

OFS Capital Corp
Form 10-Q
May 09, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

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

COMMISSION FILE NUMBER: 814-00813

OFS CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

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

10 S. Wacker Drive, Suite 2500

Chicago, Illinois 60606

(Address of principal executive office)

(847) 734-2060

(Registrant's telephone number, including area code)

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

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

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

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

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

The number of shares of the issuer's Common Stock, \$0.01 par value, outstanding as of May 7, 2014 was 9,632,453.

OFS CAPITAL CORPORATION

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OFS Capital Corporation and Subsidiaries**Consolidated Balance Sheets****(Dollar amounts in thousands, except per share data)**

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Investments, at fair value		
Non-control/non-affiliate investments (cost of \$191,188 and \$201,209, respectively)	\$ 188,242	\$ 197,338
Affiliate investments (cost of \$32,677 and \$32,618, respectively)	33,314	32,735
Control investment (cost of \$8,990 and \$9,596, respectively)	6,446	7,846
Total investments at fair value	228,002	237,919
Cash and cash equivalents	36,999	28,569
Restricted cash and cash equivalents	450	450
Interest receivable	582	644
Receivable from investment sold	-	4,493
Prepaid expenses and other assets	166	174
Intangible asset, net of accumulated amortization of \$63 and \$0, respectively	2,437	2,500
Goodwill	1,077	1,077
Due from affiliated entity	1	218
Deferred financing closing costs, net of accumulated amortization of \$2,001 and \$1,851, respectively	2,893	3,043
Total assets	\$272,607	\$279,087
Liabilities		
Accrued professional fees	\$576	\$613
Interest payable	855	1,044
Management fees payable	1,347	1,168
Administration fee payable	475	280
Other payables	203	260
Deferred loan fee revenue	503	389
SBA debentures payable	26,000	26,000
Revolving line of credit	103,459	108,955
Total liabilities	133,418	138,709
Net Assets		
Preferred stock, par value of \$0.01 per share, 2,000,000 shares authorized, 0 shares issued and outstanding as of March 31, 2014 and December 31, 2013	-	-
Common stock, par value of \$0.01 per share, 100,000,000 shares authorized, 9,632,453 and 9,629,797 shares issued and outstanding as of March 31, 2014 and December 31, 2013,	96	96

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respectively

Paid-in capital in excess of par	143,160	143,126
Distributions in excess of net investment income	(5,977)	(4,103)
Accumulated net realized gain	2,742	2,742
Net unrealized depreciation on investments	(832)	(1,483)
Total net assets	139,189	140,378
Total liabilities and net assets	\$272,607	\$279,087
Number of shares outstanding	9,632,453	9,629,797
Net asset value per share	\$14.45	\$14.58

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2014	2013
Investment income		
Interest income		
Non-control/non-affiliate investments	\$ 3,786	\$ 4,365
Affiliate investments	827	-
Control investment	302	-
Total interest income	4,915	4,365
Dividend and fee income		
Non-control/non-affiliate investments	8	-
Affiliate investments	64	-
Control investment	25	-
Total dividend and fee income	97	-
Total investment income	5,012	4,365
Expenses		
Interest expense	991	847
Amortization and write-off of deferred financing closing costs	150	469
Amortization of intangible asset	63	-
Management fees	1,264	807
Professional fees	454	250
Administrative fee	475	280
General and administrative expenses	215	270
Total expenses	3,612	2,923
Net investment income	1,400	1,442
Net realized and unrealized gain (loss) on investments		
Net realized gain on non-control/non-affiliate investments	-	5
Net change in unrealized depreciation on non-control/non-affiliate investments	926	1,173
Net change in unrealized appreciation/depreciation on affiliate investments	519	251
Net change in unrealized depreciation on control investment	(794)
Net realized and unrealized gain on investments	651	1,429
Net increase in net assets resulting from operations	\$ 2,051	\$ 2,871

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Net investment income per common share - basic and diluted	\$ 0.15	\$ 0.15
Net increase in net assets resulting from operations per common share - basic and diluted	\$ 0.21	\$ 0.30
Dividends and distributions declared per common share - basic and diluted	\$ 0.34	\$ 0.34
Basic and diluted weighted average shares outstanding	9,631,155	9,601,952

See Notes to Unaudited Consolidated Financial Statements.

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

	Common Shares	Stock Par	Paid-in Capital in Excess of Par	Distributions in Excess of Net Investment Income	Accumulated Net Realized Gain	Net Unrealized Depreciation on Investments	Total Net Assets
Balance at January 1, 2013	9,578,691	\$96	\$ 142,408	\$ (94)	\$ -	\$ (611)	\$ 141,799
Net increase in net assets resulting from operations	-	-	-	1,442	5	1,424	2,871
Stock issued in connection with dividend reinvestment plan	34,891	-	501	-	-	-	501
Dividends and distributions	-	-	-	(3,264)	(5)	-	(3,269)
Balance at March 31, 2013	9,613,582	\$96	\$ 142,909	\$ (1,916)	\$ -	\$ 813	\$ 141,902
Balance at January 1, 2014	9,629,797	\$96	\$ 143,126	\$ (4,103)	\$ 2,742	\$ (1,483)	\$ 140,378
Net increase in net assets resulting from operations	-	-	-	1,400	-	651	2,051
Stock issued in connection with dividend reinvestment plan	2,656	-	34	-	-	-	34
Dividends and distributions	-	-	-	(3,274)	-	-	(3,274)
Balance at March 31, 2014	9,632,453	\$96	\$ 143,160	\$ (5,977)	\$ 2,742	\$ (832)	\$ 139,189

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended March	
	31, 2014	2013
Cash Flows From Operating Activities		
Net increase in net assets resulting from operations	\$ 2,051	\$ 2,871
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Amortization and write-off of deferred financing closing costs	150	469
Amortization of discounts and premiums	(304)	(329)
Amortization of deferred fee revenue	(37)	(38)
Amortization of intangible asset	63	-
Cash collection of deferred loan fee revenue	151	77