Zacks Small-Cap Research

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Alcentra Capital (ABDC-NASDAQ)

ABDC: Alcentra Cuts Dividend As Lending Competition Intensifies

We believe the stock should trade at the industry average dividend yield of 10.4% or $9.60 per share.

Current Price (11/09/17)	$7.27
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 13.8% dividend, also trade at a 41% discount to the company's $12.27 NAV (net asset value) / share.

SUMMARY DATA

52-Week High	**$14.49**
52-Week Low	**$7.66**
One-Year Return (%)	**-20.3**
Beta	**0.7**
Average Daily Volume (sh)	**129,553**
Shares Outstanding (mil)	**14.2**
Market Capitalization ($mil)	**$104**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**32**
Insider Ownership (%)	**5**
Annual Cash Dividend	**$1.00**
Dividend Yield (%)	**13.8**
5-Yr. Historical Growth Rates	
Sales (%)	**41.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**7.7**
P/E using TTM EPS	**4.9**
P/E using 2017 Estimate	**5.5**
P/E using 2018 Estimate	**7.1**
Zacks Rank	**N/A**

Risk Level	**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	7.6 A	7.4 E	32.5 E
2018					31.1 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 A	$0.27 E	$1.31 E
2018					$1.02 E

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

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KEY POINTS

- Alcentra Capital is a business development company (BDC) with a disciplined portfolio approach and the benefit of an affiliation with BNY Mellon, its single largest shareholder.
- The company's $282 million portfolio is invested in 30 companies, with 91% in debt and 9% in equity.
- The company targets the lower middle-market, which has been 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 services, is now 19% of the total investment portfolio.
- The weighted average yield on the company's debt portfolio is 11.5% and the weighted average portfolio company leverage is 3.59 times EBITDA.
- At $7.27, the shares trade at a 41% discount to the company's $12.27 NAV (net asset value) per share. NAV has declined from the $14.63 per share at the time of its May 2014 IPO.
- Three companies in the portfolio are now non-performing: GST AutoLeather, Media Storm, and Show Media. The investment in My Alarm Center was converted to equity resulting in a realized loss of $10.4 million. Four others are on the watch list.
- Alcentra is suffering from increased competition in the lending market that is pushing down rates. It also has a number of investments that have gone sour. These investments have been written down to where there should be upside in the future. This quarter it cut its dividend from $0.34 per quarter to a more sustainable $0.25, and the stock price has reset to reflect that. The price may however have declined further than it should give the portfolio and its prospects.
- The company has a valuation below its peers, and a best-in-class management fee structure for investors. We believe that ABDC is worth $9.60 per share and at a 13.8% yield, trades at a rate well above the average yield of its competitors.

Q3 2017 Earnings

For the third quarter of 2017, the company reported total investment income of $7.6 million versus $9.1 million last year, a decline of 17%. Adjusted and net investment income was $4.8 million, or $0.34 per share versus $4.8 million and $0.35 per share last year.

During the three months ended September 30, 2017, Alcentra realized a loss on investments of $10.4 million and a decrease in unrealized assets of $1.3 million.

Net asset value (NAV) was $175 million, or $12.27 per share as of September 30, 2017 versus $13.72 per share, on December 31, 2016. During Q3 the company received proceeds from repayments and amortizations on investments of $3.9 million and invested $28.1 million, including investments in three add-on investments and one refinancing.

Add-on investments during the quarter included the following:

- Carlton Group- $9.8 million in 8.0% 1st lien – tranche A notes and $13.4 million in 12.5% 1st lien – tranche B notes
- Lugano - $2.0 million additional investment in 1st lien notes

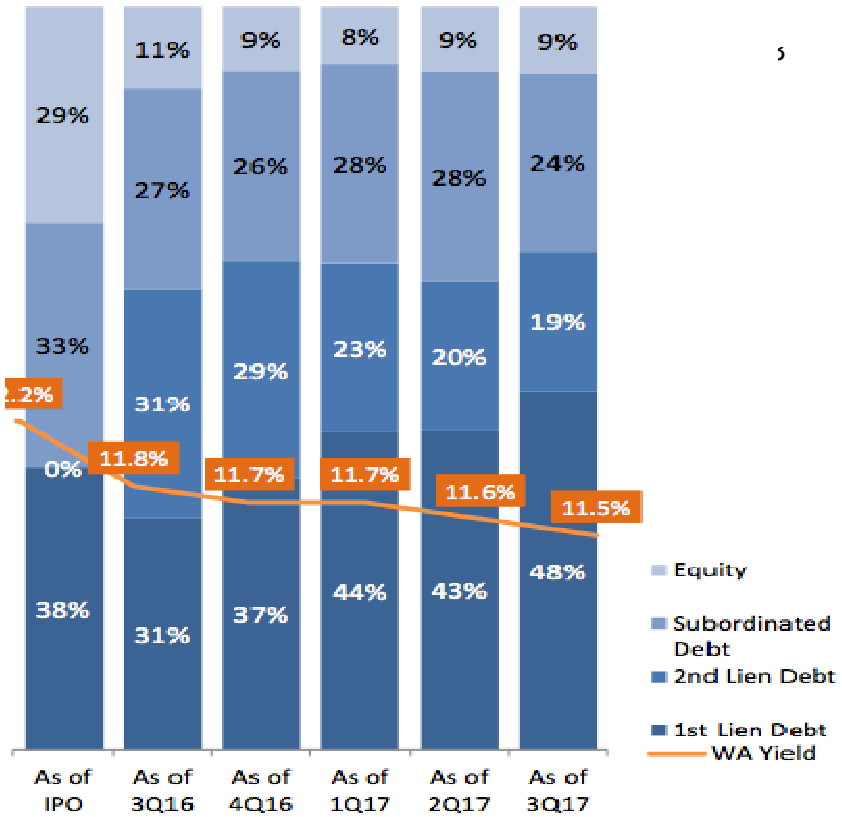
- Black Diamond Rentals - $1.0 million additional investment in tranche C super senior notes
- My Alarm Center, LLC - $1.9 million additional investment in preferred equity

RECENT EVENTS

Investments that have already occurred in Q4 2017:

- On October 5, 2017, Alcentra paid a dividend to shareholders of record as of September 30, 2017 of **$0.34 per share.**
- On October 19, 2017, Alcentra invested $19.3 million in Cirrus Medical Staffing, Inc. (L + 8.25% First Lien debt)
- On November 2, 2017, the Company's Board of Directors declared a regular quarterly dividend of **$0.25 per share** for the fourth quarter of 2017, which is payable on January 4, 2018 to stockholders of record as of December 29, 2017.
- On November 3, 2017, Nation Safe Drivers repaid their investment in the amount of $11.7 million

INVESTMENT PORTFOLIO



On September 30, 2017, $271 million was invested in 30 companies. The portfolio then was 48% senior secured first lien debt, 19% senior secured second lien debt, 24% mezzanine debt, and 9% equity investments.

42% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $10.4 million. The value of the largest portfolio company, the new holding, Carlton Group, was $23 million. The largest industry sector is still healthcare services at 19% of the portfolio. The company expects to be cautious on further healthcare investments as regulations in that industry are currently in flux.

Investments Written Off:

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. Alcentra realized a $10.4 million loss on this investment this quarter.

Alcentra has three 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 this quarter to zero** from an original $7.9 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.

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 **was written down to zero this quarter.**

One new one was added:

Media Storm is an independent media advertising and marketing agency, with offices in New York and Connecticut. Media Storm focuses exclusively on middle market media and entertainment clients, had clients such as the Fox Network and the Scripps Network, with advertising budgets below $100 million. In May 2016 Dentsu won the bulk of buying and planning for Fox Broadcast. Media Storm concentrates on the "tune in market" or media content that is associated with original programming. The original investment in Media Storm of $2.5 million has been written down to $1.5 million.

Three companies continued on the watch list this quarter:

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 $7.1 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, the same as last quarter. Alcentra is now working on a debt to equity conversion for this position.

Black Diamond is Alcentra's only exposure to the energy sector. The market value of the investment in Black Diamond is now $11.2 million and is now 4.0% of net assets. This represents a paper loss of $5.4 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.

Table 1: Investments as of September 30, 2017

Company	Cost	Fair Value	$ Change	% Change
Battery Solutions	7,469,000	7,688,000	219,000	3%
Black Diamond Rentals	**16,628,000**	**11,217,000**	**(5,411,000)**	**-33%**
Carlton Group	**22,968,000**	**23,200,000**	**232,000**	**1%**
Champion ONE	8,279,000	8,344,000	65,000	1%
Conisus	**11,750,000**	**9,988,000**	**(1,762,000)**	**-15%**
FST Technical Services	15,634,000	15,444,000	(190,000)	-1%
Graco Supply & Integrated Services	4,000,000	4,000,000	-	0%
GST AutoLeather	**8,496,000**	**-**	**(8,496,000)**	**-100%**
Healthcare Associates of Texas	8,500,000	8,500,000	-	0%
IGT	9,244,000	9,030,000	(214,000)	-2%
Lighting Retrofit International	20,779,000	22,090,000	1,311,000	6%
Lugano	7,983,000	8,452,000	469,000	6%
Media Storm	**2,455,000**	**1,516,000**	**(939,000)**	**-38%**
Medsurant Holdings, LLC	6,138,000	6,200,000	62,000	1%
Metal Powder Products	8,813,000	9,017,000	204,000	2%
My Alarm Center LLC	**5,472,000**	**4,259,000**	**(1,213,000)**	**-22%**
Nation Safe Drivers	11,721,000	11,721,000	-	0%
NextCare Holdings	15,377,000	15,673,000	296,000	2%
NTI	15,625,000	17,983,000	2,358,000	15%
Palmetto Moon	5,807,000	5,725,000	(82,000)	-1%
PharmaLogic	16,093,000	16,122,000	29,000	0%
Pharmalogics Recruiting	9,864,000	9,950,000	86,000	1%
QRC Technologies	10,000,000	10,000,000	-	0%
Safe Security	9,848,000	10,011,000	163,000	2%
Show Media	**7,900,000**	**-**	**(7,900,000)**	**-100%**
Southern Technical Institute	**15,797,000**	**7,061,000**	**(8,736,000)**	**-55%**
Stancor	4,346,000	4,346,000	-	0%
Superior Controls	15,173,000	15,579,000	406,000	3%
Tunnel Hill	2,529,000	3,829,000	1,300,000	51%
Xpress Global Systems	7,759,000	5,394,000	(2,365,000)	-30%
Total	312,447,000	282,339,000	(30,108,000)	-10%

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. Since August of 2014, the company had paid a regularly scheduled quarterly dividend of $0.34 but has cut that to $0.25 for the next dividend. It expects the dividend to remain at that level for the foreseeable future. The $0.25 quarterly dividend equates to a $1.00 annual dividend and a current yield of 7.7%.

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 Past 12 Months



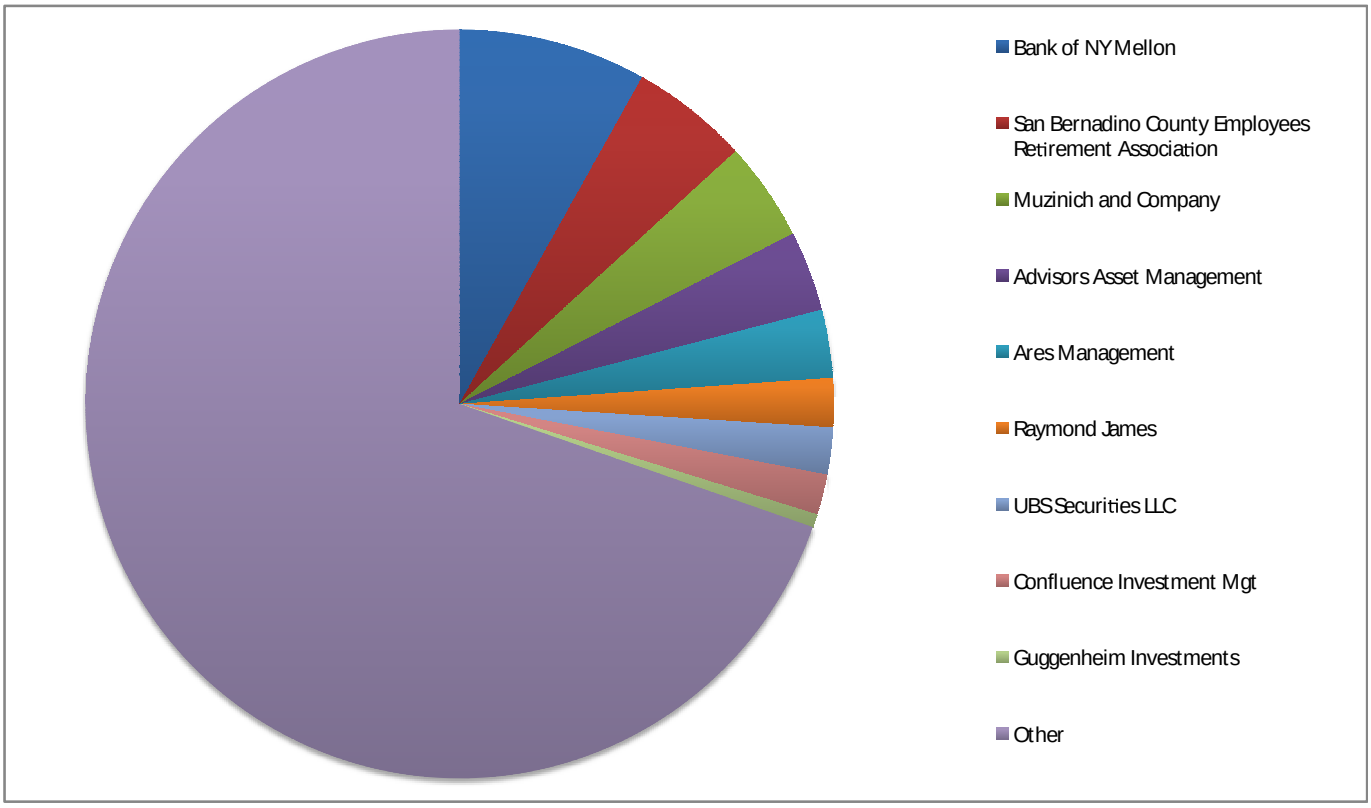
Source: Yahoo! Finance

Alcentra's performance has diverged from the index due to its bad performance due to a few troubled companies with write-downs and write offs. Since it now has cut its regular dividend from $0.34 to $0.25 its performance should stabilized versus the index.

As noted on the following table, on an NAV basis, BDC shares trade at a -0.4% discount to share price. 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 13.8% versus the average at 10.4%.

Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$7.25	$14.73	$7.18	$1.00	13.8%	$12.27	40.9%
Apollo Investment Corp	AINV	6.10	6.82	5.69	$0.60	9.8%	6.72	9.2%
Ares Capital Corp	ARCC	16.19	17.87	15.38	$1.52	9.4%	16.49	1.8%
BlackRock Capital Investm	BKCC	6.94	7.90	6.88	$0.72	10.4%	7.96	12.8%
Fidus Investment Corp.	FDUS	16.15	18.21	15.60	$1.56	9.7%	15.97	-1.1%
Garrsion Capital Inc.	GARS	8.44	10.15	7.77	$1.12	13.3%	11.74	28.1%
Gladstone Capital Corp.	GLAD	9.70	10.12	7.86	$0.84	8.7%	8.38	-15.8%
KCAP Financial	KCAP	3.38	4.14	3.30	$0.48	14.2%	4.95	31.7%
Main Street Capital Corp.	MAIN	40.88	41.79	34.45	$2.28	5.6%	23.02	-77.6%
Newtek Business Services	NEWT	16.90	18.16	14.57	$1.76	10.4%	14.40	-17.4%
Triangle Capital Corp.	TCAP	9.60	20.35	8.91	$1.20	12.5%	13.20	27.3%
TriplePoint Venture Growth	TPVG	13.90	14.41	11.12	$1.44	10.4%	13.39	-3.8%
Average					$1.23	10.4%	$12.38	-0.4%

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 has increased and the company anticipates future deals will have lower yields.

INCOME STATEMENT

Dollars in Millions	2014				2014						
	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	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	$5,374,814	$5,300,000	$25,178,890	$23,867,193	$22,673,833
Paid in kind int inc. from portfolio investments	1,351,088	1,008,525	409,638	413,432	348,192	302,190	226,519	250,000	3,182,683	1,126,901	1,200,000
Other income from portfolio investments	918,664	652,786	158,048	746,478	609,965	587,782	377,071	350,000	2,475,976	1,924,818	1,800,000
Dividend income from portfolio investments	-	-	52,021	30,756	27,520	29,049	30,661	30,000	82,777	117,230	100,000
Non-controlled, affiliated investments:											
Interest income from portfolio investments	910,323	785,044	827,500	219,187	251,778	594,972	405,892	400,000	2,742,054	1,652,642	1,500,000
Paid in kind int inc. from portfolio investments	851,139	634,025	462,161	418,048	387,036	63,345	609,854	600,000	2,365,373	1,660,235	1,500,000
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	411,262	300,000	1,566,173	1,690,166	1,774,674
Paid in kind int inc. from portfolio investments	160,005	162,027	165,878	167,997	166,445	-	174,448	150,000	655,907	490,893	515,438
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**	**$7,610,521**	**$7,380,000**	**$40,602,599**	**$32,530,078**	**$31,063,945**
Yr-to-yr growth	21%	25%	7%	26%	-7%	-22%	-17%	-32%	19.7%	-19.9%	-4.5%
Costs and expenses:											
Management fees	1,289,036	1,283,763	1,335,294	1,301,591	1,249,569	1,229,648	1,230,961	1,033,200	5,209,684	4,743,378	4,980,547
% of Sales	13%	12%	15%	12%	14%	14%	16%	14%			
Income-based incentive fee	790,727	926,158	607,739	930,543	653,911	-	-	-	3,255,167	653,911	686,607
	8%	9%	7%	9%	7%	0%	0%	0%			
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-
Professional fees	354,002	372,535	273,965	227,475	266,339	226,849	368,909	230,000	1,227,977	1,092,097	1,157,623
Valuation services	70,986	71,061	57,722	37,135	101,396	68,345	41,346	50,000	236,904	261,087	276,752
Interest and credit facility expense	1,308,944	1,334,510	1,476,911	1,536,789	1,526,907	1,513,067	1,549,462	1,549,462	5,657,154	6,138,898	6,445,843
Amortization of deferred financing costs	264,630	283,805	299,932	305,976	285,563	288,048	232,807	232,807	1,154,343	1,039,225	1,101,579
Director's fees	64,923	84,372	83,313	64,201	68,136	74,344	112,281	112,281	296,809	367,042	389,065
Insurance expense	66,610	65,771	65,915	65,913	64,481	60,102	57,232	60,102	264,209	241,917	256,432
Organization expense	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs		-	91,852	101,505	98,410	105,418	111,726	105,000	193,357	420,554	420,000
Other expenses	131,641	319,648	37,032	209,488	294,120	98,437	223,318	150,000	697,809	765,875	804,169
TOTAL EXPENSES	4,341,499	4,741,623	4,329,675	4,780,616	4,608,832	3,664,258	3,928,042	3,522,852	18,193,413	15,723,984	16,518,615
Waiver of income-based incentive fee	-	-	-	-	-	169,524	1,160,896	-	-	1,330,420	-
NET EXPENSES	**$4,341,499**	**$4,741,623**	**$4,329,675**	**$4,780,616**	**$4,608,832**	**$3,494,734**	**$2,767,146**	**$3,522,852**	**$18,193,413**	**$14,393,564**	**$16,518,615**
NET INVESTMENT INCOME	**$5,604,892**	**$5,898,346**	**$4,786,793**	**$6,119,155**	**$4,592,616**	**$4,843,375**	**$4,843,375**	**$3,857,148**	**$22,409,186**	**$18,136,514**	**$14,545,330**
% Change	12.6%	26.9%	-6.9%	35.1%	-18.1%	-17.9%	1.2%	-37.0%	16.1%	-19.1%	-19.8%
Adjusted NII/share	**$0.41**	**$0.44**	**$0.35**	**$0.45**	**$0.34**	**$0.36**	**$0.34**	**$0.27**	**$1.66**	**$1.31**	**$1.02**
% Change	13%	27%	2%	35%	-18%	-19%	-4%	-40%	**16%**	**-21%**	**-22%**
Dividend per share	$0.34	$0.34	$0.34	$0.34	$0.37	$0.34	$0.34	$0.25	$1.36	$1.36	$1.00
EPS	$0.32	$0.10	-$0.14	$0.36	$0.08	-$0.38	-$0.11	$0.41	$0.65	$0.00	$1.02
NAV/share	$14.41	$14.51	$14.52	$13.72	$13.43	$12.73	$12.27	$12.29	$13.72	$12.29	$12.31
Avg shares outstanding	13,515,498	13,500,429	13,490,636	13,493,000	13,438,800	13,612,059	14,245,220	14,245,220	13,496,128	13,885,325	14,245,220

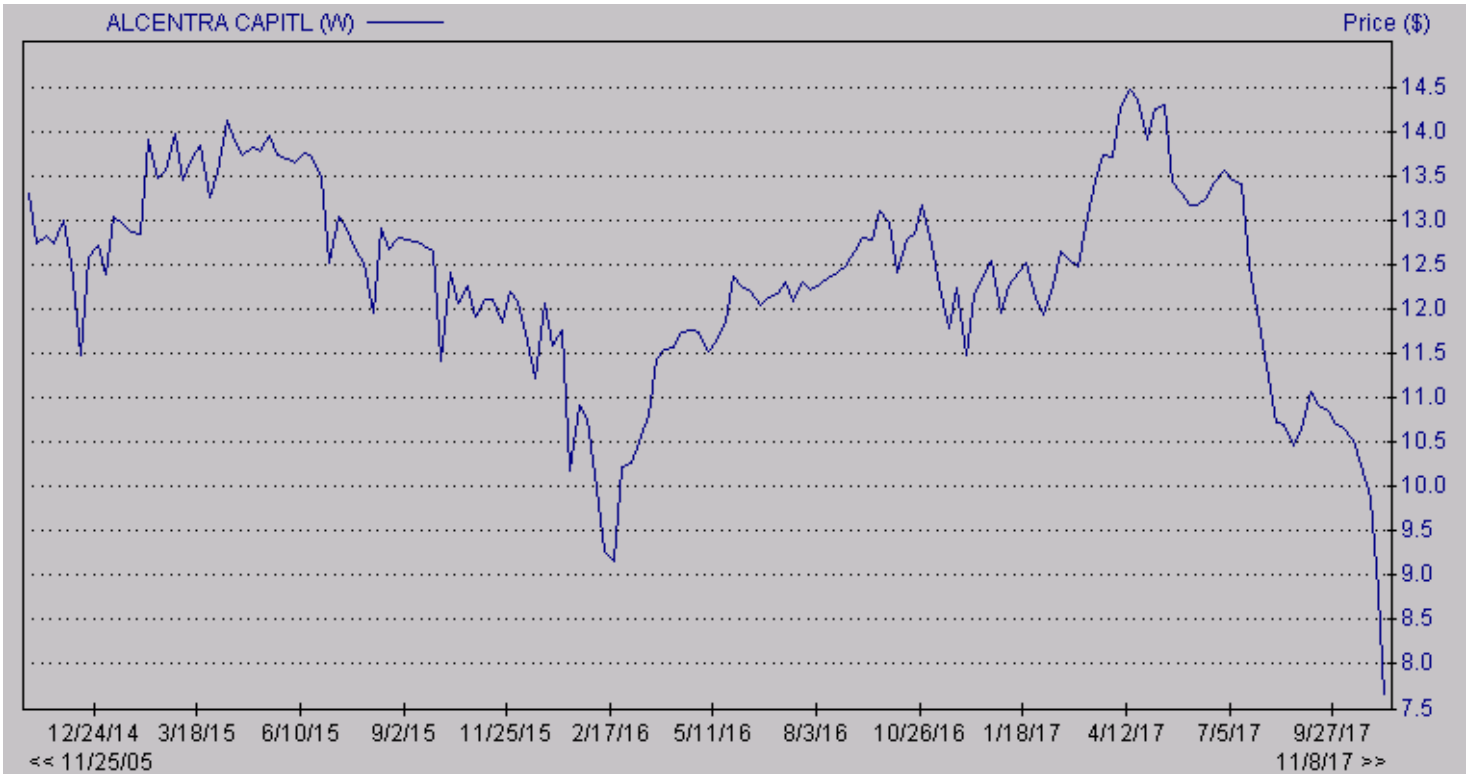
CHANGE IN NET ASSETS

Consolidated Statements of Changes in Net Assets	Sept 30, 2017	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	4,843,375	4,592,616	16,290,031	16,290,031	5,898,346	5,604,892
Net realized gain (loss) on investments	(10,405,655)	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	(1,332,138)	(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	5,282,934	(102,309)	(724,816)	(200,000)	3,052,447	(287,167)	(209,864)
Net increase (decrease) in net assets resulting from operations	(1,611,484)	(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	(4,843,374)	(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	(4,843,374)	(4,843,375)	(4,971,712)	(13,769,333)	(13,769,333)	(4,595,700)	(4,595,700)
Total increase (decrease) in net assets	(6,454,858)	(1,098,652)	(4,106,148)	(4,579,302)	(10,374,018)	(3,480,650)	(464,025)
Net assets at beginning of period	181,275,604	184,525,591	184,525,591	184,658,193	195,032,211	194,568,186	195,032,211
Net assets at end of period	174,820,746	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	Sept 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)	-$1,611,484
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)	10,405,655
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	1,332,138
Deferred tax asset	(1,382,408)	168,710	286,066	(5,067,361)	4,730,182	117,597	(246,876)	13,423	(5,284,559)
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)	(1,496,157)
Accretion of discount on debt securities	(444,557)	(99,533)	(104,106)	(477,521)	(544,674)	(1,225,834)	(980,595)	(438,851)	(219,975)
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)	(40,769,787)
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	19,779,150
Amortization of deferred financing costs	867,786	264,630	283,805	299,932	305,976	1,154,343	285,563	288,048	232,807
Amortization of deferred note offering costs				-	101,505	193,357	98,410	105,418	111,726
(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	(1,713,624)
Receivable for investments sold	4,753	(1,364,550)	-	-	(774,913)	(2,139,463)	1,433,730	234,750	(250,000)
Due from Limited Partners	-	-	-	-	-	-	-	-	-
Deferred note offering cost		-	-	-	-	-	-	-	-
Income tax asset							(795,587)	223	(877)
Prepaid expenses and other assets	14,658	52,285	(187,560)	74,119	74,116	12,960	50,128	(158,786)	65,435
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	102,459
Due to affiliate	-	-	-	-	-	-	-	-	-
Directors' fees payable	(48,667)	41,975	(6,500)	44,500	(22,000)	57,975	(14,000)	(8,000)	12,417
Professional fees payable	71,705	(183,586)	(62,680)	130,827	(34,027)	(149,466)	85,846	(171,111)	142,678
Interest and credit facility expense payable	596,746	442,808	(281,738)	497,584	(463,749)	194,905	556,184	(431,423)	487,146
Management fee payable	686,545	(13,177)	(5,273)	51,531	(33,703)	(622)	1,249,568	(1,491,034)	70,066
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)	(15,666)
Unearned structuring fee revenue	172,238	114,192	551,077	19,146	(198,673)	485,742	(64,825)	(59,817)	(50,024)
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	(18,670,476)
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)	(5,286)
Offering costs paid	(1,316,948)	(190,470)	(232,480)	(226,739)	(47,743)	(697,432)	(2,357)	(142,689)	(7,999)
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	27,250,000
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)	(2,600,000)
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)	(4,843,374)
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)	19,793,341
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)	1,122,865
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	-	3,802,620
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)	4,925,485
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	1,062,316
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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