Zacks Small-Cap Research

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Alcentra Capital (ABDC-NASDAQ)

ABDC: Zacks Company Report Q2 – The Gain on Sale of ACT Lighting Impacts Q2 Positively

We believe the stock should trade at the industry average of 11% or $12.40 per share.

Current Price (05/012/16)	$11.53
Valuation	**$12.40**

OUTLOOK

Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon, its single largest shareholder. The company's target market is the lower middle-market, which management believes traditional lenders underserve. ABDC shares, which provide 12.8% dividend yield, trades at a discount to the company's $14.41 NAV (net asset value) / share. NAV has declined to $14.41 from $14.63 per share at the time of the company's May 2014 IPO, due in large part to the sale of one investment at a loss.

SUMMARY DATA

52-Week High	**$14.00**
52-Week Low	**$9.02**
One-Year Return (%)	**-3.9**
Beta	**0.93**
Average Daily Volume (sh)	**34,685**
Shares Outstanding (mil)	**13.5**
Market Capitalization ($mil)	**$156**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**44**
Insider Ownership (%)	**4**
Annual Cash Dividend	**$1.36**
Dividend Yield (%)	**11.80**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**7.8**
P/E using 2016 Estimate	**7.7**
P/E using 2017 Estimate	**7.3**
Zacks Rank	**N/A**

Risk Level	**Below Average**
Type of Stock	**Small-Value**
Industry	**Fin-SBIC&Commrl**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	4.0 A	7.4 A	5.9 A	6.7 A	23.6 A
2015	8.2 A	8.5 A	8.5 A	8.7 A	33.9 A
2016	9.9 A	10.1 E	9.2 E	9.4 E	38.7 E
2017					40.9 E

Adjusted NII per Share
(before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	$0.23 A	$0.46 A	$0.34 A	$0.34 A	$1.34 A
2015	$0.37 A	$0.34 A	$0.38 A	$0.34 A	$1.43 A
2016	$0.41 A	$0.38 E	$0.35 E	$0.35 E	$1.50 E
2017					$1.59 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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KEY POINTS

- Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon, its single largest shareholder.
- The company's $282.3 million portfolio is invested in 31 companies, with about 85% in debt and 15% in equity.
- The company targets the lower middle-market, which is under served by traditional lenders.
- To mitigate its risk, the company conducts substantial due diligence, seeks rigorous financial covenants and diversifies its investments across a broad range of sectors and portfolio companies. No one sector comprises more than 10% of the total investment portfolio.
- The weighted average yield on the company's debt portfolio is 12.0%, down from 12.4% in the fourth quarter of 2015 as newer investments are at lower yields but offer better collateral.
- At $11.53, the shares trade at a 20% discount to the company's $14.41 NAV (net asset value) / share. NAV has declined from the $14.63 per share at the time of its May 2014 IPO.
- The company has a lower valuation than its peers, and a best in class management fee structure for investors. We believe that ABDC is worth at least $12.40 per share and should trade at a dividend rate closer to the average yield of its competitors of 11%

Q1 2016 Earnings

For the first quarter of 2016, the company reported total investment income of $9.9 million versus $8.2 million last year, a gain of 21%. Adjusted and net investment income was $5.6 million, or $0.41 per share versus $5.0 and $0.37 per share last year.

During the three months ended March 31, 2016, Alcentra recorded a net loss on investments of $8.9 million and an increase in unrealized appreciation of assets of $7.8 million. Net asset value (NAV) was $194.6 million, or $14.41 per share, as of March 31, 2016 versus $14.90 on March 31, 2015. During Q1 the company received proceeds from repayments and amortizations of $43.9 million and invested $27.6 million including in one new company, Superior Controls:

January 4, 2016: **Health Fusion** was acquired and repaid its $4.8 million 1st lien investment in full. A gain **of approximately $1.8 million was realized** on the warrants.

January 15, 2016: **A2Z Wireless** was acquired and repaid approximately $9.8 million of the debt owed pursuant to a 1st lien investment, which bore interest at a rate of 12% per annum, and paid a **pre-payment premium of $507,207**. Subsequently, Alcentra funded an $11.2 million investment in A2Z Wireless (10.00% first lien) and committed to fund up to an additional $3.8 million.

January 19, 2016: **DRC Emergency Services, LLC** was sold for $2 million (which included a related tax benefit.) This resulted in a realized loss of approximately $10 million.

March 22, 2016: The company provided **$12.9 million of debt financing as well as an equity** investment alongside DFW Capital Partners and the management of **Superior Controls, Inc.** $10.5 million was in first lien notes and $0.400 million of equity. Superior Controls was founded in 1993 and is

headquartered in Seabrook, New Hampshire. It is the Northeast's leading provider of mission-critical systems integration and automation services primarily to the fast-growing **biotechnology** industry.

Consolidated Statements of Changes in Net Assets

	March 31, 2016	March 31, 2015	% Change
Increase (decrease) in net assets resulting from operations			
Net investment income	5,604,892	4,977,174	13%
Net realized gain (loss) on investments	(8,883,124)	254	NM
Net change in unrealized appreciation (depreciation) on investments	7,801,854	176,787	4313%
Benefits/(Provision) for taxes on unrealized gain on investments	(209,864)	(162,324)	29%
Net increase (decrease) in net assets resulting from operations	4,313,758	4,991,891	-14%
Capital transactions			
Offering costs	(66,255)	(31,168)	113%
Repurchase of common stock (10,509 and 0 shares, respectively)	(115,828)	-	NM
Net increase (decrease) in net assets resulting from capital transactions	(182,083)	(31,168)	484%
Distributions to shareholders from:			
Net investment income	(4,595,700)	(4,595,700)	0%
Realized gains	-	-	
Total distributions to shareholders	(4,595,700)	(4,595,700)	0%
Total increase (decrease) in net assets	(464,025)	365,023	-227%
Net assets at beginning of period	195,032,211	200,989,308	-3%
Net assets at end of period	194,568,186	201,354,331	-3%

RECENT EVENTS

Investment events have already occurred in Q2, including investments in two new companies—Healthcare Associates of Texas and Metal Powder Products. Events thus far in Q2 in chronologic order are:

April 4, 2016, **ACT Lighting** repaid the entirety of its debt and equity investments in the amount of $13.8 million. Alcentra received a 1.75x liquidation preference on the par value of its note, plus all accrued interest, and $1.5 million for our warrant.

April 13, 2016, **Aphena Pharma Solutions** repaid a portion of its debt in the amount of $2 million.

April 22, 2016, **Radiant Logistics** (RLGT) repaid in full all amounts outstanding, plus accrued and unpaid interest, on the $25.0 million subordinated secured term loan from Alcentra Capital Corporation and Triangle Capital Corporation. The Subordinated Loan accrued interest at 10.5% per annum. The total repayment amount was approximately $25.9 million, consisting of outstanding principal of $25.0 million, accrued and unpaid interest of $0.16 million, a **prepayment premium of $0.75 million** and other related fees and expenses. Taking the prepayment proportionately that $300,000 to Alcentra.

May 2, 2016, Alcentra funded an $8.5 million 12.25% second lien debt investment in **Healthcare Associates of Texas, Inc**.

May 5, 2016, Alcentra funded an $8.25 million 13% senior subordinated debt and $500,000 equity investment in **Metal Powder Products**, LLC of Westfield, Indiana. It provides custom-engineered powder metallurgy product solutions to customers in a variety of industries.

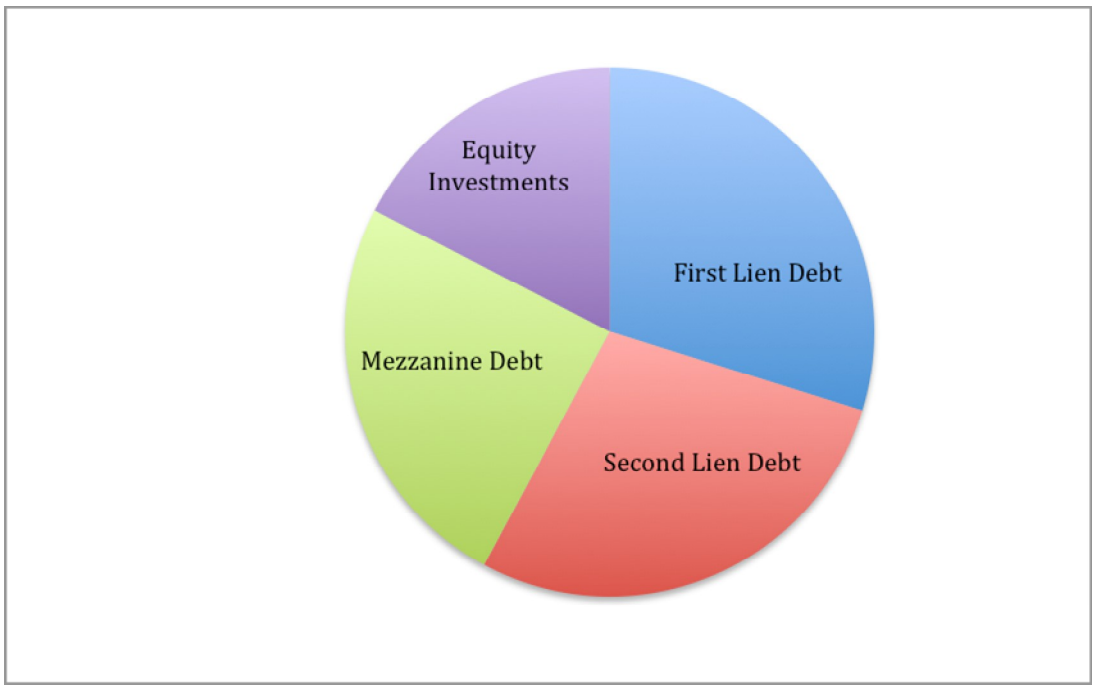
Q2 2016 Estimate

Based on these events that have already happened in the quarter, we are anticipating a good Q2 year over year and sequentially. Radiant has already publically stated it has paid a $750,000 prepayment fee of which we believe $300,000 is due Alcentra. Also the gain on the warrants at ACT Lighting alone is $1.36 million. As a result we are looking for revenue of $10.1 million and $0.38 versus $8.5 million and $0.34.

INVESTMENT PORTFOLIO

As of March 31, 2016 $282 million was invested in 31 companies. Since then it has added two more.

The portfolio then was 30% first lien debt, 28% second lien debt, 25% mezzanine debt, and 17% equity investments. The company is still trying to reach its goal of reducing equity to about 10% - 15% of its total investment portfolio. On March 31, 2015, 56% of the investments were fixed rate, with the balance floating rate, and the company's average investment was valued at $9.0 million at amortized cost and $9.1 million at fair market value. The largest industry sector was healthcare, which was 10% of the portfolio.



The largest portfolio company investment is in DBi Services. It was valued by amortized cost and fair value at approximately $18.1 million and **$25.9 million**, respectively and had the **greatest unrealized gain in the portfolio, $7.8 million**. DBi Services, Inc., headquartered in Hazelton, PA, was founded in 1978. It provides infrastructure maintenance, operations, and management solutions primarily in North America for government agencies, utilities, private industries, railways, retailers, and other infrastructure owners. Alcentra led a $35 million offering in 2014, which provided the Company with growth capital to support its expansion plans and working capital needs. In January it won a contract as a joint venture partner with Fluor (FLR) for a design-build and maintain project by the Arizona Department of Transportation (ADOT) to provide design, construction and maintenance services for the Loop 202 South Mountain Freeway. Located in the Phoenix metropolitan area, this will be the largest highway project in the state's history.

The greatest unrealized loss in the portfolio of almost $4 million is from Show Media. Show Media, based in New York, NY, provides interactive media and advertising displays on digital tablets in taxis and limousines. It is the world leader in interactive digital network delivering custom brand oriented content to 100 million taxicab passengers per year in the US and China. Show Media provides in-car video screens and associated content and mobile device management software that provides targeted media and advertising primarily to casino patrons and C-level business executives. This company's greatest challenge is the rise of Uber and other car sharing services that threaten traditional taxi fleets. It's business has been improving and it has managed to land a number of new small casino contracts.

Black Diamonds is Alcentra's only exposure to the current difficulties facing the energy sector. In the March quarter, the market value of the investment in Black Diamond was reduced by $3.1 million to $10.2 million. Alcentra has a Senior Secured First Lien with Black Diamond with a dividend of 12% cash and 5% PIK that comes due July 8, 2018. The company is based in Houston and owned by Basin Holdings based in NYC. It rents and services drill pipe, landing strings, heavy-weight drill pipe, drill collars, tubing, blow-out preventers and handling tools. Additionally, it offers drill pipe management, guidance, inspection and handling services as well as engineering to analyze well diagram, mud reports, runs hydraulics, slip crushing, landing string design, drill string design, torque and drag.

Table 1: Investments as of March 31, 2016

Company	Industry
A2Z Wireless	Telecom
Alpine Waste	Waste Services
Aphena Pharma Solutions	Packaging
Battery Solutions	Environmental Services
Bioventus	Healthcare
Black Diamond Rentals	**Oil & Gas Services**
City Carting	Waste Services
Conisus	Healthcare Marketing / Media
DBi Holding LLC	**Infrastructure Maintenance**
Dentistry for Children	Healthcare: Dentistry
FST Technical Services	Semiconductor Services
Graco Supply & Integrated Services	Aerospace & Defense
GST AutoLeather	Automotive
Healthcare Associates of Texas	Healthcare
IGT	Industrials
Media Storm	Advertising, Printing & Publishing
Medsurant Holdings, LLC	Healthcare Business Services
Metal Powder Products	Manufacturing
My Alarm Center LLC	Security/ Alarm Services
Nation Safe Drivers	Automotive
National Technologies Inc.	Telecom Services
NWN Acquisition Holding Company	Business Services
PharmaLogic	Healthcare / Nuclear Pharmacies
Response Team 1	Restoration Services
Show Media	**Advertising, Printing & Publishir**
Southern Technical Institute	Educational Services
Stancor	Manufacturing
Superior Controls	Healthcare
Triton Technologies	Telecom
Wholesome Sweeteners	Beverage, Food & Tobacco
Xpress Global Systems	Transportation & Logistics

Source: Company Filings

DIVIDENDS

In order to maintain preferential tax treatment, BDCs such as Alcentra must distribute a minimum of 90% of their income to shareholders. The company targets a 9.0% dividend yield. Based on its dividend history, with a regularly scheduled quarterly dividend of $0.34 since August of 2014, Alcentra has met that goal. The $0.34 quarterly dividend equates to a $1.36 annual dividend and a current yield of 11.8%.

COMPETITION

The company competes primarily with traditional and alternative lenders that are also targeting the middle to lower middle markets. The other lenders it frequently sees looking at the same deals as it are OFS Capital Management, FIdus Investment Corp (FDUS), Triangle Capital Corp (TCAP) and Saratoga.

VALUATION

Chart 5. Wells Fargo BDC Index versus Alcentra



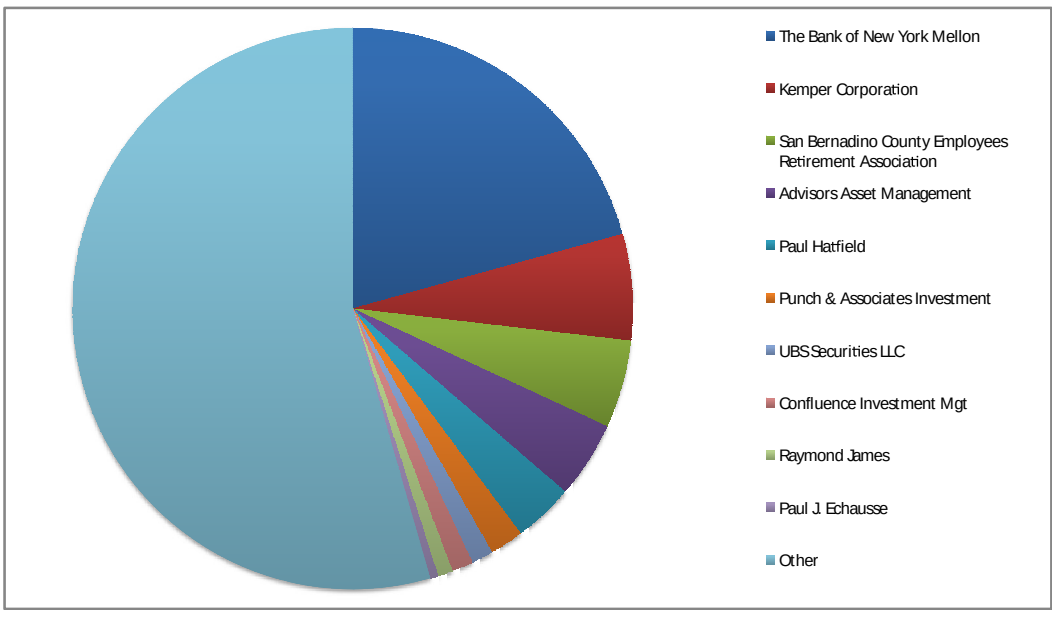
Source: Yahoo! Finance

As noted, on an NAV basis, the shares trade at a 20% discount. Although there is a fairly wide valuation gap among the BDCs shown in the table below, ABDC's discount is steeper than the average, owning in part to the decline of its NAV to the above noted $14.41 per share from $14.63 per share at the time of its May 2014 IPO. We believe the stock should trade at the industry average of 11% or $12.40 per share. This implies at least an 8% upside. It also trades significantly below the industry average Discount to NAV as seen below.

Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$11.39	$14.07	$8.87	$1.36	12.0%	$14.41	21.0%
American Capital	ACAS	15.94	16.13	11.92	0	0.0%	20.14	20.9%
Apollo Investment Corp	AINV	5.72	7.95	4.26	0.80	14.0%	7.56	24.3%
Ares Capital Corp	ARCC	15.33	16.8	11.01	1.52	10.1%	16.50	7.1%
BlackRock Capital Investm	BKCC	7.75	10.2	5.88	0.84	10.7%	9.46	18.1%
Fidus Investment Corp.	FDUS	15.36	16.75	7.49	1.56	10.1%	15.25	-0.7%
Fifth Street Finance Corp.	FSC	5.14	7.07	4.4	0.72	13.6%	8.33	38.3%
Garrsion Capital Inc.	GARS	10.51	15.44	9.79	1.40	13.5%	13.50	22.1%
Gladstone Capital Corp.	GLAD	7.05	9.25	4.71	0.84	11.2%	7.92	11.0%
KCAP Financial	KCAP	3.24	6.3	2.62	0.60	18.4%	5.50	41.1%
Main Street Capital Corp.	MAIN	31.98	33.15	24.21	2.16	6.8%	21.18	-51.0%
Newtek Business Services	NEWT	13.05	19.82	9.37	1.40	11.0%	14.10	7.4%
Triangle Capital Corp.	TCAP	18.35	24.71	14.91	1.80	9.8%	15.02	-22.1%
TriplePoine Venture Growth	TPVG	10.25	14.3	8.83	1.44	14.0%	13.40	23.5%
Average					$1.10	11%	$12.66	11%

INSIDER HOLDINGS

The company's largest shareholders are BNY Mellon, and Kemper Corporation (KMPR-not rated).



RISKS

We believe the company faces risks that confront the overall BDC sector. These include:

- **Interest rate risk:** We believe the company faces the risk of a rising interest rate environment, although management believes that as it continues to rebalance some of the equity in its portfolio to debt and continues to expand the debt portfolio, it could benefit from a potential increase in interest rates in terms of net investment income.

- **Credit risk:** Alcentra could make investments into companies that are not as creditworthy as management believes or some of the investments in its existing portfolio could experience deteriorating fundamental business results. Currently it has Black Diamond Rentals on its watch list.

- **Default risk:** Potential deterioration in the underlying fundamentals of a portfolio company or companies could lead to a default on loans that Alcentra expects repaid.

- **Dividend sustainability:** If the company experiences some deterioration in its underlying performance, it might be forced to reduce its dividend.

- **Competitive risk:** The company competes with alternative lenders such as other BDCs and, in some cases, with traditional lenders. Competition within its target lower middle market could increase.

INCOME STATEMENT

	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16 (est.)	30-Sep-16 (est.)	31-Dec-16 (est.)	2014	2015	2016E	2017E
Non-controlled, non-affiliated investments:												
Interest Income from portfolio investments	$4,157,559	$4,286,969	$5,133,259	$5,647,278	$5,267,543	$5,200,000	$6,000,000	$6,200,000	$9,434,752	$19,225,065	$22,667,543	$24,027,596
Paid in kind int inc. from portfolio investments	$735,724	$1,166,440	$439,608	$786,729	$1,351,088	$1,100,000	$1,100,000	$1,100,000	$2,363,190	$3,128,501	$4,651,088	$4,883,642
Other income from portfolio investments	$659,896	$295,386	$452,038	$412,213	$918,664	$300,000	$0	$0	$616,481.0	$1,819,533	$1,218,664	$1,279,597
Dividend income from portfolio investments	$0	$302,874	$0	$0	$0	$0	$0	$0	$828,272	$302,874	$0	$0
Non-controlled, affiliated investments:												
Interest income from portfolio investments	$1,219,056	$988,949	$1,001,296	$1,021,703	$910,323	$585,323	$585,323	$585,323	$3,766,650	$4,231,004	$2,666,292	$2,799,607
Paid in kind int inc. from portfolio investments	$611,499	$631,046	$655,205	$734,531	$851,139	$851,139	$851,139	$851,139	$1,543,607	$2,632,281	$3,404,556	$3,574,784
Other income from portfolio investments	$28,358	$20,527	$23,435	$0	$105,882	$1,357,000	$0	$0	$791,050	$72,320	$1,462,882	$1,536,026
From controlled, affiliated investments:												
Interest income from portfolio investments	$575,980	$582,229	$588,627	$533,270	$381,747	$533,270	$533,270	$533,270	$2,471,678	$2,280,106	$1,981,557	$2,080,635
Paid in kind int inc. from portfolio investments	$198,781	$206,077	$213,674	($458,810)	$160,005	$160,000	$160,000	$160,000	$1,146,404	$159,722	$640,005	$672,005
Other income from portfolio investments	$37,800	$27,043	$0	$0	$0	$0	$0	$0	$616,481	$64,843	$0	$0
TOTAL INVESTMENT INCOME	**$8,224,653**	**$8,507,540**	**$8,507,142**	**$8,676,914**	**$9,946,391**	**$10,086,732**	**$9,229,732**	**$9,429,732**	**$23,578,565**	**$33,916,249**	**$38,692,587**	**$40,853,892**
	106%	15%	45%	30%	21%	19%	8%	9%		43.8%	14.1%	5.6%
Costs and expenses:												
Management fees	$1,148,005	$1,219,963	$1,273,705	$1,302,213	$1,289,036	$1,513,010	$1,384,460	$1,414,460	$3,206,410	$4,943,886	$5,600,965	$5,881,014
% of Sales	14%	14%	15%	15%	13%	15%	15%	15%				
Income-based incentive fee	$1,807,567	$397,028	$546,027	$521,295	$790,727	$806,939	$738,379	$754,379	$202,509	$3,271,917	$3,090,423	$3,244,944
	22%	5%	6%	6%	8%	8%	8%	8%				
Capital gains incentive fees	$0	$434,217	($434,217)	$0	$0	$300,000	$0	$100,000	$763,550	$0	$400,000	$420,000
Professional fees	$189,386	$170,549	$167,356	$439,380	$354,002	$439,380	$439,380	$439,380	$885,515	$966,671	$1,672,142	$1,755,749
Valuation services	$122,905	$100,010	$89,822	$106,527	$70,986	$100,000	$100,000	$100,000	$213,705	$419,264	$370,986	$389,535
Interest and credit facility expense	$605,888	$1,067,118	$1,197,553	$1,271,454	$1,308,944	$1,300,000	$1,310,000	$1,320,000	$1,137,498	$4,142,013	$5,238,944	$5,500,891
Amortization of deferred financing costs	$183,487	$195,770	$229,716	$258,813	$264,630	$270,000	$280,000	$290,000	$256,057	$867,786	$1,104,630	$1,159,862
Director's fees	$38,000	$76,191	$57,635	$71,900	$64,923	$70,000	$70,000	$70,000	$192,608	$243,726	$274,923	$288,669
Insurance expense	$69,535	$68,006	$67,449	$67,341	$66,610	$66,610	$66,610	$66,610	$183,882	$272,331	$266,440	$279,762
Organization expense	$0	$0	$0	$0	$0	$0	$0	$0	$180,953	$0	$0	$0
Other expenses	$84,173	$129,339	$170,052	$108,389	$131,641	$108,389	$108,389	$108,389	$194,001	$491,953	$456,808	$479,648
TOTAL EXPENSES	$4,248,946	$3,858,191	$3,365,098	$4,147,312	$4,341,499	$4,974,328	$4,497,218	$4,663,218	$7,416,688	$15,619,547	$18,476,261	$19,400,074
Waiver of income-based incentive fee	$1,001,467	$0	$0	$0	$0	$0	$0	$0	$2,017,870	$1,001,467	$0	$0
NET EXPENSES	**$3,247,479**	**$3,858,191**	**$3,365,098**	**$4,147,312**	**$4,341,499**	**$4,974,328**	**$4,497,218**	**$4,663,218**	**$5,398,818**	**$14,618,080**	**$18,476,261**	**$19,400,074**
NET INVESTMENT INCOME	**$4,977,174**	**$4,649,349**	**$5,142,044**	**$4,529,602**	**$5,604,892**	**$5,112,404**	**$4,732,514**	**$4,766,514**	**$18,179,747**	**$19,298,169**	**$20,216,326**	**$21,453,818**
% Change	56.7%	-25.1%	11.9%	-0.5%	12.6%	10.0%	-8.0%	5.2%		6.2%	4.8%	6.1%
Adjusted NII/share	**$0.37**	**$0.34**	**$0.35**	**$0.34**	**$0.41**	**$0.38**	**$0.35**	**$0.35**	**$1.34**	**$1.43**	**$1.50**	**$1.59**
% Change					13%	10%	1%	5%				
Dividend per share	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$0.86	$1.36	$1.36	$1.36
EPS	$0.37	$0.47	$0.24	$0.27	$0.32	$0.27	$0.27	$0.27	$1.09	$1.35	$1.13	
NAV/share	$14.90	$15.03	$14.92	$14.33	$14.41	$14.45	$14.46	$14.47	$14.87	$14.33	$14.47	$14.70
Avg shares outstanding	13,516,766	13,516,766	13,516,766	13,516,766	13,515,498	13,506,257	13,506,257	13,506,257	13,516,766	13,516,766	13,516,766	13,516,766

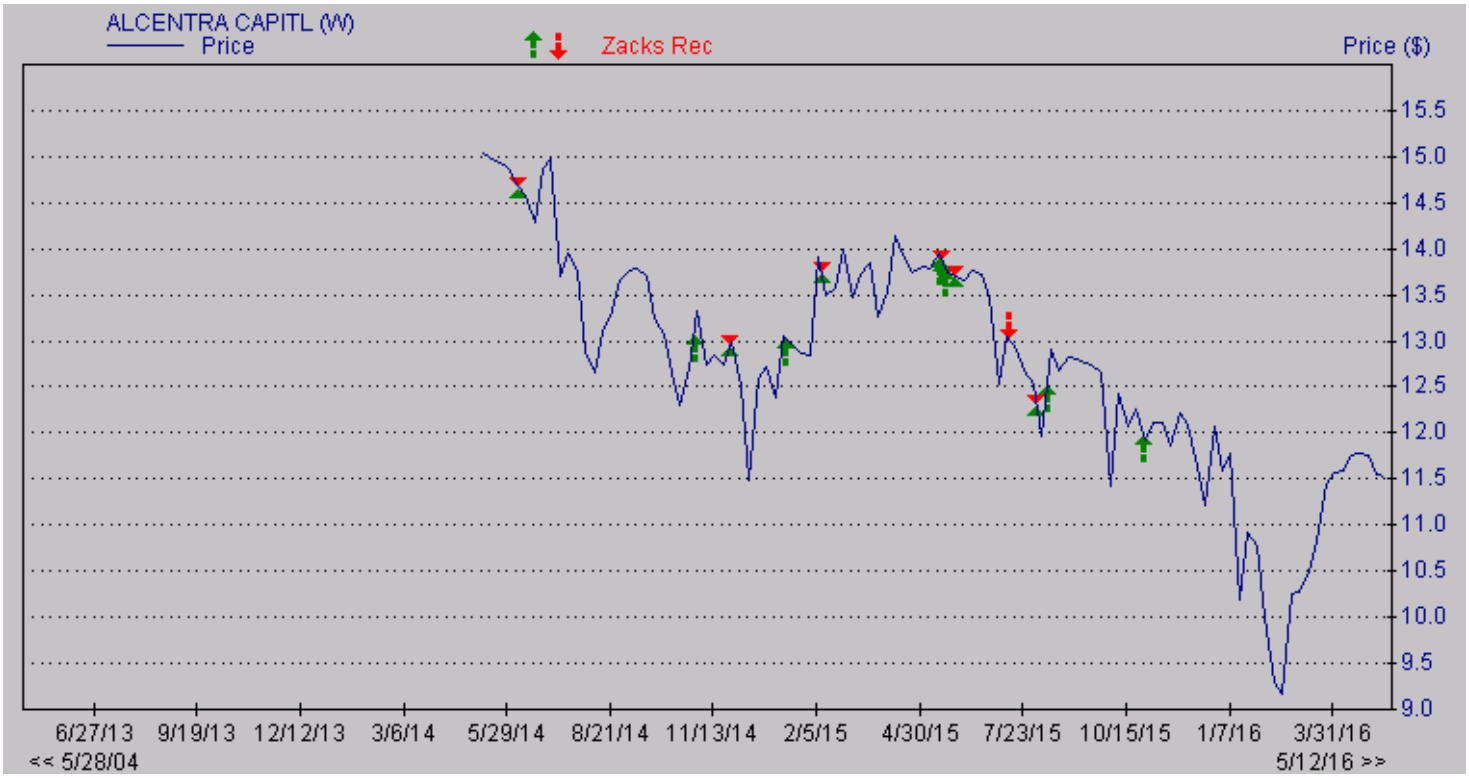
BALANCE SHEET

	Mar. 31, 2016	Dec. 31, 2015	% Change	Sept. 30, 2015
Portfolio Investments				
Non-controlled, non-affiliated investments	$205,364,448	$221,349,073	-7.2%	$194,281,248
Non-controlled, affiliates investments	$62,734,755	$59,243,999	5.9%	$67,237,740
Controlled, affiliated investments	14,291,727	15,748,539	-9.3%	27,417,562
Total of portfolio investments	282,390,930	296,341,611	-4.7%	288,936,550
Cash	3,831,847	4,866,972	-21.3%	11,472,602
Dividends and interest receivable	1,431,211	2,607,205	-45.1%	2,184,610
Receivable for investments sold	1,364,550	0	NM	0
Deferred financing costs	1,960,553	2,183,881	-10.2%	2,187,410
Deferred note offering costs	0	0	NM	1,031,906
Deferred tax asset	1,213,698	1,382,408	-12.2%	
Prepaid expenses and other assets	61,445	113,730	-46.0%	189,274
Total assets	292,254,234	307,495,807	-5.0%	306,002,352
Credit facility payable	$42,709,057	$63,504,738	-32.7%	$52,654,738
Notes payable	44,120,163	38,843,378	13.6%	40,000,000
Payable for investments purchased	0	0		0
Other accrued expenses and liabilities	265,435	271,801	-2.3%	362,462
Director's fee payable	79,000	37,025	113.4%	36,500
Professional fees payable	297,747	481,333	-38.1%	330,927
Interest and credit facility expense payable	1,256,030	813,222	54.5%	1,244,429
Management fee payable	1,289,036	1,302,213	-1.0%	1,273,705
Incentive fee payable	1,487,183	1,081,797	37.5%	1,749,155
Distributions payable	4,595,700	4,595,700	0.0%	4,595,700
Unearned structuring fee revenue	803,769	689,577	16.6%	856,612
Income taxes payable	782,928	842,812	-7.1%	187,269
Deferred tax liability	0	0		977,183
Total liabilities	97,686,048	112,463,596	-13.1%	104,268,680
NET ASSETS				
Common stock	13,506	13,517	-0.1%	13,517
Paid in capital	197,470,014	197,652,086	-0.1%	197,709,624
Accumulated net realized gains	(6,091,534)	2,791,590	-318.2%	169,263
Undistributed net investment income	2,139,519	1,130,327	89.3%	1,193,312
Net unrealized appreciation	1,036,681	(6,555,309)	-115.8%	2,647,956
Total net assets	**194,568,186**	**195,032,211**	-0.2%	201,733,672
Total liabilities and stockholders' deficit	292,254,234	307,495,807	-5.0%	306,002,352
Net asset value per share	**$14.41**	**$14.43**	**-0.2%**	**$14.92**

CASH FLOW

Cash Flows from Operating Activities	March 31, 2015	June 30, 2015	Sept 30, 2015	Dec 31, 2015	Year 2015	March 31, 2016
Net increase in net assets resulting from operations	$4,991,891	$6,413,656	$3,254,449	-$2,048,222	$12,611,774	$4,313,758
Adjustments:						
Net realized (gain) loss from portfolio investments	(254)	146,703	(244,000)	(2,625,441)	(2,722,992)	8,883,124
Net change in unrealized (appreciation) depreciation of port inves	(176,787)	(2,317,791)	3,228,470	10,907,312	11,641,204	(7,801,854)
Deferred tax asset	-	-	-	(1,382,408)	(1,382,408)	168,710
Deferred tax liability	159,983	221,384	(1,101,188)	2,416,825	1,697,004	-
Paid in-kind interest income from portfolio investments	(1,546,004)	(2,003,563)	(1,308,487)	(1,062,450)	(5,920,504)	(2,362,232)
Accretion of discount on debt securities	(208,115)	(68,843)	(73,619)	(93,980)	(444,557)	(99,533)
Purchases of portfolio investments	(21,982,468)	(30,559,822)	(21,239,546)	(22,819,728)	(96,601,564)	(30,178,654)
Net proceeds from sales/return of capital of portfolio invest.	15,519,311	16,542,288	15,989,831	8,289,227	56,340,657	45,509,830
Amortization of deferred financing costs	183,487	195,770	229,716	258,813	867,786	264,630
(Increase) decrease in operating assets:						
Dividends and interest receivable	655,120	(486,845)	(935,385)	(422,595)	(1,189,705)	1,175,994
Receivable for investments sold	4,753	-	-	-	4,753	(1,364,550)
Due from Limited Partners	-	-	-	-	-	-
Deferred note offering cost	(201,899)	201,899	-	-		-
Prepaid expenses and other assets	55,183	36,761	(152,830)	75,544	14,658	52,285
Increase (decrease) in operating liabilities:						
Payable for investments purchased	(8,717)	-	-	-	(8,717)	-
Other accrued expenses and liabilities	(359,853)	107,480	75,418	(90,661)	(267,616)	(6,366)
Due to affiliate	-	-	-	-	-	-
Directors' fees payable	(47,692)	37,250	(38,750)	525	(48,667)	41,975
Professional fees payable	(47,077)	155,710	(187,334)	150,406	71,705	(183,586)
Interest and credit facility expense payable	(61,783)	625,829	463,907	(431,207)	596,746	442,808
Management fee payable	532,337	71,958	53,742	28,508	686,545	(13,177)
Capital gains based incentive fee	-	434,217	(434,217)	-		-
Income-based incentive fees payable	806,100	397,028	546,027	(667,358)	1,081,797	405,386
Unearned structuring fee revenue	(22,958)	81,378	280,853	(167,035)	172,238	114,192
Income tax	(43,582)	186,048	(469)	655,543	797,540	(59,884)
Net cash used in operating activities	(1,799,024)	(9,581,505)	(1,593,412)	(9,028,382)	(25,396,332)	19,302,856
Cash Flows from Financing Activities:						
Financing costs paid	-	(112,501)	(697,362)	(255,284)	(1,065,147)	(41,302)
Offering costs paid	(56,911)	(1,030,253)	(47,530)	(182,254)	(1,316,948)	(190,470)
Proceeds from credit facility payable	52,531,684	49,920,343	45,200,000	107,450,000	255,102,027	16,500,000
Repayments of credit facility payable	(58,076,348)	(68,820,095)	(30,600,000)	(96,600,000)	(254,096,443)	(37,295,681)
Proceeds from notes payable	5,936,000	34,064,000	-	-	40,000,000	5,401,000
Distributions paid to shareholders	(4,595,700)	(4,595,701)	(4,595,700)	(4,595,701)	(18,382,802)	(4,595,700)
Repurchase of common stock					-	(115,828)
Capital contributions received from partners	-	-	-	-	-	-
Cash distributions paid to partners	-	-	-	-	-	-
Net cash provided by (used in) financing activities	(4,261,275)	9,425,793	9,259,408	5,816,761	20,240,687	(20,337,981)
Increase (decrease) in cash and cash equivalents	(6,060,299)	(155,712)	7,665,996	(3,211,621)	(5,155,645)	(1,035,125)
Cash at beginning of period	10,022,617	3,962,318	3,806,606	11,472,602	10,022,617	4,866,972
Cash and Cash Equivalents at End of Period	3,962,318	3,806,606	11,472,602	4,866,972	4,866,972	3,831,847
Supplemental and non-cash financing activities:						
Cash paid during the period for interest	544,105	1,313,690	1,431,744	1,857,795	3,870,973	866,136
Accrued offering costs	5,944	(3,459)	-	2,485	2,485	2,485
Accrued distributions payable	4,595,700	-	-	4,595,700	4,595,700	4,595,700

HISTORICAL STOCK PRICE



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