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Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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Alcentra Capital (ABDC-NASDAQ)

ABDC: Alcentra Cleared the Decks in Q4 and Rewrote the Portfolio for Less Risk and Greater Stability

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 9.3% dividend, also trade at a 30% discount to the company's $11.03 NAV (net asset value) / share.

Current Price (03/14/18)	$7.75
Valuation	**$9.00**

SUMMARY DATA

52-Week High	**$14.49**
52-Week Low	**$7.03**
One-Year Return (%)	**-28.9**
Beta	**0.55**
Average Daily Volume (sh)	**50,682**
Shares Outstanding (mil)	**14**
Market Capitalization ($mil)	**$110**
Short Interest Ratio (days)	**1.9**
Institutional Ownership (%)	**34**
Insider Ownership (%)	**5**
Annual Cash Dividend	**$0.72**
Dividend Yield (%)	**9.3**
5-Yr. Historical Growth Rates	
Sales (%)	**36.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**3.5**
P/E using TTM EPS	**5.9**
P/E using 2018 Estimate	**7.3**
P/E using 2019 Estimate	**7.3**
Zacks Rank	**N/A**

Risk Level	**Below Avg.**
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	8.8 E	7.7 E	7.7 E	7.7 E	32.0 E
2019					33.1 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	$0.33 E	$0.25 E	$0.26 E	$0.27 E	$1.10 E
2019					$1.15 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 $288 million portfolio is invested in 29 companies, with 90% in debt and 10% 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 11.3% and the weighted average portfolio company leverage is 3.30 times EBITDA.
- At $7.75, yesterday's close, the shares traded at a **30% discount to the company's $11.03 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, using the new quarterly dividend it 11.4% above the average of 10.8%.
- Three debt investments in the portfolio are now on non-accrual: Southern Technical Institute, Media Storm, 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

Q4 2017 Earnings

For the fourth quarter of 2017, the company reported total investment income of $8.2 million versus $10.9 million last year, a decline of 25%. Adjusted and net investment income was $4.0 million, or $0.28 per share versus $6.1 million and $0.45 per share last year.

Of the 29 portfolio companies had three had write-ups and ten had write-downs during Q4 quarter resulting in a net decrease in net assets of $13.4 million.

Net asset value (NAV) was $157.7 million, or $11.06 per share as of December 31, 2017 versus $13.72 per share, on December 31, 2016. During Q4 the company received proceeds from repayments and

amortizations on investments of $15.7 million and invested $36.8 million, including investments in one new investment, two add-on investments, and one refinancing.

Investments during the quarter were the following:

- On October 19, 2017, Alcentra invested $19.3 million in Cirrus Medical Staffing, Inc. (L + 8.25% first lien secured debt)

- Healthcare Associates of Texas refinanced its 2nd lien debt at 12.25% with 1st lien secured debt at L+8.0%; $15.0 million of additional capital invested.

- Medsurant was loaned an additional $2.5 million of 2nd lien secured debt at 13.0%.

Repayments during the quarter totaled $15.7 million, comprised of: $11.7 million from Nation Safe Drivers' 2nd lien debt (resulting in an MOIC(1) 1.30x) and $4.0 million of Graco Supply's 2nd lien debt (resulting in an MOIC(1) 1.31x.)

SUBSEQUENT EVENTS

In Q1 2018 the following events have already occurred:

- On January 3, 2018
  - Stancor, Inc. First Lien debt was **sold** at par for $4.1 million.
  - IGT First Lien debt was **sold** at par for $7.8 million.
  - $6.0 million of the outstanding Cirrus Medical Staffing First Lien debt was **syndicated.**

- **On January 4, 2018, Alcentra paid a dividend to shareholders of record as of December 29, 2017 of $0.25 per share.**

- On February 1, 2018, Alcentra **funded** an incremental $1.5 million to Healthcare Associates of Texas LLC's revolver commitment.

- On February 15, 2018, Metal Powder Products LLC **repaid** its 2nd Lien debt totaling $8.3 million and a prepayment fee of $0.250 million.

- On February 28, 2018, NextCare Holdings, Inc**. repaid** its 2nd Lien debt totaling $15.9 million and a prepayment fee of $1.1 million.

- On March 2, 2018 Alcentra **invested** $7.0 million in BayMark Health Services (L+8.25 2nd Lien).

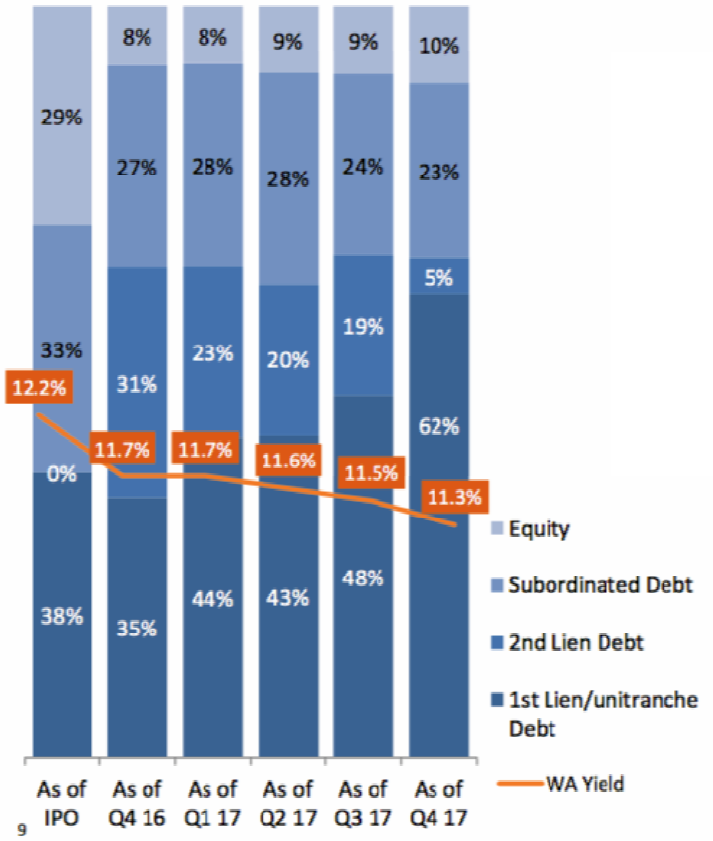
- On March 5, 2018, Alcentra **syndicated** a net $1.2 million of Cirrus Medical Staffing First Lien debt.

- **On March 8, 2018, the Board of Directors approved the 2018 first quarter dividend of $0.18 per share for shareholders of record March 29, 2018 and payable April 4, 2018.**

- On March 12, 2018, Battery Solutions, Inc. **repaid** a portion of its subordinated debt totaling $1.25 million.

So far that totals repayments of $26.2 million generating prepayment fees of $1.325 million.

INVESTMENT PORTFOLIO



On December 31, 2017, $288 million was invested in 29 companies. The portfolio then was 62% senior secured first lien debt, 5% senior secured second lien debt, 23% mezzanine debt, and 10.1% equity investments.

47% of the investments were fixed rate, with the balance floating rate, and the cost of company's average investment was $11.5 million. The value of the largest portfolio company, Healthcare Associates of Texas, 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.

Watch List

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 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.

One company continued on the watch list 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 $6.7 million, down from $10.0 million last quarter. It has an unrealized loss of $6 million. The management team here is actively working to bring back revenues.

Table 1: Investments as of December 31, 2017

Company	Cost	Fair Value	$ Change	% Change
Battery Solutions	7,602,000	7,821,000	219,000	3%
Black Diamond Rentals	**16,194,000**	**11,169,000**	**(5,025,000)**	**-31%**
Carlton Group	22,979,000	23,200,000	221,000	1%
Champion ONE	8,145,000	8,062,000	(83,000)	-1%
Cirrus Medical Staffing	18,511	18,600	89	
Conisus	**12,678,000**	**6,678,000**	**(6,000,000)**	**-47%**
FST Technical Services	15,807,000	15,256,000	(551,000)	-3%
GST AutoLeather	**8,496,000**	**-**	**(8,496,000)**	**-100%**
Healthcare Associates of Texas	23,334,000	23,334,000	-	0%
IGT	9,226,000	8,110,000	(1,116,000)	-12%
Lighting Retrofit International	20,537,000	21,559,000	1,022,000	5%
Lugano	8,016,000	8,484,000	468,000	6%
Media Storm	**2,455,000**	**-**	**(2,455,000)**	**-100%**
Medsurant Holdings, LLC	8,677,000	8,729,000	52,000	1%
Metal Powder Products	8,834,000	9,219,000	385,000	4%
My Alarm Center LLC	5,486,000	4,116,000	(1,370,000)	-25%
NextCare Holdings	15,732,000	15,833,000	101,000	1%
NTI	**15,662,000**	**17,677,000**	**2,015,000**	**13%**
Palmetto Moon	5,792,000	5,709,000	(83,000)	-1%
PharmaLogic	16,094,000	16,122,000	28,000	0%
Pharmalogics Recruiting	9,845,000	9,925,000	80,000	1%
QRC Technologies	10,000,000	10,000,000	-	0%
Safe Security	9,874,000	10,020,000	146,000	1%
Show Media	**7,900,000**	**-**	**(7,900,000)**	**-100%**
Southern Technical Institute	**15,753,000**	**-**	**(15,753,000)**	**-100%**
Stancor	4,106,000	4,106,000	-	0%
Superior Controls	15,176,000	15,579,000	403,000	3%
Tunnel Hill	2,529,000	2,772,000	243,000	10%
Xpress Global Systems	7,692,000	5,474,000	(2,218,000)	-29%
Total	333,128,000	287,555,000	(45,573,000)	-14%

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 $0.18 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 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 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 4.8% discount to share price. There is a wide valuation gap among the BDCs shown in the table below. Alcentra stock currently trades at a higher than average dividend yield of 11.3% versus the average at 10.8%, and the highest discount to NAV.

Company			High	Low				NAV
Alcentra Capital	ABDC	$6.37	$14.73	$7.00	$0.72	11.3%	$11.06	42.4%
Apollo Investment Corp	AINV	5.52	6.82	5.24	$0.60	10.9%	6.60	16.4%
Ares Capital Corp	ARCC	15.73	17.70	15.03	$1.52	9.7%	16.65	5.5%
BlackRock Capital Investm	BKCC	5.91	7.88	5.48	$0.72	12.2%	7.83	24.5%
Fidus Investment Corp.	FDUS	13.22	18.21	12.63	$1.56	11.8%	16.05	17.6%
Garrsion Capital Inc.	GARS	8.40	10.05	7.77	$1.12	13.3%	11.69	28.1%
Gladstone Capital Corp.	GLAD	8.91	10.12	7.80	$0.84	9.4%	8.48	-5.1%
KCAP Financial	KCAP	3.11	4.11	2.91	$0.48	15.4%	4.87	36.1%
Main Street Capital Corp.	MAIN	37.43	41.79	34.37	$2.28	6.1%	23.53	-59.1%
Newtek Business Services	NEWT	18.82	19.40	15.68	$1.60	8.5%	14.40	-30.7%
Triangle Capital Corp.	TCAP	11.68	19.16	8.91	$1.20	10.3%	13.43	13.0%
TriplePoint Venture Growth	TPVG	12.40	14.41	11.12	$1.44	11.6%	13.25	6.4%
Average					$1.21	10.8%	$12.43	4.8%

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.

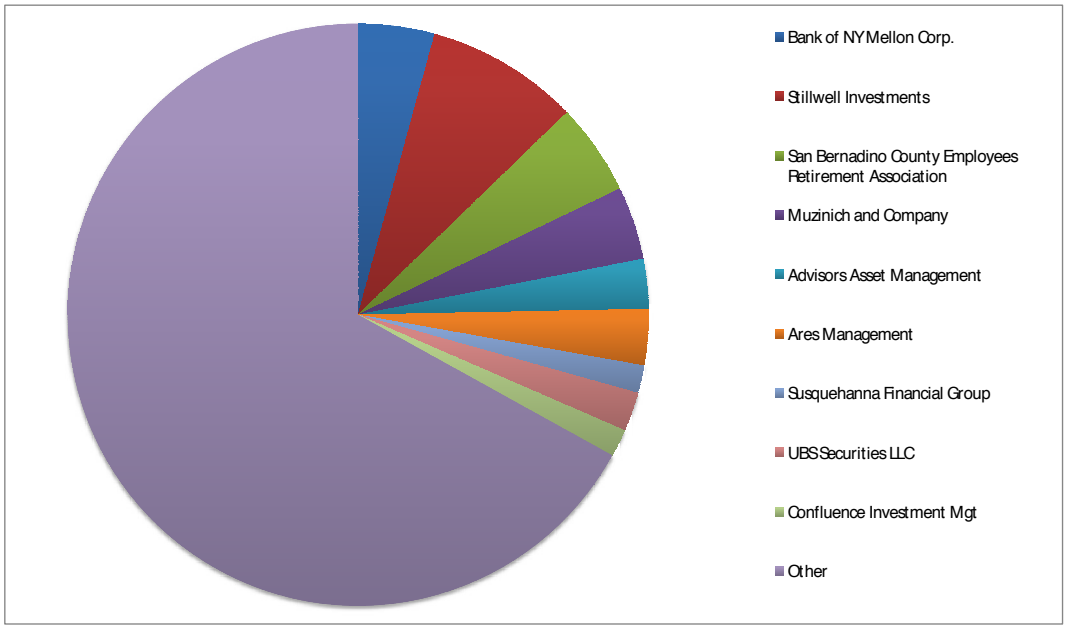
- **Credit risk:** Alcentra could make investments into companies that are not as creditworthy as management believes or some of the investments in its existing portfolio could experience deteriorating fundamental business results. Currently it has Black Diamond Rentals on its watch list.

- **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-18E	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	$5,400,000	$5,400,000	$5,400,000	$5,500,000	$25,178,890	$23,917,956	$21,700,000	$22,785,000
Paid in kind int inc. from portfolio investments	348,192	302,190	226,519	279,585	300,000	250,000	250,000	250,000	3,182,683	1,156,486	1,050,000	1,050,000
Other income from portfolio investments	609,965	587,782	377,071	653,286	1,325,000	250,000	250,000	250,000	2,475,976	2,228,104	2,075,000	2,100,000
Dividend income from portfolio investments	27,520	29,049	30,661	83,853	100,000	100,000	100,000	30,000	82,777	171,083	330,000	330,000
Non-controlled, affiliated investments:												
Interest income from portfolio investments	251,778	594,972	405,892	66,282	65,000	65,000	65,000	65,000	2,742,054	1,318,924	260,000	260,000
Paid in kind int inc. from portfolio investments	387,036	63,345	609,854	1,149,183	1,100,000	1,100,000	1,100,000	1,100,000	2,365,373	2,209,418	4,400,000	4,400,000
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	250,000	250,000	250,000	250,000	1,566,173	1,665,409	1,000,000	1,000,000
Paid in kind int inc. from portfolio investments	166,445	-	174,448	343,236	300,000	300,000	300,000	300,000	655,907	684,129	1,200,000	1,200,000
Other income from portfolio investments	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INVESTMENT INCOME	**$9,201,448**	**$8,338,109**	**$7,610,521**	**$8,201,431**	**$8,840,000**	**$7,715,000**	**$7,715,000**	**$7,745,000**	**$40,602,599**	**$33,351,509**	**$32,015,000**	**$33,125,000**
Yr-to-yr growth	-7%	-22%	-17%	-25%	-4%	-8%	1%	-6%	19.7%	-17.9%	-4.0%	3.5%
Costs and expenses:												
Management fees	1,249,569	1,229,648	1,230,961	1,265,171	1,249,569	1,229,648	1,230,961	1,084,300	5,209,684	4,975,349	4,794,478	5,034,202
% of Sales	14%	14%	16%	14%	14%	14%	16%	14%	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	386,618	386,618	386,618	386,618	1,227,977	1,248,715	1,546,472	1,639,260
Valuation services	101,396	68,345	41,346	103,345	101,396	70,000	40,000	100,000	236,904	314,432	311,396	320,000
Interest and credit facility expense	1,526,907	1,513,067	1,549,462	1,845,488	1,845,488	1,845,488	1,845,488	1,845,488	5,657,154	6,434,924	7,381,952	7,381,952
Amortization of deferred financing costs	285,563	288,048	232,807	106,292	106,292	106,292	106,292	106,292	1,154,343	912,710	425,168	425,168
Director's fees	68,136	74,344	112,281	86,919	90,000	90,000	90,000	90,000	296,809	341,680	360,000	381,600
Insurance expense	64,481	60,102	57,232	57,233	60,000	60,000	60,000	60,000	264,209	239,048	240,000	254,400
Organization expense	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of deferred note offering costs	98,410	105,418	111,726	158,214	158,214	158,214	158,214	158,214	193,357	473,768	632,856	632,856
Other expenses	294,120	98,437	223,318	163,045	150,000	150,000	150,000	150,000	697,809	778,920	600,000	650,000
TOTAL EXPENSES	4,608,832	3,664,258	3,928,042	4,172,325	4,147,577	4,096,260	4,067,573	3,980,912	18,193,413	16,357,790	16,292,322	16,719,438
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**	**$4,147,577**	**$4,096,260**	**$4,067,573**	**$3,980,912**	**$18,193,413**	**$15,027,370**	**$16,292,322**	**$16,719,438**
NET INVESTMENT INCOME	**$4,592,616**	**$4,843,375**	**$4,843,375**	**$4,029,106**	**$4,692,423**	**$3,618,740**	**$3,647,427**	**$3,764,088**	**$22,409,186**	**$18,324,139**	**$15,722,678**	**$16,405,562**
% Change	-18.1%	-17.9%	1.2%	-34.2%	2%	-25%	-30%	-7%	16.1%	-18.2%	-14.2%	4.3%
Adjusted NII/share	**$0.34**	**$0.36**	**$0.34**	**$0.28**	**$0.33**	**$0.25**	**$0.26**	**$0.27**	**$1.66**	**$1.32**	**$1.10**	**$1.15**
% Change	-18%	-19%	-4%	-38%	-3%	-30%	-29%	-6%		**-21%**	**-16%**	**4%**
Dividend per share	$0.37	$0.34	$0.34	$0.25	$0.18	$0.18	$0.18	$0.18	$1.36	$1.30	$1.00	$1.00
EPS	$0.08	-$0.38	-$0.11	-$0.96	$0.42	$0.25	$0.26	$0.41	$0.65	-$1.37	$1.10	$1.15
NAV/share	$13.43	$12.73	$12.27	$11.06	$13.43	$12.73	$12.27	$12.36	$13.72	$11.06	$11.16	$11.32
Avg shares outstanding	13,438,800	13,612,059	14,245,220	14,245,220	14,206,159	14,200,000	14,200,000	14,200,000	13,496,128	13,928,869	14,245,220	14,245,220

CHANGE IN NET ASSETS

Consolidated Statements of Changes in Net Assets	Year End 2017	Year End 2016	Year End 2015
Increase (decrease) in net assets resulting from operations			
Net investment income	18,324,139	22,409,186	19,298,169
Net realized gain (loss) on investments	(11,434,891)	(4,281,983)	2,722,992
Net change in unrealized appreciation (depreciation) on investments	(28,598,870)	(9,972,997)	(11,641,204)
Benefits/(Provision) for taxes on unrealized gain on investments	2,607,880	635,580	2,231,817
Net increase (decrease) in net assets resulting from operations	(19,101,742)	8,789,786	12,611,774
Capital transactions			
Offering costs	-	(165,635)	(186,069)
Issuance of common stock	10,853,602		
Repurchase of common stock (10,509 and 0 shares, respectively)	(342,510)	(775,622)	-
Net increase (decrease) in net assets resulting from capital transactions	10,511,092	(941,257)	(186,069)
Distributions to shareholders from:			
Net investment income	(17,816,654)	(18,351,553)	(18,382,802)
Realized gains	(403,112)	(4,596)	-
Total distributions to shareholders	(18,219,766)	(18,356,149)	(18,382,802)
Total increase (decrease) in net assets	(26,810,416)	(10,507,620)	(5,957,097)
Net assets at beginning of period	184,524,591	195,032,211	200,989,308
Net assets at end of period	157,714,175	184,524,591	195,032,211

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	Dec 31, 2017	Year 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)	(13,368,270)	(19,101,742)
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	9,999	11,434,891
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	15,555,115	28,598,870
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)	1,847,861	(3,670,151)
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)	(1,286,667)	(4,050,033)
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)	(266,330)	(1,905,751)
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)	(38,626,682)	(135,508,569)
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	19,398,984	90,148,997
Amortization of deferred financing costs	867,786	264,630	283,805	299,932	305,976	1,154,343	285,563	288,048	232,807	106,292	912,710
Amortization of deferred note offering costs				-	101,505	193,357	98,410	105,418	111,726	158,214	473,768
(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)	841,575	1,298,340
Receivable for investments sold	4,753	(1,364,550)	-	-	(774,913)	(2,139,463)	1,433,730	234,750	(250,000)	51,250	1,469,730
Due from Limited Partners	-	-	-	-	-	-	-	-	-	-	-
Deferred note offering cost		-	-	-	-	-	-	-	-	-	-
Income tax asset							(795,587)	223	(877)	47,833	(748,408)
Prepaid expenses and other assets	14,658	52,285	(187,560)	74,119	74,116	12,960	50,128	(158,786)	65,435	64,988	21,765
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	(29,907)	165,424
Due to affiliate	-	-	-	-	-	-	-	-	-	-	-
Directors' fees payable	(48,667)	41,975	(6,500)	44,500	(22,000)	57,975	(14,000)	(8,000)	12,417	(16,500)	(26,083)
Professional fees payable	71,705	(183,586)	(62,680)	130,827	(34,027)	(149,466)	85,846	(171,111)	142,678	159,175	216,588
Interest and credit facility expense payable	596,746	442,808	(281,738)	497,584	(463,749)	194,905	556,184	(431,423)	487,146	(371,243)	240,664
Management fee payable	686,545	(13,177)	(5,273)	51,531	(33,703)	(622)	1,249,568	(1,491,034)	70,066	134,981	(36,419)
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)	-	(776,676)
Unearned structuring fee revenue	172,238	114,192	551,077	19,146	(198,673)	485,742	(64,825)	(59,817)	(50,024)	(275,000)	(449,666)
Income tax	797,540	(59,884)	42,972	1,548,517	(2,191,718)	(660,113)	(182,699)	-	-	-	(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)	(15,864,332)	(31,474,450)
Cash Flows from Financing Activities:											
Issuance of common stock								10,853,602	-	-	10,853,602
Financing costs paid	(1,065,147)	(41,302)	(124,736)	(193)	(92,038)	(258,269)	(12,000)	(121,858)	(5,286)	-	(139,144)
Offering costs paid	(1,316,948)	(190,470)	(232,480)	(226,739)	(47,743)	(697,432)	(2,357)	(142,689)	(7,999)	(77,826)	(230,871)
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	43,720,000	117,820,000
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)	(13,800,000)	(67,250,000)
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)	(4,843,375)	(19,245,277)
Repurchase of common stock	-	(115,828)	(189,622)	-	(470,172)	(775,622)	(165,514)	-	-	(176,996)	(342,510)
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	24,821,803	41,465,800
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	8,957,471	9,991,350
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	4,925,485	3,891,606
Cash and Cash Equivalents at End of Period	4,866,972	3,831,847	5,038,752	12,452,893	9,636,254	3,891,606	4,719,733	(917,113)	4,925,485	13,882,956	13,882,956
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	2,216,731	6,194,260
Accrued offering costs	2,485	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)	-	(1,282,070)	3,561,305

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