes in Name, Corporate Structure or Location.

If any change in the Seller's name, identity, structure, existence, state of formation, location or other action would make any financing or continuation statement or notice of ownership interest or lien relating to any Conveyed Assets seriously misleading within the meaning of applicable provisions of the UCC or any title statute, the Seller, no later than ten Business Days after the effective date of such change, shall file such amendments as may be required to preserve and protect the Purchaser's and the Trustee's respective interests in the Conveyed Assets.

Section 4.4. Costs and Expenses.

The Purchaser under the Loan Agreement will be obligated to pay all reasonable costs and disbursements in connection with the perfection and the maintenance of perfection, as against all third parties, of the Purchaser's and Trustee's respective right, title and interest in and to the Conveyed Assets (including, without limitation, the security interests provided for in the Loan Agreement).

Section 4.5. Sale Treatment.

Other than for tax purposes, the Seller and the Purchaser shall treat the transfer of Conveyed Assets made hereunder for all purposes as a sale and purchase on all of its relevant books and records.

ARTICLE V
COVENANTS

Section 5.1. Covenants of the Seller.

The Seller makes the following covenants on which the Purchaser will rely in acquiring the Closing Date Loan Assets on the Closing Date, and any Additional Loan Assets on any applicable Transfer Date pursuant to the applicable Subsequent Transfer Agreement, and on which, in each case, each of the parties hereto acknowledges and agrees that the Trustee, for the benefit of the Secured Parties, shall be entitled to rely as an express third party beneficiary as a condition of the Purchaser entering into the Transaction Documents to which it is a party:

(a) Existence. During the term of this Agreement, and except as contemplated by a BDC Change of Control, the Seller will keep in full force and effect its existence, rights and franchises as a limited liability company (or, with respect to its successor following a BDC Change of Control, a corporation) under the laws of the jurisdiction of its organization and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement, the other Transaction Documents to which the Seller is a party and each other instrument or agreement necessary or appropriate to the proper administration of this Agreement and the transactions contemplated hereby.

(b) Security Interests. Except as expressly provided herein, the Seller will not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any lien on any Conveyed Assets. Promptly after a Responsible Officer of the Seller has knowledge thereof, the Seller will notify the Purchaser and the Trustee of the existence of any Lien on any Conveyed Assets (other than any Permitted Lien); and the Seller shall defend the respective right, title and interest of the Purchaser in, to and under the Conveyed Assets against all claims of third parties; *provided* that nothing in this Section 5.1(b) shall prevent or be deemed to prohibit the Seller from suffering to exist Permitted Liens upon any of the Conveyed Assets. The Seller shall promptly take all actions required (including, but not limited to, all filings and other acts necessary or advisable under the UCC of each relevant jurisdiction) in order to continue (subject to Permitted Liens) the first priority perfected security interest of the Purchaser granted by the Seller hereunder in all Conveyed Assets which have not been released pursuant to the Loan Agreement.

(c) Compliance with Law. The Seller hereby agrees to comply in all material respects with all requirements of law applicable to it except where the failure to do so would not have a Material Adverse Effect.

(d) Location. The Seller shall not move its jurisdiction of formation outside of the State of Delaware without 30 days' prior written notice to the Purchaser and the Trustee.

(e) Merger or Consolidation of the Seller.

(i) Any Person into which the Seller may be merged or consolidated, or any Person resulting from such merger or consolidation to which the Seller is a party, or any Person succeeding by acquisition or transfer to substantially all of the assets and the business of the Seller shall be the successor to the Seller hereunder and the other Transaction Documents to which the Seller is a party, without execution or filing of any paper or any further act on the part of any of the parties hereto, notwithstanding anything herein to the contrary.

(ii) Upon the merger or consolidation of the Seller or transfer of substantially all of its assets and its business as described in this Section 5.1(e), the Seller shall provide the Trustee and the Purchaser notice of such merger, consolidation or transfer of substantially all of the assets and business within 30 days after completion of the same.

(f) Regulatory Filings. The Seller may make, or cause to be made, any filings, reports, notices, applications and registrations with, and seek any consents or authorizations from, the SEC and any state securities authority on behalf of the Seller as may be necessary or that the Seller deems advisable to comply with any federal or state securities or reporting requirements laws relating to the transactions contemplated by the Transaction Documents or as may be otherwise required by Applicable Law.

(g) Collections. All Collections (other than Seller Retained Interest) received by it with respect to the Conveyed Assets transferred hereunder shall be held in trust for the

benefit of the Trustee for the benefit of the Secured Parties until deposited into the Collection Account within two Business Days after receipt.

(h) Notice of Default. The Seller will furnish to the Purchaser (with a copy to the Administrative Agent), promptly upon a Responsible Officer of the Seller becoming aware thereof (and, in any event, within two (2) Business Days), notice of the occurrence of any event with respect to such Seller which constitutes a Default or an Event of Default.

ARTICLE VI
INDEMNIFICATION BY THE SELLER

Section 6.1. Indemnification.

(a) Without limiting any other rights that any such Person may have hereunder or under Applicable Law, the Seller hereby agrees to indemnify the Purchaser, the Administrative Agent, the Trustee, the Secured Parties, the Loan Manager, the Lenders and each of their respective assigns and officers, directors, members, managers, employees and agents thereof (collectively, the "Indemnified Parties"), forthwith on demand, from and against any and all damages, losses, claims, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively referred to as the "Indemnified Amounts") awarded against, incurred by or asserted by the Seller or any third party against such Indemnified Party or any of them arising out of or as a result of this Agreement or having an interest in the Conveyed Assets or in respect of any Loan included in the Conveyed Assets, excluding, however, any Indemnified Amounts to the extent resulting from (1) gross negligence or willful misconduct on the part of any Indemnified Party, resulting from negligence on the part of the Trustee under circumstances in which the Trustee is subject to a negligence standard under the Loan Agreement or, with respect to the Loan Manager, resulting from any act or omission by the Loan Manager with respect to which the Seller is entitled to indemnification from the Loan Manager pursuant to Section 10.2 of the Loan Agreement and (2) Loans that are uncollectible due to the Obligor's financial inability to pay; provided, that, for the avoidance of doubt, the obligations of the Seller set forth in Section 7.2 shall constitute the sole recourse to the Seller for any breach of the representations or warranties set forth in Section 3.2 with respect to any Loan. If the Seller has made any indemnity payment pursuant to this Section 6.1 and such payment fully indemnified the recipient thereof and the recipient thereafter collects any payments from others in respect of such Indemnified Amounts then, the recipient shall repay to the Seller an amount equal to the amount it has collected from others in respect of such Indemnified Amounts. Without limiting the foregoing, the Seller shall indemnify each Indemnified Party for Indemnified Amounts (except to the extent resulting from gross negligence or willful misconduct on the part of any Indemnified Party or resulting from negligence on the part of the Trustee under circumstances in which the Trustee is subject to a negligence standard) relating to or resulting from:

(i) any representation or warranty made or deemed made by the Seller or any of its respective officers under or in connection with this Agreement or any other Transaction Document, which shall have been false, incorrect or misleading in any material respect when made or deemed made or delivered;

(ii) the failure of any Loan acquired hereunder to be an Eligible Loan as of the related Transfer Date;

(iii) the failure by the Seller to comply with any term, provision or covenant contained in this Agreement or any agreement executed by the Seller in connection with this Agreement, or with any Applicable Law, with respect to any Conveyed Assets or the nonconformity of any Conveyed Assets with any such Applicable Law;

(iv) the failure to vest and maintain vested in the Purchaser an undivided ownership interest in the Conveyed Assets (or the Closing Date Participation Interests in the Closing Date Loans, as applicable), together with all Collections (other than Seller Retained Interest), free and clear of any Lien (other than Permitted Liens) whether existing at the time of sale hereunder or at any time thereafter;

(v) [Reserved];

(vi) the failure to file, or any delay in filing, financing statements, continuation statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other Applicable Law with respect to the security interest granted by the Seller in any Conveyed Assets, whether at the time of sale hereunder or at any subsequent time;

(vii) any dispute, claim, offset or defense (other than the discharge in bankruptcy of the Obligor) of the Obligor to the payment with respect to any Conveyed Assets (including, without limitation, a defense based on the Conveyed Assets not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to such Conveyed Assets or the furnishing or failure to furnish such merchandise or services;

(viii) any failure of the Seller to perform its duties or obligations in accordance with the provisions of this Agreement or any of the other Transaction Documents to which it is a party or any failure by the Seller to perform its duties under any Conveyed Assets;

(ix) [Reserved];

(x) any inability to obtain any judgment in, or utilize the court or other adjudication system of, any state in which an Obligor may be located as a result of the failure of the Seller to qualify to do business or file any notice or business activity report or any similar report;

(xi) any action taken by the Seller prior to the related Transfer Date in the enforcement or collection of any Conveyed Assets;

(xii) [Reserved];

(xiii) the failure by the Seller to pay when due any Taxes for which the Seller is liable, including without limitation, sales, excise or personal property taxes payable in connection with the Conveyed Assets;

(xiv) [Reserved];

(xv) the commingling by the Seller of Collections on the Conveyed Assets at any time with other funds of the Seller;

(xvi) any investigation, litigation or proceeding related to this Agreement or the use of proceeds by the Seller from sales of Conveyed Assets executed hereunder or the security interest in the Conveyed Assets;

(xvii) any failure by the Purchaser to give reasonably equivalent value to the Seller or to the applicable third party transferor, in consideration for the transfer by the Seller or such third party to the Purchaser of any item of Conveyed Assets or any attempt by any Person to void or otherwise avoid any such transfer under any statutory provision or common law or equitable action, including, without limitation, any provision of the Bankruptcy Code;

(xviii) [Reserved]; or

(xix) the failure of the Seller or any of its agents or representatives to remit to the Purchaser or the Trustee, as applicable, Collections (other than Seller Retained Interest) on the Conveyed Assets remitted to the Seller or any such agent or representative as provided in this Agreement.

(b) Any amounts subject to the indemnification provisions of this Section 6.1 shall be paid by the Seller to the Indemnified Party on the Payment Date following such Person's demand therefor, accompanied by a reasonably detailed description in writing of the related damage, loss, claim, liability and related costs and expenses.

(c) If for any reason the indemnification provided above in this Section 6.1 is unavailable to the Indemnified Party or is insufficient to hold an Indemnified Party harmless, then the Seller shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Seller on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations; provided that the Seller shall not be required to contribute in respect of any Indemnified Amounts excluded in Section 6.1(a).

(d) The obligations of the Seller under this Section 6.1 shall survive the resignation or removal of the Trustee and the termination of this Agreement.

(e) Notwithstanding anything contained in this Section 6.1 or otherwise in this Agreement or in any other Transaction Document, the Seller shall not be liable to any Indemnified Party or any other Person for any consequential (including loss of profit), indirect,

special or punitive damages under this Agreement or any other Transaction Document entered into by the Seller.

(f) An Indemnified Party shall promptly notify the Seller if a claim is made by a third party with respect to this Agreement, and the Seller shall assume (with the consent of the Indemnified Party) the defense and any settlement of any such claim and pay all expenses in connection therewith, including reasonable counsel fees, and promptly pay, discharge and satisfy any judgment or decree which may be entered against the Indemnified Party in respect of such claim. If the consent of the Indemnified Party required in the immediately preceding sentence is unreasonably withheld with respect to any claim, the Seller shall be relieved of its indemnification obligations hereunder with respect to such claim. The parties agree that the provisions of this Section 6.1 shall not be interpreted to provide recourse to the Seller against loss by reason of the bankruptcy, insolvency or lack of creditworthiness of an Obligor with respect to a Loan. The Seller shall have no liability for making indemnification hereunder to the extent any such indemnification constitutes recourse for uncollectible or uncollected amounts payable under any Loan.

Section 6.2. Liabilities to Obligors.

Except with respect to the funding commitment assumed by the Purchaser with respect to any Delayed Draw Loan or Revolving Loan and any other obligation of the lender with respect to the related Loan, the Seller hereby acknowledges and agrees that no obligation or liability of the Seller to any Obligor under any of the Loans is intended to be assumed by the Purchaser, the Trustee or the Lenders under or as a result of this Agreement, any Subsequent Transfer Agreement and the transactions contemplated hereby and under the other Transaction Documents, and the Trustee for the benefit of the Secured Parties is expressly named as a third party beneficiary of this Agreement for purposes of this Section 6.2.

Section 6.3. Operation of Indemnities.

If the Seller has made any indemnity payments to any Indemnified Party pursuant to this Article VI and such Indemnified Party thereafter collects any such amounts from others, such Indemnified Party will repay such amounts collected to the Seller.

Section 6.4. Limitation on Liability.

The Seller shall be liable under this Agreement only to the extent of the obligations specifically undertaken by the Seller under this Agreement. The Seller and any shareholder, partner, member, manager, director, officer, employee or agent of the Seller may rely in good faith on any document of any kind, prima facie properly executed and submitted by any Person respecting any matters arising hereunder. The Seller and any shareholder, partner, member, manager, director, officer, employee or agent of the Seller shall be reimbursed by the Purchaser (subject to the availability of funds in accordance with Section 2.7 or Section 2.8 of the Loan Agreement, as applicable) for any liability or expense incurred by reason of the Purchaser's willful misfeasance, bad faith or negligence (except errors in judgment) in the performance of its respective duties hereunder, or by reason of reckless disregard of its obligations and duties hereunder. The Seller shall not be under any obligation to appear in, prosecute or defend any

legal action that shall not be incidental to its obligations under this Agreement or the other Transaction Documents and that in its opinion may involve it in any expense or liability.

ARTICLE VII
OPTIONAL AND MANDATORY REPURCHASES

Section 7.1. Optional Repurchases.

In addition to the right to replace Loans by Substitution as provided in Section 2.5, the Seller shall have the right, but not the obligation, to repurchase from the Purchaser any such Loan (including, without limitation, any Loan with an Assigned Value of zero) subject to the Repurchase and Substitution Limit and the conditions set forth in the Loan Agreement and subject to the Consent Procedures Letter. In the event of such a repurchase, the Seller shall deposit in the Collection Account an amount equal to the fair market value (subject to the OFS Parent Valuation Procedure) for such Loan (or applicable portion thereof) as of the date of such repurchase. The Seller and the Purchaser shall execute and deliver such instruments, consents or other documents and perform all acts reasonably requested by the Seller and the Loan Manager in order to effect the transfer and release of any of the Purchaser's interests in the Loans (together with the property related thereto) that are being repurchased and the release thereof from the lien of the Loan Agreement.

Section 7.2. Mandatory Repurchases.

Upon discovery by a Responsible Officer of the Seller, the Purchaser (or the Loan Manager on its behalf) or the Trustee that a Loan was not an Eligible Loan on its Transfer Date (each such Loan, an "Ineligible Loan"), the party discovering the same shall give prompt written notice to the other party hereto, the Administrative Agent, the Trustee and the Loan Manager. Within 10 Business Days of the earlier of its discovery or its receipt of notice of any such Ineligible Loan, the Seller shall (a) promptly cure such breach to the satisfaction of the Administrative Agent, (b) purchase the Loan by depositing in the Collection Account an amount equal to the Transfer Deposit Amount of such Loan or (c) remove such Loan from the Purchaser and substitute therefor one or more Additional Loans in a Substitution satisfying the requirements of Section 2.5 of this Agreement and the applicable provisions of Section 2.14 of the Loan Agreement. Such repurchase and substitution obligations constitute the sole remedy available for a breach of Section 3.2(a)(ii).

Section 7.3. Reassignment of Substituted or Repurchased Loans.

Upon (i) receipt by the Trustee for deposit in the Collection Account of the Repurchase Price in the case of any repurchased Loan or (ii) the Transfer Date related to a Substitute Loan described in Section 2.5, the Purchaser hereby assigns to the Seller all of the Purchaser's right, title and interest in the Conveyed Assets being repurchased or substituted without recourse, representation or warranty. Such reassigned Loan (together with the other Conveyed Assets related thereto) shall no longer thereafter be deemed a part of the Assets.

Section 7.4. Substitution and Repurchase Limitations.

The Outstanding Balance of all Loans which are the subject of an optional Substitution or repurchase by the Seller hereunder, with respect to which (i) an Obligor defaults on its payment obligations, (ii) an Obligor defaults and the agent or lender elects to enforce any of its rights or remedies with respect thereto, (iii) all or a portion of the principal due thereunder is reduced, waived or forgiven or any lenders' rights to payment of principal as and when due thereunder has been waived or delayed or lenders thereunder have agreed to forbear from enforcing their rights to such payment or (iv) an Insolvency Event occurs with respect to the related Obligor, shall not exceed 10% of the Net Purchased Loan Balance as of the date of determination. The Outstanding Balance of all Loans which are the subject of an optional Substitution or repurchase by the Seller hereunder shall not exceed, in the aggregate, 20% of the Net Purchased Loan Balance as of the date of determination. The foregoing provisions in this paragraph constitute the "Repurchase and Substitution Limit". For the avoidance of doubt, any mandatory Substitution or repurchase of any Loan by the Seller pursuant to Section 7.2 hereof and the sale of any Loan or any Equity Security at the discretion of the Loan Manager on behalf of the Borrower to the Seller pursuant to the Loan Agreement reflecting arms length market terms and subject to the OFS Parent Valuation Procedure will not constitute a Substitution or sale subject to the Repurchase and Substitution Limit.

ARTICLE VIII
MISCELLANEOUS

Section 8.1. Amendment.

(a) Except as provided in this Section 8.1, no amendment, waiver or other modification of any provision of this Agreement shall be effective unless signed by the Purchaser and the Seller and consented to in writing by the Administrative Agent and the Trustee.

Section 8.2. Governing Law.

(a) This Agreement shall be construed in accordance with, and this Agreement and all matters arising out of or relating in any way whatsoever (whether in contract, tort or otherwise) to this Agreement shall be governed by, the law of the State of New York

(b) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. Each party hereto (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 8.2(b).

Section 8.3. Notices.

All notices, demands, certificates, requests, directions and communications hereunder (notices) shall be in writing and shall be effective (a) upon receipt when sent through the U.S. mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (b) one Business Day after delivery to an overnight courier, (c) on the date personally delivered to a Responsible Officer of the party to which sent, or (d) on the date transmitted by legible facsimile transmission or electronic mail transmission with a confirmation of receipt, in all cases addressed to the recipient at such recipient's address for notices set forth in Schedule 2.

Section 8.4. Severability of Provisions.

If one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever prohibited or held invalid or unenforceable, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement and any such prohibition, invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant, agreement, provision or term in any other jurisdiction.

Section 8.5. Third Party Beneficiaries.

The parties hereto hereby manifest their intent that the Trustee, on behalf of the Secured Parties, the Administrative Agent and the Lenders (and any other Indemnified Parties) are express third party beneficiaries of this Agreement and that no other third party shall be deemed a third party beneficiary of this Agreement, and specifically that the Obligors are not third party beneficiaries of this Agreement.

Section 8.6. Counterparts.

This Agreement may be executed by facsimile signature and in several counterparts, each of which shall be an original and all of which shall together constitute but one and the same instrument.

Section 8.7. Headings.

The headings of the various Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.8. No Bankruptcy Petition; Disclaimer.

(a) The Seller covenants and agrees that, prior to the date that is one year and one day after the satisfaction and discharge of the Loan Agreement or, if longer, the applicable preference period then in effect, it will not institute against the Purchaser (in the case of the Seller), or join any other Person in instituting against the Purchaser, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceedings

under the laws of the United States or any state of the United States. This Section 8.8 will survive the termination of this Agreement.

(b) The provisions of this Section 8.8 shall be for the third party benefit of those entitled to rely thereon, including the Trustee for the benefit of the Secured Parties, and shall survive the termination of this Agreement.

Section 8.9. Jurisdiction.

Each party hereto hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or Federal court sitting in the Borough of Manhattan in The City of New York in any action or proceeding arising out of or relating this Agreement, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State or Federal court. Each party hereto hereby irrevocably waives, to the fullest extent that it may legally do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Each party hereto irrevocably consents to the service of any and all process in any action or proceeding by the mailing or delivery of copies of such process to it the address set forth in Schedule 2. Each party hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 8.10. No Partnership.

Nothing herein contained shall be deemed or construed to create a co-partnership or joint venture between the parties hereto.

Section 8.11. Successors and Assigns; Assignment to Trustee.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Each of the parties hereto acknowledges that the rights of the Purchaser under this Agreement are hereby assigned to the Trustee provided, however, that the Trustee has agreed in the Loan Agreement that unless and until an Event of Default shall have occurred and be continuing, the Purchaser may continue to exercise its rights hereunder. Each of the parties hereto acknowledges that the rights and obligations of the Seller may be transferred and delegated to a successor corporation in connection with a BDC Change of Control.

Section 8.12. Duration of Agreement.

This Agreement shall continue in existence and effect until the satisfaction and discharge of the Loan Agreement.

Section 8.13. Limited Recourse.

The obligations of the Purchaser and the Seller under this Agreement and the other Transaction Documents are solely the limited liability company or corporate obligations, as applicable, of the Purchaser and Seller, respectively. No recourse shall be had for the payment of any amount owing by the Purchaser or Seller under this Agreement, any Transaction

Document or for the payment by the Purchaser or Seller of any fee in respect hereof or any other obligation or claim of or against the Purchaser or Seller arising out of or based upon this Agreement or any Transaction Document, against any employee, officer, director, shareholder, partner, member or manager of the Purchaser or Seller or of any Affiliate of such Person (other than the Seller or the Purchaser, as applicable). The provisions of this Section 8.13 shall survive the termination of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement .to be duly executed by their respective officers as of the day and year first above written.

OFS CAPITAL, LLC

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

OFS CAPITAL WM, LLC

By: OFS Capital, LLC, its Administrative Manager

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: /s/ Glenn R. Pittson
Name: Glenn R. Pittson
Title: President

Acknowledged and Agreed:

WELLS FARGO DELAWARE TRUST COMPANY, N.A., Not in its individual capacity, except as herein expressly provided, but solely as the Trustee

By: /s/ Patrick F. Gallagher
Name: Patrick F. Gallagher
Title: Assistant Vice President

EXHIBIT A

FORM OF SUBSEQUENT TRANSFER AGREEMENT

____ __, 20__

This Subsequent Transfer Agreement, dated as of ____ __, 20__ (this "*Agreement*"), is made by and between OFS CAPITAL, LLC (the "Seller") and OFS CAPITAL WM, LLC (the "Purchaser"). Capitalized terms used but not defined herein have the respective meanings attributed to such terms in that certain Loan Sale Agreement, dated as of September 28, 2010 (such agreement as amended, restated, supplemented or modified from time to time, the "Loan Sale Agreement"), by and between the Seller and the Purchaser.

Subject to and upon the terms and conditions set forth in the Loan Sale Agreement, in exchange for good and valuable consideration, the adequacy of which is duly acknowledged by the Seller and the Purchaser, the Seller hereby absolutely sells, conveys and transfers to the Purchaser as of the date hereof (the "Transfer Date") all of the Seller's right, title and interest in, to and under the Additional Loan Assets identified in Schedule I hereto.

By its execution of this Agreement each of the parties hereto makes the representations and warranties set forth in Article III of the Loan Sale Agreement, as applicable, as of the Transfer Date and the provisions of Section 8.13 of the Loan Sale Agreement are hereby incorporated herein by reference.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

OFS CAPITAL, LLC

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: _____
Name: Glenn R. Pittson
Title: President

OFS CAPITAL WM, LLC

By: OFS Capital, LLC, its Administrative Manager

By: Orchard First Source Asset Management, LLC, its Manager

By: Orchard First Source Capital, Inc., its Managing Member

By: _____
Name: Glenn R. Pittson
Title: President

Exhibit (n)(1)

Consent of Independent Registered Public Accounting Firm

We consent to the use in this Pre-Effective Amendment No. 2 to Registration Statement (No. 333-166363) on Form N-2 of OFS Capital, LLC of our report dated April 21, 2010, relating to our audit of the consolidated financial statements of Old Orchard First Source Asset Management, LLC (f/k/a: Orchard First Source Asset Management, LLC) and Subsidiaries appearing in the Prospectus, which is part of this Registration Statement, and to the reference to our firm under the caption “Independent Registered Public Accounting Firm” in such Prospectus.

/s/ McGladrey & Pullen, LLP

Chicago, Illinois
October 5, 2010

Exhibit (n)(4)

CONSENT OF PROPOSED DIRECTOR

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I hereby consent to be named in the Registration Statement on Form N-2 of OFS Capital, LLC, and in all subsequent amendments and post-effective amendments or supplements thereto, including the prospectus contained therein, as a nominee for director of both OFS Capital, LLC, a Delaware limited liability company, and OFS Capital Corporation, a Delaware corporation, and to all references to me in either capacity.

/s/ Elaine E. Healy
Name: Elaine E. Healy

October 5, 2010

October 5, 2010

Mr. John M. Ganley,
Securities and Exchange Commission,
100 F Street, N.E.,
Washington, D.C. 20549.

Re: OFS Capital, LLC
(Form N-2, File Nos. 333-166363 & 814-00813)

Dear Mr. Ganley:

On behalf of our client, OFS Capital, LLC (the "Company"), we enclose herewith Amendment No. 2 ("Amendment No. 2") to the Company's Registration Statement on Form N-2 (the "Form N-2") and set out below the Company's response to the comment of the staff (the "Staff") of the Securities and Exchange Commission (the "Commission") concerning the Company's Form N-2, as conveyed to us by you in our telephone conversation on August 16, 2010. Except as otherwise noted in this letter, the information provided in response to the Staff's comment has been supplied by the Company, which is solely responsible for it. Capitalized terms used herein and not otherwise defined herein have the meanings ascribed thereto in Amendment No. 2.

During that phone conversation, the Staff indicated that it was considering how the Commission's Rule 140 under the Securities Act of 1933, as amended (the "1933 Act"), applied, if at all, to the Company and the disclosure contained in the Form N-2. Rule 140 provides as follows:

> "A person, the chief part of whose business consists of the purchase of the securities of one issuer, or of two or more affiliated issuers, and the sale of its own securities ... to furnish the proceeds with which to acquire the securities of such issuer or affiliated issuers, is to be regarded as engaged in the distribution of the securities of such issuer or affiliated issuers within the meaning of Section 2(11) of the Act."

While not exclusive to the SBIC subsidiary described in the Form N-2, the Staff in particular indicated it was considering how Rule 140 might be applicable to the Company's proposal in its Form N-2 to establish or acquire a subsidiary licensed as a small business investment company ("SBIC"). In that phone conversation, the Staff

asked that the Company provide its views on the applicability of Rule 140.[1]

1. Background

Before addressing why the Company believes Rule 140 does not apply to the Company, we thought it would be helpful to elaborate on the Company's investment strategy and its organizational structure, particularly in light of certain developments described in Amendment No. 2. As disclosed in the Form N-2, the Company intends to pursue an investment strategy focused primarily on investments in middle-market companies in the United States. It expects that its investments will include asset classes in which its external manager has expertise, including investments in senior secured, unitranche, second-lien and mezzanine loans and, to a lesser extent, warrants and other minority equity securities. Having said that, the structure of any given investment, including, among other things, the nature of the entity that holds such investment, will be determined in significant part by the characteristics of that particular investment and the Company's expected rate of return with respect to that investment. For example, senior secured loans typically bear lower interest rates and, accordingly, require leverage to meet the Company's expected rate of return, and often the most advantageous financing will be achieved through use of special purpose vehicles. The SBIC program of the Small Business Administration ("SBA") also provides a limited amount of leverage in respect of investments in eligible small businesses and, accordingly, SBIC subsidiaries are a common mechanism by which business development companies make modestly leveraged investments.[2] On the other hand, certain investments yield appropriate returns without any need for leverage.

1 If Rule 140 were to apply, then the public offering of the common stock of the Company would be regarded as the indirect offering of the limited partnership interests of the SBIC subsidiary (and potentially other subsidiaries), requiring the SBIC subsidiary to sign the Registration Statement as a co-registrant for the securities to be issued. In addition, it could render the SBIC subsidiary unable to rely on one or more exclusions from the definition of "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act"), requiring it to elect to be treated as a business development company under the 1940 Act, and impose other burdens.

2 For example, in connection with the initial public offering of Medley Capital BDC, LLC, the principals of Medley Capital LLC have applied for a license to form an SBIC and, if the application is approved and the SBA so permits, the SBIC license will be transferred to a wholly-owned subsidiary of the registrant. In connection with its initial public offering in April 2010, Golub Capital BDC, Inc. ("Golub") stated that it had submitted an application to the SBA to form a third SBIC, and that it expected to amend or resubmit its pending application so that one of its subsidiaries would become the applicant for the new SBIC license. Golub recently announced that its wholly owned subsidiary, GC SBIC IV, L.P., has received approval for a license to operate as an SBIC. Immediately prior to the consummation of its initial public offering in October 2007, Main Street Capital Corporation ("Main Street") acquired all the equity interests of Main Street Mezzanine Fund, LP, an SBIC, and its general partner. Various other business development companies operated or acquired SBICs at the time of their initial public offerings and/or established one or more SBIC subsidiaries thereafter, including Fifth Street Finance Corporation, Hercules Technology Growth Capital, Inc., MCG Capital Corporation and Medallion Financial Corporation.

Initially, the Company anticipates that it will take advantage of each of these corporate and subsidiary structures in pursuing its investment strategy. As disclosed in Amendment No. 2, it intends to pursue a portion of its investment strategy through a newly formed limited partnership ("SBIC LP" or the "SBIC subsidiary"), and has received preliminary authorization from the SBA in the form of a "Green Light" letter, dated October 7, 2009, to begin the application process to become licensed as an SBIC. SBIC LP will be the Company's wholly-owned subsidiary and intends to rely on an exclusion from the definition of "investment company" under the 1940 Act provided by Section 3(c)(7) thereunder. Over a period of one year, the Company anticipates capitalizing the SBIC subsidiary with $75 million in equity capital.

In addition, the Company has established a special purpose vehicle ("OFS Capital WM"), a newly formed limited liability company, which has entered into a new $180 million secured revolving credit facility with Wells Fargo Bank, N.A. and Madison Capital Funding LLC. In connection with this transaction, the Company sold a large portion of the senior secured loan portfolio transferred to it by the Company's wholly-owned subsidiary, OFS Funding, LLC ("OFS Funding"), to OFS Capital WM and contributed the cash consideration received in exchange to OFS Funding to repay a substantial portion of the outstanding loan balance under OFS Funding's debt facility with Bank of America. In connection with the OFS Capital WM Transaction, the Company sold to the special purpose vehicle approximately $96.9 million of loans or participations therein (or approximately 54.5% of the Company's investments). Following the OFS Capital WM Transaction, it is anticipated that OFS Funding will have approximately only $80.9 million in investments.[3] OFS Capital WM is the Company's wholly-owned subsidiary and intends to rely on an exclusion from the definition of "investment company" under the 1940 Act provided by Rule 3a-7 thereunder, and the Company will not consolidate OFS Capital WM in its financial statements in accordance with Article 6 of Regulation S-X under the 1933 Act. Upon consummation of the BDC Conversion, OFS Capital WM will constitute one of the Company's eligible portfolio companies.

Finally, as contemplated by the Form N-2, the Company anticipates conducting a public offering of shares of its common stock and is targeting raising between $125 million and $150 million in aggregate net proceeds. Other than the portion of that offering to be invested through the SBIC subsidiary, the Company expects the vast majority of those offering proceeds to be available to it to make direct unleveraged investments in higher yielding assets consistent with its investment strategy.

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[3] In addition to the OFS Capital WM Transaction, OFS Funding distributed to the Company and the Company, in turn, distributed to its parent, Orchard First Source Asset Management ("OFSAM"), approximately $67.2 million in loans, and expects to distribute a further $1.3 million in equity investments, as further described in Amendment No. 2 (the "2010 Distribution").

2. Analysis

General

The Company respectfully submits to the Staff that Rule 140 does not apply to the Company and its proposed operations. In the first instance, the Company believes that Rule 140 does not apply, and was not meant to be applied, to what is essentially a single investment strategy that utilizes different corporate and subsidiary structures to take advantage of available financing or leverage opportunities, such as those available through use of special purpose vehicles or the SBIC program of the SBA. As a matter of practice, Rule 140 has not been applied to require registration of the securities of controlled companies through which registrants conduct aspects of their businesses. Otherwise all holding companies, which is the typical structure of U.S. public companies, would be required to register their subsidiaries' securities at the same time they register their own, at least to the extent that they expect to reinvest the offering proceeds in their subsidiary operating companies, which is frequently the case. The Company respectfully submits that there is no meaningful distinction between the typical holding company structure and the one contemplated by the instant transaction. Rather, application of Rule 140 to the instant transaction, merely because the Company intends to use a portion of the proceeds of its public offering to capitalize over time a recently acquired SBIC subsidiary or another newly formed subsidiary, would result in arbitrary application of the rule to some holding company structures but not to others, and to some business development companies that express an intention to engage in these financing or structuring techniques as part of their investment strategies but not to others that choose to pursue their investment strategies through existing subsidiaries or different corporate structures.[4] If Rule 140 were applied to the instant transaction on the basis that the Company intends to use a portion of the offering proceeds to capitalize over time one or more subsidiaries, then it would appear to the Company to require not only the SBIC subsidiary, OFS Funding and OFS Capital WM to be co-registrants, but also each other portfolio company in which the Company invests as part of its business of making investments in multiple issuers to achieve a diversified portfolio consistent with its investment objective. The Company respectfully submits that this would be a strange result and should drive a narrower interpretation of the rule.

[4] For example, Main Street stated in its Registration Statement on Form N-2 filed with the Commission on September 21, 2007, that, immediately prior to its election to be treated as a business development company under the 1940 Act and the closing of its initial public offering, it would acquire two wholly-owned SBIC subsidiaries. Neither subsidiary was a co-registrant at the time such Registration Statement was declared effective. Based upon information contained in Main Street's Form 10-K for the fiscal year ended December 31, 2007, it appears that the proceeds from the initial public offering were used to fund these SBICs for the purpose of making further portfolio investments. Similarly, Golub stated in its Registration Statement on Form N-2 filed with the Commission on April 14, 2010, that it had applied for a license to form an SBIC, and that it expected such license to be transferred to one of its wholly-owned subsidiaries, but such subsidiary was not a co-registrant.

Application of the Rule

In addition to the fact that, from a policy perspective, it would not be reasonable to apply Rule 140 to the Company and its investment strategy, on the face of the language of the rule (including as it has been interpreted by the Staff in the past), the Company believes Rule 140 does not apply to the Company. Rule 140 only applies to the extent that the "chief part" of the Company's business is selling its securities and utilizing the proceeds to purchase the securities of an issuer or affiliated issuers. Rule 140 does not set forth any standard for identifying the "chief part" of an issuer's business. However, the Staff has stated that the chief part of a primary issuer's business would not entail using the proceeds from an offering of its bonds to acquire the securities of a secondary issuer if the securities of the secondary issuer consist of 45% or less of the collateral securing the bonds.[5] The Company respectfully submits that, at least in this context, the "primarily engaged" test under the 1940 Act[6] should inform the interpretation of the phrase "chief part" of an issuer's business.

SBIC Subsidiary

Having regard to this 45% test, investing in the SBIC subsidiary is not the "chief part" of the Company's business. Although the Company will use a portion of its capital from time to time to invest in the SBIC subsidiary, and currently intends to use a portion of the proceeds of its initial public offering to fund such investments, such capital will not be deployed all at once at the closing of this offering. Rather, the amount and

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[5] FBC Conduit Trust I, SEC No-Action Letter, 1987 SEC No-Act. LEXIS 2692, at *3 (Oct 6, 1987).

[6] Section 3(a)(1)(C) of the 1940 Act includes within the definition of an investment company any issuer which is engaged or proposes to engage in the business of investing … in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Rule 3a-1 under the 1940 Act provides that, notwithstanding Section 3(a)(1)(C) of the 1940 Act, an issuer will not be an investment company if:

(a) No more than 45% of the value (as defined in Section 2(a)(41) of the 1940 Act) of such issuer's total assets (exclusive of U.S. government securities and cash items) consist of, and no more than 45% of such issuer's net income after taxes (for the last four fiscal quarters combined) is derived from securities other than (1) U.S. government securities, (2) securities issued by employees' securities companies, (3) securities issued by majority-owned subsidiaries of the issuer (other than subsidiaries relying on the exclusion from the definition of investment company in Section 3(b)(3) or Section 3(c)(1) of the 1940 Act) which are not investment companies, and (4) securities issued by companies (i) which are controlled primarily by such issuer, (ii) through which such issuer engages in a business other than that of investing … in securities, and (iii) which are not investment companies;

(b) The issuer is not an investment company as defined in Section 3(a)(1)(A) or 3(a)(1)(B) of the 1940 Act and is not a special situation investment company; and

(c) The percentages described in paragraph (a) are determined on an unconsolidated basis, except that the issuer shall consolidate its financial statements with the financial statements of any wholly-owned subsidiaries.

timing of investments by the Company in the SBIC subsidiary, if any, will be determined by a variety of factors, including the progress made by the SBIC subsidiary in securing an SBIC license, the SBIC subsidiary's ability to access the SBA's guaranteed-debenture program, and the availability of eligible investment opportunities meeting the investment objective of the SBIC subsidiary. In any event, the Company expects that the value of all of its investments in the SBIC subsidiary will constitute far less than 45% of the value of the Company's total assets (exclusive of U.S. government securities and cash items) on a consolidated basis, as determined under Rule 3a-1 under the 1940 Act.

Moreover, SBIC regulations currently limit the dollar amount of SBA-guaranteed debentures that can be issued by any one SBIC or group of SBICs under common control to $225 million. When coupled with the fact that an SBIC generally may not borrow an amount in excess of two times its regulatory capital, this has the effect of limiting the return on any equity investment in excess of an aggregate of $112.5 million in any one or more commonly controlled SBICs. Accordingly, SBIC regulations will necessarily reduce the prominence of this aspect of the Company's investment strategy over time as the Company looks for alternative ways to deploy its capital and earn a higher return on its leveraged investments.

As discussed above, the SBIC subsidiary is just one of a variety of investment vehicles or structures through which the Company expects to implement its investment strategy and create a diversified portfolio. In this regard, the Company is not merely a vehicle for raising funds for the SBIC subsidiary; rather, the SBIC subsidiary is one of the vehicles through which the Company expects to make investments. Accordingly, in the Company's view, Rule 140 would not compel the conclusion that the SBIC subsidiary should be a co-registrant in these circumstances.

OFS Funding, LLC and OFS Capital WM, LLC

Similarly, having regard to this 45% test, the Company's investments in OFS Funding will not constitute the "chief part" of the Company's business. Although substantially all of the Company's investments were previously held by OFS Funding, the Company has sold a large portion of such assets to OFS Capital WM as part of the OFS Capital WM Transaction (and additional assets were or are expected to be distributed to OFSAM as part of the 2010 Distribution). As a result, the Company anticipates that OFS Funding will have approximately only $12.4 million in investments, which will constitute far less than 45% of the value of the Company's total assets (exclusive of U.S. government securities and cash items) on a consolidated basis, as determined under Rule 3a-1 under the 1940 Act. Further, the Company does not currently intend to use any portion of the proceeds of this offering or any other capital to make any additional investments through OFS Funding, and anticipates that OFS Funding will be merged into the Company or another Company subsidiary or otherwise wound up in due course.

While it is true that the Company will continue to benefit from its existing portfolio through its investment in OFS Capital WM, unlike the SBIC subsidiary and OFS Funding, in accordance with Article 6 of Regulation S-X under the 1933 Act, the Company will not consolidate OFS Capital WM in its financial statements. Instead, the Company's equity investment in OFS Capital WM will be reflected on its balance sheet. Upon consummation of the BDC Conversion, OFS Capital WM will constitute one of the Company's eligible portfolio companies and one of several unaffiliated special purpose vehicles and portfolio companies through which it intends to implement its investment strategy. Accordingly, Rule 140 should not be applied to OFS Capital WM because it is not one of two or more *affiliated* issuers the securities of which the Company intends to purchase with the proceeds of the offering. Moreover, the Company does not currently intend to use any portion of the proceeds of this offering to acquire additional equity interests of OFS Capital WM. Rather, the Company intends to use the proceeds of this offering to acquire additional portfolio company investments not yet identified.

Disclosure Considerations

The Company respectfully submits that the disclosure regarding the SBIC subsidiary, OFS Funding and OFS Capital WM provided in Amendment No. 2 places the appropriate emphasis on the importance of each entity in relation to the Company's other investment techniques. In the Company's view, if it were to include expanded disclosure regarding, and separate financial statements for, any of these entities in the Form N-2, the result would be to overstate the importance of one aspect of the instant transaction relative to its other components.

The Company therefore respectfully submits that the application of Rule 140 to the instant transaction would not further the policy objective that drove adoption of Rule 140, namely, the prevention of circumvention of the registration requirements of the 1933 Act where an issuer uses the proceeds of the sale of its own securities to purchase the securities of another issuer, without disclosing to the purchasers of its securities information regarding the underlying issuer. By contrast, the Company has included among its stated investment strategies the utilization of the SBIC subsidiary and other entities as part of the means to achieve its investment objective and believes that the level of detail included in Amendment No. 2 conveys all material information relevant to investors in this offering.

Competitive Concerns

As indicated earlier, the Company believes that other business development companies that have registered or are currently seeking to register the public offering of their securities with the Commission have utilized comparable structures to achieve their investment objectives without the burden of having a co-registrant. The

Company expects that some of these companies will be competitors for not only eligible portfolio companies but also investor capital. Imposing this burden on the Company will subject the Company to offering and ongoing reporting costs to which such other business development companies are not subject that will reduce the ultimate competitiveness of the Company without achieving disclosure that would be material to investors in the Company.

In light of the reasons outlined above, the Company respectively submits that Rule 140 does not and should not apply to the instant transaction. If you have any questions or comments regarding the above or the enclosed materials, please feel free to call me on (310) 712-6603.

Very truly yours,

/s/ Patrick S. Brown
Patrick S. Brown

(Enclosure)

cc: Glenn R. Pittson
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