Zacks Small-Cap Research

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Alcentra Capital (ABDC-NASDAQ)

ABDC: Restructures Portfolio Away From Equities

We believe the stock should trade at the industry average dividend yield of 10.3% or $13.20 per share.

Current Price (11/04/16)	$12.73
Valuation	**$13.60**

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 10.7% dividend yield, trades at a 7% discount to the company's $13.69 NAV (net asset value) / share.

SUMMARY DATA

52-Week High	**$13.32**
52-Week Low	**$9.02**
One-Year Return (%)	**15.7**
Beta	**0.90**
Average Daily Volume (sh)	**36,429**
Shares Outstanding (mil)	**13.5**
Market Capitalization ($mil)	**$172**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**44**
Insider Ownership (%)	**4**
Annual Cash Dividend	**$1.36**
Dividend Yield (%)	**10.7**
5-Yr. Historical Growth Rates	
Sales (%)	**57.0**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**8.3**
P/E using 2016 Estimate	**8.2**
P/E using 2017 Estimate	**8.0**
Zacks Rank	**N/A**

Risk Level	**Low**
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	10.6 A	9.1 A	9.2 E	38.1 E
2017					39.8 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	$0.44 A	$0.35 A	$0.34 E	$1.56 E
2017					$1.55 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 $306 million portfolio is invested in 35 companies, with 89% in debt and 11% 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. Its largest sector, healthcare and pharmaceuticals, is 16% of the total investment portfolio.
- The weighted average yield on the company's debt portfolio is 11.8%, up from 11.7% in Q2 2016 and the weighted average leverage in the debt portfolio is 4.3 times EBITDA.
- At $12.73, the shares trade at a 7% discount to the company's $13.69 NAV (net asset value) / share. NAV has declined from the $14.63 per share at the time of its May 2014 IPO.
- One of the two companies on the watch list, Xpress Global Systems is now a non-performing loan. Its value is now written down to $2.4 million.
- The company has a valuation near its peers, and a best-in-class management fee structure for investors. We believe that ABDC is worth $13.20 per share and should trade at a dividend rate closer to the average yield of its competitors of 10.3%

Q3 2016 Earnings

For the third quarter of 2016, the company reported total investment income of $9.1 million versus $8.5 million last year, a gain of 7%. Adjusted and net investment income was $4.8 million, or $0.35 per share versus $5.1 and $0.35 per share last year.

During the three months ended September 30, 2016, Alcentra recorded a net income on investments of $4.8 million and a decrease in unrealized appreciation of assets of $1.8 million. Net asset value (NAV) was $184.7 million, or $13.69 per share as of September 30, 2016 versus $14.16 per share, on June 30, 2016 and $14.43 on December 31, 2015. During Q3 the company received proceeds from repayments and amortizations of $30.1 million and invested $51.9 million in three new deals.

On July 20, 2016, Alcentra invested $13.0 million **in Limbach Holdings** (OTCQB: LMBH) (13% Cash/3% PIK Subordinated Note). According to its web site, Limbach was founded in 1901 and is the 12th largest mechanical systems solutions firm in the US. It "provides building infrastructure services, with an expertise in the design, installation and maintenance of HVAC and mechanical, electrical, and plumbing systems for a diversified group of commercial and institutional building owners. Limbach employs more than 1,300 employees in 14 offices throughout the United States."

On August 1, 2016, **DBI Holding LLC** repaid its senior subordinated notes ($9.6 million), senior PIK notes ($9.2 million) and warrants ($9.7 million) for total proceeds of $28.5 million. Alcentra realized a gain of $9.7 million on its warrants.

On August 31, 2016, Alcentra invested $15.0 million in senior subordinated notes for **NextCare Holdings** is one of the nation's largest privately owned providers of urgent care and occupational medicine services. NextCare operates over 100 clinics nationwide and represents 10 brands across 11 states.

On **September 28, 2016**, Alcentra provided $18 million in first lien notes and $1 million in equity co-investment to **Lighting Retrofit International**, LLC to support an investment by DFW Capital Partners and Arborview Capital. LRI is a leading provider of lighting and water building efficiency services to government, institutional, and commercial customers. With the building efficiency sector growing, this investment will allow LRI to take advantage of the burgeoning demand in the building efficiency services industry. LRI was founded in 1991 and is headquartered in Gambrills, MD.

Consolidated Statements of Changes in Net Assets

	Sept. 30, 2016	June 30, 2016	% Change
Increase (decrease) in net assets resulting from operations			
Net investment income	16,290,031	5,898,346	176%
Net realized gain (loss) on investments	1,631,835	1,650,766	-1%
Net change in unrealized appreciation (depreciation) on investments	(17,107,913)	(5,866,776)	192%
Benefits/(Provision) for taxes on unrealized gain on investments	3,052,447	(287,167)	-1163%
Net increase (decrease) in net assets resulting from operations	3,866,400	1,395,169	177%
Capital transactions			
Offering costs	(165,635)	(99,380)	67%
Repurchase of common stock (10,509 and 0 shares, respectively)	(305,450)	(189,622)	61%
Net increase (decrease) in net assets resulting from capital transactions	(471,085)	(289,002)	63%
Distributions to shareholders from:			
Net investment income	(13,769,333)	(4,586,817)	200%
Realized gains	0	0	
Total distributions to shareholders	(13,769,333)	(4,595,700)	200%
Total increase (decrease) in net assets	(10,374,018)	(3,480,650)	198%
Net assets at beginning of period	195,032,211	194,568,186	
Net assets at end of period	184,658,193	191,087,536	

RECENT EVENTS

Events already occurred in Q4:

On October 19, 2016, Alcentra sold its interest in Tunnel Hill Partners (was City Carting) in a secondary sale for $10.2 million generating a **realized loss of $5.3 million** in Q4 2016.

On October 21, 2016, Alcentra assigned $8.0 million of its interest in LRI to a third party.

On October 21, 2016, Alcentra sold its equity interest in Media Storm for $0.3 million in proceeds generating a **$2 million realized loss** in Q4 2016. It also sold it holding in Dentistry for Children in a secondary sale for $3.5 million, **realizing a gain of $1.2 millio**n in Q4.

On October 24, 2016, Alcentra invested $6.0 million in **Lugano Diamond and Jewelry, Inc.** (Libor + 10.75 Senior Secured Notes) to support growth. Lugano is a privately owned international jewelry firm

dedicated to providing unique and the very finest quality jewelry art in addition to being a leading jeweler to the ultra-high net worth clients. Each design is a signature creation by Lugano Diamonds, featuring artistic, one-of-a-kind settings. Lugano is headquartered in Newport Beach, California
On October 27, 2016, Alcentra invested $10.0 million in **Safe Security** (13.0% cash/1.0% PIK Subordinated Notes)

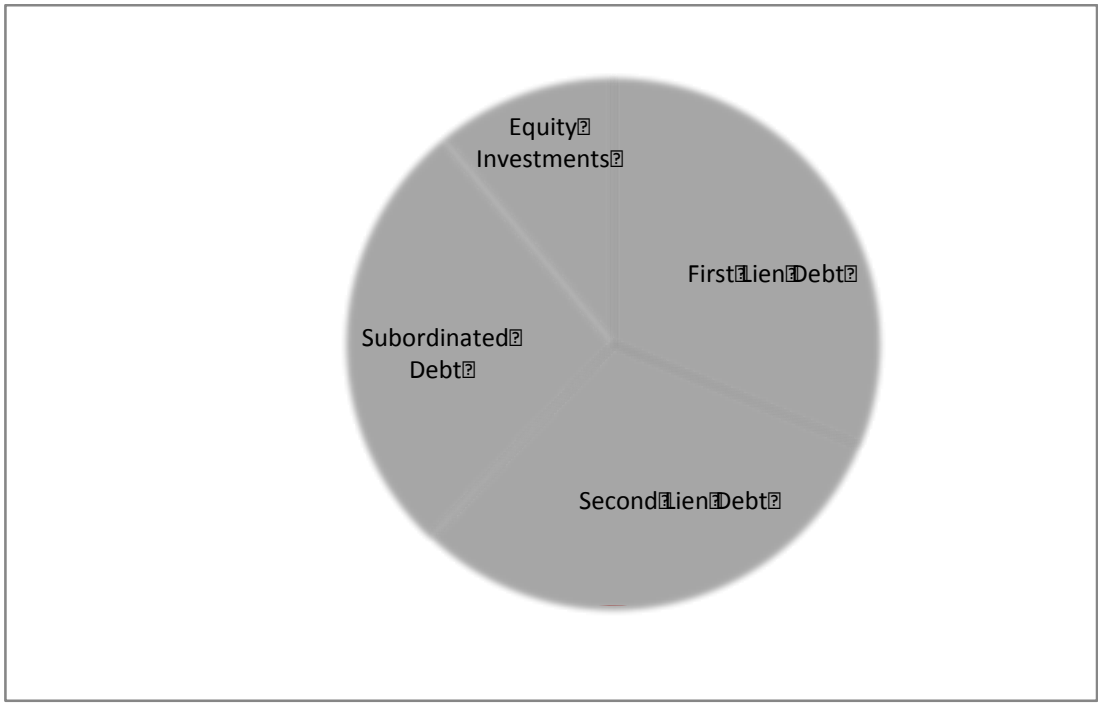
On October 28, 2016 Aphena Pharma repaid its debt investment in the amount of $1.1 million.

After Q3 ended, Alcentra learned that **Response Team Holding** (the remediation company), who was in the midst of a recapitalization, was in worse shape than expected. On November 1, 2016, the company decided to surrender its preferred and warrant interests and realized a loss of $3.1 million in Q4 2016.

INVESTMENT PORTFOLIO

As of September 30, 2016 $306 million was invested in 35 companies. Since then it has added two new names.

The portfolio then was 31.2% first lien debt, 30.8% second lien debt, 26.9% mezzanine debt, and 11% equity investments. This quarter the company reached its original goal of reducing equity to about 10% - 15% of its total investment portfolio by the sale of some equity investments and says that its goal percent is now 7%. On September 30, 2016, 43% of the investments were fixed rate, with the balance floating rate, and the company's average investment was valued at $9.1 million at amortized cost. The largest industry sector was healthcare and pharmaceuticals, which was 21% of the portfolio.



Watch List

The company now has one non-performing loan, Xpress Global Systems LLC, of Chattanooga, TN, which was put on the watch list last quarter. It is the leading, one-stop floor coverings logistics provider for floor covering products, including all types of hard surfaces, rugs, and carpet. We believe it has near 200 employees. Xpress recently made a large upgrade to its fleet in the short term it is hitting profitability. Although the investment was written down short term, Alcentra believes it should move back up over time. This quarter the company further wrote down the debt to $2.35 million down from $5.0 million (cost) and the warrants are still valued at zero from $489,000 cost.

Black Diamond is Alcentra's only exposure to the current difficulties facing the energy sector. This quarter, the market value of the investment in Black Diamond was reduced to $5.8 million and is now 2.75% of net assets. 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 September 30, 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**
Tunnel	Waste Services
Conisus	Healthcare Marketing / Media
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
Lighting Retrofit International	Engineering Services
Limbach Facility Services	Engineering Services
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
NextCare Holdings	Healthcare
NWN Acquisition Holding Company	Business Services
PharmaLogic	Healthcare / Nuclear Pharmacies
QRC Technologies	Technology
Response Team 1	Restoration Services
Show Media	Advertising, Printing & Publishing
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 10.7%.

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

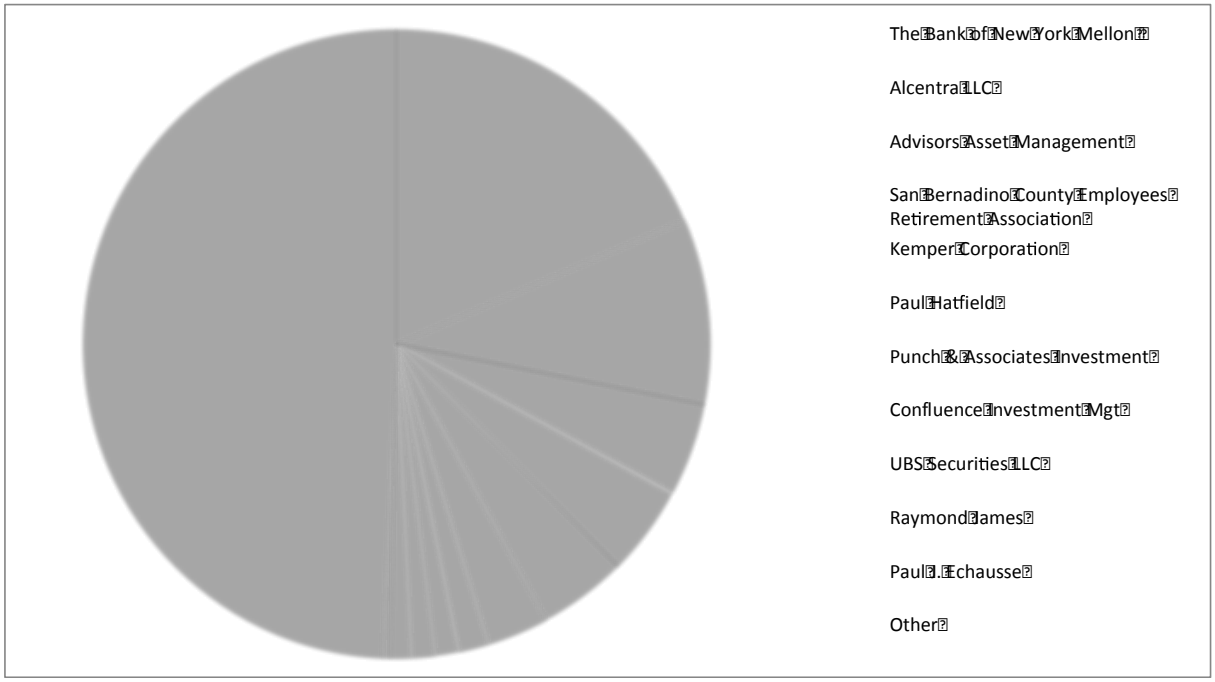


Source: Yahoo! Finance

As noted on the following table, on an NAV basis, BDC shares trade at an average 9% discount. Although there is a wide valuation gap among the BDCs shown in the table below, ABDC's discount is near the average. We believe the stock should trade at the industry average dividend yield of 10.3% or $13.20 per share. This implies a 4% upside.

Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV	Revenue 2016E
Alcentra Capital	ABDC	$12.73	$13.47	$8.87	$1.36	10.7%	$13.69	7.0%	$39
American Capital	ACAS	16.98	17.15	12.14	0	0.0%	21.40	20.7%	510
Apollo Investment Corp	AINV	5.71	6.39	4.26	0.80	14.3%	6.90	17.2%	384
Ares Capital Corp	ARCC	15.27	16.43	12.31	1.52	10.7%	16.59	8.0%	1,050
BlackRock Capital Investm	BKCC	6.78	10.2	6.85	0.84	10.5%	8.38	19.1%	147
Fidus Investment Corp.	FDUS	15.06	16.4	11.34	1.56	10.0%	15.58	3.3%	58
Fifth Street Finance Corp.	FSC	5.13	6.53	4.4	0.72	13.3%	8.15	37.1%	265
Garrsion Capital Inc.	GARS	9.23	14.21	9.04	1.40	13.3%	13.32	30.7%	54
Gladstone Capital Corp.	GLAD	7.74	8.89	4.71	0.84	10.8%	7.95	2.6%	42
KCAP Financial	KCAP	3.77	4.95	2.62	0.60	14.9%	5.38	29.9%	45
Main Street Capital Corp.	MAIN	32.98	34.75	24.21	2.22	6.5%	21.62	-52.5%	192
Newtek Business Services	NEWT	14.37	17.72	9.37	1.53	10.2%	14.26	-0.8%	28
Triangle Capital Corp.	TCAP	17.02	23.19	14.91	1.39	9.1%	15.33	-11.0%	137
TriplePoint Venture Growth	TPVG	10.79	12.65	8.83	1.44	12.9%	13.05	17.3%	54
Average					$1.08	10.3%	$12.66	9%	$259

INSIDER HOLDINGS



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	30-Sep-16	31-Dec-16 (est.)	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	$6,306,358	$6,500,000	$19,225,065	$23,243,520	$24,638,131
Paid in kind int inc. from portfolio investments	735,724	1,166,440	439,608	786,729	409,638	400,000	3,128,501	3,169,251	3,327,714
Other income from portfolio investments	659,896	295,386	452,038	412,213	158,048	158,048	1,819,533	1,887,546	632,192
Dividend income from portfolio investments	-	302,874	-	-	52,021	52,021	302,874	104,042	109,244
Non-controlled, affiliated investments:									
Interest income from portfolio investments	1,219,056	988,949	1,001,296	1,021,703	827,500	827,500	4,231,004	3,350,367	3,517,885
Paid in kind int inc. from portfolio investments	611,499	631,046	655,205	734,531	462,161	462,161	2,632,281	2,409,486	2,529,960
Other income from portfolio investments	28,358	20,527	23,435	-	336,679	300,000	72,320	2,587,616	2,716,997
From controlled, affiliated investments:									
Interest income from portfolio investments	575,980	582,229	588,627	533,270	398,185	380,000	2,280,106	1,542,820	1,619,961
Paid in kind int inc. from portfolio investments	198,781	206,077	213,674	(458,810)	165,878	165,878	159,722	653,788	686,477
Other income from portfolio investments	37,800	27,043	-	-	-	-	64,843	-	-
TOTAL INVESTMENT INCOME	**$8,224,653**	**$8,507,540**	**$8,507,142**	**$8,676,914**	**$9,116,468**	**$9,245,608**	**$33,916,249**	**$38,948,436**	**$39,778,562**
Yr-to-yr growth	106%	15%	45%	30%	7%	7%	43.8%	14.8%	2.1%
Costs and expenses:									
Management fees	1,148,005	1,219,963	1,273,705	1,302,213	1,335,294	1,386,841	4,943,886	5,294,934	5,559,681
% of Sales	14%	14%	15%	15%	15%	15%			
Income-based incentive fee	1,807,567	397,028	546,027	521,295	607,739	739,649	3,271,917	3,064,273	3,217,486
	22%	5%	6%	6%	7%	8%			
Capital gains incentive fees	-	434,217	(434,217)	-	-	100,000	-	100,000	105,000
Professional fees	189,386	170,549	167,356	439,380	273,965	439,380	966,671	1,439,882	1,511,876
Valuation services	122,905	100,010	89,822	106,527	57,722	100,000	419,264	299,769	314,757
Interest and credit facility expense	605,888	1,067,118	1,197,553	1,271,454	1,476,911	1,320,000	4,142,013	5,440,365	5,712,383
Amortization of deferred financing costs	183,487	195,770	229,716	258,813	299,932	290,000	867,786	1,138,367	1,195,285
Director's fees	38,000	76,191	57,635	71,900	83,313	70,000	243,726	302,608	317,738
Insurance expense	69,535	68,006	67,449	67,341	65,915	65,915	272,331	264,211	277,422
Organization expense	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs					91,852				
Other expenses	84,173	129,339	170,052	108,389	37,032	108,389	491,953	596,710	626,546
TOTAL EXPENSES	4,248,946	3,858,191	3,365,098	4,147,312	4,329,675	4,620,174	15,619,547	17,941,119	18,838,175
Waiver of income-based incentive fee	1,001,467	-	-	-	-	-	1,001,467	-	-
NET EXPENSES	**$3,247,479**	**$3,858,191**	**$3,365,098**	**$4,147,312**	**$4,329,675**	**$4,620,174**	**$14,618,080**	**$17,941,119**	**$18,838,175**
NET INVESTMENT INCOME	**$4,977,174**	**$4,649,349**	**$5,142,044**	**$4,529,602**	**$4,786,793**	**$4,625,434**	**$19,298,169**	**$21,007,317**	**$20,940,387**
% Change	56.7%	-25.1%	11.9%	-0.5%	-6.9%	2.1%	6.2%	8.9%	-0.3%
Adjusted NII/share	**$0.37**	**$0.34**	**$0.35**	**$0.34**	**$0.35**	**$0.34**	**$1.43**	**$1.56**	**$1.55**
% Change					2%	2%			
Dividend per share	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$1.36	$1.36	$1.36
EPS	$0.37	$0.47	$0.24	$0.27	-$0.14	$0.10	$1.35	$0.38	
NAV/share	$14.90	$15.03	$14.92	$14.33	$14.52	$14.52	$14.33	$14.52	$14.72
Avg shares outstanding	13,516,766	13,516,766	13,516,766	13,516,766	13,490,636	13,490,636	13,516,766	13,499,300	13,499,300

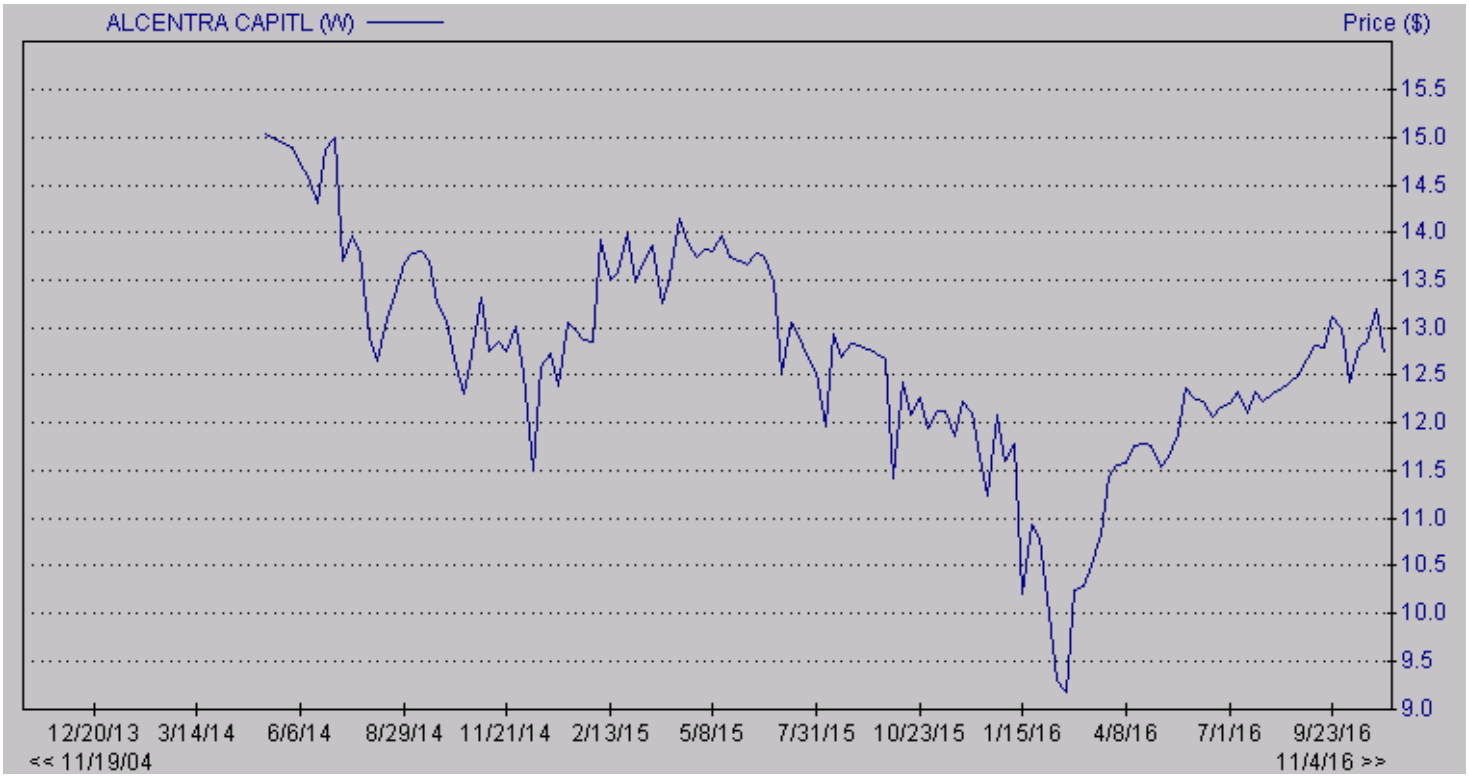
BALANCE SHEET

	Sept. 30, 2016	June 30, 2016	% Change	Dec. 31, 2015	% Change
Portfolio Investments					
Non-controlled, non-affiliated investments	$269,067,466	$228,320,326	17.8%	$221,349,073	21.6%
Non-controlled, affiliates investments	$23,066,462	$50,927,904	-54.7%	$59,243,999	-61.1%
Controlled, affiliated investments	13,814,627	14,390,754	-4.0%	15,748,539	-12.3%
Total of portfolio investments	305,948,555	293,638,984	4.2%	296,341,611	3.2%
Cash	6,708,245	5,038,752	33.1%	4,866,972	37.8%
Dividends and interest receivable	1,572,352	1,517,925	3.6%	2,607,205	-39.7%
Receivable for investments sold	1,364,550	1,364,550	0.0%	0	NM
Deferred financing costs	1,501,745	1,801,484	-16.6%	2,183,881	-31.2%
Deferred tax asset	5,994,993	927,632	546.3%	1,382,408	333.7%
Prepaid expenses and other assets	174,886	249,005	-29.8%	113,730	53.8%
Total assets	323,265,326	304,538,332	6.1%	307,495,807	5.1%
Credit facility payable	$70,872,238	$51,685,846	37.1%	$63,504,738	11.6%
Notes payable	53,451,176	50,130,063	6.6%	38,843,378	37.6%
Other accrued expenses and liabilities	743,521	278,021	167.4%	271,801	173.6%
Director's fee payable	117,000	72,500	61.4%	37,025	216.0%
Professional fees payable	365,894	235,067	55.7%	481,333	-24.0%
Interest and credit facility expense payable	1,471,876	974,292	51.1%	813,222	81.0%
Management fee payable	1,335,294	1,283,763	4.0%	1,302,213	2.5%
Incentive fee payable	1,914,909	2,023,682	-5.4%	1,081,797	77.0%
Distributions payable	4,586,816	4,586,816	0.0%	4,595,700	-0.2%
Unearned structuring fee revenue	1,373,992	1,354,846	1.4%	689,577	99.3%
Income taxes payable	2,374,417	825,900	187.5%	842,812	181.7%
Total liabilities	138,607,133	113,450,796	22.2%	112,463,596	23.2%
NET ASSETS					
Common stock	13,491	13,491	0.0%	13,517	-0.2%
Paid in capital	197,181,027	197,181,027	0.0%	197,652,086	-0.2%
Accumulated net realized gains	4,423,425	(4,440,768)	-199.6%	2,791,590	58.5%
Undistributed net investment income	3,651,025	3,451,048	5.8%	1,130,327	223.0%
Net unrealized appreciation	(20,610,775)	(5,117,262)	302.8%	(6,555,309)	214.4%
Total net assets	**184,658,193**	**191,087,536**	-3.4%	**195,032,211**	-5.3%
Total liabilities and stockholders' deficit	323,265,326	304,538,332	6.1%	307,495,807	5.1%
Net asset value per share	**13.69**	**14.16**	-3.4%	**$14.43**	-5.1%

CASH FLOW

Cash Flows from Operating Activities	March 31, 2015	June 30, 2015	Sept 30, 2015	Dec 31, 2015	Year 2015	March 31, 2016	June 30, 2016	Sept. 30, 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	$1,395,169	-$1,842,527
Adjustments:								
Net realized (gain) loss from portfolio investments	(254)	146,703	(244,000)	(2,625,441)	(2,722,992)	8,883,124	(1,650,766)	(8,864,193)
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)	5,866,776	19,042,991
Deferred tax asset	-	-	-	(1,382,408)	(1,382,408)	168,710	286,066	(5,067,361)
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)	(1,804,577)	(1,037,677)
Accretion of discount on debt securities	(208,115)	(68,843)	(73,619)	(93,980)	(444,557)	(99,533)	(104,106)	(477,521)
Purchases of portfolio investments	(21,982,468)	(30,559,822)	(21,239,546)	(22,819,728)	(96,601,564)	(30,178,654)	(39,376,739)	(51,503,640)
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	25,821,358	30,530,469
Amortization of deferred financing costs	183,487	195,770	229,716	258,813	867,786	264,630	283,805	299,932
Amortization of deferred note offering costs								-
(Increase) decrease in operating assets:								
Dividends and interest receivable	655,120	(486,845)	(935,385)	(422,595)	(1,189,705)	1,175,994	(86,714)	(54,427)
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	(187,560)	74,119
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)	12,586	465,500
Due to affiliate	-	-	-	-	-	-	-	-
Directors' fees payable	(47,692)	37,250	(38,750)	525	(48,667)	41,975	(6,500)	44,500
Professional fees payable	(47,077)	155,710	(187,334)	150,406	71,705	(183,586)	(62,680)	130,827
Interest and credit facility expense payable	(61,783)	625,829	463,907	(431,207)	596,746	442,808	(281,738)	497,584
Management fee payable	532,337	71,958	53,742	28,508	686,545	(13,177)	(5,273)	51,531
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	536,499	(108,773)
Unearned structuring fee revenue	(22,958)	81,378	280,853	(167,035)	172,238	114,192	551,077	19,146
Income tax	(43,582)	186,048	(469)	655,543	797,540	(59,884)	42,972	1,548,517
Net cash used in operating activities	(1,799,024)	(9,581,505)	(1,593,412)	(9,028,382)	(25,396,332)	19,302,856	(8,770,345)	(16,251,003)
Cash Flows from Financing Activities:								
Financing costs paid	-	(112,501)	(697,362)	(255,284)	(1,065,147)	(41,302)	(124,736)	(193)
Offering costs paid	(56,911)	(1,030,253)	(47,530)	(182,254)	(1,316,948)	(190,470)	(232,480)	(226,739)
Proceeds from credit facility payable	52,531,684	49,920,343	45,200,000	107,450,000	255,102,027	16,500,000	35,000,000	50,675,000
Repayments of credit facility payable	(58,076,348)	(68,820,095)	(30,600,000)	(96,600,000)	(254,096,443)	(37,295,681)	(26,023,211)	(31,488,608)
Proceeds from notes payable	5,936,000	34,064,000	-	-	40,000,000	5,401,000	6,143,000	3,456,000
Distributions paid to shareholders	(4,595,700)	(4,595,701)	(4,595,700)	(4,595,701)	(18,382,802)	(4,595,700)	(4,595,701)	(4,586,816)
Repurchase of common stock					-	(115,828)	(189,622)	-
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)	9,977,250	17,828,644
Increase (decrease) in cash and cash equivalents	(6,060,299)	(155,712)	7,665,996	(3,211,621)	(5,155,645)	(1,035,125)	1,206,905	1,577,641
Cash at beginning of period	10,022,617	3,962,318	3,806,606	11,472,602	10,022,617	4,866,972	3,831,847	10,875,252
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	5,038,752	12,452,893
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	1,616,248	979,327
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	-	(8,884)

HISTORICAL STOCK PRICE



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