Zacks Small-Cap Research

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Alcentra Capital (ABDC-NASDAQ)

ABDC: Special Dividends Make the Stock More Attractive

We believe the stock should trade at the industry average dividend yield of 9.4% or $14.28 per share.

Current Price (5/05/17)	$14.28
Valuation	**$14.28**

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 9.4% dividend yield not including special dividends, trades at a 6.3% premium to the company's $13.43 NAV (net asset value) / share.

SUMMARY DATA

52-Week High	**$14.48**
52-Week Low	**$11.07**
One-Year Return (%)	**33.2**
Beta	**0.77**
Average Daily Volume (sh)	**51,126**
Shares Outstanding (mil)	**13.4**
Market Capitalization ($mil)	**$192**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**40**
Insider Ownership (%)	**26**
Annual Cash Dividend	**$1.36**
Dividend Yield (%)	**9.5**
5-Yr. Historical Growth Rates	
Sales (%)	**47.1**
Earnings Per Share (%)	**N/A**
Dividend (%)	**10.5**
P/E using TTM EPS	**9.0**
P/E using 2017 Estimate	**9.6**
P/E using 2018 Estimate	**8.9**
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	9.3 E	9.8 E	10.4 E	38.7 E
2018					41.2 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 E	$0.37 E	$0.41 E	$1.48 E
2018					$1.60 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 $283 million portfolio is invested in 31 companies, with 92.3% in debt and 7.7% 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, technology and telecom, is now 18% of the total investment portfolio and healthcare services is 16%.
- The weighted average yield on the company's debt portfolio is 11.7%, flat with Q4 2016 and the weighted average leverage in the debt portfolio is 3.65 times EBITDA down from 3.93 times in Q4 2016.
- At $14.28, the shares trade at a 6.3% premium to the company's $13.43 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 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 $14.28 per share and trades at a dividend rate equal to the average yield of its competitors of 9.4%. However this does not included the $0.03 special dividend already declared this year. We expect the ability to pay even more special dividends in future quarters due to spill over.

Q1 2017 Earnings

For the first quarter of 2017, the company reported total investment income of $9.2 million versus $9.9 million last year, a decline of 7%. Adjusted and net investment income was $4.6 million, or $0.34 per share versus $5.6 million and $0.41 per share last year.

During the three months ended March 31, 2017, Alcentra realized a loss on investments of $1.0 million and a decrease in unrealized assets of $1.8 million. Net asset value (NAV) was $180.4 million, or $13.43 per share as of March 31, 2017 versus $13.72 per share, on December 31, 2016. During Q1 the company received proceeds from repayments of $22.2 million and invested $31.9 million, including investments in two new deals.

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 a new portfolio company, **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** as part of the subordinated note.

On March 17, 2017 Alcentra invested $7.5 million in Senior Notes and $1.125 million in equity in a new portfolio company Champion ONE, a reseller of third party optical transceivers and related fiber optic network components primarily to telephone and CATV network operators in the U.S.

Superior Controls was provided with an additional $5.85 million investment in 1st lien notes.

My Alarm Center was provided with additional funding of $1.0 million as part of the 2nd lien note.

RECENT EVENTS

Investments that have already occurred in Q2 2017:

On April 12, 2017, Alcentra funded an additional $0.144 million in Black Diamond.
On April 28, 2017, Alcentra funded an additional $0.295 million to My Alarm Center.

MANAGEMENT CHANGES

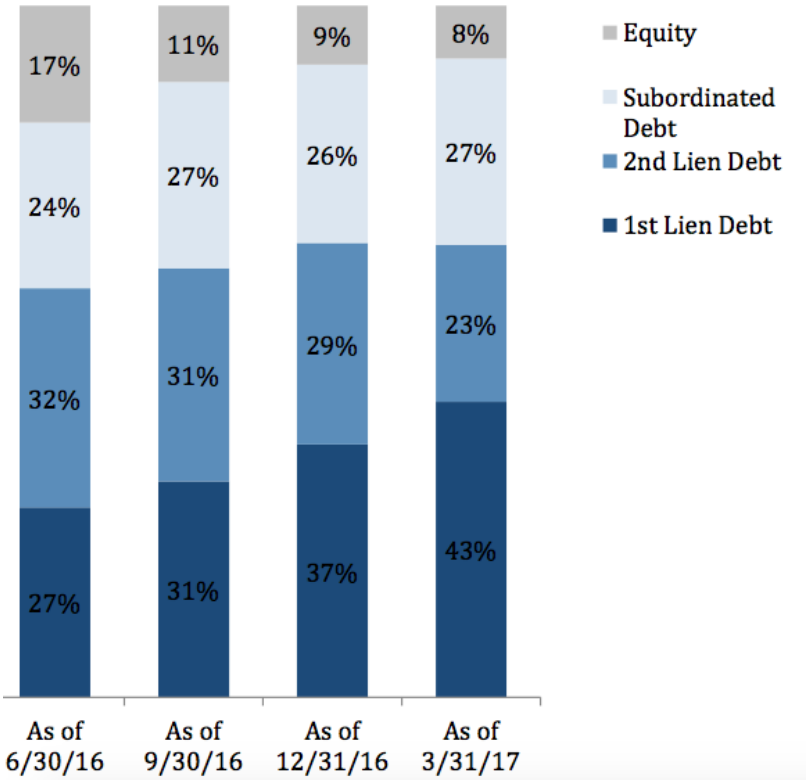
On April 27th, Alcentra announced a series of management changes and promotions. Paul Hatfield was named Chairman Emeritus of company and Paul Echausse has been appointed as Chairman of company's board of directors. Ellida Mcmillan was promoted to Chief Financial Officer.

David Scopelliti has been promoted, effective as of June 30, 2017, to President and CEO. David joined Alcentra in 2014 and is 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.

INVESTMENT PORTFOLIO

As of March 31, 2017, $283 million was invested in 31 companies. The portfolio was 42.7% senior secured first lien debt, 22.7% senior secured second lien debt, 26.9% mezzanine debt, and 7.7% equity investments. On March 31, 2017, 48% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $9.5 the largest portfolio company holding was largest industry sector is still healthcare the portfolio. The company expects to be healthcare investments as regulations in 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. It has been written down again this quarter to $1.1 million from $2.1 million in December. 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 was added to the watch list. The $13.6 million investment, which had been showing an unrealized gain of $285,000 as of December 31, 2016, is now valued at a $3.2 million loss at quarter end after an additional $1 million was added to the investment during the quarter. In Q2 so far another $295,000 has been invested. 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. We have no insight into what occurred to spur this downward valuation.

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 lowered the value of the position by $40,000 to $4.3 million which represents a paper loss of $3.4 million.

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 $10.0 million and is now 4% of net assets. This represents a paper loss of $5.2 million dollars. 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, 2017

Company	Cost	Fair Value	$ Change	% Change
A2Z Wireless	14,116,000	14,535,000	419,000	3%
Battery Solutions	7,215,000	7,188,000	(27,000)	0%
Black Diamond Rentals	**15,246,000**	**10,005,000**	**(5,241,000)**	**-34%**
Champion ONE	8,550,000	8,625,000	75,000	1%
Conisus	11,750,000	10,609,000	(1,141,000)	-10%
FST Technical Services	15,289,000	14,770,000	(519,000)	-3%
Graco Supply & Integrated Services	4,000,000	4,000,000	-	0%
GST AutoLeather	8,454,000	8,454,000	-	0%
Healthcare Associates of Texas	8,500,000	8,500,000	-	0%
IGT	8,468,000	9,749,000	1,281,000	15%
Lighting Retrofit International	13,657,000	14,170,000	513,000	4%
Lugano	5,927,000	6,067,000	140,000	2%
Media Storm	2,455,000	2,455,000	-	0%
Medsurant Holdings, LLC	6,138,000	6,200,000	62,000	1%
Metal Powder Products	8,771,000	8,967,000	196,000	2%
My Alarm Center LLC	**13,635,000**	**10,420,000**	**(3,215,000)**	**-24%**
Nation Safe Drivers	11,721,154	11,838,000	116,846	1%
NextCare Holdings	15,177,000	15,356,000	179,000	1%
NTI	**12,202,000**	**16,589,000**	**4,387,000**	**36%**
NWN Acquisition Holding Company	3,810,000	3,888,000	78,000	2%
Palmetto Moon	5,890,000	5,914,000	24,000	0%
PharmaLogic	16,090,000	16,122,000	32,000	0%
Pharmalogics Recruiting	10,100,000	10,200,000	100,000	1%
QRC Technologies	10,000,000	10,000,000	-	0%
Safe Security	9,812,000	10,004,000	192,000	2%
Show Media	**7,835,000**	**1,063,000**	**(6,772,000)**	**-86%**
Southern Technical Institute	15,361,000	13,702,000	(1,659,000)	-11%
Stancor	4,747,000	4,747,000	-	0%
Superior Controls	16,167,000	16,341,000	174,000	1%
Tunnel Hill	2,454,000	2,317,000	(137,000)	-6%
Xpress Global Systems	**7,642,000**	**4,277,000**	**(3,365,000)**	**-44%**
Total	301,179,154	287,072,000	(14,107,154)	-5%

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 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 just 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.

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



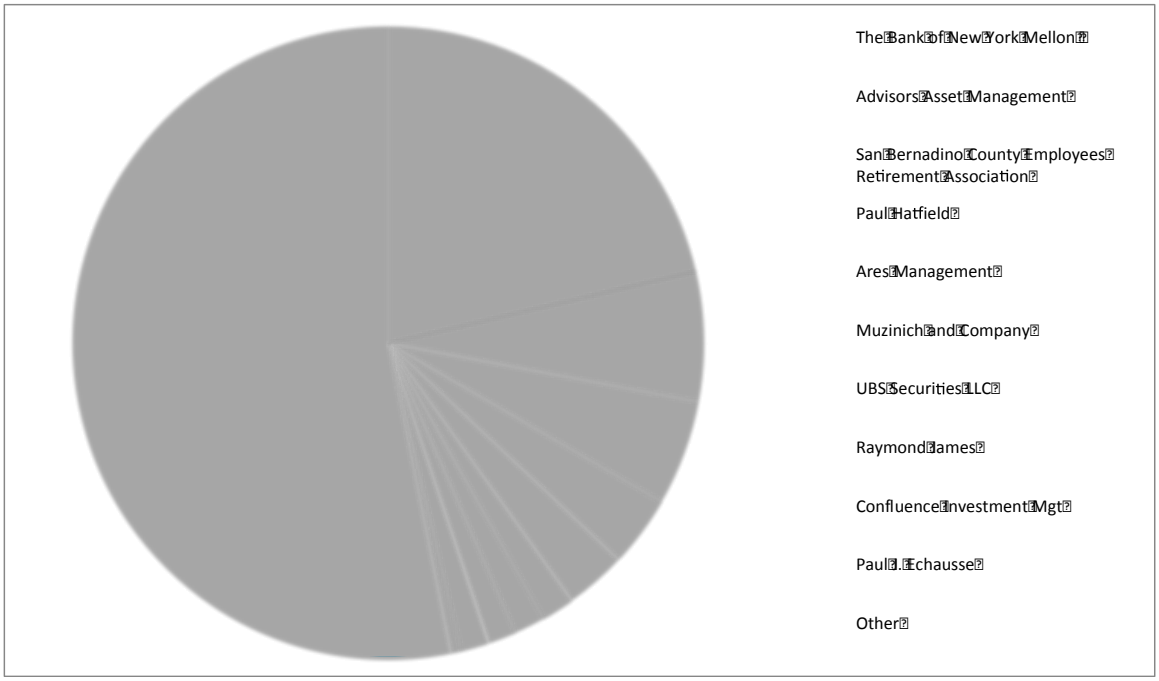
Source: Yahoo! Finance

We believe the company's exception Q4 and its ability to pay out a special dividend has caused to outperform the BDC index. In contrast many BDCs have actually cut dividends.

As noted on the following table, on an NAV basis, BDC shares trade at an average 4% discount. Although there is a wide valuation gap among the BDCs shown in the table below, ABDC's discount is 2.3% lower than the average. While the stock trades at the industry average dividend yield of 9.4% or $14.28, this ignores the special dividend of $0.03 that was already declared this year.

Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$14.28	$14.44	$13.90	$1.34	9.4%	$13.43	-6.3%
Apollo Investment Corp	AINV	6.62	6.63	6.53	$0.59	8.8%	6.86	3.5%
Ares Capital Corp	ARCC	16.62	16.74	16.55	$1.44	8.6%	16.50	-0.7%
BlackRock Capital Investm	BKCC	7.62	7.65	7.55	$0.75	9.8%	8.22	7.3%
Fidus Investment Corp.	FDUS	16.77	16.99	15.90	$1.46	8.7%	15.80	-6.1%
Fifth Street Finance Corp.	FSC	4.40	4.46	4.38	$0.45	10.1%	7.31	39.8%
Garrsion Capital Inc.	GARS	9.71	9.73	9.60	$1.11	11.5%	12.42	21.8%
Gladstone Capital Corp.	GLAD	10.06	10.12	9.90	$0.86	8.6%	8.33	-20.8%
KCAP Financial	KCAP	3.66	3.70	3.52	$0.47	12.8%	5.14	28.8%
Main Street Capital Corp.	MAIN	40.28	40.49	39.35	$2.22	5.5%	22.44	-79.5%
Newtek Business Services	NEWT	17.02	17.25	16.64	$1.48	8.7%	14.31	-18.9%
Triangle Capital Corp.	TCAP	18.37	17.84	17.84	$1.75	9.5%	15.29	-20.1%
TriplePoint Venture Growth	TPVG	13.73	13.77	13.35	$1.38	10.1%	13.05	-5.2%
Average					$1.11	9.4%	$11.68	-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-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	$7,004,677	$7,350,000	$7,700,000	$8,300,000	$25,178,890	$30,354,677	$32,479,504
Paid in kind int inc. from portfolio investments	1,351,088	1,008,525	409,638	413,432	348,192	400,000	500,000	500,000	3,182,683	1,748,192	1,835,602
Other income from portfolio investments	918,664	652,786	158,048	746,478	609,965	260,000	260,000	260,000	2,475,976	1,389,965	1,459,463
Dividend income from portfolio investments	-	-	52,021	30,756	27,520	30,000	30,000	30,000	82,777	117,520	123,396
Non-controlled, affiliated investments:											
Interest income from portfolio investments	910,323	785,044	827,500	219,187	251,778	220,000	220,000	220,000	2,742,054	911,778	957,367
Paid in kind int inc. from portfolio investments	851,139	634,025	462,161	418,048	387,036	420,000	420,000	420,000	2,365,373	1,647,036	1,729,388
Other income from portfolio investments	105,882	1,845,055	336,679	65,150	-	70,000	70,000	70,000	2,352,766	210,000	220,500
From controlled, affiliated investments:											
Interest income from portfolio investments	381,747	382,888	398,185	403,353	405,835	400,000	400,000	400,000	1,566,173	1,605,835	1,686,127
Paid in kind int inc. from portfolio investments	160,005	162,027	165,878	167,997	166,445	168,000	168,000	168,000	655,907	670,445	703,967
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT INCOME	**$9,946,391**	**$10,639,969**	**$9,116,468**	**$10,899,771**	**$9,201,448**	**$9,318,000**	**$9,768,000**	**$10,368,000**	**$40,602,599**	**$38,655,448**	**$41,195,314**
Yr-to-yr growth	21%	25%	7%	26%	-7%	-12%	7%	-5%	19.7%	-4.8%	6.6%
Costs and expenses:											
Management fees	1,289,036	1,283,763	1,335,294	1,301,591	1,249,569	1,304,520	1,367,520	1,451,520	5,209,684	5,373,129	5,641,785
% of Sales	13%	12%	15%	12%	14%	14%	14%	14%			
Income-based incentive fee	790,727	926,158	607,739	930,543	653,911	745,440	781,440	829,440	3,255,167	3,010,231	3,160,743
	8%	9%	7%	9%	7%	8%	8%	8%			
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-
Professional fees	354,002	372,535	273,965	227,475	266,339	275,000	275,000	275,000	1,227,977	1,091,339	1,156,819
Valuation services	70,986	71,061	57,722	37,135	101,396	50,000	50,000	50,000	236,904	251,396	266,480
Interest and credit facility expense	1,308,944	1,334,510	1,476,911	1,536,789	1,526,907	1,580,000	1,600,000	1,600,000	5,657,154	6,306,907	6,622,252
Amortization of deferred financing costs	264,630	283,805	299,932	305,976	285,563	310,000	310,000	310,000	1,154,343	1,215,563	1,288,497
Director's fees	64,923	84,372	83,313	64,201	68,136	65,000	65,000	65,000	296,809	263,136	278,924
Insurance expense	66,610	65,771	65,915	65,913	64,481	-	64,481	-	264,209	128,962	136,700
Organization expense	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs		-	91,852	101,505	98,410	105,000	105,000	105,000	193,357	413,410	420,000
Other expenses	131,641	319,648	37,032	209,488	294,120	150,000	150,000	150,000	697,809	744,120	781,326
TOTAL EXPENSES	4,341,499	4,741,623	4,329,675	4,780,616	4,608,832	4,584,960	4,768,441	4,835,960	18,193,413	18,798,193	19,753,526
Waiver of income-based incentive fee	-	-	-	-	-	-	-	-	-	-	-
NET EXPENSES	**$4,341,499**	**$4,741,623**	**$4,329,675**	**$4,780,616**	**$4,608,832**	**$4,584,960**	**$4,768,441**	**$4,835,960**	**$18,193,413**	**$18,798,193**	**$19,753,526**
NET INVESTMENT INCOME	**$5,604,892**	**$5,898,346**	**$4,786,793**	**$6,119,155**	**$4,592,616**	**$4,733,040**	**$4,999,559**	**$5,532,040**	**$22,409,186**	**$19,857,255**	**$21,441,788**
% Change	12.6%	26.9%	-6.9%	35.1%	-18.1%	-19.8%	4.4%	-9.6%	16.1%	-11.4%	8.0%
Adjusted NII/share	**$0.41**	**$0.44**	**$0.35**	**$0.45**	**$0.34**	**$0.35**	**$0.37**	**$0.41**	**$1.66**	**$1.48**	**$1.60**
% Change	13%	27%	2%	35%	-18%	-19%	5%	-9%	**16%**	**-11%**	**8%**
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	$0.45	$0.34	$0.35	$0.37	$0.41	$0.65	$1.48	$1.60
NAV/share	$14.41	$14.51	$14.52	$13.72	$13.43	$13.44	$13.47	$13.55	$13.72	$13.55	$13.78
Avg shares outstanding	13,515,498	13,500,429	13,490,636	13,493,000	13,438,800	13,437,059	13,436,959	13,436,859	13,496,128	13,437,419	13,437,419

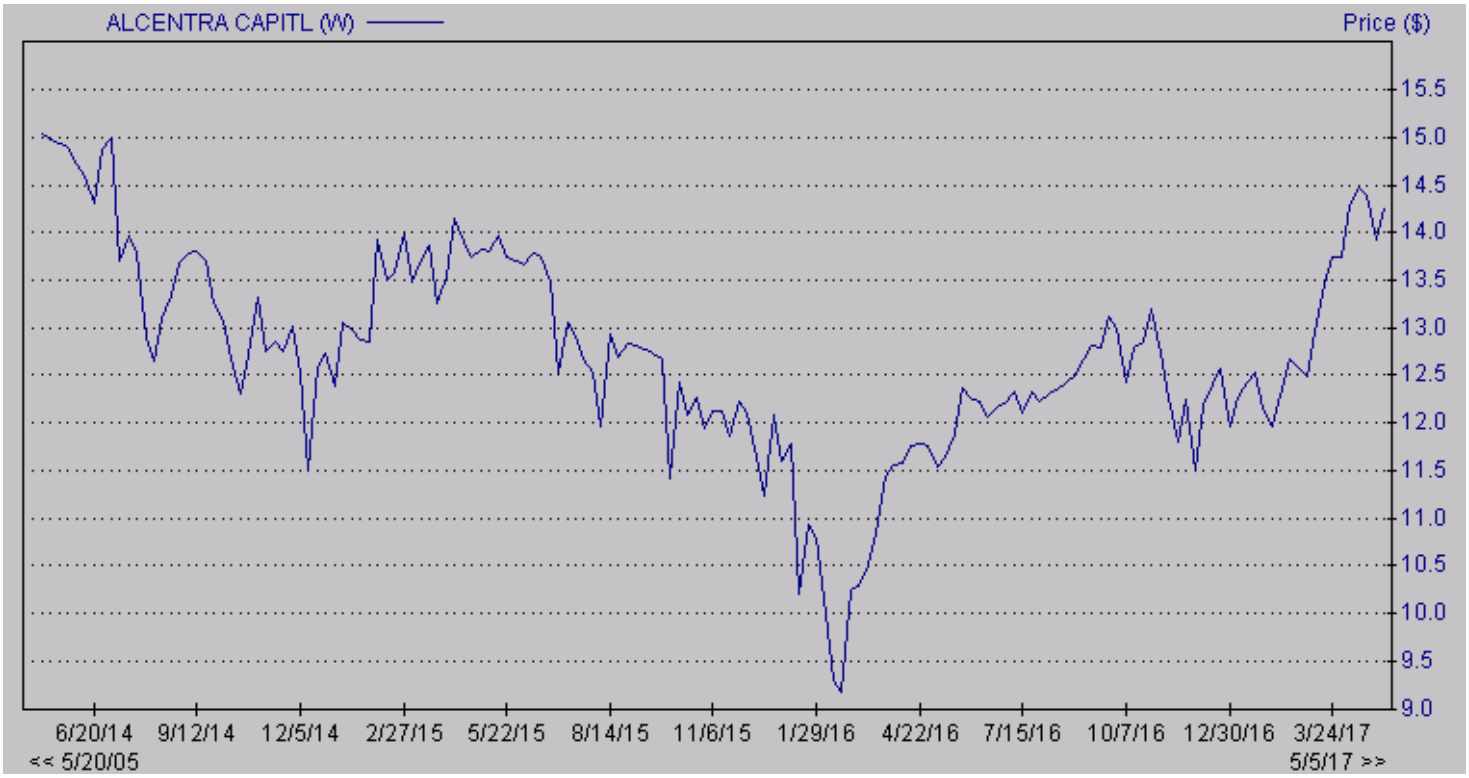
CASH FLOW

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	March 31, 2017
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	$1,031,078
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	1,049,239
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	1,787,483
Deferred tax asset	-	-	-	(1,382,408)	(1,382,408)	168,710	286,066	(5,067,361)	4,730,182	117,597	(246,876)
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)	(901,673)
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)	(980,595)
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)	(31,193,265)
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	23,183,083
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	285,563
Amortization of deferred note offering costs								-	101,505	193,357	98,410
(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)	1,474,828
Receivable for investments sold	4,753	-	-	-	4,753	(1,364,550)	-	-	(774,913)	(2,139,463)	1,433,730
Due from Limited Partners	-	-	-	-	-	-	-	-	-	-	-
Deferred note offering cost	(201,899)	201,899	-	-		-	-	-	-	-	-
Income tax asset											(795,587)
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	50,128
Increase (decrease) in operating liabilities:											
Payable for investments purchased	(8,717)	-	-	-	(8,717)	-	-	-	-	-	71,221
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	40,499
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	(14,000)
Professional fees payable	(47,077)	155,710	(187,334)	150,406	71,705	(183,586)	(62,680)	130,827	(34,027)	(149,466)	85,846
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	556,184
Management fee payable	532,337	71,958	53,742	28,508	686,545	(13,177)	(5,273)	51,531	(33,703)	(622)	1,249,568
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	(222,526)
Unearned structuring fee revenue	(22,958)	81,378	280,853	(167,035)	172,238	114,192	551,077	19,146	(198,673)	485,742	(64,825)
Income tax	(43,582)	186,048	(469)	655,543	797,540	(59,884)	42,972	1,548,517	(2,191,718)	(660,113)	(182,699)
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	(2,205,186)
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)	(12,000)
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)	(2,357)
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	30,100,000
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)	(22,300,000)
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)	(4,586,816)
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	(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)	3,033,313
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)	828,127
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	3,891,606
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	4,719,733
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	970,723
Accrued offering costs	5,944	(3,459)	-	2,485	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	4,971,712

BALANCE SHEET

	Mar. 31, 2016	Dec. 31, 2016	Qtr-Qtr % Change	Mar. 31, 2016	Yr-Yr % Change
Portfolio Investments					
Non-controlled, non-affiliated investments	$246,605,747	$239,722,117	2.9%	$205,364,448	20.1%
Non-controlled, affiliates investments	$21,952,856	$22,094,203	-0.6%	$62,734,755	-65.0%
Controlled, affiliated investments	14,770,075	14,456,630	2.2%	14,291,727	3.3%
Total of portfolio investments	283,328,678	276,272,950	2.6%	282,390,930	0.3%
Cash	4,719,733	3,891,606	21.3%	3,831,847	23.2%
Dividends and interest receivable	1,765,812	3,240,640	-45.5%	1,431,211	23.4%
Receivable for investments sold	705,733	2,139,463	-67.0%	1,364,550	-48.3%
Deferred financing costs	1,014,244	1,287,807	-21.2%	1,960,553	-48.3%
Deferred tax asset	1,511,687	1,264,811	19.5%	1,213,698	24.6%
Income tax liability	795,587	0	NM		
Prepaid expenses and other assets	50,642	100,770	-49.7%	61,445	-17.6%
Total assets	293,892,116	288,198,047	2.0%	292,254,234	0.6%
Credit facility payable	$46,933,273	$39,133,273	19.9%	$42,709,057	9.9%
Notes payable	53,600,991	53,504,938	0.2%	44,120,163	21.5%
Payable for investments purchased	71,221	0	NM	0	0.0%
Other accrued expenses and liabilities	322,664	282,165	14.4%	265,435	21.6%
Director's fee payable	81,000	95,000	-14.7%	79,000	2.5%
Professional fees payable	417,713	331,867	25.9%	297,747	40.3%
Interest and credit facility expense payable	1,564,311	1,008,127	55.2%	1,256,030	24.5%
Management fee payable	2,551,159	1,301,591	96.0%	1,289,036	97.9%
Incentive fee payable	1,849,135	2,071,661	-10.7%	1,487,183	24.3%
Distributions payable	4,971,712	4,586,816	8.4%	4,595,700	8.2%
Unearned structuring fee revenue	1,110,494	1,175,319	-5.5%	803,769	38.2%
Income taxes payable	0	182,699	-100.0%	782,928	-100.0%
Total liabilities	113,473,673	103,673,456	9.5%	97,686,048	16.2%
NET ASSETS					
Common stock	13,437	13,452	-0.1%	13,506	-0.5%
Paid in capital	196,124,849	196,290,348	-0.1%	197,470,014	-0.7%
Accumulated net realized gains	(2,228,899)	(776,548)	187.0%	(6,091,534)	-63.4%
Undistributed net investment income	4,890,065	4,890,065	0.0%	2,139,519	128.6%
Net unrealized appreciation	(18,405,025)	(15,892,726)	15.8%	1,036,681	-1875.4%
Total net assets	**180,394,427**	**184,524,591**	-2.2%	**194,568,186**	-7.3%
Total liabilities and stockholders' deficit	293,868,100	288,198,047	2.0%	292,254,234	0.6%
Net asset value per share	**13.43**	**13.72**	-2.1%	**$14.41**	-6.8%

HISTORICAL STOCK PRICE



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