Zacks Small-Cap Research

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Alcentra Capital (ABDC-NASDAQ)

ABDC: This Too Shall Pass – Bad Quarter Gives Investors An Excellent Entry Point

We believe the stock should trade at the industry average dividend yield of 9.4% or $14.47 per share.

Current Price (8/04/17)	$11.37
Valuation	**$14.47**

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 12.0% dividend, also trade at a 10.7% discount to the company's $12.73 NAV (net asset value) / share.

SUMMARY DATA

52-Week High	**$14.49**
52-Week Low	**$11.31**
One-Year Return (%)	**4.3**
Beta	**0.7**
Average Daily Volume (sh)	**104,728**
Shares Outstanding (mil)	**14.2**
Market Capitalization ($mil)	**$162**
Short Interest Ratio (days)	**2**
Institutional Ownership (%)	**44**
Insider Ownership (%)	**5**
Annual Cash Dividend	**$1.36**
Dividend Yield (%)	**12.0**
5-Yr. Historical Growth Rates	
Sales (%)	**41.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**8.9**
P/E using TTM EPS	**7.6**
P/E using 2017 Estimate	**8.4**
P/E using 2018 Estimate	**7.9**
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)
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	10.9 A	40.6 A
2017	9.2 A	8.3 A	9.2 E	10.3 E	37.2 E
2018					39.6 E

Adjusted NII per Share
(before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	$0.45 A	$1.66 A
2017	$0.34 A	$0.36 A	$0.34 E	$0.39 E	$1.43 E
2018					$1.49 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 $271 million portfolio is invested in 30 companies, with 91.2% in debt and 8.8% 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, is now 26% of the total investment portfolio.
- The weighted average yield on the company's debt portfolio is 11.6% and the weighted average portfolio company leverage is 3.68 times EBITDA flat with Q1 2017.
- At $11.37, the shares trade at a 10.7% discount to the company's $12.73 NAV (net asset value) per share. NAV has declined from the $14.63 per share at the time of its May 2014 IPO.
- Two companies are now non-performing, Show Media and My Alarm Center. Four others are on the watch list.
- We believe that Alcentra should be able to capitalize on the improving US economic outlook as companies seek to ramp growth with an improving regulatory environment and potential corporate tax cuts spurring demand. The company also plans to increase its leverage with the improving economic outlook.
- The company has a valuation at its peers, and a best-in-class management fee structure for investors. We believe that ABDC is worth $14.47 per share and at a 12% yield, trades at a rate well above to the average yield of its competitors. The bad quarter just reported gives investors an excellent buying opportunity as this too shall pass.

Q2 2017 Earnings

For the second quarter of 2017, the company reported total investment income of $8.3 million versus $10.6 million last year, a decline of 22%. Adjusted and net investment income was $4.8 million, or $0.36 per share versus $5.9 million and $0.44 per share last year.

During the three months ended June 30, 2017, Alcentra realized a gain on investments of $30,000 and a decrease in unrealized assets of $9.9 million, primarily due to the loss from one company that was acquired in July. Alcentra has uneven quarters affected by large events primarily caused by acquisitions. We believe this loss quarter will some time be followed by an exceptionally good quarter down the road leading to stock appreciation in addition to a 12% dividend while waiting.

Net asset value (NAV) was $180.4 million, or $12.73 per share as of June 30, 2017 versus $13.72 per share, on December 31, 2016. During Q2 the company received proceeds from repayments and amortizations on investments of $14.5 million and invested $11.9 million, including investments in three add-on investments and one refinancing.

Add-on investments during the quarter included the following:

NTI Holdings, LLC - $3.5 million additional investments in 1st lien notes and $0.1 million of equity
Black Diamond Rentals - $300,000 investment in tranche C super senior notes
My Alarm Center, LLC - $295,000 investment in second lien notes on April 28.
LRI Holding, Inc. – $7.2 million additional investments in 1st lien notes and $0.1 million of equity

While the company had a number of investments teed up for Q2 2017, approximately $35 million worth did not transpire as expected. These were primarily two large deals, one of which is on hold by a third party and the other was not pursued. There are other deals currently in the works.

MANAGEMENT CHANGES

On April 27th, Alcentra announced a series of management changes and promotions. Paul Hatfield was named Chairman Emeritus of the company, Paul Echausse was appointed as Chairman of the Board, and Ellida McMillan was promoted to Chief Financial Officer.

On June 30, 2017, David Scopelliti was promoted to President and CEO. David joined Alcentra in 2014 and was responsible for transaction sourcing, deal execution, and the monitoring of portfolio companies. Most recently, David was a Principal at GarMark, where he focused on investing subordinated debt and equity in middle market companies. Prior to joining GarMark in 2007, David was a Managing Director with Pacific Corporate Group, an alternative asset investment firm, responsible for discretionary and non-discretionary private investment programs for corporate and governmental entities. Prior to that, David served as Head of Private Equity for the State of Connecticut, where he restructured and rebuilt its $4.0 billion private equity program. David's prior experience also includes having been a Managing Director with CIBC World Markets in its leveraged finance group investing capital alongside financial sponsors. David received his B.B.A. in Finance/Accounting from Pace University, Lubin School of Business.

Alcentra does not plan to change its strategy or investment style or methodology due to these management changes.

RECENT EVENTS

Investments that have already occurred in Q3 2017:

On July 3, 2017, NWN Corporation repaid its 1st lien debt totaling $3,856,608.
On July 5, 2017, Superior Controls, Inc. repaid $825,000 of its 1st lien debt.

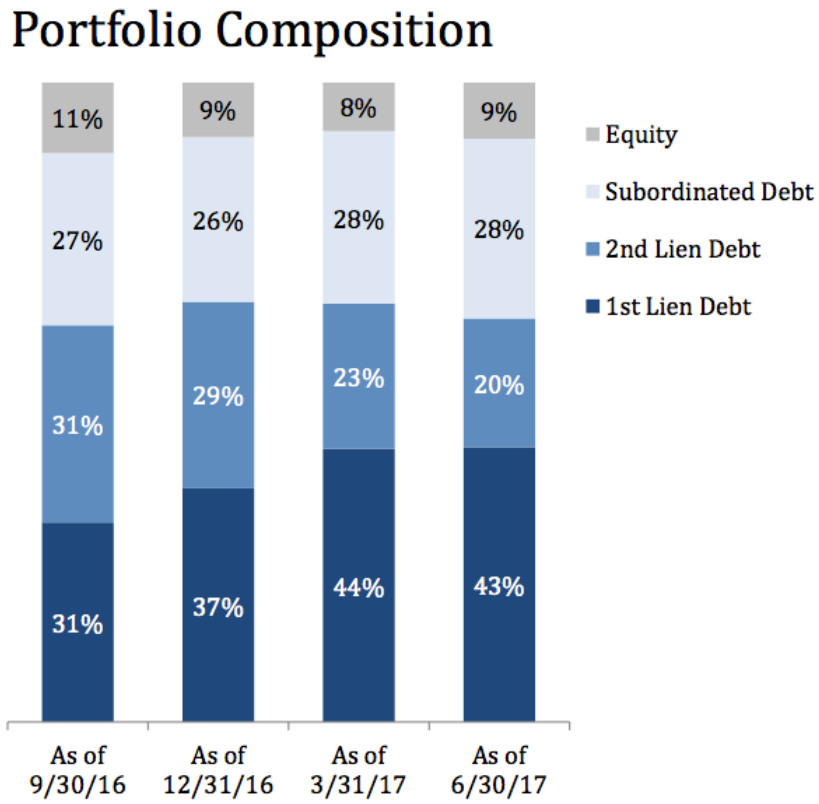
On July 6, 2017, Alcentra paid a dividend to shareholders of record as of June 30, 2017 of $0.34 per share.

On July 7, 2017, Superior Controls, Inc. repaid an additional $175,000 of its 1st lien debt.
On July 11, 2017, Alcentra funded an additional $2.0 million in Lugano Diamonds & Jewelry, Inc.
On July 14, 2017, Alcentra funded an additional $1.9 million in My Alarm Center, LLC as part of the recapitalization and change of control transaction.

INVESTMENT PORTFOLIO

As of June 30, 2017, $271 million was invested in 30 companies. The portfolio then was 43% senior secured first lien debt, 20% senior secured second lien debt, 28% mezzanine debt, and 8.8% equity investments. On June 30, 2017, 47% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $10.0 million. The value of the largest portfolio company holding was $22 million. The largest industry sector is still healthcare at 26% of the portfolio.

The company expects to be cautious on further healthcare investments as regulations in that industry are currently in flux.



Watch List

Alcentra has two investments on non-accrual:

Show Media, – a media, and advertising company based in Las Vegas that has been on and of the Watch List intermittently. It was written down last quarter to $1.1 million from an original $7.8 million. Show Media has an interactive digital network delivering custom brand oriented content and reaches 100 million taxicab passengers per year in the United States and China.

My Alarm Center consists of six local security alarm companies: My Alarm Center, Alarm Monitoring Service of Atlanta, Hawk Security Services, Scan Security, ACS Security and Livsecure and serves customers nationwide. It was put on the watch list last quarter. The $13.9 million investment, which had been showing an unrealized gain of $285,000 as of December 31, 2016, was valued at a $2.3 million, (a loss of $11.9 million) on June 30, 2017. On July 14, 2017, Alcentra funded an additional $1.9 million as part of a recapitalization and change of control transaction.

Three new companies were added to the watch list this quarter:

GST AutoLeather of Southfield, Michigan is the #1 automotive leather company in the world. It has worldwide operations and serves major car companies such as Audi, BMW, GM, Volkswagen, Toyota, Lexus, Mercedes, Nissan, and Porsche. Alcentra's original $8.5 million investment in senior subordinated notes is now valued at $7.3 million.

Southern Technical Institute has three campuses in Florida where it teaches healthcare through four programs to train certified nursing assistants: home health aide, phlebotomy technician, patient care

assistant and hemodialysis technician. The value has been written down to $11.6 million from an original $15.8 million.

Conisus was founded in 1999 and is based in Atlanta. It is a leading provider of strategic medical communication services to the biopharmaceutical industry. It delivers medical education programs to healthcare professionals. Alcentra's cost basis is $11.8 million and market value is now $10.0 million.

Table 1: Investments as of June 30, 2017

Company	Cost	Fair Value	$ Change	% Change
Battery Solutions	7,340,000	7,682,000	342,000	5%
Black Diamond Rentals	**15,620,000**	**10,311,000**	**(5,309,000)**	**-34%**
Champion ONE	8,415,000	8,484,000	69,000	1%
Conisus	**11,750,000**	**9,988,000**	**(1,762,000)**	**-15%**
FST Technical Services	15,459,000	15,269,000	(190,000)	-1%
Graco Supply & Integrated Services	4,000,000	4,000,000	-	0%
GST AutoLeather	**8,496,000**	**7,251,000**	**(1,245,000)**	**-15%**
Healthcare Associates of Texas	8,500,000	8,500,000	-	0%
IGT	9,475,000	9,725,000	250,000	3%
Lighting Retrofit International	21,028,000	22,005,000	977,000	5%
Lugano	5,957,000	6,245,000	288,000	5%
Media Storm	2,455,000	2,455,000	-	0%
Medsurant Holdings, LLC	6,138,000	6,200,000	62,000	1%
Metal Powder Products	8,792,000	8,975,000	183,000	2%
My Alarm Center LLC	**13,930,000**	**2,312,000**	**(11,618,000)**	**-83%**
Nation Safe Drivers	11,721,000	11,838,000	117,000	1%
NextCare Holdings	15,363,000	15,511,000	148,000	1%
NTI	**15,684,000**	**17,534,000**	**1,850,000**	**12%**
NWN Acquisition Holding Company	3,779,000	3,895,000	116,000	3%
Palmetto Moon	5,848,000	5,871,000	23,000	0%
PharmaLogic	16,092,000	16,122,000	30,000	0%
Pharmalogics Recruiting	9,886,000	9,975,000	89,000	1%
QRC Technologies	10,000,000	10,000,000	-	0%
Safe Security	9,836,000	10,000,000	164,000	2%
Show Media	**7,867,000**	**1,063,000**	**(6,804,000)**	**-86%**
Southern Technical Institute	**15,797,000**	**11,632,000**	**(4,165,000)**	**-26%**
Stancor	4,556,000	4,556,000	-	0%
Superior Controls	16,170,000	16,406,000	236,000	1%
Tunnel Hill	2,454,000	3,246,000	792,000	32%
Xpress Global Systems	7,737,000	4,317,000	(3,420,000)	-44%
Total	300,145,000	271,368,000	(28,777,000)	-10%

Source: Company Filings

Older Watch List Names

Black Diamond is Alcentra's only exposure to the energy sector. Alcentra made another small follow on investment this quarter of $300,000 after $468,000 in February 2017 to enable the company to buy pipe, as it seems opportunities improving due to the federal government opening up drilling activity. On May 30, 2017 rig count in North America was 130% higher than at the end of May 2016. Texas and Oklahoma, two states where Black Diamond has significant operations, saw rig increases over the same period. The market value of the investment in Black Diamond is $10.3 million and is now 3.8% of net assets. This represents a paper loss of $5.3 million dollars. 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.

Xpress Global Systems LLC, of Chattanooga, TN, was put on the watch list in Q2 2016 and is now off the list.

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 9.5%. During Q4, the company had a $5.9 million spill over (or $0.44 per share) and as a result declared a special dividend of $0.03, which was paid in Q1 with the regular dividend. The company will be left with a $5.6 million in spill over or $0.41 per share. The next $0.34 dividend will be paid October 5, 2017 to holders of record as of September 30, 2017.

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 Past 12 Months



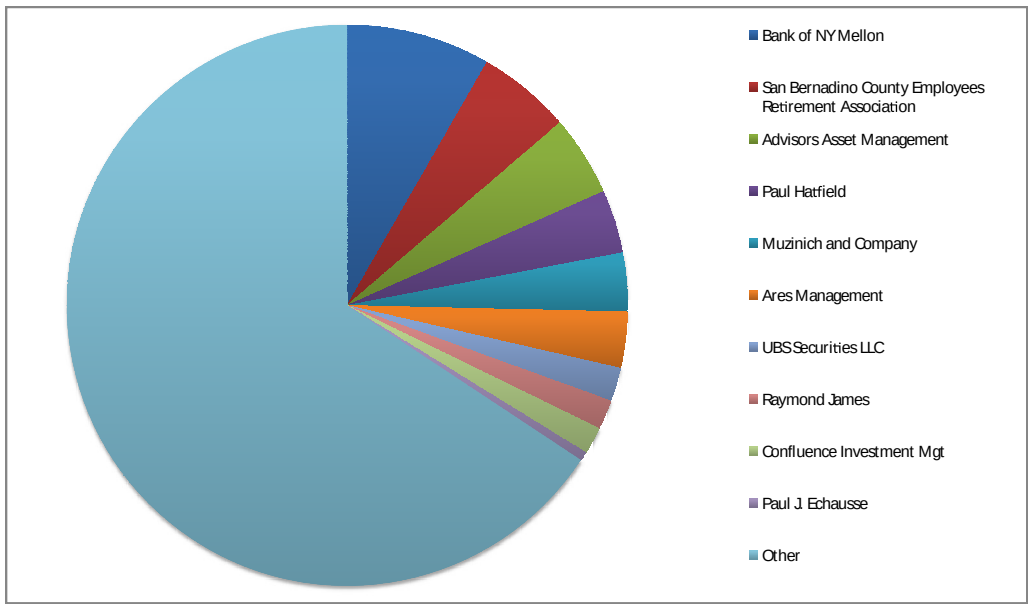
Source: Yahoo! Finance

We believe the company's exceptional Q4 and its ability to pay out a special dividend had caused the stock to outperform the BDC index last quarter. In contrast many BDCs had actually cut dividends. This quarter's EPS loss and only a regular dividend caused to stock to come back down. The loss was primarily due to a large write-down of My Alarm Center, which was bought by Oaktree Capital Management on July 21, 2017.

As noted on the following table, on an NAV basis, BDC shares trade at a 10.7% discount. There is a wide valuation gap among the BDCs shown in the table below. Alcentra stock trades at a higher than average dividend yield of 12.0% versus the average at 9.4%.

Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$11.37	$14.73	$11.17	$1.36	12.0%	$12.73	10.7%
Apollo Investment Corp	AINV	6.36	6.82	5.42	$0.65	8.8%	6.73	5.5%
Ares Capital Corp	ARCC	16.43	17.87	15.01	$1.52	8.6%	6.54	-151.2%
BlackRock Capital Investm	BKCC	7.53	8.87	6.75	$0.72	9.8%	8.33	9.6%
Fidus Investment Corp.	FDUS	16.67	18.21	14.33	$1.56	8.7%	15.87	-5.0%
Fifth Street Finance Corp.	FSC	5.36	6.32	3.90	$0.56	10.1%	7.23	25.9%
Garrsion Capital Inc.	GARS	7.95	10.98	7.93	$1.12	11.5%	11.90	33.2%
Gladstone Capital Corp.	GLAD	9.92	10.12	7.33	$0.84	8.6%	8.38	-18.4%
KCAP Financial	KCAP	3.37	4.89	3.30	$0.48	12.8%	5.10	33.9%
Main Street Capital Corp.	MAIN	39.25	40.86	32.12	$2.22	5.5%	22.44	-74.9%
Newtek Business Services	NEWT	17.03	18.00	12.97	$1.44	8.7%	14.31	-19.0%
Triangle Capital Corp.	TCAP	14.63	20.35	14.58	$1.80	9.5%	14.83	1.3%
TriplePoint Venture Growth	TPVG	12.78	14.41	10.25	$1.44	10.1%	13.38	4.5%
Average					$1.14	9.4%	$10.58	-15.4%

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-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17E	31-Dec-17E	2016	2017E	2018E
Non-controlled, non-affiliated investments:											
Interest Income from portfolio investments	$5,267,543	$5,169,619	$6,306,358	$8,435,370	$7,004,677	$6,187,702	$6,700,000	$8,000,000	$25,178,890	$27,892,379	$29,844,846
Paid in kind int inc. from portfolio investments	1,351,088	1,008,525	409,638	413,432	348,192	302,190	350,000	500,000	3,182,683	1,500,382	1,575,401
Other income from portfolio investments	918,664	652,786	158,048	746,478	609,965	587,782	900,000	260,000	2,475,976	2,357,747	2,475,634
Dividend income from portfolio investments	-	-	52,021	30,756	27,520	29,049	30,000	30,000	82,777	116,569	122,397
Non-controlled, affiliated investments:											
Interest income from portfolio investments	910,323	785,044	827,500	219,187	251,778	594,972	700,000	700,000	2,742,054	2,246,750	2,359,088
Paid in kind int inc. from portfolio investments	851,139	634,025	462,161	418,048	387,036	63,345	70,000	420,000	2,365,373	940,381	987,400
Other income from portfolio investments	105,882	1,845,055	336,679	65,150	-	-	-	-	2,352,766	-	-
From controlled, affiliated investments:											
Interest income from portfolio investments	381,747	382,888	398,185	403,353	405,835	573,069	600,000	400,000	1,566,173	1,978,904	2,077,849
Paid in kind int inc. from portfolio investments	160,005	162,027	165,878	167,997	166,445	-	-	-	655,907	166,445	174,767
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT INCOME	**$9,946,391**	**$10,639,969**	**$9,116,468**	**$10,899,771**	**$9,201,448**	**$8,338,109**	**$9,350,000**	**$10,310,000**	**$40,602,599**	**$37,199,557**	**$39,617,382**
Yr-to-yr growth	21%	25%	7%	26%	-7%	-22%	3%	-5%	19.7%	-8.4%	6.5%
Costs and expenses:											
Management fees	1,289,036	1,283,763	1,335,294	1,301,591	1,249,569	1,229,648	1,309,000	1,443,400	5,209,684	5,231,617	5,493,198
% of Sales	13%	12%	15%	12%	14%	14%	14%	14%			
Income-based incentive fee	790,727	926,158	607,739	930,543	653,911	-	654,500	824,800	3,255,167	2,133,211	2,239,872
	8%	9%	7%	9%	7%	0%	7%	8%			
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-
Professional fees	354,002	372,535	273,965	227,475	266,339	226,849	230,000	230,000	1,227,977	953,188	1,010,379
Valuation services	70,986	71,061	57,722	37,135	101,396	68,345	50,000	50,000	236,904	269,741	285,925
Interest and credit facility expense	1,308,944	1,334,510	1,476,911	1,536,789	1,526,907	1,513,067	1,520,000	1,520,000	5,657,154	6,079,974	6,383,973
Amortization of deferred financing costs	264,630	283,805	299,932	305,976	285,563	288,048	288,048	288,048	1,154,343	1,149,707	1,218,689
Director's fees	64,923	84,372	83,313	64,201	68,136	74,344	74,344	74,344	296,809	291,168	308,638
Insurance expense	66,610	65,771	65,915	65,913	64,481	60,102	60,000	60,102	264,209	244,685	259,366
Organization expense	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs		-	91,852	101,505	98,410	105,418	105,000	105,000	193,357	413,828	420,000
Other expenses	131,641	319,648	37,032	209,488	294,120	98,437	150,000	150,000	697,809	692,557	727,185
TOTAL EXPENSES	4,341,499	4,741,623	4,329,675	4,780,616	4,608,832	3,664,258	4,440,892	4,745,694	18,193,413	17,459,676	18,347,225
Waiver of income-based incentive fee	-	-	-	-	-	169,524	-	-	-	169,524	-
NET EXPENSES	**$4,341,499**	**$4,741,623**	**$4,329,675**	**$4,780,616**	**$4,608,832**	**$3,494,734**	**$4,440,892**	**$4,745,694**	**$18,193,413**	**$17,290,152**	**$18,347,225**
NET INVESTMENT INCOME	**$5,604,892**	**$5,898,346**	**$4,786,793**	**$6,119,155**	**$4,592,616**	**$4,843,375**	**$4,909,108**	**$5,564,306**	**$22,409,186**	**$19,909,405**	**$21,270,157**
% Change	12.6%	26.9%	-6.9%	35.1%	-18.1%	-17.9%	2.6%	-9.1%	16.1%	-11.2%	6.8%
Adjusted NII/share	**$0.41**	**$0.44**	**$0.35**	**$0.45**	**$0.34**	**$0.36**	**$0.34**	**$0.39**	**$1.66**	**$1.43**	**$1.49**
% Change	13%	27%	2%	35%	-18%	-19%	-3%	-14%	**16%**	**-14%**	**4%**
Dividend per share	$0.34	$0.34	$0.34	$0.34	$0.37	$0.34	$0.34	$0.34	$1.36	$1.36	$1.36
EPS	$0.32	$0.10	-$0.14	$0.36	$0.08	-$0.38	$0.40	$0.41	$0.65	$0.51	$1.49
NAV/share	$14.41	$14.51	$14.52	$13.72	$13.43	$12.73	$12.73	$12.79	$13.72	$12.79	$12.92
Avg shares outstanding	13,515,498	13,500,429	13,490,636	13,493,000	13,438,800	13,612,059	14,245,220	14,245,120	13,496,128	13,885,300	14,245,120

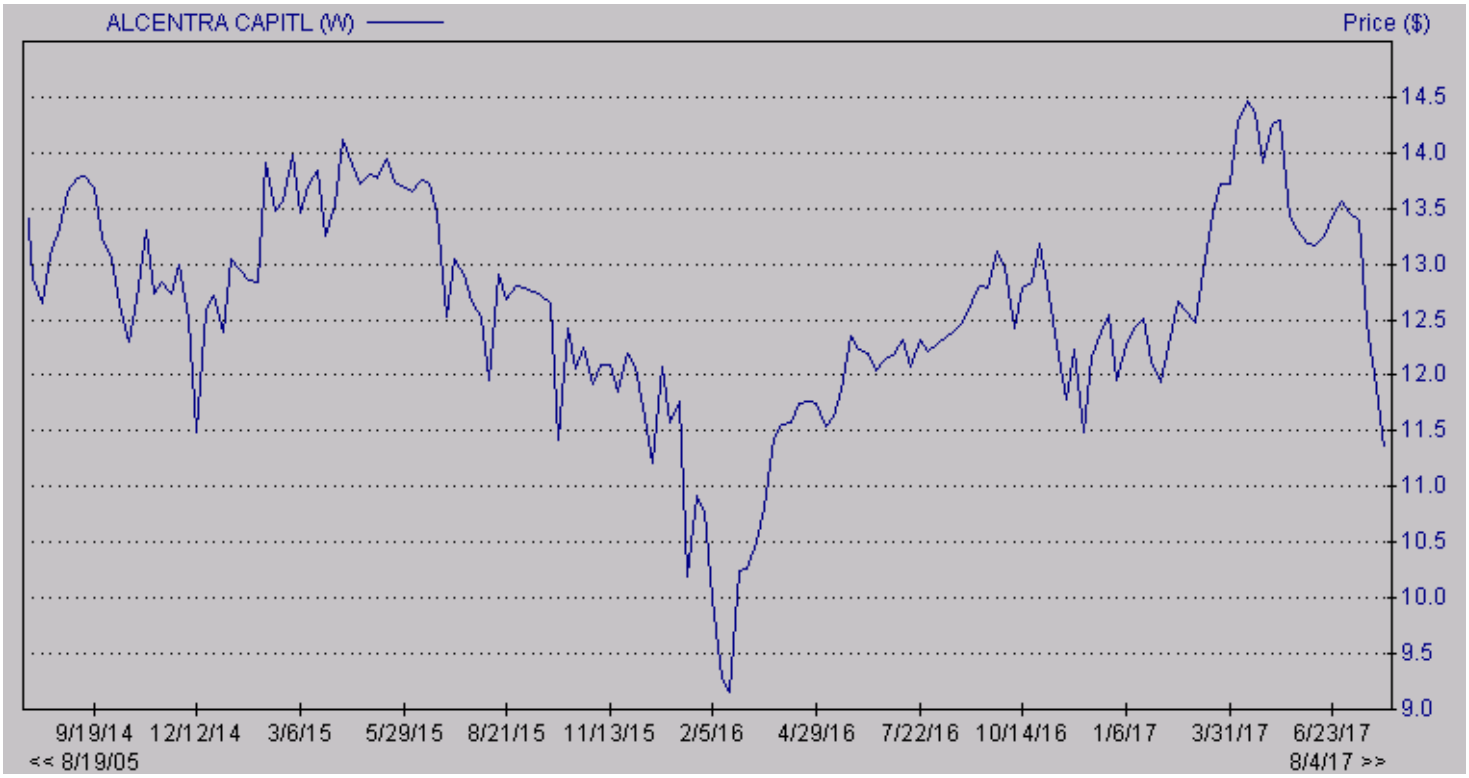
CHANGE IN NET ASSETS

Consolidated Statements of Changes in Net Assets	**June 30, 2017**	**March 31, 2017**	**Dec. 31, 2016**	**Sept. 30, 2016**	**June 30, 2016**	**March 31, 2016**
Increase (decrease) in net assets resulting from operations						
Net investment income	4,843,375	4,592,616	16,290,031	16,290,031	5,898,346	5,604,892
Net realized gain (loss) on investments	30,002	(1,049,239)	(1,800,000)	1,631,835	1,650,766	(8,883,124)
Net change in unrealized appreciation (depreciation) on investments	(9,924,134)	(1,787,483)	(5,000,000)	(17,107,913)	(5,866,776)	7,801,854
Benefits/(Provision) for taxes on unrealized gain on investments	(102,309)	(724,816)	(200,000)	3,052,447	(287,167)	(209,864)
Net increase (decrease) in net assets resulting from operations	(5,153,066)	1,031,078	9,290,031	3,866,400	1,395,169	4,313,758
Capital transactions						
Offering costs	-	-	(100,000)	(165,635)	(99,380)	(66,255)
Issuance of common stock	10,853,602	-				
Repurchase of common stock (10,509 and 0 shares, respectively)	-	(165,514)	-	(305,450)	(189,622)	(115,828)
Net increase (decrease) in net assets resulting from capital transactions	10,853,602	(165,514)	(100,000)	(471,085)	(289,002)	(182,083)
Distributions to shareholders from:						
Net investment income	(4,843,375)	(4,568,600)	(13,769,333)	(13,769,333)	(4,586,817)	(4,595,700)
Realized gains	-	(403,112)	0	0	0	-
Total distributions to shareholders	(4,843,375)	(4,971,712)	(13,769,333)	(13,769,333)	(4,595,700)	(4,595,700)
Total increase (decrease) in net assets	(1,098,652)	(4,106,148)	(4,579,302)	(10,374,018)	(3,480,650)	(464,025)
Net assets at beginning of period	184,525,591	184,525,591	184,658,193	195,032,211	194,568,186	195,032,211
Net assets at end of period	181,275,604	180,419,443	180,078,891	184,658,193	191,087,536	194,568,186

CASH FLOW

Cash Flows from Operating Activities	Year 2015	March 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016	Year 2016	March 31, 2017	June 30, 2017
Net increase in net assets resulting from operations	$12,611,774	$4,313,758	$1,395,169	-$1,842,527	$4,923,386	$8,789,786	$1,031,078	-$5,153,066
Adjustments:								
Net realized (gain) loss from portfolio investments	(2,722,992)	8,883,124	(1,650,766)	(8,864,193)	5,913,818	4,281,983	1,049,239	(30,002)
Net change in unrealized (appreciation) depreciation of port inves	11,641,204	(7,801,854)	5,866,776	19,042,991	(7,134,916)	9,972,997	1,787,483	9,924,134
Deferred tax asset	(1,382,408)	168,710	286,066	(5,067,361)	4,730,182	117,597	(246,876)	13,423
Deferred tax liability	1,697,004	-	-	-	-	-	-	-
Paid in-kind interest income from portfolio investments	(5,920,504)	(2,362,232)	(1,804,577)	(1,037,677)	(999,477)	(6,203,963)	(901,673)	(365,536)
Accretion of discount on debt securities	(444,557)	(99,533)	(104,106)	(477,521)	(544,674)	(1,225,834)	(980,595)	(438,851)
Purchases of portfolio investments	(96,601,564)	(30,178,654)	(39,376,739)	(51,503,640)	(24,502,950)	(145,561,983)	(31,193,265)	(24,918,835)
Net proceeds from sales/return of capital of portfolio invest.	56,340,657	45,509,830	25,821,358	30,530,469	56,943,804	158,805,461	23,183,083	27,787,780
Amortization of deferred financing costs	867,786	264,630	283,805	299,932	305,976	1,154,343	285,563	288,048
Amortization of deferred note offering costs				-	101,505	193,357	98,410	105,418
(Increase) decrease in operating assets:								
Dividends and interest receivable	(1,189,705)	1,175,994	(86,714)	(54,427)	(1,668,288)	(633,435)	1,474,828	695,561
Receivable for investments sold	4,753	(1,364,550)	-	-	(774,913)	(2,139,463)	1,433,730	234,750
Due from Limited Partners	-	-	-	-	-	-	-	-
Deferred note offering cost		-	-	-	-	-	-	-
Income tax asset							(795,587)	223
Prepaid expenses and other assets	14,658	52,285	(187,560)	74,119	74,116	12,960	50,128	(158,786)
Increase (decrease) in operating liabilities:								
Payable for investments purchased	(8,717)	-	-	-	-	-	71,221	(71,221)
Other accrued expenses and liabilities	(267,616)	(6,366)	12,586	465,500	(461,356)	10,364	40,499	52,373
Due to affiliate	-	-	-	-	-	-	-	-
Directors' fees payable	(48,667)	41,975	(6,500)	44,500	(22,000)	57,975	(14,000)	(8,000)
Professional fees payable	71,705	(183,586)	(62,680)	130,827	(34,027)	(149,466)	85,846	(171,111)
Interest and credit facility expense payable	596,746	442,808	(281,738)	497,584	(463,749)	194,905	556,184	(431,423)
Management fee payable	686,545	(13,177)	(5,273)	51,531	(33,703)	(622)	1,249,568	(1,491,034)
Capital gains based incentive fee		-	-	-	-	-	-	-
Income-based incentive fees payable	1,081,797	405,386	536,499	(108,773)	156,752	989,864	(222,526)	(538,484)
Unearned structuring fee revenue	172,238	114,192	551,077	19,146	(198,673)	485,742	(64,825)	(59,817)
Income tax	797,540	(59,884)	42,972	1,548,517	(2,191,718)	(660,113)	(182,699)	-
Net cash used in operating activities	(25,396,332)	19,302,856	(8,770,345)	(16,251,003)	34,119,095	28,492,455	(2,205,186)	5,265,544
Cash Flows from Financing Activities:								
Issuance of common stock								10,853,602
Financing costs paid	(1,065,147)	(41,302)	(124,736)	(193)	(92,038)	(258,269)	(12,000)	(121,858)
Offering costs paid	(1,316,948)	(190,470)	(232,480)	(226,739)	(47,743)	(697,432)	(2,357)	(142,689)
Proceeds from credit facility payable	255,102,027	16,500,000	35,000,000	50,675,000	14,200,000	116,375,000	30,100,000	16,750,000
Repayments of credit facility payable	(254,096,443)	(37,295,681)	(26,023,211)	(31,488,608)	(45,938,965)	(140,746,465)	(22,300,000)	(28,550,000)
Proceeds from notes payable	40,000,000	5,401,000	6,143,000	3,456,000	-	15,000,000	-	-
Distributions paid to shareholders	(18,382,802)	(4,595,700)	(4,595,701)	(4,586,816)	(4,586,816)	(18,365,033)	(4,586,816)	(4,971,712)
Repurchase of common stock	-	(115,828)	(189,622)	-	(470,172)	(775,622)	(165,514)	-
Capital contributions received from partners	-	-	-	-	-	-	-	-
Cash distributions paid to partners	-	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	20,240,687	(20,337,981)	9,977,250	17,828,644	(36,935,734)	(29,467,821)	3,033,313	(6,182,657)
Increase (decrease) in cash and cash equivalents	(5,155,645)	(1,035,125)	1,206,905	1,577,641	(2,816,639)	(975,366)	828,127	(917,113)
Cash at beginning of period	10,022,617	4,866,972	3,831,847	10,875,252	12,452,893	4,866,972	3,891,606	-
Cash and Cash Equivalents at End of Period	4,866,972	3,831,847	5,038,752	12,452,893	9,636,254	3,891,606	4,719,733	(917,113)
Supplemental and non-cash financing activities:								
Cash paid during the period for interest	3,870,973	866,136	1,616,248	979,327	2,000,538	5,462,249	970,723	1,944,490
Accrued offering costs	2,485	2,485	-	-	-	2,485	2,485	-
Accrued distributions payable	4,595,700	4,595,700	-	(8,884)	-	4,586,816	4,971,712	(128,337)

HISTORICAL STOCK PRICE



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