

PART 2A OF FORM ADV: FIRM BROCHURE



OFS Capital Management, LLC

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This brochure provides information about the qualifications and business practices of OFS Capital Management, LLC (“**OFS Management**”) and Orchard First Source Asset Management, LLC (“**OFSAM**,” and collectively with OFS Management, “**we**,” “**us**,” or “**our**”). If you have any questions about the contents of this brochure, please contact us at 847-734-2000 or erubenfeld@ofscapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about OFS Management is also available via the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also provides information about any of our affiliates who are registered, or are required to be registered, as investment advisers.

OFS Management is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). OFS Management’s registration under the Advisers Act does not imply any level of skill or training.

Item 2 Material Changes

Pursuant to the requirements and rules of the Securities and Exchange Commission (the “**SEC**”), we will ensure that you receive a summary of any material changes to this brochure and subsequent brochures within 120 days of the close of our fiscal year. We will also provide ongoing disclosure about material changes as such changes may arise.

Our brochure may be requested, free of charge, by contacting our Chief Compliance Officer, Eric P. Rubenfeld (the “**CCO**”), at 847-734-2000 or erubenfeld@ofscapital.com.

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Item 4 **Advisory Business**

Background

OFS Management is a Delaware limited liability company, which was organized on March 18, 2010. OFS Management has been in business for approximately two years. OFSAM was formed on December 17, 2009 and is the sole member and the managing member of OFS Management. The principal owner of OFSAM is Richard Ressler through his interest in Orchard Investments II, LLC. Certain OFSAM subsidiaries and affiliates commenced operations in 1995.

Neither OFS Management nor OFSAM has any employees. Each of them has entered into a staffing agreement (each a “**Staffing Agreement**”) with Orchard First Source Capital, Inc. (“**OFSC**”), a Delaware corporation and wholly owned subsidiary of OFSAM, which employs all of the personnel (including investment professionals) that provide services to each of OFS Management and OFSAM.

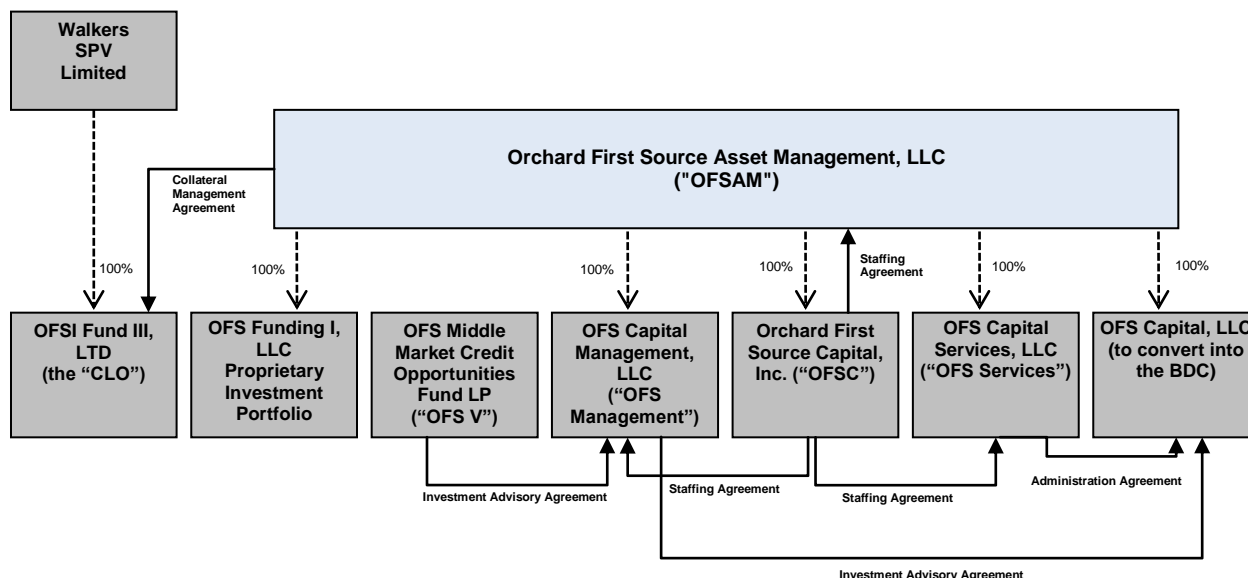
OFS Management serves as the investment adviser to OFS Capital, LLC, and in the future may serve as investment adviser to other funds including pooled investment vehicles to be formed such as OSF Middle Market Credit Opportunities Fund LP (“**OFS Fund V**”).

As described below, OFS Capital, LLC is expected to become an externally managed, closed-end, non-diversified management investment company upon completion of its initial public offering of common stock in compliance with the Securities Act of 1933, as amended (the “**Securities Act**”), pursuant to a Registration Statement on Form N-2 (Registration No. 333-166363), as amended, filed with the SEC on March 28, 2012 (the “**Offering**”). Prior to the completion of the Offering, OFS Capital, LLC will convert into OFS Capital Corporation (the “**BDC**”) and file an election to be regulated as a business development company under the Investment Company Act of 1940, as amended (the “**1940 Act**”).

OFSAM serves as the collateral manager of OFSI Fund III, Ltd. (the “**CLO**”). The CLO is an exempted company incorporated under the laws of the Cayman Islands. All of the ordinary shares of the CLO are held by Walkers SPV Limited, a licensed trust company incorporated in the Cayman Islands, under the terms of a declaration of trust for the benefit of one or more charitable organizations located in the Cayman Islands. The CLO has also issued various classes of notes (the “**Notes**”).

In addition, OFSAM manages our proprietary investments, which we refer to as our “**Proprietary Investment Portfolio**”.

The following chart depicts our structure:



Advisory Services

OFS Management currently provides investment management, advisory and certain administrative services and other related services (collectively, the “**investment advisory services**”) to OFS Capital, LLC, a wholly owned subsidiary of OFSAM (which expects to become the BDC upon completion of the Offering), and expects to provide investment advisory services to each of the BDC and to OFS Fund V. OFSAM provides investment advisory services to the CLO and our Proprietary Investment Portfolio. We refer to each of the funds and accounts advised by us, together with future clients, individually as a “**Client**” or collectively as our “**Clients**.” The investment advisory services we provide include sourcing potential investments, conducting research and due diligence on potential investments and equity sponsors, analyzing investment opportunities, originating investments, structuring investments, and monitoring investments and portfolio companies.

We have traditionally focused on investments in middle-market and broadly syndicated U.S. loans, however, we provide investment advice to Clients regarding a variety of investments, including other types of debt and equity. We use the term “**Middle-Market**” to refer to companies that exhibit one or more of the following characteristics: (i) between 150 and 2,000 employees; (ii) revenues between \$50 million and \$300 million; (iii) annual earnings before interest, taxes, depreciation, and amortization between \$5 million and \$50 million; (iv) generally, private companies owned by private equity firms or owners/operators; and (v) enterprise value between \$25 million and \$500 million.

OFS Capital, LLC and the BDC

OFS Management currently provides tailored investment advisory services to OFS Capital, LLC pursuant to an interim investment management agreement (the “**Interim Management Agreement**”). As described in more detail below, we have negotiated the terms of a replacement investment management agreement with OFS Capital, LLC (the “**BDC Management Agreement**”) that will become effective if and when the BDC converts from a limited liability company into a corporation in connection with its initial public offering. Historically, substantially all of OFS Capital, LLC’s portfolio consisted of senior secured loans to Middle-Market companies in the U.S. As a regulated business development company, the BDC will be subject to a number of restrictions on its investments, including the requirement that it invest primarily in “eligible portfolio companies,” as defined in the 1940 Act. The BDC will invest in senior secured, unitranche, second-lien, mezzanine loans, and, to a lesser extent, on warrants and other minority equity securities, in Middle-Market U.S. companies. In addition, OFS Management expects to provide tailored investment advisory services to the BDC’s wholly owned, small business investment company subsidiary (the “**SBIC Subsidiary**”), which will have the same general investment strategy as the BDC.

The CLO

OFSAM currently provides tailored investment advisory services to the CLO pursuant to the Collateral Management Agreement, dated as of September 20, 2006, by and between the CLO and OFSAM’s predecessor entity (the “**CLO Management Agreement**”). The CLO’s portfolio is comprised predominantly of senior secured and second lien loans made to privately-held U.S. companies and includes both Middle-Market and broadly syndicated loans. The CLO is subject to restrictions on investing in certain companies (or other issuers) and types of securities under the terms of a note indenture dated as of September 20, 2006 (the “**Indenture**”). The loans and synthetic securities in which the CLO invests must meet stringent criteria set forth in the Indenture, including, but not limited to (i) a requirement of periodic payments of interest in cash, (ii) a minimum Moody’s Rating, and (iii) a maximum level of risk.

OFS Fund V

OFS Management expects to provide tailored investment advisory services to OFS Fund V, a pooled investment vehicle to be organized in order to acquire a diversified portfolio of distressed, stressed and special situation investments, comprised primarily of credit investments in Middle Market U.S. companies in accordance with criteria established by OFS Management.

Proprietary Investment Portfolio

OFSAM provides investment advisory services to our Proprietary Investment Portfolio. Our Proprietary Investment Portfolio consists primarily of legacy investments that are being harvested, and we do not anticipate making significant new investments in our

Proprietary Investment Portfolio. Further, our Proprietary Investment Portfolio does not co-invest alongside our Clients. However, from time to time, we may make new investments in our Proprietary Investment Portfolio that are not appropriate for our Clients.

Wrap Fee Programs

We do not participate in wrap fee programs.

Management of Client Assets

As of December 31, 2011, we had \$645,800,000 of assets under management on a discretionary basis and no assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

General

A written investment management agreement governs the terms of compensation and the manner in which we charge fees to each of our Clients. The following discussion provides an overview of our current fee and compensation arrangements.

Generally we charge our Clients both a base management fee and a performance-based incentive fee. Our base management and incentive fees vary by Client, and we may negotiate lesser or different fee schedules for Clients (or underlying investors) based on a variety of factors, including the nature of the Client's proposed investments.

Subject to the specific terms of their investment management agreement, we directly bill our current Clients for their fees. Future Clients or the underlying investors, however, may elect to be billed directly for fees or may authorize us to directly deduct fees from their accounts. Typically, we will bill our fees quarterly in arrears. Client accounts initiated or terminated during a quarter may be charged a prorated base management fee and incentive fee. Upon termination of any Client account, we will promptly refund any unearned, prepaid fees and any earned, unpaid fees will remain due and payable.

Clients may incur certain charges imposed by custodians, brokers, and other third parties, including custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our management fees are exclusive of such brokerage commissions, custody fees, fund expenses, transaction fees, and other related costs and expenses. We do not receive any portion of these commissions, fees, and costs and will not receive a brokerage commission or other compensation attributable to the sale of securities or other investment products. An affiliate of OFSAM provides agency services to Middle-Market lenders, including, in some cases, OFSAM Clients. This affiliate typically receives an annual flat fee in connection with these services, but these agency fees constitute a de minimis amount relative to our investment advisory fees.

For a detailed discussion of the factors that we consider in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of commissions and compensation for such broker-dealers, please see "Item 12 Brokerage Practices – Selection of Broker-Dealers and Reasonableness of Compensation."

BDC Management Agreement

OFS Management is currently a party to the Interim Management Agreement pursuant to which it provides investment advisory services to OFS Capital, LLC. The Interim Management Agreement will be terminated and superseded by the BDC Management Agreement if and when OFS Capital, LLC converts into the BDC. The board of directors of the BDC, including the independent directors, must approve the BDC Management

Agreement prior to its execution. Throughout this Brochure, we refer to directors who are not “interested persons” as defined in the 1940 Act, as independent directors.

Pursuant to the Interim Management Agreement, in exchange for OFS Management’s investment advisory services, OFS Capital, LLC pays OFS Management a base management fee (the “**Interim Base Management Fee**”) calculated at a quarterly rate of 0.50% based on OFS Capital, LLC’s 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 Interim Base Management Fee is payable quarterly in arrears. The Interim Management Agreement does not provide for an incentive fee.

Upon the effectiveness of the BDC Management Agreement, in exchange for OFS Management’s investment advisory services, the BDC will pay OFS Management a base management fee (the “**BDC Base Management Fee**”), based on a percentage of the BDC’s total assets (other than cash and cash equivalents, but including assets purchased with borrowed amounts and including assets owned by the SBIC Subsidiary) at the end of the two most recently completed quarters. The BDC Base Management Fee, which is expected to be 1.75% annually (except with respect to certain assets for which an unaffiliated third-party provides loan management services, for which OFS Management will receive a reduced management fee that is expected to be 0.5% annually), will be determined upon the completion of the initial public offering and will be payable quarterly in arrears.

In addition, pursuant to the BDC Management Agreement, the BDC will pay OFS Management an incentive fee (the “**BDC Incentive Fee**”). The BDC Incentive Fee has two components: (i) a percentage of the amount of the pre-incentive fee net investment income, if any, that exceeds a specified hurdle rate in any given quarter, plus a catch-up, and (ii) at the end of each calendar year, a percentage of the realized capital gains on a cumulative basis, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis. The BDC Incentive Fee, which is not expected to exceed 20% of the amounts described in (i) and (ii) above, will be determined upon the completion of the Offering, is determined on a consolidated basis and, as such, will apply to the performance of the SBIC Subsidiary as well.

OFS Management will provide and pay for the compensation of OFS Management’s investment professionals and OFS Management’s affiliates, to the extent they provide investment advisory services to the BDC, and the compensation and routine overhead expenses of personnel allocable to these services. Pursuant to the terms of the BDC Management Agreement, the BDC is responsible for paying all other costs and expenses incurred in connection with administering the BDC’s business.

In addition, pursuant to the BDC Management Agreement, the BDC will bear all other out-of-pocket costs and expenses of its operations and transactions, including, without limitation, those relating to organizing the BDC and the Offering; calculating the BDC’s net asset value; investment advisory fees; administrative fees and expenses under the

Administration Agreement (as defined below); independent directors' fees and expenses; and fees and expenses incurred by and payable to unaffiliated third parties in monitoring financial and legal affairs for the BDC, in monitoring the BDC's investments, and for performing due diligence on prospective portfolio companies or otherwise relating to, or associated with, evaluating and making investments.

Unless terminated earlier, the BDC Management Agreement will continue in effect for a period of two years from its effective date. After the initial two year period, the BDC Management Agreement will remain in effect from year to year as long as the board of directors of the BDC or the holders of a majority of the outstanding voting securities of the BDC approve such continuation. In addition, a majority of the BDC's independent directors must approve the continuation of the BDC Management Agreement. The BDC Management Agreement may be terminated by either party without penalty with at least 60 days' written notice to the other party. The holders of a majority of outstanding voting securities of the BDC may also terminate the agreement without penalty with at least 60 days' written notice to OFS Management.

The BDC Management Agreement will provide that OFS Management is entitled to indemnification by the BDC against any claims or liabilities, including reasonable legal fees and other expenses reasonably incurred, arising out of or in connection with the business and operations of the BDC, or any action taken or omitted on behalf of the BDC, pursuant to authority granted under the BDC Management Agreement, unless OFS Management acts with willful misfeasance, bad faith, or gross negligence in performing its duties or with reckless disregard of its duties and obligations under the BDC Management Agreement.

In addition, the BDC has entered into an administration agreement (the "**Administration Agreement**") with OFS Management's affiliate, OFS Capital Services, LLC ("**OFS Services**"), pursuant to which OFS Services furnishes the BDC with office facilities, equipment, necessary software licenses and subscriptions, and clerical, bookkeeping, and recordkeeping services. In consideration for such services, the BDC will reimburse OFS Services for the BDC's allocable portion of overhead and certain other expenses. The Administration Agreement will have an initial term of two years and may be renewed with the approval of OFS Management's board of directors. The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

CLO Management Agreement

As discussed above, OFSAM provides investment advisory services to the CLO pursuant to the CLO Management Agreement. Pursuant to the CLO Management Agreement, the CLO pays OFSAM a base management fee of 0.25% per annum and a subordinated management fee of 0.75% per annum, in each case, of the par value of the underlying investments held by the CLO (the "**CLO Management Fee**") and an incentive management fee as described below (the "**CLO Incentive Fee**").

OFSAM is entitled to receive the CLO Incentive Fee, to the extent funds are available, in accordance with the priority of payments set forth in the Indenture. The amount of the CLO Incentive Fee is 20% of the CLO's net principal and interest income after holders of the CLO's residual interest notes have received an annualized internal rate of return of at least 10%.

OFSAM is responsible for all of its ordinary expenses incurred in the performance of its obligations under the CLO Management Agreement, including the fees and expenses of any third party employed by OFSAM to perform its obligations under the CLO Management Agreement.

Pursuant to the CLO Management Agreement, and the related transaction documents, the CLO is responsible for, among other things, the following costs and expenses: fees and expenses payable to the rating agencies, collateral administrator, indenture trustee, paying agent for the Notes, and accountants; fees and expenses of legal counsel for OFSAM and the CLO in connection with acquisition of investments; fees and expenses of legal advisers, consultants, accountants, appraisers, and other experts and professionals retained to perform services in connection with the execution, delivery, and performance of OFSAM's rights, duties, and obligations and any litigation arising therefrom; fees and expenses incurred by, or on behalf of, OFSAM in obtaining legal advice with respect to its obligations under applicable law, the CLO Management Agreement, or the Indenture; brokerage commissions paid on an arms-length basis, transfer fees, registration costs, taxes, and other similar costs and transaction related expenses and fees arising out of transactions effected for CLO's account; and fees and expenses for accounting, pricing, or valuation services obtained on behalf of the CLO.

The CLO Management Agreement will continue in effect until the earlier of the (i) liquidation of all of the assets in the CLO's portfolio and the final distribution of the proceeds of such liquidation and (ii) termination of OFSAM for cause (as defined in the CLO Management Agreement). In addition, OFSAM may resign upon 90 days' written notice to the CLO, the indenture trustee, and the applicable rating agencies. If the CLO Management Agreement is terminated for any reason, or if OFSAM resigns or is removed, the fees and expenses payable by the CLO to OFSAM that have not yet been paid or reimbursed, shall be due and payable following the termination, resignation, or removal.

The CLO Management Agreement provides that, OFSAM is entitled to indemnification by the CLO against any claims or liabilities, including reasonable legal fees and other expenses arising out of or in connection with the CLO Management Agreement unless OFSAM engages in fraud or willful misconduct, acts in bad faith or with gross negligence, or has reckless disregard for its duties and obligations under the CLO Management Agreement.

OFS Fund V Management Agreement

Pursuant to an investment management agreement to be established between OFS Fund V and OFS Management (the “**OFS Fund V Management Agreement**”), it is expected that, for the period commencing on its initial closing and continuing until the date that is three years following its final closing (which final closing may take place no later than the first anniversary of the initial closing (the “**Final Closing**”)), OFS Fund V will pay OFS Management a management fee (the “**OFS Fund V Management Fee**”) equal to 0.5% per quarter (2% per annum) based on the aggregate capital commitments of the limited partners in OFS Fund V. Thereafter, the annual OFS Fund V Management Fees will be equal to 0.167% per month (2.0% per annum) based upon the total capital contributions of the Limited Partners less any capital contributions made in respect of realized (i.e. disposed) investments. The OFS Fund V Management Fees will be payable quarterly or monthly, as provided above, in arrears. OFS Fund V Management Fees will be prorated for any period that is less than a full payment period; provided however, that OFS Fund V investors who do not participate in the initial closing of OFS Fund V, may pay a management fee retroactive to the initial closing. Upon termination of the investment management agreement, OFS Management will promptly refund any unearned, prepaid fees and any earned, unpaid fees will remain due and payable.

In addition, pursuant to the OFS Fund V Management Agreement, OFS Fund V will pay OFS Management an incentive fee (the “**OFS Fund V Incentive Fee**”). The OFS Fund V Incentive Fee will be 20% of the cash proceeds derived by OFS Fund V from its ownership or disposition of investments, subject to provisions requiring that investors first receive the amount of their capital contribution and a certain cumulative return on their investment.

The expected term of OFS Fund V will be eight years from the Final Closing, subject to two one-year extensions. The OFS Fund V Management Agreement will remain in effect until terminated by agreement of OFS Fund V and OFS Management, or upon the dissolution of OFS Fund V.

The OFS Fund V Management Agreement provides that OFS Management is entitled to indemnification by OFS Fund V against any claims, liabilities, costs and expenses, including legal fees, incurred by reason of their activities on behalf of OFS Fund V, provided that the loss or expense is not the result of the OFS Management’s bad faith, actual fraud, willful misconduct, gross negligence or a willful and material uncured breach of the OFS Fund V governing agreements.

Item 6 Performance-Based Fees and Side-By-Side Management

We have entered into investment management agreements with Clients, which typically provide for performance-based or incentive fee arrangements with eligible Clients. We do not charge Clients any other type of fee, such as an hourly or flat fee. The terms and conditions of these fee arrangements are subject to individualized negotiations with each Client, and are structured in accordance with Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), which permits performance-based fee arrangements with “qualified clients.” For a description of these performance-based fee arrangements, please see “Item 5 Fees and Compensation.”

Conflicts Relating to Performance Fees

Performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those that we may otherwise recommend under a different fee arrangement. In the allocation of investment opportunities, performance-based fee arrangements may also create an incentive for us to favor Clients with performance or incentive fee arrangements over Clients that are not charged a performance fee. We have adopted an order aggregation and trade allocation policy (the “**Aggregation and Allocation Policy**”) designed to ensure that all of our Clients are treated fairly and equally and to prevent this form of conflict from influencing the allocation of investment opportunities. In accordance with our Aggregation and Allocation Policy, while each of our Clients may not participate in each individual investment opportunity, on an overall basis, each Client will be entitled to participate equitably with our other Clients.

The Aggregation and Allocation Policy seeks to allocate investment opportunities among our Clients in a fair and equitable manner. If an investment opportunity is appropriate for two or more Clients with similar or overlapping investment strategies, such investment opportunity will be allocated based on the provisions governing allocation of such investment opportunities, if any, in the relevant organizational and operational documents of such Clients. In the absence of such provisions, our investment committee will determine the allocation by considering, among other things, the following factors and the weight that should be given with respect thereto: (i) the investment guidelines and/or restrictions set forth in the applicable organizational or operational documents of the Client; (ii) the Client’s risk and return profile; (iii) the suitability/priority of a particular investment for the Client; (iv) if applicable, the target position size of the investment for the Client; (v) the Client’s level of available cash for investment; (vi) the total amount of funds committed by the Client; and (vii) the vintage and remaining term of the Client’s investment period, if any.

Conflicts Relating to the BDC Management Fees and Use of Leverage

In the course of its investing activities, the BDC will pay management and incentive fees to OFS Management. Because the management fees are based on the BDC’s total assets (other than cash and cash equivalents but including assets purchased with borrowed

amounts), OFS Management stands to benefit when the BDC incurs debt or uses leverage. The BDC's board of directors is charged with protecting the BDC's interests by monitoring how OFS Management addresses these and other conflicts of interests. While the BDC's board of directors is not expected to review or approve each borrowing or incurrence of leverage, it will periodically review OFS Management's services and fees as well as OFS Management's portfolio management decisions and the performance of the BDC portfolio. Additionally, under the 1940 Act, the BDC is limited in the amount of leverage it may incur, such that the value of its assets must always exceed 200% of its debt.

Conflicts Relating to the BDC's Investment in Non-Cash Paying Investments

Pursuant to the BDC Management Agreement, the BDC Incentive Fee will be computed and paid on income that the BDC may not have yet received in cash. This fee structure may create an incentive for OFS Management to invest in certain types of securities that generate non-cash income that OFS Management might not otherwise consider under a different fee arrangement. To mitigate and limit the potential for a conflict of interest, the independent members of the board of directors of the BDC will periodically review OFS Management's advisory services and fees, as well as OFS Management's portfolio management decisions and portfolio performance.

Conflicts Relating to Valuation of BDC Investments

Many of the BDC's portfolio investments are expected to be made in illiquid investments issued by private companies. As a result, in accordance with Section 2(a)(41) of the 1940 Act, the BDC's board of directors will determine the fair value of these investments in good faith. OFS Management expects to assist the board of directors of the BDC with the valuation of the BDC's portfolio investments.

Because the BDC Base Management Fee and the BDC Incentive Fee will be based on the value of the BDC's portfolio investments, there may be a conflict of interest when OFS Management's personnel are involved in the valuation process. In addition, the members of the BDC's board of directors who are not independent directors have a substantial indirect financial interest in OFS Management. The participation of OFS Management's investment professionals in the BDC's valuation process, and the indirect financial interest in OFS Management by those members of the BDC's board of directors, could result in a conflict of interest since OFS Management's management fee is based, in part, on the value of the BDC's assets. To mitigate this potential conflict, the BDC has adopted a valuation policy to ensure that valuations are properly and consistently determined.

In connection with each of the conflicts associated with the fees payable to the BDC, the board of directors of the BDC, including the independent directors, will continuously monitor OFS Management's investment advisory services, portfolio management decisions and the BDC portfolio performance in order to determine whether the BDC Base Management Fee, BDC Incentive Fee and OFS Management's other expenses remain appropriate.

Item 7 Types of Clients

OFS Management currently provides investment advisory services to OFS Capital, LLC and, upon conversion of OFS Capital, LLC into the BDC, expects to provide such services to the BDC in accordance with the requirements of the 1940 Act; and expects to provide investment advisory services to OFS Fund V, a pooled investment vehicle which is exempt from registration under the 1940 Act. OFSAM currently provides services to the CLO, whose investors are believed to be banks, insurance companies, and other institutions, as well as government or private pension funds. In addition, OFSAM manages our Proprietary Investment Portfolio.

The minimum account size necessary to open and maintain an account with OFS Management or with OFSAM varies by the type of client. When the BDC completes its registration, its common stock will be traded on NASDAQ and there will be no minimum investment requirements or investor accreditation requirements to invest in the BDC. Interests in OFS Fund V may only be purchased by investors that qualify as “accredited investors” (as defined under Regulation D of the Securities Act of 1933 (the “**1933 Act**”)) and as “qualified purchasers” (as defined in Section 2(a)(51) of the 1940 Act. The minimum investment for investors in OFS Fund V is \$5 million, subject to our right to accept investments in lesser amounts.

The CLO Notes have not been registered under the Securities Act or any state securities laws and may only be purchased (i) outside the United States by persons that are not U.S. Persons pursuant to Regulation S of the Securities Act and (ii) within the United States by “qualified institutional buyers” pursuant to Rule 144A of the Securities Act. Certain tranches of Notes may be sold to “accredited investors” as defined in Rule 501(a) of Regulation D of the Securities Act. Both qualified institutional buyers and accredited investors must also be “qualified purchasers” as defined in the 1940 Act.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Our investment strategy focuses primarily on debt investments in Middle-Market U.S. companies.

Methods of Analysis

Our credit policy and operating procedures manual (the “**Credit Policy**”) contains detailed underwriting guidelines which govern our consideration of an investment for approval for our Clients. Among other things, the underwriting guidelines provide for a detailed review of the following: (i) transaction sponsors, (ii) legal structure, and (iii) operating company due diligence including management/leadership, systems and controls, regulatory considerations and financial modeling to gauge sensitivity to economic downturns and market stagnation. From time to time, OFSAM may engage third parties, including certain of our affiliates, to assist in the underwriting and due diligence process.

Risk of Loss

Investing in securities involves risk of loss that Clients should be prepared to bear. More specifically, investing in debt instruments issued by Middle-Market companies commonly involves, among other things, the following material risks:

Investments in Private Companies are Risky. 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 our 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 be able to make fully informed investment decisions on behalf of our Clients, and may lose money on such investments. Middle market companies may have limited financial resources and may be unable to meet their obligations under their debt securities that our Clients hold, which may be accompanied by a deterioration in the value of any collateral which increases the likelihood that we will lose money in connection with the relevant investment(s). 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 the portfolio company and, in turn, on the investment performance of the relevant Client. 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, we, our affiliates, executive officers, directors and agents may, in the ordinary course of business, be named as defendants in litigation arising from investments in our Clients’ portfolio companies.

Lack of Liquidity. Our Clients' assets will be invested primarily in illiquid securities, and a substantial portion of these 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 to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of a portfolio quickly, we may realize significantly less than the value at which we would have previously recorded its investments. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or any of our affiliates have material non-public information regarding such portfolio company.

Subordination Risk. We intend to invest a substantial portion of our Clients' capital in secured loans and junior capital to U.S. Middle Market companies. Such portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which our Clients 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 our Clients are entitled to receive payments in respect of the debt securities in which our Clients invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our Clients' investments in those portfolio companies would typically be entitled to receive payment in full before our Clients would receive any distribution in respect of its investment. After repaying senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to our Clients. In the case of debt ranking equally with debt securities in which our Clients invest, our Clients 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 our Clients may 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 our Clients. 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 our Clients, 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 our Clients may have with respect to the collateral securing the loans made to portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that our Clients may 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.

Our Clients may not have the ability to control or direct such actions, even if its rights are adversely affected.

Our Clients 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 our Clients. 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 Clients' 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 Clients' unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the portfolio company's remaining assets, if any.

Competitive Environment. The success of our Clients will depend on our ability to originate, recommend, structure, identify and consummate suitable investments in a highly competitive environment, to improve the operating performance of portfolio companies, and to dispose of the investments at a profit. The activity of identifying, completing and realizing attractive debt investments involves a significant degree of uncertainty, and our Clients will compete with the public debt and equity markets and with other investors, including our other Clients, other funds, private equity funds, direct investment firms and merchant banks, for investment opportunities. There can be no assurance that we will be able to locate and complete investments that satisfy our Clients'

rate of return objectives or realize upon their values or that we will be able to invest fully commitments made by our Clients.

Leverage. We may also borrow money on behalf of our Clients to make certain investments and address certain working capital needs. In connection with incurring any such borrowings, our Clients may be required to provide capital commitments or investments as collateral and agree to certain restrictions with respect to future indebtedness or other corporate actions. The rights of any lenders making loans directly to our Clients to receive payments of interest or repayments of principal will be senior to those of our underlying investors; in addition, credit providers will have certain enforcement rights (including compulsory prepayment in the event of default) and rights to our Clients' assets which may negatively affect the interests of our underlying investors. Payments of interest and fees incurred in connection with the borrowings will reduce any income that would otherwise have been available, which may reduce our Clients' profitability, and may prevent our Clients from taking advantage of attractive investment opportunities. The income and net assets of a leveraged entity will tend to increase or decrease at a greater rate than if borrowed money were not used. The use of leverage, combined with negative performance may result in a loss of principal for some or all of our underlying investors.

For a more complete discussion of the risks associated with investing with us, potential investors should refer to the BDC's registration statement on Form N-2, the offering memorandum of each of the CLO and OFS Fund V and other Client organizational documents.

Item 9 Disciplinary Information

To the best of our knowledge, there are no legal or disciplinary events that we believe would be material to our Clients' or our prospective Clients' evaluation of our advisory business or the integrity of our management.

Item 10 Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration

Neither we nor our management personnel (i) are registered as broker-dealers, or (ii) have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration

Neither we nor our management personnel (i) are registered as futures commission merchants, commodity pool operators, or commodity trading advisors with the Commodity Futures Trading Commission, or (ii) have any application pending to register with respect to any of the foregoing.

C. Material Relationships and Conflicts of Interest with Industry Participants

Conflicts Relating to Material Relationships and Allocation of Investment Opportunities

Our relationships and arrangements with our affiliates and principals are material to our advisory business. For example, all of OFSAM's principals currently serve as senior officers of OFS Management and/or serve on its investment committee, and may in the future manage other investment funds, accounts, or other investment vehicles with investment objectives similar to those of our current and future Clients or serve or may serve as officers, directors, or principals of entities that operate in the same, or a related, line of business as us. Additionally, we have entered into agreements with Clients in which our senior management and members of our investment committees have or may have ownership and financial interests. These Clients may have similar or overlapping investment objectives with one another. To address conflicts of interest (actual and apparent) and to fulfill our fiduciary duties to each of our Clients, we allocate investment opportunities in a manner that is fair and equitable over time and is consistent with our Aggregation and Allocation Policy so that no Client is disadvantaged in relation to any other Client.

In certain cases, an investment opportunity that is suitable for multiple Clients may not be capable of being shared among some or all of such Clients due to the limited availability of the opportunity or other factors, including, in the case of the BDC, regulatory restrictions imposed by the 1940 Act, and in the case of the CLO, restrictions set forth in the Indenture. In situations where co-investment among multiple Clients is not permitted or appropriate, we will need to decide which Client(s) will participate in the investment. We will make these determinations based on our Aggregation and Allocation Policy, which will generally require that such opportunities be offered to eligible Clients on a basis that will be fair and equitable over time. For a detailed discussion of our

Aggregation and Allocation Policy, please see “Item 6 Performance-Based Fees and Side-by-Side Management – Conflicts Relating to Performance Fees.”

OFSAM provides investment advisory services to our Proprietary Investment Portfolio. Our Proprietary Investment Portfolio consists primarily of legacy investments that are being harvested, and we do not anticipate making significant new investments in our Proprietary Investment Portfolio. Further, our Proprietary Investment Portfolio does not co-invest alongside our Clients. However, from time to time, we may make new investments in our Proprietary Investment Portfolio that are not appropriate for our Clients. When making an investment on behalf of our Proprietary Investment Portfolio, we will reasonably document the basis for allocating such investment to our Proprietary Investment Portfolio rather than to one or more of our Clients.

Conflicts Relating to Time and Resources of Investment Professionals and the Staffing Agreement

Our senior management, affiliates, and investment professionals will devote as much of their time to our respective Clients as is reasonably required to perform their duties. As noted in “Item 4 Advisory Business” above, neither OFS Management nor OFSAM have any employees. Rather, each has entered into a staffing agreement with OFSC, a wholly owned subsidiary of OFSAM, which employs all of the investment professionals that provide services to OFS Management and OFSAM. Under these staffing agreements, OFSC provides experienced investment professionals and other resources to us, including members of our investment committees.

Conflicts Relating to our Chairman and our CCO

Each of our Chairman (and indirect owner) and our CCO (i) is employed by Orchard Capital Corp., a consulting and advisory services firm wholly owned by our Chairman, and (ii) perform other roles for our affiliates, including affiliates unrelated to our business. We pay Orchard Capital Corp. for services performed by our Chairman and CCO pursuant to a services agreement between OFSC and Orchard Capital Corp. While each of our Chairman and CCO are performing their respective roles with and for our affiliates, it could create conflicts of interest due to competing priorities and allocation of time and responsibilities.

Conflicts Relating to Material Non-Public Information

Our senior management, members of the investment committees, and our affiliates’ investment professionals 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 our policies, the policies of the relevant company, or applicable law. In order to mitigate and limit the instances in which we will be subject to these restrictions, we have adopted a confidentiality policy that establishes and maintains

controls with respect to the acceptance, use, and handling of confidential information by our personnel.

Conflicts Relating to Our Financial Interests in Our Clients and Management of Our Proprietary Investment Portfolio

In many cases, we and our employees invest in our Clients. For instance, OFSAM invested more than \$3 million in the CLO and intends to invest \$60 million (through its contribution of OFS Capital, LLC) and up to \$20 million in the BDC and OFS Fund V, respectively. In addition, OFSAM manages approximately \$73 million in assets in our Proprietary Investment Portfolio. Further, as noted above, the type and amount of fees paid to us also differs among Clients. The differences in the financial interests we have in our Clients and our Proprietary Investment Portfolio may give rise to conflicts of interest when allocating investment opportunities between and among Clients, and between and among Clients and our Proprietary Investment Portfolio. We have adopted the Conflicts Procedures and Aggregation and Allocation Policy to address such conflicts. For a detailed discussion of our Aggregation and Allocation Policy, please see “Item 6 Performance-Based Fees and Side-by-Side Management – Conflicts Relating to Performance Fees.”

Conflicts Relating to Investments in Different Parts of the Capital Structure

We may invest in different classes of securities of companies on behalf of our Clients based upon the particular investment objectives and strategies of such Clients. If Clients hold different classes of securities of a company and that company encounters financial problems, decisions over the terms of any workout or reorganization may raise conflicts of interest. For example, a senior debt holder may be better served by a liquidation of the company in which it will be paid in full, whereas a junior debt holder might prefer a reorganization that could create value for the junior debt holder. We have adopted the Conflicts Procedures to address these types of conflicts.

Conflicts Relating to Service by Our Personnel to Portfolio Companies

Pursuant to the Code of Ethics, with the permission of our CCO, our employees may serve as directors of, and receive compensation from companies in which we invest, which may give rise to potential conflicts. We have adopted the Conflicts Procedures to address these types of conflicts.

Conflicts Procedures

We have adopted various policies and procedures to address potential conflicts among our various Clients, which we refer to as the “**Conflicts Procedures**.” These policies and procedures, which may be modified from time to time at our sole discretion, may require prior review or approval of certain transactions by our CCO or members of senior management. Relevant policies and procedures for addressing conflicts with respect to a particular Client may be described in greater detail in the governing documents or

offering materials for that Client. With respect to affiliate transactions or other matters giving rise to conflicts of interest, the relevant governing documents may provide for, among other things, consultation regarding or approval of such transactions by a person or body such as a trustee, a board of directors, an advisory committee comprised of certain of the underlying investors in a pooled investment vehicle, or, in the case of the BDC, by the independent members of the board of directors, and in the case of the CLO, the board of directors or the Trustee. Our policies and procedures for addressing such potential conflicts, together with the provisions of relevant governing documents concerning such potential conflicts, may limit our ability to buy or sell a security for a Client or otherwise participate in an investment opportunity for a Client, or to take other actions that we might consider in the best interests of a Client and its investors.

For a discussion of additional conflicts of interest and our procedures for addressing those conflicts, please see “Item 6 Performance-Based Fees and Side-by-Side Management.”

D. Material Conflicts of Interest Relating to Other Investment Advisers

We do not recommend or select other investment advisers for our Clients from whom we receive compensation, directly or indirectly, or have other business relationships with any such advisers that create a material conflict of interest.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We mandate the highest standards of ethical conduct and care from all of our employees, officers, and directors. Our officers and directors and the OFSC employees that provide services to us through the staffing agreements described above, whom we collectively refer to as our “personnel,” must abide by this basic business standard and must not take inappropriate advantage of their position. Our personnel are under a duty to exercise their authority and responsibility for our benefit and for the benefit of our Clients, and may not have outside interests that inappropriately conflict with our interests or those of our Clients. Our personnel must avoid circumstances or conduct that adversely affect, or that appear to adversely affect, us or our Clients.

Code of Ethics

Pursuant to Rule 204A-1 of the Advisers Act and Rule 17j-1 of the 1940 Act, we have jointly adopted a Code of Ethics with the BDC to establish applicable policies, guidelines, and procedures that promote ethical practices and conduct by all of our personnel and to prevent violations of the federal securities laws law including the Advisers Act and the 1940 Act. Our Code of Ethics is predicated on the principle that we owe a fiduciary duty to our Clients. It consists of several policies primarily designed to address potential conflicts of interest, including a Personal Investment Policy, an Inside Information Policy, and a Gifts, Entertainment and Political Contributions Policy.

Our personnel must observe the applicable standards of care set forth in our Code of Ethics and may not seek to evade the policies and procedures set forth therein in any way, including through indirect acts by family members or other associates. Further, all activities involving the BDC are subject to the 1940 Act and the policies and procedures adopted by the BDC as set forth in the BDC’s Regulatory Compliance Manual. The obligations set forth in our Code of Ethics are in addition to, and not in lieu of, the policies and procedures set forth in our Employee Handbook and any other policies and procedures we adopt in respect of the conduct of our business. Our personnel must certify at least annually that they have read, understand, are subject to, and have complied with our Code of Ethics and our Regulatory Compliance Manual. Our personnel must comply with applicable federal securities laws and must report violations of our Code Ethics to our CCO.

We will provide a copy of our Code of Ethics, free of charge, to any Client or investor or any prospective Client or prospective investor upon request. Our Code of Ethics may be requested by contacting our CCO, Eric P. Rubenfeld, at 847-734-2000 or erubenfeld@ofscapital.com.

Participation or Interest in Client Transactions

Conflicts of interest may occur when we, our affiliates, or our personnel invest in the same investments, trade in the same investments at or about the same time, or have a

material financial interest in the same investments that we recommend to our Clients. For example, we or our personnel may invest in the BDC or the CLO, and, therefore, such persons may hold an indirect interest in the same investments as other investors in the BDC or the CLO. In addition, our personnel may own investments in their personal accounts or through their interests in our Proprietary Investment Portfolio, that are the same as or substantially similar to those we also have recommended to our Clients. Our Code of Ethics and the policies and procedures set forth therein have been designed to limit conflicts of interest in cases where we or any of our personnel, buy, sell, or otherwise have a direct or indirect interest in, investments that we have recommended to our Clients.

Cross Trades

Cross-trades are transactions between two clients of the same investment adviser, regardless of whether a broker-dealer is engaged to effect the transaction. We may utilize cross-trades to address account funding issues, save brokerage commissions or mark-ups/mark-downs, or for other bona fide portfolio management reasons. Under our policies and procedures, any proposed cross-trade must be advantageous to each of the Clients involved in the transaction. The applicable investment committees must seek the approval of our CCO in advance of the trade and must provide information such as the size of the trade, confirmation that the positions are freely tradable, documentation regarding the price of the transaction, and an assertion that the transaction is advantageous to each Client involved. Any cross-trades involving the BDC must be made in accordance with the policies adopted by the BDC and the requirements of the 1940 Act.

Principal Transactions

In a principal transaction, an adviser, acting for its own account, buys an investment from, or sells an investment to, a client. In addition, a transaction between our Clients and an entity in which we own more than 25% of the equity ownership, such as the BDC (to the extent we retain an ownership interest in excess of 25%), may be considered a principal transaction. Further, transactions between our Proprietary Investment Portfolio and our Clients would also constitute principal transactions. Section 206(3) of the Advisers Act requires an investment adviser to provide written disclosure to a client and obtain the client's consent prior to settlement of any principal transaction. Prior to execution of a principal transaction, the investment committee member recommending the trade must prepare a brief memorandum setting forth the reasons that the transaction is in the best interests of the Client involved, explaining how the transaction will be priced and demonstrating compliance with the relevant provisions of the Advisers Act relating to such type of transaction, including the client consent requirement of Section 206(3). In the case of the CLO, the approval of the board of directors will constitute Client consent. The 1940 Act prohibits principal transactions with the BDC. The organizational and operational documents of Clients that are pooled investment vehicles may also require the approval of an advisory committee comprised of underlying investors to consent to a principal transaction. For other Clients, we may establish an independent board of advisors to constitute client consent to principal transactions.

Personal Trading Policy

As discussed above, our personnel must abide by our Code of Ethics. As a general matter, our personnel owe an undivided duty of loyalty to our Clients. Our personnel may not use their knowledge concerning a trade, pending trade, or contemplated investment by any of our Clients, to profit personally as a result of such transaction, including by purchasing or selling such investments.

As required by Rule 204A-1 of the Advisers Act and Rule 17j-1 of the 1940 Act, our Code of Ethics contains a Personal Trading Policy which mandates that our personnel disclose their personal securities holdings and transactions made in a “Reportable Security,” as defined in our Code of Ethics. Further, our personnel are generally prohibited from purchasing or selling, for any personal accounts, securities or other obligations of companies that at that time are listed on our “Restricted List,” which contains a list of companies (or other issuers) (i) about which we may possess material non-public information, (ii) to which we may owe a fiduciary obligation, or (iii) in which our Clients own or intend to purchase an interest. Additionally, our personnel may not invest in an initial public offering or a private placement without the prior written approval of our CCO.

In addition, our Code of Ethics also contains policies and procedures to prevent the misuse of material non-public information by our personnel, including the misuse of material non-public information about our investment recommendations and Client investments and transactions. Our Code of Ethics describes what constitutes “material” and “non-public” information, and outlines the penalties that our personnel are subject to if they trade on such information.

Moreover, our personnel may not engage in “front running.” Front running is an illegal practice in which an investment professional takes a position in an investment in advance of an action he or she knows will predictably affect the price of the investment. The Restricted List and the prohibition on front running are intended to prevent us and our personnel from buying or selling investments contemporaneously with our Clients.

Item 12 Brokerage Practices

We have discretionary authority to buy and sell investments for our Clients and to determine the amount of such investments to be bought or sold, consistent with each Client's investment objectives and the restrictions set forth in each Client's investment management agreement and other governing documents. In addition, we may determine, without client consultation or consent, the broker-dealers through which investments are bought and sold and the commission rates or dealer spreads at which transactions are effected. Because our Clients typically acquire and dispose of the majority of their investments in privately-negotiated transactions, many of the transactions in which they will engage, will not require the use of brokers or the payment of brokerage commissions.

Selection of Broker-Dealers and Reasonableness of Compensation

A material portion of our Clients' investments are in illiquid debt issued by private companies for which there are a limited universe of trading counterparties, and, therefore, we frequently transact directly with the company or an agent bank without the use of a broker-dealer. We do nevertheless effect certain investments through agents and broker-dealers and have adopted a best execution policy and corresponding procedures in respect of our duty to obtain "best execution" for our Clients' investment transactions.

Our objective in selecting broker-dealers and executing transactions is to seek to obtain the best combination of price and execution. We consider the full range and quality of a broker-dealer's service in selecting broker-dealers to meet best execution obligations. The determinative factor is whether the transaction represents the best overall qualitative execution for our Clients. As a starting point, we consider the trade price and imputed mark-up/mark-down. These things being equal or fairly equal among broker-dealers, the following qualitative factors, among others, may be considered: (i) liquidity of the investments traded and current market conditions; (ii) ability to maintain the confidentiality of trading intentions; (iii) ability to place trades in difficult market environments; (iv) quality and value of the research services provided; (v) execution facilitation services provided; (vi) timeliness of execution and trade confirmations; (vii) allocation of limited investment opportunities; (viii) custody services provided; (ix) frequency and correction of trading errors and fairness in resolving disputes; (x) ability to access a variety of market venues; (xi) expertise as it relates to specific investments; (xii) intermediary compensation (dealer spreads); (xiii) financial condition and business reputation; and (xiv) gross compensation paid to each broker-dealer.

As discussed above, privately-placed investments may be purchased directly from the company or its placement agent on terms we negotiate. Terms subject to such negotiation may include, but are not limited to, the frequency and amount of dividends and other distributions; debt limitations; permitted investments, sales of assets, consolidations and mergers; transactions with affiliates; subordination provisions; representations and warranties; rights of inspection; and events of default. Our ability to negotiate terms as part of a private placement may depend upon the amount of an offering to be bought or sold.

“Soft-Dollar” Arrangements

Currently, we do not have any “soft-dollar” arrangements with any broker-dealers. Nevertheless, subject to applicable legal requirements and consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), we may in the future select a broker-dealer based upon brokerage or research services provided to us or any of our Clients. Such research services may include both proprietary research created or developed by the broker-dealer and research created or developed by a third party. In return for “soft-dollar” and other benefits and services, our Clients may pay a higher commission (or markup/markdown) than other brokers would charge. We may nevertheless choose to engage a broker-dealer charging a higher commission – a practice referred to as “paying-up” – if we determine in good faith that such commission is reasonable in relation to the services provided.

If we use Client brokerage commissions (or markups/markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products, or services. The receipt of research and other “soft-dollar” benefits from broker-dealers provides an incentive for us to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our Clients’ interest in receiving the most favorable execution. We would only use “soft-dollars” to service the account of the Client that paid for those benefits. Similarly, we would seek to allocate “soft-dollars” to Clients proportionately to the “soft-dollar” credits generated by each Client.

In the last fiscal year, we acquired the following types of research and related products or services from brokers with whom we did business: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts, as well as discussions with research personnel; financial and industry publications; and statistical and pricing services. These products and services were not provided in exchange for execution or trade fees.

Brokerage for Client Referrals

In selecting or recommending broker-dealers, we do not consider whether we, or any of our affiliates, receive Client or investor referrals from a broker-dealer or other third party.

Directed Brokerage

We do not require or request that our Clients direct us to execute transactions through a specified broker-dealer. Should a Client or prospective Client desire to direct us to execute transactions through a specified broker-dealer, we may accommodate this request and direct the Client’s brokerage transactions to the specified broker-dealer. Directed brokerage restricts our discretion to select brokers and negotiate commission rates and may adversely affect our ability to obtain best price and execution. Accordingly, if a Client were to direct brokerage to a specific broker, we would require the Client to

provide such direction in writing to us and provide the Client with appropriate written disclosure, which would be acknowledged by the Client.

Aggregation

Although our Clients typically do not invest in a manner that requires order aggregation and allocation (i.e. investing simultaneously in multiple Client accounts) and the 1940 Act limits our ability to make co-investments between the BDC and our other affiliates, we have adopted an Aggregation and Allocation Policy to ensure that our Clients are afforded fair and equitable treatment when aggregating and allocating Client trade orders as well as expenses incurred in such transactions. For a more detailed discussion of the allocation portions of our Aggregation and Allocation Policy, please see “Item 10 Other Financial Industry Activities and Affiliations – Conflicts Relating to Material Relationships and Allocation of Investment Opportunities.”

As a general principle, we will only aggregate transactions when we believe that such an aggregation is lawful and consistent with our duty to seek best execution for our Clients, and is consistent with the pertinent Clients’ offering documents and any other obligation we may have undertaken with respect to each participating Client. In such cases, individual investment advice and treatment will be accorded to each Client, and we will not receive any additional compensation or remuneration of any kind as a result of the proposed aggregation.

Item 13 Review of Accounts

A. Periodic Review of Client Accounts

We have adopted our Credit Policy, which governs the manner in which we consider, approve, document, and monitor our investments. All investments must meet the guidelines established and set forth in our Credit Policy. To ensure effective supervision and management oversight of our investment activities, we continuously monitor the composition and quality of our Clients' investment portfolios utilizing constant and regular interaction with our investment staff. Among other things, we review a variety of portfolio reports, which may include weekly balance reports, portfolio summaries and other periodic reports containing detailed information regarding the portfolio and investments under consideration.

In accordance with our Credit Policy, our investment committees are primarily responsible for ensuring that the investments held by our Clients are consistent with the Clients' investment objectives and applicable investment guidelines and restrictions. We maintain expert investment committees that serve each of our Clients, comprised of members designated by our senior management. The applicable investment committee, in consultation with our CCO, will periodically review our Clients' portfolios, performance, and prospects to identify irregularities or inappropriate positions.

B. Further Review of Client Accounts

Certain of our employees have oversight and monitoring responsibilities set forth in our Credit Policy. Additionally, our CCO, in consultation with members of our senior management and professional advisers, as appropriate, conduct periodic reviews to review investment performance and confirm compliance with our Clients' investment objectives and our Credit Policy.

C. Contents and Frequency of Account Reports to Clients

As required by the Exchange Act, the BDC will file with the SEC written periodic, quarterly, and annual reports regarding composition of the portfolio and fund performance and, if requested, will provide more frequent reports to the board of directors, as they may reasonably request. In the case of the CLO, holders of the Notes receive monthly written reports regarding composition of the portfolio and fund performance from the indenture trustee.

The underlying investors in OFS Fund V will receive (i) audited financial statements and tax information necessary for completion of their tax returns; and (ii) quarterly reports describing unaudited investment performance for the relevant reporting period. We may also furnish additional information as Clients and underlying investors may reasonably request.

Item 14 Client Referrals and Other Compensation

A. Economic Benefits for Providing Services to Clients

We do not receive economic benefits from third parties for providing investment advice or other advisory services to our Clients.

B. Compensation to Non-Supervised Persons for Client Referrals

We have in the past and may in the future enter into solicitation agreements with third parties, including placement agents, pursuant to which we may compensate persons who are not our supervised persons for Client referrals, or for introductions to persons who become investors in pooled investment vehicles we manage. We may make cash payments to such solicitors. Our CCO, or his designee, reviews such arrangements in order to determine whether such arrangements: (i) are subject to Rule 206(4)-3 under the Advisers Act, the so-called “Cash Solicitation Rule,” and, if so, whether the arrangements comply with that rule, and (ii) comply with other applicable laws, rules and regulations, including laws and regulations requiring the registration of broker-dealers. Placement agents that solicit or refer potential Clients or investors to us are subject to a conflict of interest because they will be compensated in connection with their solicitation activities.

Item 15 Custody

Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them (regardless of whether the exercise of that authority or ability would be lawful).

Investment advisers are required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which they have custody with a “qualified custodian.” Qualified custodians include banks, broker-dealers, futures commission merchants, and certain foreign financial institutions.

Rule 206(4)-2 generally requires that, upon opening an account with a qualified custodian on a client’s behalf, advisers promptly notify the client in writing of the name and address of the qualified custodian and the manner in which the funds or securities are maintained. Generally, advisers also must verify that the custodian sends quarterly account statements to the client. By rule, account statements must be sent directly to investors in a pooled investment vehicle if the adviser to the pool also acts as its general partner, managing member or in a similar capacity (or, in some cases, if an affiliate of the adviser acts as general partner, managing member or in a similar capacity). These account statements may be sent to the investors’ independent representative. Under certain circumstances, at least once each calendar year, an independent public accountant must verify the funds and securities of a client by surprise examination.

As noted above, Rule 206(4)-2 generally imposes on advisers with custody of clients’ funds or securities certain requirements concerning reports to such clients (including underlying investors in certain circumstances) and surprise examinations relating to such clients’ funds or securities. However, advisers need not comply with such requirements with respect to pooled investment vehicles if the pooled investment vehicle: (i) is audited at least annually by an independent public accountant, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to the client, or in certain circumstances, to all limited partners, members, or other beneficial owners, within 120 days (180 days in the case of a fund of fund adviser) of its fiscal year end.

OFS Management may be deemed to have custody of the funds and securities of the BDC for purposes of the Custody Rule. The BDC, however, will prepare audited financial statements and make such audited financial statements publicly available within 120 days of the BDC’s fiscal year end in accordance with its Exchange Act reporting requirements. Accordingly, even if deemed to have custody of the funds and securities of the BDC for purposes of the Custody Rule, OFS Management will be exempt from the Rule 206(4)-2 quarterly custodial statement and surprise examination requirements with respect to the BDC. Further, the BDC intends to deposit and maintain its securities and funds in the custody of a bank or banks meeting the qualifications set forth in Section 26(a) of the 1940 Act.

OFSAM is not deemed to have custody of the funds and securities of the CLO and therefore is not subject to the requirements of the Custody Rule with respect to the CLO.

In addition, it is expected that OFS Management will be deemed to have custody of the funds and securities of OFS Fund V, and must therefore comply with the requirements of the Custody Rule. OFS Management intends to distribute the audited financial statements of OFS Fund V within the 120-day time period referenced above and therefore will be exempt from the Rule 206(4)-2 reporting and examination requirements.

Item 16 Investment Discretion

At the outset of an advisory relationship, we typically receive discretionary authority from a Client to select the investments to be purchased and sold by the Client. In all cases, we exercise this investment discretion in a manner consistent with the stated investment objectives and governing documents of the particular Client.

When selecting investments, we observe the investment policies, limitations, and restrictions of the Clients we advise, as well as our Credit Policy. Our Clients may place limitations on our investment authority in their investment management agreement or other governing documents. In the case of the CLO, the Indenture and the CLO Management Agreement place significant restrictions on OFSAM's ability to buy or sell investments. For example, proper investments for the CLO must meet, among other restrictions, certain credit rating and risk criteria, and reinvestment may only occur during prescribed time periods. Additionally, the BDC, when it elects to be treated as a business development company, will be subject to certain federal securities and tax laws, including the 1940 Act, which limit the types of investments that can be made and require diversification of investments.

Our Clients must provide us with investment guidelines and restrictions in writing. Additionally, we require that Clients exercise a power of attorney in our favor.

For a complete discussion of our advisory business and the services we provide to our Clients, please see "Item 4 Advisory Business."

Item 17 **Voting Client Securities**

We have accepted, and in the future will continue to accept, the discretionary authority to vote our Client's investments. As such, we have adopted a Proxy Voting Policy (the "**Proxy Voting Policy**") and corresponding procedures to comply with Rule 206(4)-6 of the Advisers Act and with our fiduciary obligations. The Proxy Voting Policy applies to voting securities held by our Clients and has been designed to ensure that we vote proxies in the best interest of our Clients.

When voting proxies our primary objective is to make decisions in the best interest of our Clients. In fulfilling our obligations to our Clients, we will act in a manner deemed to be prudent and diligent to enhance the economic value of the underlying investments held by each of our Clients. In acting upon these matters on behalf of our Clients, we will seek to avoid material conflicts of interest between our interests and the interests of our Clients.

An officer or employee designated by us will be responsible for making voting decisions with regard to all of our Clients' proxies. In addition, our Credit Policy permits a director to cast votes on requests for certain types of amendments to loan documents. When voting proxies, some, but not all, of our considerations include:

- the view and opinion of management of the portfolio companies in which our Client holds a position and the effect of management's position on the value of our Client's investment;
- with regard to corporate governance matters, the purpose underlying the Client's investment position, including the investment horizon and the current or planned ownership position and degree of our involvement, on behalf of our Client, in management;
- with regard to proposals related to stock option plans and other management compensation issues, the portfolio company's need to recruit and retain highly qualified individuals in competitive labor markets and the relevant industry standards and practices; and
- with regard to proposals related to social and corporate responsibility, we will generally defer to company management, but will not support any proposals that may conflict with the portfolio company's ability to maximize long-term profits or may have an adverse effect on our Client's investment.

The BDC has delegated the exercise of its proxy voting rights to OFS Management. Although the board of directors of the BDC will review and approve our Proxy Voting Policy and periodically review our proxy votes where a material conflict of interest has been identified, the BDC cannot direct how OFS Management votes on a particular solicitation or request. The CLO cannot direct how OFSAM votes on a particular solicitation or request.

When deciding how to vote proxies certain conflicts of interest may arise. For example, portfolio companies in which different Clients are invested may be competing for or involved in

similar transactions, investments, lines of business, or types of research. Voting a proxy with regard to one Client's portfolio company may adversely affect the prospects or business of another client's portfolio company. In the past our Clients, and our Clients and we, have co-invested with each other and may continue such co-investment, unless doing so is impermissible based on existing regulatory guidance, applicable regulations, or our Aggregation and Allocation Policy. Because we serve as investment advisors to multiple Clients, a proxy vote in any instance may benefit one client or us and adversely affect another client or us. In acting upon these matters on behalf of our Clients, we will seek to avoid or mitigate material conflicts between and among our Clients and ourselves. We have adopted procedures for addressing such conflicts of interest. For a detailed discussion of these procedures, please see "Item 10 Other Financial Industry Activities and Affiliations – Conflicts Procedures."

We will maintain proper records in connection with our Proxy Voting Policy and as required under the Advisers Act. Our clients can obtain a copy of our Proxy Voting Policy and voting procedures and information on how we have voted proxies or made determinations with respect to requests for waivers or amendments by contacting us at 847-734-2000 or erubenfeld@ofscapital.com.

Item 18 Financial Information

A. Balance Sheet

We do not require or solicit any prepayment of fees six months or more in advance and, therefore, are not required to provide a balance sheet for our most recent fiscal year.

B. Contractual Commitments to our Clients

We have no financial condition that is reasonably likely to impair our ability to meet contractual and fiduciary commitments to our Clients.

C. Bankruptcy Petitions

We have never been the subject of a bankruptcy petition.