Zacks Small-Cap Research

March 13, 2017

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Alcentra Capital (ABDC-NASDAQ)

ABDC: Excellent Q4 Results in Special Dividend

We believe the stock should trade at the industry average dividend yield of 9.7% or $14.00 per share.

Current Price (3/10/17)	$12.96
Valuation	**$14.00**

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 10.8% dividend yield, trades at a 5.5% discount to the company's $13.72 NAV (net asset value) / share.

SUMMARY DATA

52-Week High	**$13.32**
52-Week Low	**$10.21**
One-Year Return (%)	**33.7**
Beta	**0.80**
Average Daily Volume (sh)	**51,155**
Shares Outstanding (mil)	**13.5**
Market Capitalization ($mil)	**$175**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**43**
Insider Ownership (%)	**33**
Annual Cash Dividend	**$1.36**
Dividend Yield (%)	**10.5**
5-Yr. Historical Growth Rates	
Sales (%)	**52.1**
Earnings Per Share (%)	**N/A**
Dividend (%)	**12.5**
P/E using TTM EPS	**7.8**
P/E using 2017 Estimate	**8.3**
P/E using 2018 Estimate	**7.6**
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	9.8 E	9.8 E	10.3 E	10.5 E	40.3 E
2018					43.0 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	$0.38 E	$0.38 E	$0.40 E	$0.42 E	$1.57 E
2018					$1.70 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 $276 million portfolio is invested in 32 companies, with 92% in debt and 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 and pharmaceuticals, is now 16% of the total investment portfolio.
- The weighted average yield on the company's debt portfolio is 11.7%, down from 11.8% in Q3 2016 and the weighted average leverage in the debt portfolio is 3.93 times EBITDA up from 3.69 times in Q3 2016.
- At $12.96, the shares trade at a 5.5% discount to the company's $13.72 NAV (net asset value) per share. NAV has declined from the $14.63 per share at the time of its May 2014 IPO.
- Only one company is now a non-performing loan, Show Media. Its value is now written down to $2.1 million.
- 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 has a valuation near its peers, and a best-in-class management fee structure for investors. We believe that ABDC is worth $14.00 per share and should trade at a dividend rate closer to the average yield of its competitors of 9.7%

Q4 2016 Earnings

For the fourth quarter of 2016, the company reported total investment income of $10.9 million versus $8.7 million last year, a gain of 26%. Adjusted and net investment income was $6.1 million, or $0.45 per share versus $4.5 and $0.27 per share last year.

During the three months ended December 31, 2016, Alcentra realized a loss on investments of $5.9 million and an increase in unrealized assets of $7.1 million. Net asset value (NAV) was $288 million, or $13.72 per share as of December 31, 2016 versus $14.52 per share, on September 30, 2016 and $14.43 on December 31, 2015. During Q4 the company received proceeds from repayments of $29.6 million and invested $22.8 million, including investments in three new deals.

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.** (of which $5.4 million was Libor + 10.75 Senior Secured Notes and $0.6 million in equity) 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 **Security Alarm Financing Enterprises** (**SAFE) Security** (13.0% cash/1.0% PIK Subordinated Notes), a full service nationwide alarm company that services and monitors security alarm contracts.

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

On December 30, 2016, Alcentra invested $5.5 million in senior secured notes and $0.4 million in equity in **Palmetto Moon, LLC**, a specialty retailer of outdoor active lifestyle apparel and accessories, college lifestyle apparel and state and local themed apparel.

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 in **Response Team Holding** (the remediation company), who was in the midst of a recapitalization, was in worse shape than expected.

RECENT EVENTS

Events that have already occurred in Q1 2017:

On January 3, 2017, Alcentra sold its equity interest in **Wholesome Sweeteners** in a secondary sale for $3.7 million.

On January 5, 2017, Alcentra invested an additional $2.7 million in **LRI Energy Solutions.** □

On January 31, 2017, Alcentra invested $10.2 million in **Pharmalogics Recruiting** (10.25% 1st Lien Debt and common equity). □

On February 1, 2017, Alcentra invested an additional $0.402 million in **Black Diamond Rentals** and a further $0.064 million on February 28, 2017.

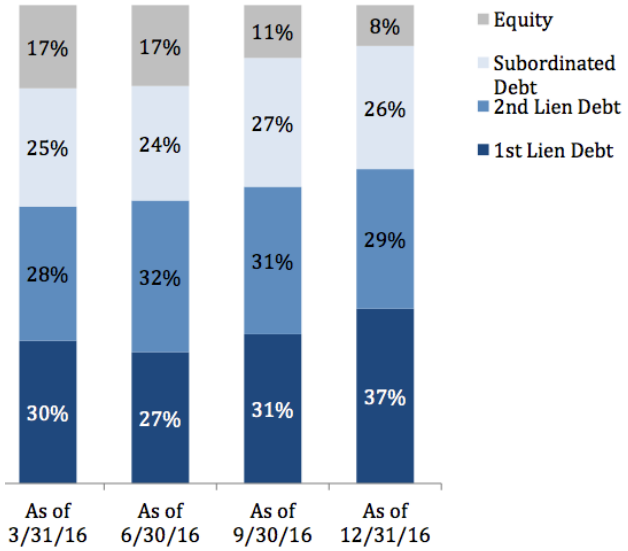
On February 21, 2017, **Duke Finance**, LLC repaid their investment in the amount of $7.5 million□On February 27, 2017, **Alpine Waste** repaid their investment in the amount of $11.0 million□

On February 28, 2017, Alcentra invested an additional $2.1 million in **Pharmalogic Holdings Corporation.** □

INVESTMENT PORTFOLIO

As of December 31, 2016, $276 million was invested in 32 companies. The portfolio then was 37% first lien debt, 29% second lien debt, 26% mezzanine debt, and 8% equity investments. On December 31, 2016, 42% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $8.8 million. The largest industry sector was healthcare services, which was

24% of the portfolio on December 31, but is now 16%. The company expects to be cautious on further healthcare investments as regulations in that industry are currently in flux.



Watch List

Alcentra has one investment on non-accrual, Show Media, – a media, and advertising company based in Las Vegas that has been on and of the Watch List intermittently and represents less than 1.5% of the portfolio or $2.1 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.

Xpress Global Systems LLC, of Chattanooga, TN, was put on the watch list in Q2 2016. 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 raised the value of the debt from $2.35 up to $4.3 million, which is still down from the $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 energy sector. Alcentra made a small follow on investment of $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. At year-end total rig count in North America was almost 63% 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 $10.1 million and is now 4% 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 December 31, 2016

Company	Cost	Fair Value	$ Change	% Change
A2Z Wireless	14,664,375	14,439,077	(225,298)	-2%
Alpine Waste	11,117,571	11,132,000	14,429	0%
Battery Solutions	6,852,060	6,517,000	(335,060)	-5%
Black Diamond Rentals	**13,754,354**	**10,078,000**	**(3,676,354)**	**-27%**
Conisus	11,750,000	10,870,000	(880,000)	-7%
FST Technical Services	14,466,264	14,457,000	(9,264)	0%
Graco Supply & Integrated Services	4,000,000	3,877,000	(123,000)	-3%
GST AutoLeather	8,369,000	8,369,000	-	0%
Healthcare Associates of Texas	8,500,000	8,500,000	-	0%
IGT	10,216,210	8,356,000	(1,860,210)	-18%
Lighting Retrofit International	10,907,000	11,084,000	177,000	2%
Lugano	6,000,000	6,000,000	-	0%
Media Storm	2,455,000	2,455,000	-	0%
Medsurant Holdings, LLC	6,138,000	6,200,000	62,000	1%
Metal Powder Products	8,750,000	8,909,000	159,000	2%
My Alarm Center LLC	12,625,000	12,910,000	285,000	2%
Nation Safe Drivers	11,721,154	11,838,000	116,846	1%
NextCare Holdings	14,860,000	15,050,000	190,000	1%
NTI	12,264,000	12,860,000	596,000	5%
NWN Acquisition Holding Company	3,841,000	3,919,000	78,000	2%
Palmetto Moon	5,975,000	6,000,000	25,000	0%
PharmaLogic	14,000,000	14,000,000	-	0%
QRC Technologies	10,000,000	10,000,000	-	0%
Safe Security	9,800,000	10,000,000	200,000	2%
Show Media	**7,804,000**	**2,077,000**	**(5,727,000)**	**-73%**
Southern Technical Institute	14,837,000	13,500,000	(1,337,000)	-9%
Stancor	4,900,000	4,900,000	-	0%
Superior Controls	10,400,000	10,516,000	116,000	1%
Tunnel Hill	2,454,000	2,029,000	(425,000)	-17%
Vectra	6,723,000	7,350,000	627,000	9%
Wholesome Sweeteners	5,000,000	3,700,000	(1,300,000)	-26%
Xpress Global Systems	**7,476,000**	**4,317,000**	**(3,159,000)**	**-42%**
Total	292,619,988	276,209,077	(16,410,911)	-6%

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 10.8%. 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 to be paid with the regular dividend. The company will be left with a $5.6 million in spill over or $0.41 per share.

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

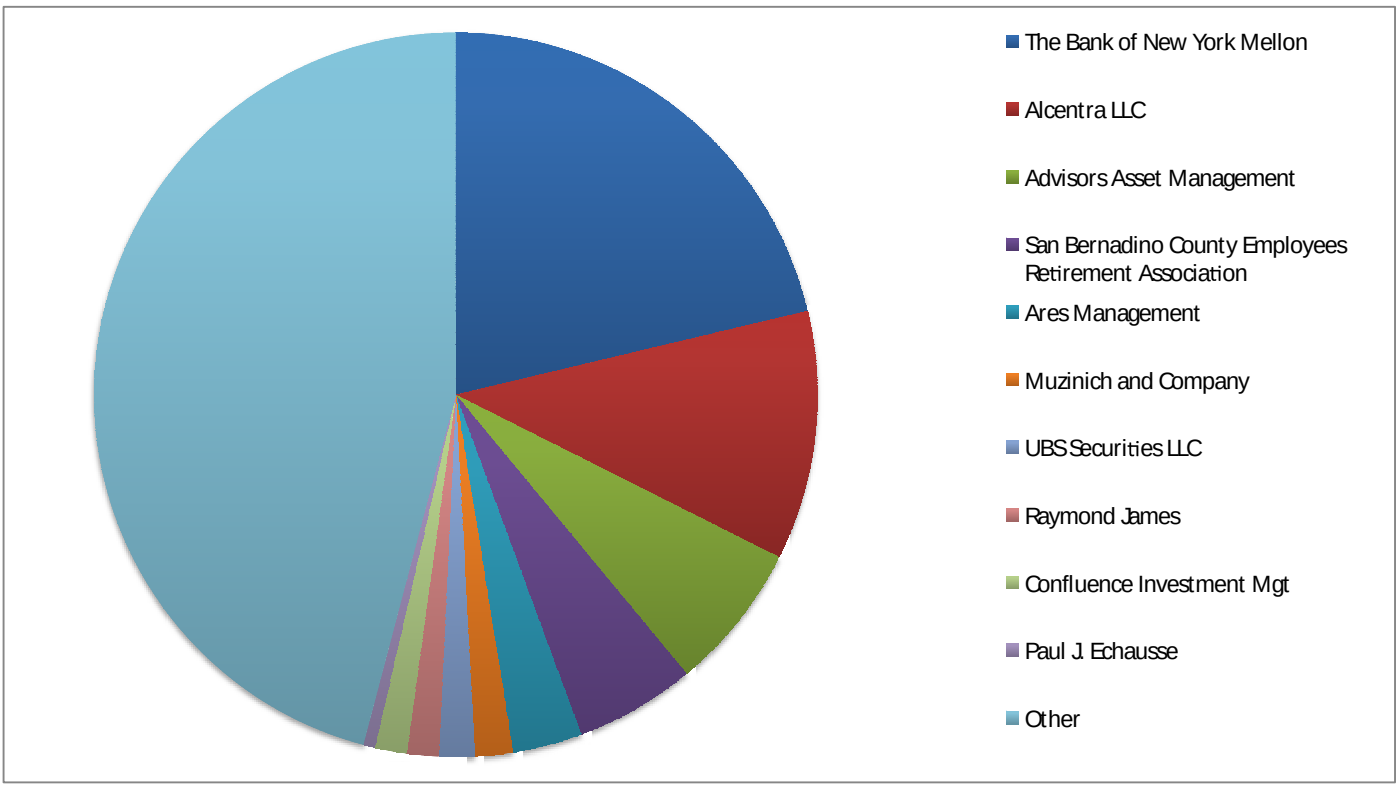


Source: Yahoo! Finance

As noted on the following table, on an NAV basis, BDC shares trade at an average 3% premium. Although there is a wide valuation gap among the BDCs shown in the table below, ABDC's discount is near below the average. We believe the stock should trade at the industry average dividend yield of 9.7% or $14.00 per share. This implies an 8% upside.

Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$12.96	$13.47	$10.56	$1.36	10.5%	$13.72	5.5%
Apollo Investment Corp	AINV	6.38	6.58	5.03	0.60	9.4%	6.86	7.0%
Ares Capital Corp	ARCC	17.66	17.87	13.81	1.52	8.6%	16.45	-7.4%
BlackRock Capital Investm	BKCC	7.72	9.92	6.75	0.84	10.9%	8.21	6.0%
Fidus Investment Corp.	FDUS	17.02	17.54	14.18	1.56	9.2%	15.76	-8.0%
Fifth Street Finance Corp.	FSC	4.44	6.32	4.31	0.47	10.6%	7.31	39.3%
Garrsion Capital Inc.	GARS	9.83	10.98	8.75	1.12	11.4%	12.42	20.9%
Gladstone Capital Corp.	GLAD	8.96	9.92	6.80	0.84	9.4%	8.36	-7.2%
KCAP Financial	KCAP	4.02	4.89	3.13	0.48	11.9%	5.24	23.3%
Main Street Capital Corp.	MAIN	36.96	37.57	30.10	2.22	6.0%	22.10	-67.2%
Newtek Business Services	NEWT	17.10	17.11	11.72	1.60	9.4%	14.30	-19.6%
Triangle Capital Corp.	TCAP	18.46	18.46	16.00	1.80	9.8%	15.13	-22.0%
TriplePoint Venture Growth	TPVG	13.15	13.15	9.80	1.44	11.0%	13.05	-0.8%
Average					$1.15	9.7%	$11.64	-3%

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-17E	30-Jun-17E	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	$7,335,370	$7,700,000	$8,200,000	$8,454,000	$25,178,890	$31,689,370	$33,907,626
Paid in kind int inc. from portfolio investments	1,351,088	1,008,525	409,638	413,432	500,000	500,000	500,000	500,000	3,182,683	2,000,000	2,100,000
Other income from portfolio investments	918,664	652,786	158,048	746,478	500,000	260,000	260,000	260,000	2,475,976	1,280,000	1,344,000
Dividend income from portfolio investments	-	-	52,021	30,756	30,000	30,000	30,000	30,000	82,777	120,000	126,000
Non-controlled, affiliated investments:											
Interest income from portfolio investments	910,323	785,044	827,500	219,187	320,000	220,000	220,000	220,000	2,742,054	980,000	1,029,000
Paid in kind int inc. from portfolio investments	851,139	634,025	462,161	418,048	500,000	420,000	420,000	420,000	2,365,373	1,760,000	1,848,000
Other income from portfolio investments	105,882	1,845,055	336,679	65,150	70,000	70,000	70,000	70,000	2,352,766	280,000	294,000
From controlled, affiliated investments:											
Interest income from portfolio investments	381,747	382,888	398,185	403,353	410,000	400,000	400,000	400,000	1,566,173	1,610,000	1,690,500
Paid in kind int inc. from portfolio investments	160,005	162,027	165,878	167,997	168,000	168,000	168,000	168,000	655,907	672,000	705,600
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT INCOME	**$9,946,391**	**$10,639,969**	**$9,116,468**	**$10,899,771**	**$9,833,370**	**$9,768,000**	**$10,268,000**	**$10,522,000**	**$40,602,599**	**$40,391,370**	**$43,044,726**
Yr-to-yr growth	21%	25%	7%	26%	-1%	-8%	13%	-3%	19.7%	-0.5%	6.6%
Costs and expenses:											
Management fees	1,289,036	1,283,763	1,335,294	1,301,591	1,376,672	1,367,520	1,437,520	1,473,080	5,209,684	5,654,792	5,937,531
% of Sales	13%	12%	15%	12%	14%	14%	14%	14%			
Income-based incentive fee	790,727	926,158	607,739	930,543	786,670	781,440	821,440	841,760	3,255,167	3,231,310	3,392,875
	8%	9%	7%	9%	8%	8%	8%	8%			
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-
Professional fees	354,002	372,535	273,965	227,475	275,000	275,000	275,000	275,000	1,227,977	1,100,000	1,166,000
Valuation services	70,986	71,061	57,722	37,135	50,000	50,000	50,000	50,000	236,904	200,000	212,000
Interest and credit facility expense	1,308,944	1,334,510	1,476,911	1,536,789	1,550,000	1,580,000	1,600,000	1,600,000	5,657,154	6,330,000	6,646,500
Amortization of deferred financing costs	264,630	283,805	299,932	305,976	310,000	310,000	310,000	310,000	1,154,343	1,240,000	1,314,400
Director's fees	64,923	84,372	83,313	64,201	65,000	65,000	65,000	65,000	296,809	260,000	275,600
Insurance expense	66,610	65,771	65,915	65,913	65,913	-	65,913	-	264,209	131,826	139,736
Organization expense	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs		-	91,852	101,505	105,000	105,000	105,000	105,000	193,357	420,000	420,000
Other expenses	131,641	319,648	37,032	209,488	150,000	150,000	150,000	150,000	697,809	600,000	630,000
TOTAL EXPENSES	4,341,499	4,741,623	4,329,675	4,780,616	4,734,254	4,683,960	4,879,873	4,869,840	18,193,413	19,167,927	20,134,642
Waiver of income-based incentive fee	-	-	-	-	-	-	-	-	-	-	-
NET EXPENSES	**$4,341,499**	**$4,741,623**	**$4,329,675**	**$4,780,616**	**$4,734,254**	**$4,683,960**	**$4,879,873**	**$4,869,840**	**$18,193,413**	**$19,167,927**	**$20,134,642**
NET INVESTMENT INCOME	**$5,604,892**	**$5,898,346**	**$4,786,793**	**$6,119,155**	**$5,099,116**	**$5,084,040**	**$5,388,127**	**$5,652,160**	**$22,409,186**	**$21,223,443**	**$22,910,084**
% Change	12.6%	26.9%	-6.9%	35.1%	-9.0%	-13.8%	12.6%	-7.6%	16.1%	-5.3%	7.9%
Adjusted NII/share	**$0.41**	**$0.44**	**$0.35**	**$0.45**	**$0.38**	**$0.38**	**$0.40**	**$0.42**	**$1.66**	**$1.57**	**$1.70**
% Change	13%	27%	2%	35%	-9%	-14%	13%	-8%	**16%**	**-5%**	**8%**
Dividend per share	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$0.34	$1.36	$1.36	$1.36
EPS	$0.32	$0.10	-$0.14	$0.45	$0.38	$0.38	$0.40	$0.42	$0.65	$1.57	$1.70
NAV/share	$14.41	$14.51	$14.52	$13.72	$13.76	$13.79	$13.85	$13.93	$13.72	$55.34	$55.68
Avg shares outstanding	13,515,498	13,500,429	13,490,636	13,493,000	13,496,000	13,495,900	13,495,800	13,495,700	13,496,128	13,495,850	13,495,850

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	Dec. 31, 2016	Year 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	$4,923,386	$8,789,786
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)	5,913,818	4,281,983
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	(7,134,916)	9,972,997
Deferred tax asset	-	-	-	(1,382,408)	(1,382,408)	168,710	286,066	(5,067,361)	4,730,182	117,597
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)	(999,477)	(6,203,963)
Accretion of discount on debt securities	(208,115)	(68,843)	(73,619)	(93,980)	(444,557)	(99,533)	(104,106)	(477,521)	(544,674)	(1,225,834)
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)	(24,502,950)	(145,561,983)
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	56,943,804	158,805,461
Amortization of deferred financing costs	183,487	195,770	229,716	258,813	867,786	264,630	283,805	299,932	305,976	1,154,343
Amortization of deferred note offering costs								-	101,505	193,357
(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)	(1,668,288)	(633,435)
Receivable for investments sold	4,753	-	-	-	4,753	(1,364,550)	-	-	(774,913)	(2,139,463)
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	74,116	12,960
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	(461,356)	10,364
Due to affiliate	-	-	-	-	-	-	-	-	-	-
Directors' fees payable	(47,692)	37,250	(38,750)	525	(48,667)	41,975	(6,500)	44,500	(22,000)	57,975
Professional fees payable	(47,077)	155,710	(187,334)	150,406	71,705	(183,586)	(62,680)	130,827	(34,027)	(149,466)
Interest and credit facility expense payable	(61,783)	625,829	463,907	(431,207)	596,746	442,808	(281,738)	497,584	(463,749)	194,905
Management fee payable	532,337	71,958	53,742	28,508	686,545	(13,177)	(5,273)	51,531	(33,703)	(622)
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)	156,752	989,864
Unearned structuring fee revenue	(22,958)	81,378	280,853	(167,035)	172,238	114,192	551,077	19,146	(198,673)	485,742
Income tax	(43,582)	186,048	(469)	655,543	797,540	(59,884)	42,972	1,548,517	(2,191,718)	(660,113)
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)	34,119,095	28,492,455
Cash Flows from Financing Activities:										
Financing costs paid	-	(112,501)	(697,362)	(255,284)	(1,065,147)	(41,302)	(124,736)	(193)	(92,038)	(258,269)
Offering costs paid	(56,911)	(1,030,253)	(47,530)	(182,254)	(1,316,948)	(190,470)	(232,480)	(226,739)	(47,743)	(697,432)
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	14,200,000	116,375,000
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)	(45,938,965)	(140,746,465)
Proceeds from notes payable	5,936,000	34,064,000	-	-	40,000,000	5,401,000	6,143,000	3,456,000	-	15,000,000
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)	(4,586,816)	(18,365,033)
Repurchase of common stock					-	(115,828)	(189,622)	-	(470,172)	(775,622)
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	(36,935,734)	(29,467,821)
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	(2,816,639)	(975,366)
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	12,452,893	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	5,038,752	12,452,893	9,636,254	3,891,606
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	2,000,538	5,462,249
Accrued offering costs	5,944	(3,459)	-	2,485	2,485	2,485	-	-	-	2,485
Accrued distributions payable	4,595,700	-	-	4,595,700	4,595,700	4,595,700	-	(8,884)	-	4,586,816

BALANCE SHEET

	Dec. 31, 2016	Sept. 30, 2016	% Change	Dec. 31, 2015	% Change
Portfolio Investments					
Non-controlled, non-affiliated investments	$239,722,117	$269,067,466	-10.9%	$221,349,073	8.3%
Non-controlled, affiliates investments	$22,094,203	$23,066,462	-4.2%	$59,243,999	-62.7%
Controlled, affiliated investments	14,456,630	13,814,627	4.6%	15,748,539	-8.2%
Total of portfolio investments	276,272,950	305,948,555	-9.7%	296,341,611	-6.8%
Cash	3,891,606	6,708,245	-42.0%	4,866,972	-20.0%
Dividends and interest receivable	3,240,640	1,572,352	106.1%	2,607,205	24.3%
Receivable for investments sold	2,139,463	1,364,550	56.8%	0	
Deferred financing costs	1,287,807	1,501,745	-14.2%	2,183,881	-41.0%
Deferred tax asset	1,264,811	5,994,993	-78.9%	1,382,408	-8.5%
Prepaid expenses and other assets	100,770	174,886	-42.4%	113,730	-11.4%
Total assets	288,198,047	323,265,326	-10.8%	307,495,807	-6.3%
Credit facility payable	$39,133,273	$70,872,238	-44.8%	$63,504,738	-38.4%
Notes payable	53,504,938	53,451,176	0.1%	38,843,378	37.7%
Other accrued expenses and liabilities	282,165	743,521	-62.1%	271,801	3.8%
Director's fee payable	95,000	117,000	-18.8%	37,025	156.6%
Professional fees payable	331,867	365,894	-9.3%	481,333	-31.1%
Interest and credit facility expense payable	1,008,127	1,471,876	-31.5%	813,222	24.0%
Management fee payable	1,301,591	1,335,294	-2.5%	1,302,213	0.0%
Incentive fee payable	2,071,661	1,914,909	8.2%	1,081,797	91.5%
Distributions payable	4,586,816	4,586,816	0.0%	4,595,700	-0.2%
Unearned structuring fee revenue	1,175,319	1,373,992	-14.5%	689,577	70.4%
Income taxes payable	182,699	2,374,417	-92.3%	842,812	-78.3%
Total liabilities	103,673,456	138,607,133	-25.2%	112,463,596	-7.8%
NET ASSETS					
Common stock	13,452	13,491	-0.3%	13,517	-0.5%
Paid in capital	196,290,348	197,181,027	-0.5%	197,652,086	-0.7%
Accumulated net realized gains	(776,548)	4,423,425	-117.6%	2,791,590	-127.8%
Undistributed net investment income	4,890,065	3,651,025	33.9%	1,130,327	332.6%
Net unrealized appreciation	(15,892,726)	(20,610,775)	-22.9%	(6,555,309)	142.4%
Total net assets	**184,524,591**	**184,658,193**	-0.1%	**195,032,211**	-5.4%
Total liabilities and stockholders' deficit	288,198,047	323,265,326	-10.8%	307,495,807	-6.3%
Net asset value per share	**13.72**	**13.69**	0.2%	**$14.43**	-4.9%

HISTORICAL STOCK PRICE



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