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Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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Alcentra Capital (ABDC-NASDAQ)

ABDC: New Management Already Showing Positive Results

We believe the stock should trade at $9.00 per share using a 20% discount to NAV.

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 11.3% dividend, also trade at a 43% discount to the company's $11.22 NAV (net asset value) / share.

Current Price (05/07/18)	$6.38
Valuation	**$9.00**

SUMMARY DATA

52-Week High	**$14.49**
52-Week Low	**$6.00**
One-Year Return (%)	**-44.7**
Beta	**0.59**
Average Daily Volume (sh)	**54,682**
Shares Outstanding (mil)	**13.7**
Market Capitalization ($mil)	**$88**
Short Interest Ratio (days)	**4.4**
Institutional Ownership (%)	**36**
Insider Ownership (%)	**5**
Annual Cash Dividend	**$0.72**
Dividend Yield (%)	**11.3**
5-Yr. Historical Growth Rates	
Sales (%)	**31.6**
Earnings Per Share (%)	**0.9**
Dividend (%)	**-2.2**
P/E using TTM EPS	**5.1**
P/E using 2018 Estimate	**6.5**
P/E using 2019 Estimate	**7.2**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small Value**
Industry	**Fin-SBIC&Commercl**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	8.2 A	33.4 A
2018	8.2 A	7.0 E	7.0 E	7.0 E	29.1 E
2019					29.3 E

Adjusted NIL Per Share
(before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	$0.28 A	$1.32 A
2018	$0.27 A	$0.22 E	$0.23 E	$0.24 E	$0.95 E
2019					$0.91 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 $270 million portfolio is invested in 28 companies and 37 investments, with 89% in debt and 11% 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 18% of the total investment portfolio.
- The weighted average yield on the company's debt portfolio is 10.6% and the weighted average portfolio company leverage is 3.65 times EBITDA.
- At $6.38, yesterday's close, the shares traded at a **43% discount to the company's $11.22 NAV** (net asset value) per share. NAV has declined from the $14.63 per share at the time of its May 2014 IPO. The company is actively working to revamp the portfolio and decrease the discount of the stock price to the NAV. At its current price, the discount is up to 43%. Alcentra's current dividend yield is 11.3%, below the average of 11.7%.
- Four debt investments in the portfolio are now on non-accrual: Southern Technical Institute, Media Storm, Black Diamond Rentals, and Show Media. One other, Conisus, is still 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 most could provide upside in the future. This quarter it cut its dividend from an initial $0.34 per quarter, to a more sustainable $0.18, 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 are cutting our price target due to the dividend cut despite its large discount to NAV. believe that ABDC is worth $9.00 due to its future earnings potential.

WHAT'S NEW

Q1 2018 Earnings

For the first quarter of 2018, the company reported total investment income of $8.2 million versus $9.2 million last year, a decline of 12%. Adjusted and net investment income was $3.8 million, or $0.27 per share versus $4.6 million and $0.34 per share last year.

Of the 28 portfolio companies, there were two write□ups and two write□downs this quarter, overall the portfolio value remained relatively flat. There was a realized plus unrealized net decrease in the portfolio of $237,000.

Net asset value (NAV) was $157.2 million, or $11.22 per share as of March 31, 2018 versus $11.06 per share, on December 31, 2017. During Q1 the company received proceeds from repayments and amortizations on investments of $47.6 million and invested $29.6 million, including investments in one new portfolio company, two add on investments, six broadly syndicated loans, and three rated CLO debt securities.

Investments during the quarter were the following:

- **BayMark Health Services** - $7.0 million in L+8.25% 2nd lien secured debt
- **Healthcare Associates of Texas** (HCAT) - $2.9 million of the delayed draw commitment
- **Cirrus Medical Staffing** - $1.4 million of the delayed draw commitment
- **FeeCo** - $1.8 million in L+8.5% 2nd lien secured debtWest Corporation - $2.0 million in L+3.5% 1st lien secured debt
- **Weight Watchers International** - $2.0 million in L+4.75% 1st lien secured debt
- **Lumileds** - $2.0 million in L+3.5% 1st lien secured debt
- **Asurion** - $3.1 million in L+6.0% 2nd lien secured debt
- **Red Ventures LLC** - $2.0 million in L+4.0% 1st lien secured debt
- **BlueMountain** CLO 2016-3 Ltd. - Invested $2.0 million with a yield of L+6.85%
- **Goldentree Loan Management** US Clo 2 Ltd. - Invested $1.9 million with a yield of L+4.7%
- **OZLM Funding IV Ltd.** - Invested $1.4 million with a yield of L+6.3%

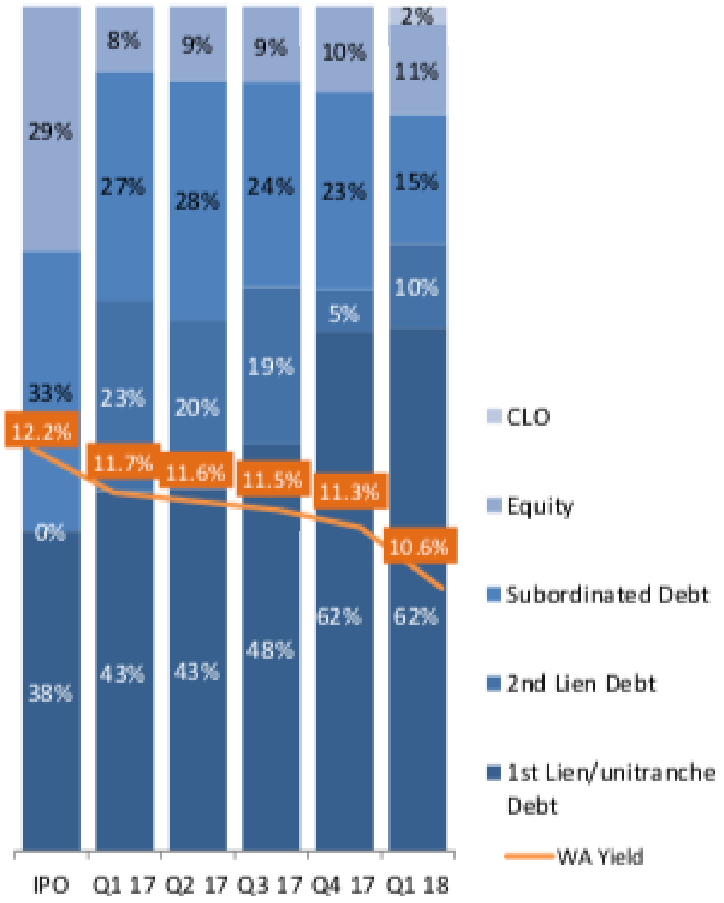
Repayments, loan dispositions, and amortizations on investments during the quarter totaled $47.6 million, comprised of: sale of Stancor, Inc. and IGT and the repayment of debt from Metal Powder Products and NextCare Holdings, Inc.

SUBSEQUENT EVENTS

In Q2 2018 the following events have already occurred:

- On April 2, 2018, **Cirrus Medical Staffing** paid down $290,909 of their deferred draw facility.
- On April 4, 2018, Alcentra **paid a dividend** to shareholders of record as of March 30, 2018 of $0.18 per share.
- On April 4, 2018, **Superior Controls** paid back $3 million of their 1st lien debt.
- On April 30, 2018, **Cirrus Medical Staffing** paid down $363,636 of their revolver.
- On May 4, 2018, the Board of Directors approved the 2018 second quarter dividend of $0.18 per share for shareholders of record June 29, 2018 and payable July 5, 2018.
- On May 4, 2018, the adviser agreed to a permanent 25 basis point reduction, effective as of May 1, 2018, across all of the base management fee breakpoints under the Company's investment advisory agreement. The adviser also agreed to an additional temporary 25 basis point reduction, from May 1, 2018 to April 30, 2019, across all of these base management fee breakpoints.

INVESTMENT PORTFOLIO



On March 31, 2018, $270 million was invested in 28 companies. The portfolio then was 62% senior secured first lien debt, 10% senior secured second lien debt, 15% mezzanine debt, and 11% equity investments and 2% CLO.

33% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $7.9 million. The value of the largest portfolio company, Healthcare Associates of Texas, was $26 million. The largest industry sector is still healthcare services at 18% 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 four 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 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. We believe there is little hope of this investment coming back to par.

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 zero**. The company is making changes to its business and adding resources to revive revenues.
One new one was added:

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 was **written down zero** this quarter from an original $15.8 million. The company is awaiting resolutions of issues outside of its control.

Black Diamond Rentals
Black Diamond is Alcentra s only exposure to the energy sector. The market value of the investment in Black Diamond is $11.2 million and is now 4.1% of net assets. This represents a paper loss of $5.0 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.

One company continued on the watch list (level 4) this quarter:

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 $12.7 million and market value is now $6.6 million, down from $6.7 million last quarter. It has an unrealized loss of $6.1 million. The management team here is actively working to bring back revenues.

Table 1: Investments as of March 31, 2018

Company	Cost	Fair Value	$ Change	% Change
Asurion	3,094,000	3,087,000	(7,000)	0%
Battery Solutions	6,474,000	6,693,000	219,000	3%
BayMark Health Services	6,931,000	7,000,000	69,000	1%
Black Diamond Rentals	**16,266,000**	**11,226,000**	**(5,040,000)**	**-31%**
BlueMountain CLO	2,043,000	2,043,000	-	0%
Carlton Group	22,989,000	23,200,000	211,000	1%
Champion ONE	8,005,000	7,877,000	(128,000)	-2%
Cirrus Medical Staffing	11,336,000	11,382,000	46,000	0%
Conisus	**12,678,000**	**6,554,000**	**(6,124,000)**	**-48%**
FeeCo	1,751,000	1,782,000	31,000	2%
FST Technical Services	15,807,000	15,477,000	(330,000)	-2%
Goldentree Loan Mgt CLO	1,945,000	1,945,000	-	0%
GST AutoLeather	**8,496,000**	**-**	**(8,496,000)**	**-100%**
Healthcare Associates of Texas	26,069,000	26,069,000	-	0%
IGT	1,482,000	327,000	(1,155,000)	-78%
Lighting Retrofit International	20,291,000	21,309,000	1,018,000	5%
Lugano	8,044,000	8,517,000	473,000	6%
Lumileds	2,035,000	2,032,000	(3,000)	0%
Media Storm	**2,455,000**	**-**	**(2,455,000)**	**-100%**
Medsurant Holdings, LLC	8,687,000	8,729,000	42,000	0%
Metal Powder Products	500,000	719,000	219,000	44%
My Alarm Center LLC	5,486,000	4,116,000	(1,370,000)	-25%
NTI	**15,582,000**	**17,611,000**	**2,029,000**	**13%**
OZLM Funding IV CLO	1,360,000	1,360,000	-	0%
Palmetto Moon	5,244,000	5,160,000	(84,000)	-2%
PharmaLogic	16,096,000	16,122,000	26,000	0%
Pharmalogics Recruiting	9,819,000	9,900,000	81,000	1%
Red Ventures	2,025,000	2,020,000	(5,000)	0%
Acuity Technologies	10,000,000	10,000,000	-	0%
Safe Security	9,903,000	10,037,000	134,000	1%
Show Media	**7,900,000**	**-**	**(7,900,000)**	**-100%**
Southern Technical Institute	**15,853,000**	**-**	**(15,853,000)**	**-100%**
Superior Controls	15,179,000	15,614,000	435,000	3%
Tunnel Hill	2,529,000	2,772,000	243,000	10%
Weight Watchers Intl	2,035,000	2,028,000	(7,000)	0%
West Corporation	1,998,000	2,005,000	7,000	0%
Xpress Global Systems	7,674,000	5,474,000	(2,200,000)	-29%
Total	333,128,000	287,555,000	(45,573,000)	-14%

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 $0.18 for the next dividend. It expects the dividend to remain at that level for the foreseeable future. The $0.18 quarterly dividend equates to a $0.72 annual dividend and a current yield of 11.3%.

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 declined faster than the BDC index due to its bad performance due to a number of troubled companies with write-downs and write offs. It has now has cut its regular quarterly dividend twice, from $0.34 down to $0.18.

As noted on the following table, on an NAV basis, BDC shares trade at a 14.1% discount to share price. There is a wide valuation gap among the BDCs shown in the table below. Alcentra stock currently trades at a lower than average dividend yield of 11.2% versus the average at 11.7%, and the highest discount to NAV at 42.5%.

BDCs						Annualized		
Company	Ticker	Price	52-Week High	52-Week Low	Div.	Yield	NAV	Disc to NAV
Alcentra Capital	ABDC	$6.45	$14.61	$5.90	$0.72	11.2%	$11.22	42.5%
Apollo Investment Corp	AINV	5.39	6.62	5.18	$0.60	11.1%	6.60	18.3%
Ares Capital Corp	ARCC	16.47	16.96	15.03	$1.52	9.2%	16.84	2.2%
BlackRock Capital Investm	BKCC	5.48	7.88	5.48	$0.72	13.1%	7.65	28.4%
Fidus Investment Corp.	FDUS	12.63	17.75	12.63	$1.56	12.4%	16.28	22.4%
Garrsion Capital Inc.	GARS	7.77	9.83	7.77	$1.12	14.4%	11.69	33.5%
Gladstone Capital Corp.	GLAD	7.80	10.11	7.80	$0.84	10.8%	8.62	9.5%
KCAP Financial	KCAP	2.91	4.00	2.91	$0.40	13.7%	4.85	40.0%
Main Street Capital Corp.	MAIN	34.37	41.79	34.37	$2.28	6.6%	23.67	-45.2%
Newtek Business Services	NEWT	15.68	19.40	15.68	$1.70	10.8%	15.05	-4.2%
Triangle Capital Corp.	TCAP	8.91	18.50	8.91	$1.20	13.5%	13.36	33.3%
TriplePoint Venture Growth	TPVG	11.12	14.19	11.12	$1.44	12.9%	13.34	16.6%
Average					$1.22	11.7%	$12.54	14.1%

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.

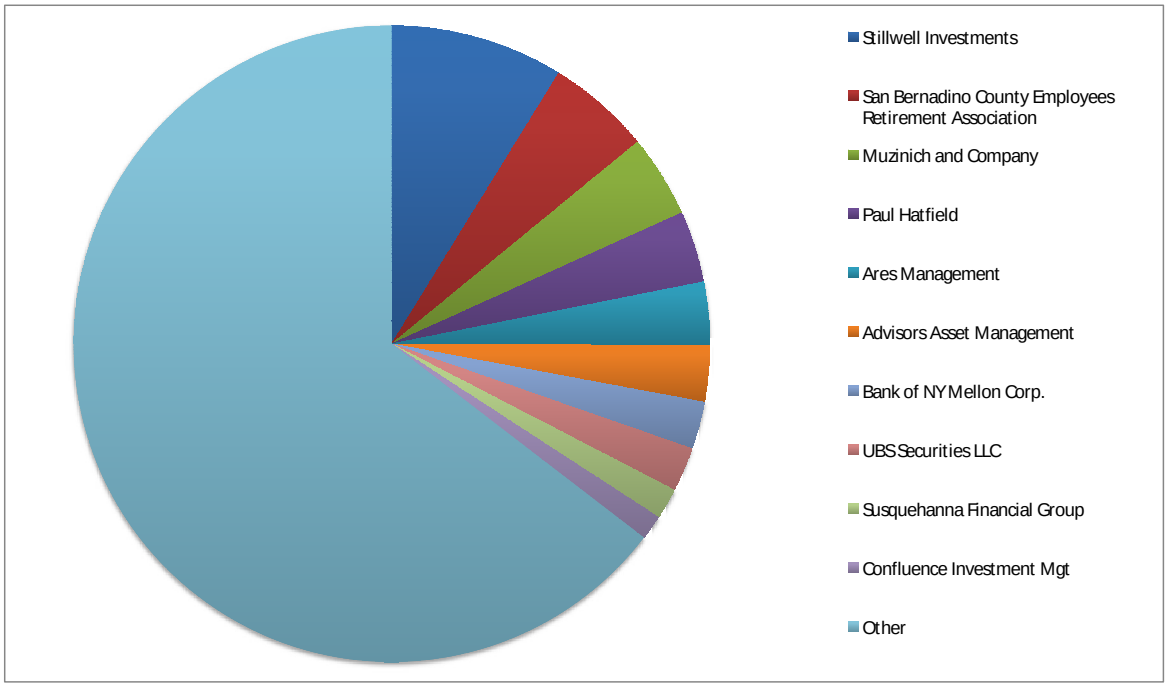
- **Credit risk:** Alcentra could make investments into companies that are not as creditworthy as management believes or some of the investments in its existing portfolio could experience deteriorating fundamental business results. Currently it has Black Diamond Rentals on its watch list.

- **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.

OWNERSHIP



INCOME STATEMENT

Dollars in Millions	2017				2018							
	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18E	30-Sep-18E	31-Dec-17E	2016	2017	2018E	2019E
Non-controlled, non-affiliated investments:												
Interest Income from portfolio investments	$7,004,677	$6,187,702	$5,374,814	$5,350,763	$5,742,386	$5,500,000	$5,500,000	$5,500,000	$25,178,890	$23,917,956	$22,242,386	$22,000,000
Paid in kind int inc. from portfolio investments	348,192	302,190	226,519	279,585	199,650	250,000	250,000	250,000	3,182,683	1,156,486	949,650	900,000
Other income from portfolio investments	609,965	587,782	377,071	653,286	1,507,304	500,000	500,000	500,000	2,475,976	2,228,104	3,007,304	2,000,000
Dividend income from portfolio investments	27,520	29,049	30,661	83,853	30,756	30,756	30,756	30,000	82,777	171,083	122,268	120,000
Non-controlled, affiliated investments:												
Interest income from portfolio investments	251,778	594,972	405,892	66,282	77,453	77,453	77,453	77,453	2,742,054	1,318,924	309,812	300,000
Paid in kind int inc. from portfolio investments	387,036	63,345	609,854	1,149,183	123,126	123,126	123,126	123,126	2,365,373	2,209,418	492,504	400,000
Other income from portfolio investments	-	-	-	-	-	-	-	-	2,352,766	-	-	-
From controlled, affiliated investments:												
Interest income from portfolio investments	405,835	573,069	411,262	275,243	500,890	500,890	500,890	500,890	1,566,173	1,665,409	2,003,560	2,000,000
Paid in kind int inc. from portfolio investments	166,445	-	174,448	343,236	-	-	-	-	655,907	684,129	-	-
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT INCOME	**$9,201,448**	**$8,338,109**	**$7,610,521**	**$8,201,431**	**$8,181,565**	**$6,982,225**	**$6,982,225**	**$6,981,469**	**$40,602,599**	**$33,351,509**	**$29,127,484**	**$27,720,000**
Yr-to-yr growth	-7%	-22%	-17%	-25%	-12%	-18%	-8%	-15%	19.7%	-17.9%	-12.7%	-4.8%
Costs and expenses:												
Management fees	1,249,569	1,229,648	1,230,961	1,265,171	1,234,863	1,047,334	1,047,334	1,047,220	5,209,684	4,975,349	4,376,751	4,595,588
% of Sales	14%	14%	16%	14%	15%	15%	15%	15%	13%	15%	15%	14%
Income-based incentive fee	653,911	-	-	-	-	-	-	-	3,255,167	638,244	-	-
	7%	0%	0%	0%	0%	0%	0%	0%				
Capital gains incentive fees	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	266,339	226,849	368,909	386,618	354,070	354,070	354,070	354,070	1,227,977	1,248,715	1,416,280	1,400,000
Valuation services	101,396	68,345	41,346	103,345	63,971	70,000	40,000	100,000	236,904	314,432	273,971	275,000
Interest and credit facility expense	1,526,907	1,513,067	1,549,462	1,845,488	1,694,887	1,694,887	1,694,887	1,694,887	5,657,154	6,434,924	6,779,548	6,779,548
Amortization of deferred financing costs	285,563	288,048	232,807	106,292	103,981	103,981	103,981	103,981	1,154,343	912,710	415,924	415,924
Director's fees	68,136	74,344	112,281	86,919	96,202	96,202	96,202	96,202	296,809	341,680	384,808	400,000
Insurance expense	64,481	60,102	57,232	57,233	55,988	55,988	55,988	55,988	264,209	239,048	223,952	220,000
Organization expense	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs	98,410	105,418	111,726	158,214	126,694	126,694	126,694	126,694	193,357	473,768	506,776	506,776
Consulting fees	-	-	-	-	305,038	-	-	-			305,038	-
Other expenses	294,120	98,437	223,318	163,045	369,711	369,711	369,711	150,000	697,809	778,920	1,259,133	650,000
TOTAL EXPENSES	4,608,832	3,664,258	3,928,042	4,172,325	4,405,405	3,918,867	3,888,867	3,729,042	18,193,413	16,357,790	15,942,181	15,242,837
Waiver of income-based incentive fee	-	169,524	1,160,896	-	-	-	-	-	-	1,330,420	-	-
NET EXPENSES	**$4,608,832**	**$3,494,734**	**$2,767,146**	**$4,172,325**	**$4,405,405**	**$3,918,867**	**$3,888,867**	**$3,729,042**	**$18,193,413**	**$15,027,370**	**$15,942,181**	**$15,242,837**
NET INVESTMENT INCOME	**$4,592,616**	**$4,843,375**	**$4,843,375**	**$4,029,106**	**$3,776,160**	**$3,063,358**	**$3,093,358**	**$3,252,427**	**$22,409,186**	**$18,324,139**	**$13,185,303**	**$12,477,163**
% Change	-18.1%	-17.9%	1.2%	-34.2%	-17%	-37%	-43%	-19%	16.1%	-18.2%	-28.0%	-5.4%
Adjusted NII/share	**$0.34**	**$0.36**	**$0.34**	**$0.28**	**$0.27**	**$0.22**	**$0.23**	**$0.24**	**$1.66**	**$1.32**	**$0.95**	**$0.91**
% Change	-18%	-19%	-4%	-38%	-21%	-39%	-40%	-16%		**-21%**	**-28%**	**-4%**
Dividend per share	$0.37	$0.34	$0.34	$0.25	$0.18	$0.18	$0.18	$0.18	$1.36	$1.30	$0.72	$0.72
EPS	$0.08	-$0.38	-$0.11	-$0.96	$0.25	$0.22	$0.23	$0.41	$0.65	-$1.37	$0.95	$0.91
NAV/share	$13.43	$12.73	$12.27	$11.06	$11.22	$12.73	$12.27	$12.33	$13.72	$11.06	$11.29	$11.48
Avg shares outstanding	13,438,800	13,612,059	14,245,220	14,245,220	14,198,651	13,753,054	13,700,000	13,700,000	13,496,128	13,928,869	13,837,926	13,700,000

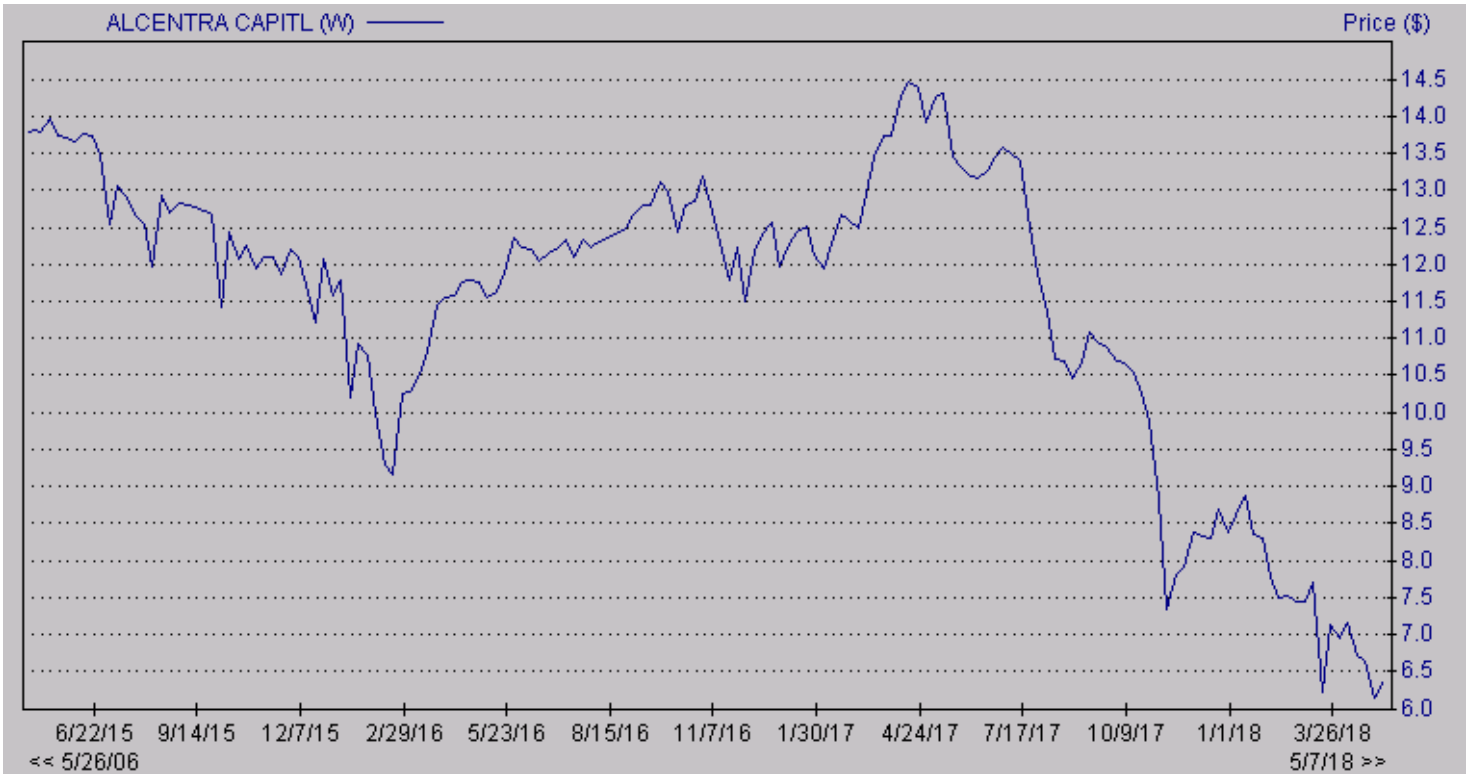
BALANCE SHEET

	March 31, 2018	Dec. 31, 2017	Qtr-Qtr Growth %
ASSETS			
Portfolio investments, at fair value			
Non-controlled, non-affiliated at fair value	235,987,908	252,325,403	-6.5%
Non-controlled, affiliated at fair value	18,721,815	19,972,905	-6.3%
Controlled, affiliated at fair value	15,477,140	15,256,237	1.4%
Cash	13,421,745	13,882,956	-3.3%
Dividends and interest receivable	1,634,770	1,942,300	-15.8%
Receivable for investments sold	644,733	669,733	-3.7%
Deferred financing costs	410,260	514,241	-20.2%
Deferred tax asset	4,932,473	4,934,962	-0.1%
Income tax asset	669,331	748,408	-10.6%
Prepaid expenses and other assets	45,517	79,005	-42.4%
TOTAL ASSETS	291,945,692	310,326,150	-5.9%
LIABILITIES			
Credit facility payable	55,403,273	89,703,273	-38.2%
Notes payable	53,874,529	53,747,835	0.2%
Payable for investments purchased	16,621,902	-	NM
Other accrued expenses and liabiliities	917,732	447,589	105.0%
Directors' fees payable	72,250	68,917	4.8%
Professional fees payable	551,938	548,455	0.6%
Interest and credit facility expense payable	1,527,558	1,248,791	22.3%
Management fee payable	1,234,863	1,265,172	-2.4%
Income-based incentive fees payable	1,294,985	1,294,985	0.0%
Distributions payable	2,560,130	3,561,305	-28.1%
Unearned structuring fee revenue	660,983	725,653	-8.9%
Consulting fees payable	43,149	-	NM
Total Liabilities	134,763,292	152,611,975	-11.7%
NET ASSETS			
Common stock	14,010	14,223	-1.5%
Additional paid-in capital	205,060,309	206,570,701	-0.7%
Accumulated net realized loss	(11,450,970)	(11,436,155)	0.1%
Undistributed net investment income	5,665,152	4,449,122	27.3%
Net unrealized appreciation on investments, net	(42,106,101)	(41,883,716)	0.5%
Total Net Assets	157,182,400	157,714,175	-0.3%
Total Liabilities and Net Assets	291,945,692	310,326,150	-5.9%
Net Asset Value Per Share	**$11.22**	**$11.09**	**1.2%**

CASH FLOW

Cash Flows from Operating Activities	Year 2016	March 31, 2017	June 30, 2017	Sept 30, 2017	Dec 31, 2017	Year 2017	March 31, 2018
Net increase in net assets resulting from operations	$8,789,786	$1,031,078	(5,153,066)	(1,611,484)	(13,368,270)	(19,101,742)	$3,538,960
Adjustments:							
Net realized (gain) loss from portfolio investments	4,281,983	1,049,239	(30,002)	10,405,655	9,999	11,434,891	14,815
Net change in unrealized (appreciation) depreciation of port inves	9,972,997	1,787,483	9,924,134	1,332,138	15,555,115	28,598,870	219,896
Deferred tax asset	117,597	(246,876)	13,423	(5,284,559)	1,847,861	(3,670,151)	2,489
Deferred tax liability	-	-	-	-	-	-	-
Paid in-kind interest income from portfolio investments	(6,203,963)	(901,673)	(365,536)	(1,496,157)	(1,286,667)	(4,050,033)	(322,776)
Accretion of discount on debt securities	(1,225,834)	(980,595)	(438,851)	(219,975)	(266,330)	(1,905,751)	(176,258)
Purchases of portfolio investments	(145,561,983)	(31,193,265)	(24,918,835)	(40,769,787)	(38,626,682)	(135,508,569)	(29,996,191)
Net proceeds from sales/return of capital of portfolio invest.	158,805,461	23,183,083	27,787,780	19,779,150	19,398,984	90,148,997	47,628,196
Amortization of deferred financing costs	1,154,343	285,563	288,048	232,807	106,292	912,710	103,981
Amortization of deferred note offering costs	193,357	98,410	105,418	111,726	158,214	473,768	126,694
(Increase) decrease in operating assets:							
Dividends and interest receivable	(633,435)	1,474,828	695,561	(1,713,624)	841,575	1,298,340	307,530
Receivable for investments sold	(2,139,463)	1,433,730	234,750	(250,000)	51,250	1,469,730	25,000
Due from Limited Partners	-	-	-	-	-	-	-
Deferred note offering cost	-	-	-	-	-	-	-
Income tax asset		(795,587)	223	(877)	47,833	(748,408)	79,077
Prepaid expenses and other assets	12,960	50,128	(158,786)	65,435	64,988	21,765	33,488
Increase (decrease) in operating liabilities:							
Payable for investments purchased	-	71,221	(71,221)	-	-	-	16,621,902
Other accrued expenses and liabilities	10,364	40,499	52,373	102,459	(29,907)	165,424	470,143
Due to affiliate	-	-	-	-	-	-	-
Directors' fees payable	57,975	(14,000)	(8,000)	12,417	(16,500)	(26,083)	3,333
Professional fees payable	(149,466)	85,846	(171,111)	142,678	159,175	216,588	3,483
Interest and credit facility expense payable	194,905	556,184	(431,423)	487,146	(371,243)	240,664	278,767
Management fee payable	(622)	1,249,568	(1,491,034)	70,066	134,981	(36,419)	(30,309)
Capital gains based incentive fee	-	-	-	-	-	-	-
Income-based incentive fees payable	989,864	(222,526)	(538,484)	(15,666)	-	(776,676)	-
Unearned structuring fee revenue	485,742	(64,825)	(59,817)	(50,024)	(275,000)	(449,666)	(64,670)
Income tax	(660,113)	(182,699)	-	-	-	(182,699)	43,149
Net cash used in operating activities	28,492,455	(2,205,186)	5,265,544	(18,670,476)	(15,864,332)	(31,474,450)	38,910,699
Cash Flows from Financing Activities:							
Issuance of common stock			10,853,602	-	-	10,853,602	-
Financing costs paid	(258,269)	(12,000)	(121,858)	(5,286)	-	(139,144)	-
Offering costs paid	(697,432)	(2,357)	(142,689)	(7,999)	(77,826)	(230,871)	-
Proceeds from credit facility payable	116,375,000	30,100,000	16,750,000	27,250,000	43,720,000	117,820,000	12,700,000
Repayments of credit facility payable	(140,746,465)	(22,300,000)	(28,550,000)	(2,600,000)	(13,800,000)	(67,250,000)	(47,000,000)
Proceeds from notes payable	15,000,000	-	-	-	-	-	-
Distributions paid to shareholders	(18,365,033)	(4,586,816)	(4,971,712)	(4,843,374)	(4,843,375)	(19,245,277)	(3,561,305)
Repurchase of common stock	(775,622)	(165,514)	-	-	(176,996)	(342,510)	(1,510,605)
Capital contributions received from partners	-	-	-	-	-	-	-
Cash distributions paid to partners	-	-	-	-	-	-	-
Net cash provided by (used in) financing activities	(29,467,821)	3,033,313	(6,182,657)	19,793,341	24,821,803	41,465,800	(39,371,910)
Increase (decrease) in cash and cash equivalents	(975,366)	828,127	(917,113)	1,122,865	8,957,471	9,991,350	(461,211)
Cash at beginning of period	4,866,972	3,891,606	-	3,802,620	4,925,485	3,891,606	13,882,956
Cash and Cash Equivalents at End of Period	3,891,606	4,719,733	(917,113)	4,925,485	13,882,956	13,882,956	13,421,745
Supplemental and non-cash financing activities:							
Cash paid during the period for interest	5,462,249	970,723	1,944,490	1,062,316	2,216,731	6,194,260	1,416,120
Accrued offering costs	2,485	2,485	-	-	-	2,485	2,485
Accrued distributions payable	4,586,816	4,971,712	(128,337)	-	(1,282,070)	3,561,305	2,560,130

HISTORICAL STOCK PRICE



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